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HSBC Holdings plc

Overseas Regulatory Announcement

The attached announcement has been released to the other stock exchanges on which HSBC Holdings plc is listed.

The Board of Directors of HSBC Holdings plc as at the date of this announcement are: D J Flint, S T Gulliver, S A Catz[†], L M L Cha[†], M K T Cheung[†], J D Coombe[†], Sir Jonathan Evans[†], J Faber[†], R A Fairhead[†], R Fassbind[†], J W J Hughes-Hallett[†], W S H Laidlaw[†], J P Lipsky[†], J R Lomax[†], I J Mackay and Sir Simon Robertson[†].

[†] Independent non-executive Director

Hong Kong Stock Code: 5

16 December 2013

STATEMENT ON 2013 TRANSPARENCY EXERCISE

HSBC Holdings plc notes the announcements made today by the European Banking Authority ('EBA') and the Prudential Regulation Authority about the EU-wide Transparency Exercise 2013 and fulfilment of the EBA Board of Supervisors decision.

HSBC's consolidated core tier 1 ('CT1') capital under the EBA's published capital definitions and prescribed approach was US\$134bn (€103bn) at 30 June 2013 and the CT1 ratio was 12.1%. Accordingly HSBC exceeds the CT1 capital floor of US\$104bn established in July 2013 by the EBA as part of its recommendations on capital preservation.

The appendices, available at <http://www.hsbc.com/investor-relations/stock-exchange-announcements>, provide further details (based on HSBC's positions as at 31 December 2012 and 30 June 2013) of: (1) The composition of capital based on the EBA's published capital definitions and prescribed approach; (2) Credit risk; (3) Securitisation Exposures; (4) Market Risk; (5) Sovereign exposures – central, regional and local government; and (6) Risk weighted assets.

HSBC will announce its results for the year ending 31 December 2013 on 24 February 2014.

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HSBC Statement on 2013 Transparency Exercise/2

Notes to editors:

1. Background on the EBA 2013 EU-wide transparency exercise

In May 2013, the EBA adjusted the timeline of the next EU-wide stress test so to conduct the exercise in 2014 once the asset quality reviews are completed. However, to ensure transparency and comparability over the years, the EBA's Board of Supervisors ('BoS') decided to provide, in the second half of 2013, appropriate disclosure on the actual exposures of the EU banking sector. In its October meeting the BoS agreed on the form and scope of the transparency exercise to be conducted in November/December 2013 to ensure a sufficient and appropriate level of information for market participants.

The sample of the exercise includes 61 banks and for each of them the following set of information was collected for disclosure:

- I. Composition of capital¹
- II. Composition of RWA by risk type²
- III. Exposures to sovereigns (central, regional and local governments) in EEA³ (direct and indirect exposures by maturity buckets and country)
- IV. Credit risk exposures (defaulted and non-defaulted) and RWAs by country with breakdowns for Institutions, Commercial RE, Retail and Corporate⁴; displayed by regulatory approach (A-IRB, F-IRB, STA)
- V. LTV per portfolio, value adjustments and provisions
- VI. Market risk and securitisation exposures

In addition, banks submitted information on risk parameters (default rates, loss rates, LGD, PDs) by country EAD with breakdowns for Institutions, Commercial RE, Retail and Corporate, (exposures displayed by regulatory approach). This data is not publically disclosed on bank-by-bank basis.

¹ Current capital definition augmented by information in accordance with EBA's capital preservation recommendation.

² Credit risk, market risk, securitisation, other credit risk, operational risk, transitional floors and others

³ For the Recap, only EEA sovereigns have been considered since the purpose was to compute the sovereign buffer.

⁴ Exact breakdown as follows: Central Government, Institutions, Corporates, Retail (of which SMEs, secured by RE property, revolving and others), Equity, Securitisation and other assets.

2. HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,600 offices in 80 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific, North and Latin America, and the Middle East and North Africa. With assets of US\$2,723bn at 30 September 2013, the HSBC Group is one of the world's largest banking and financial services organisations.

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