HSBC Holdings plc

Pillar 3 Disclosures at 31 March 2021

HSBC

Contents

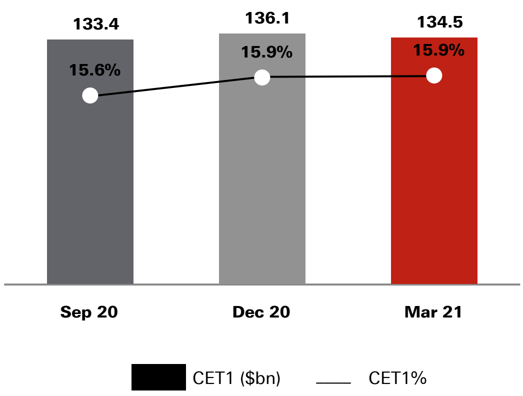
Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. When used in the terms 'shareholders' equity' and 'total shareholders' equity', 'shareholders' means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations '$m' and '$bn' represent millions and billions (thousands of millions) of US dollars respectively.

This document should be read in conjunction with the *Earnings Release 1Q21*, which has been published on our website www.hsbc.com/investors.

Introduction

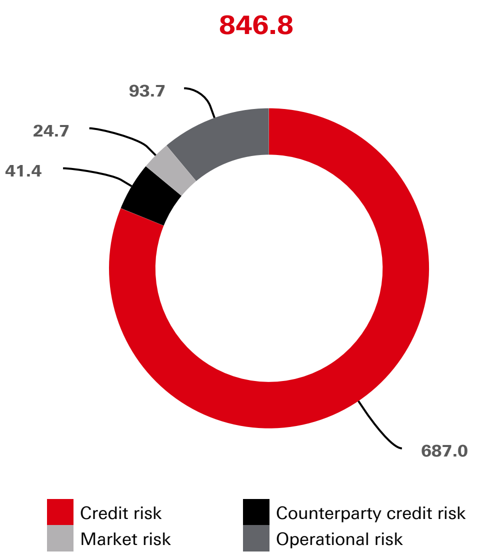
Highlights

Common equity tier 1: $134.5bn and 15.9%[1]



1 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*

Risk-weighted assets by risk type at 31 March 2021 ($bn)



Regulatory framework for disclosures

We are supervised on a consolidated basis in the UK by the Prudential Regulation Authority ('PRA'), which receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Individual banking subsidiaries are directly regulated by their local banking supervisors, which set and monitor their local capital adequacy requirements. In most jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

At a consolidated Group level, capital is calculated for prudential regulatory reporting purposes using the Basel III framework of the Basel Committee on Banking Supervision ('Basel'), as implemented by the European Union ('EU') in the revisions to the Capital Requirements Regulation, as implemented ('CRR II'), and in the PRA Rulebook for the UK banking industry. The regulators of Group banking entities outside the EU are at varying stages of implementing the Basel III framework, so the Group may have been subject to local regulations that were on the basis of the Basel I, II or III frameworks.

The Basel framework is structured around three 'pillars', with the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

Following the end of the transition period following the UK's withdrawal from the EU, any reference to EU regulations and directives, including European Banking Authority ('EBA') technical standards, should be read as a reference to the UK's version of such regulation and/or directive, onshored into UK law under the European Union (Withdrawal) Act 2018, as amended. EU regulations and directives (including EBA technical standards) will continue to be relevant for HSBC's EU subsidiaries.

Pillar 3 disclosures

Our *Pillar 3 Disclosures at 31 March 2021* comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the requirements of CRD IV and associated European guidance. They are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

Our Pillar 3 disclosures are governed by the Group's disclosure policy framework as approved by the Group Audit Committee.

To give insight into movements during the year, we provide comparative figures, commentary of variances and flow tables for capital requirements. In all tables where the term 'capital requirements' is used, this represents the minimum total capital charge set at 8% of risk-weighted assets ('RWAs') by article 92 of the Capital Requirements Regulation. Table name references and row numbering in tables identify those prescribed in the relevant EBA guidelines where applicable and where there is a value.

Where disclosures have been enhanced, or are new, we do not generally restate or provide comparatives. Wherever specific rows and columns in the tables prescribed by the EBA or Basel are not applicable or immaterial to our activities, we omit them and follow the same approach for comparative disclosures.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the *Earnings Release 1Q21* or to other locations.

We continue to engage in the work of the UK authorities and industry associations to improve the transparency and comparability of UK banks' Pillar 3 disclosures.

Regulatory reporting developments

We highlight on page 171 of the Annual Report and Accounts 2020 certain risks to capital and liquidity, including the UK's implementation of amendments to the Capital Requirements Regulation, the Basel III Reforms, and the regulatory impact from the UK's withdrawal from the EU, as well as other regulatory statements. These risks continue to be relevant at 31 March 2021.

The methodology used in the Group consolidated LCR in relation to the treatment of part of the Group's high-quality liquid assets is currently under review. Upon implementation of this revised approach it is anticipated that the Group's consolidated LCR will reduce, although remain within appetite.

There is also a continued focus on the quality of regulatory reporting by the PRA and other regulators globally. We continue to strengthen our processes and controls, including commissioning independent external reviews of various aspects of regulatory reporting. As a result, there may be impacts on some of our regulatory ratios such as the CET1 and LCR. We continue to keep the PRA and other relevant regulators informed of adverse findings from external reviews and our progress in strengthening the control environment.

Key metrics

Key metrics (KM1/IFRS9–FL)[1]

Ref*		Footnotes	At 31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
	Available capital ($bn)						
1	Common equity tier 1 ('CET1') capital	^	**134.5**	136.1	133.4	128.4	125.2
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied		**133.6**	134.9	132.2	127.4	124.5
3	Tier 1 capital	^	**160.2**	160.2	157.4	152.5	149.2
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied		**159.3**	159.0	156.2	151.4	148.5
5	Total capital	^	**183.1**	184.4	181.8	177.2	174.0
6	Total capital as if IFRS 9 transitional arrangements had not been applied		**182.2**	183.2	180.7	176.1	173.3
	Risk-weighted assets ('RWAs') ($bn)						
7	Total RWAs		**846.8**	857.5	857.0	854.6	857.1
8	Total RWAs as if IFRS 9 transitional arrangements had not been applied		**846.1**	856.6	856.6	854.1	856.7
	Capital ratios (%)						
9	CET1	^	**15.9**	15.9	15.6	15.0	14.6
10	CET1 as if IFRS 9 transitional arrangements had not been applied		**15.8**	15.7	15.4	14.9	14.5
11	Tier 1	^	**18.9**	18.7	18.4	17.8	17.4
12	Tier 1 as if IFRS 9 transitional arrangements had not been applied		**18.8**	18.6	18.2	17.7	17.3
13	Total capital	^	**21.6**	21.5	21.2	20.7	20.3
14	Total capital as if IFRS 9 transitional arrangements had not been applied		**21.5**	21.4	21.1	20.6	20.2
	Additional CET1 buffer requirements as a percentage of RWAs (%)						
	Capital conservation buffer requirement		**2.50**	2.50	2.50	2.50	2.50
	Countercyclical buffer requirement		**0.21**	0.21	0.22	0.20	0.22
	Bank G-SIB and/or D-SIB additional requirements		**2.00**	2.00	2.00	2.00	2.00
	Total bank CET1 specific buffer requirements		**4.71**	4.71	4.72	4.70	4.72
	Total capital requirement (%)	2					
	Total capital requirement		**11.0**	11.0	11.1	11.1	11.0
	CET1 available after meeting the bank's minimum capital requirements		**9.7**	9.7	9.3	8.8	8.4
	Leverage ratio	3					
15	Total leverage ratio exposure measure ($bn)	^	**2,930.2**	2,897.1	2,857.4	2,801.4	2,782.7
16	Leverage ratio (%)	^	**5.4**	5.5	5.4	5.3	5.3
17	Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)		**5.4**	5.4	5.4	5.3	5.2
	Liquidity coverage ratio ('LCR')	4					
	Total high-quality liquid assets ($bn)		**695.1**	677.9	654.2	654.4	617.2
	Total net cash outflow ($bn)		**487.0**	487.3	446.3	442.9	395.0
	LCR ratio (%)		**142.7**	139.1	146.6	147.8	156.3

* *The references in this table and other tables within this section identify the lines prescribed in the relevant EBA template where applicable and where there is a value.*

^ *Figures have been prepared on an IFRS 9 transitional basis.*

1 *Where applicable, our reporting throughout this document also reflects government relief schemes intended to mitigate the impact of the Covid-19 outbreak.*

2 *Total capital requirement is defined as the sum of Pillar 1 and Pillar 2A capital requirements set by the UK PRA. The minimum requirements represent the total capital requirement to be met by CET1.*

3 *Leverage ratio is calculated using the CRR II end point basis for capital.*

4 *The EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation do not apply to liquidity coverage measures. LCR is calculated as at the end of each period rather than using average values. For further details, refer to page 176 of the* Annual Report and Accounts 2020.

We have adopted the regulatory transitional arrangements in CRR II for IFRS 9, including paragraph four of article 473a. These transitional arrangements permit banks to add back to their capital base a proportion of the impact that IFRS 9 has upon their loan loss allowances during the first five years of use. The impact is defined as:

- the increase in loan loss allowances on day one of IFRS 9 adoption; and
- any subsequent increase in expected credit losses ('ECL') in the non-credit-impaired book thereafter.

Any add-back must be tax affected and accompanied by a recalculation of exposure and RWAs. The impact is calculated separately for portfolios using the standardised ('STD') and internal ratings-based ('IRB') approaches. For IRB portfolios, there is no add-back to capital unless loan loss allowances exceed regulatory 12-month expected losses.

The EU's CRR 'Quick Fix' relief package enacted in June 2020 increased from 70% to 100% the relief that banks may take for loan loss allowances recognised since 1 January 2020 on the non-credit-impaired book.

In the current period, the add-back to the capital base amounted to $1.2bn under the STD approach with a tax impact of $0.3bn.

Capital

Approach and policy

Our approach to capital management is driven by our strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. We aim to maintain a strong capital base to support the risks inherent in our business and invest in accordance with our strategy, meeting both consolidated and local regulatory capital requirements at all times.

A list of the main features of our capital instruments in accordance with Annex III of Commission Implementing Regulation 1423/2013 is also published on our website with reference to our balance sheet on 31 December 2020. This is in addition to the full terms and conditions of our securities, also available on our website.

For further details of our approach to capital risk management, see page 169 of the Annual Report and Accounts 2020.

Own funds disclosure

		At	
		31 Mar	31 Dec
		2021	2020
Ref		**$m**	$m
6	Common equity tier 1 capital before regulatory adjustments	**164,393**	165,479
28	Total regulatory adjustments to common equity tier 1	**(29,912)**	(29,429)
29	**Common equity tier 1 capital**	**134,481**	136,050
36	Additional tier 1 capital before regulatory adjustments	**25,775**	24,183
43	Total regulatory adjustments to additional tier 1 capital	**(60)**	(60)
44	**Additional tier 1 capital**	**25,715**	24,123
45	**Tier 1 capital**	**160,196**	160,173
51	Tier 2 capital before regulatory adjustments	**24,366**	25,722
57	Total regulatory adjustments to tier 2 capital	**(1,445)**	(1,472)
58	**Tier 2 capital**	**22,921**	24,250
59	**Total capital**	**183,117**	184,423

At 31 March 2021, our our common equity tier 1 ('CET1') ratio of 15.9% was unchanged from 31 December 2020, reflecting a decrease in RWAs, offset by a fall in CET1 capital during the quarter by $1.6bn. The fall in CET1 was mainly as a result of:

- a $1.2bn decrease in fair value through other comprehensive income reserves due to increasing yields;
- a fall of $1.1bn due to foreign currency translation differences;
- an increase of $1.0bn in deductions for significant investments in financial sector entities and intangible assets;
- a $0.7bn decrease in the IFRS 9 transitional add-back and a $0.3bn higher deduction for excess expected loss; and
- a $0.8bn foreseeable dividend deduction, which is a quarter of the 2020 dividend. This will be adjusted during the rest of 2021 based on various factors, including regulatory guidance.

This decrease in CET1 capital was partly offset by capital generation of $3.5bn through profits net of dividends paid on other equity instruments.

In 2020, a higher prudential valuation adjustment ('PVA') diversification benefit was temporarily allowed by the regulators. This ended on 1 January 2021, with the benefit reverting to 50%. The subsequent impact was partly offset by other underlying changes to PVA.

Risk-weighted assets

Overview of RWAs (OV1)

Ref		31 Mar 2021 RWAs $bn	31 Dec 2020 RWAs $bn	31 Mar 2021 Capital requirement[1] $bn
1	**Credit risk (excluding counterparty credit risk)**	**630.6**	634.6	**50.4**
2	– standardised approach	**113.4**	112.1	**9.1**
3	– foundation internal ratings based ('IRB') approach	**101.0**	103.5	**8.1**
4	– advanced IRB approach	**416.2**	419.0	**33.2**
6	**Counterparty credit risk**	**41.4**	42.8	**3.3**
7	– mark-to-market	**22.0**	21.7	**1.7**
10	– internal model method ('IMM')	**15.7**	17.4	**1.3**
11	– risk exposure amount for contributions to the default fund of a central counterparty	**0.5**	0.6	**—**
12	– credit valuation adjustment	**3.2**	3.1	**0.3**
13	**Settlement risk**	**—**	—	**—**
14	**Securitisation exposures in the non-trading book**	**9.5**	10.2	**0.8**
14a	– internal ratings-based approach ('SEC-IRBA')	**2.0**	2.0	**0.2**
14b	– external ratings-based approach ('SEC-ERBA')	**3.3**	3.6	**0.3**
14c	– internal assessment approach ('IAA')	**1.6**	1.9	**0.1**
14d	– standardised approach ('SEC-SA')	**2.6**	2.7	**0.2**
19	**Market risk**	**24.7**	28.5	**2.0**
20	– standardised approach	**7.2**	8.6	**0.6**
21	– internal models approach ('IMA')	**17.5**	19.9	**1.4**
23	**Operational risk**	**93.7**	94.3	**7.5**
25	– standardised approach	**93.7**	94.3	**7.5**
27	**Amounts below the thresholds for deduction (subject to 250% risk-weight)**	**46.9**	47.1	**3.8**
29	**Total**	**846.8**	857.5	**67.8**

1 *'Capital requirement' in this and subsequent tables represents the minimum capital charge set at 8% of RWAs by article 92 of the Capital Requirements Regulation.*

The quarter-on-quarter movements in the table above are described by risk type in the following comments.

Credit risk (including amounts below the thresholds for deduction)

Excluding a decrease due to foreign currency translation differences of $4.1bn, RWAs fell by $0.1bn.

A $5.3bn increase in RWAs due to asset size movements was largely caused by higher sovereign and money market exposures in Corporate Centre, corporate loan growth in Asia under Commercial Banking ('CMB'), and an increase in short-term lending to Wealth and Personal Banking customers in Hong Kong. These increases were partly offset by reductions in Global Banking and Markets ('GBM') RWAs, largely due to management actions in Europe, North America and Asia.

A decrease of $2.9bn was due to changes in asset quality. The decrease was mostly caused by favourable portfolio mix changes in North America and Asia, partly offset by credit rating migration in Hong Kong and Europe.

Changes to methodology and policy led to an RWA decrease of $2.3bn. This was mostly the result of risk parameter refinements in GBM and CMB, mainly in Europe and Asia.

Counterparty credit risk

Counterparty credit risk (including settlement risk) RWAs decreased by $1.4bn, largely due to management initiatives in Europe and North America, and mark-to-market movements across all regions.

Securitisation

Securitisation RWAs decreased by $0.7bn, primarily due to asset size reduction, mostly in Europe and North America.

Market risk

Market risk RWAs decreased by $3.8bn. A $2.9bn asset size reduction included the effects of risk mitigation actions on the emerging markets bond portfolio and a fall in foreign exchange risk. A further $1.2bn fall in RWAs followed the recent implementation of a model for an options portfolio.

Operational risk

Operational risk RWAs fell by $0.6bn due to foreign currency translation differences.

RWAs by geographical region

	Footnotes	Europe $bn	Asia $bn	MENA $bn	North America $bn	Latin America $bn	Total $bn
Credit risk		**204.1**	**313.0**	**50.0**	**94.5**	**25.4**	**687.0**
Counterparty credit risk		**23.3**	**10.7**	**1.2**	**4.8**	**1.4**	**41.4**
Market risk	1	**18.2**	**18.5**	**2.4**	**4.8**	**1.2**	**24.7**
Operational risk		**25.9**	**44.9**	**6.2**	**11.7**	**5.0**	**93.7**
At 31 Mar 2021		**271.5**	**387.1**	**59.8**	**115.8**	**33.0**	**846.8**

1 *RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.*

RWA movement by geographical region by key driver

	Credit risk, counterparty credit risk and operational risk						
	Europe	Asia	MENA	North America	Latin America	Market risk	Total RWAs
	$bn	$bn	$bn	$bn	$bn	$bn	$bn
RWAs at 1 Jan 2021	**260.8**	**363.3**	**57.8**	**113.1**	**34.0**	**28.5**	**857.5**
Asset size	(5.4)	8.0	0.3	1.5	(0.9)	(2.9)	0.6
Asset quality	0.4	0.5	(0.1)	(3.8)	—	—	(3.0)
Model updates	—	—	(0.1)	(0.1)	—	(1.2)	(1.4)
Methodology and policy	(1.6)	(0.8)	—	(0.1)	—	0.3	(2.2)
Foreign exchange movements	(0.9)	(2.4)	(0.5)	0.4	(1.3)	—	(4.7)
Total RWA movement	(7.5)	5.3	(0.4)	(2.1)	(2.2)	(3.8)	(10.7)
RWAs at 31 Mar 2021	**253.3**	**368.6**	**57.4**	**111.0**	**31.8**	**24.7**	**846.8**

RWA flow statements of credit risk exposures under IRB approach[1] (CR8)

Ref		RWAs	Capital requirement
		$bn	$bn
1	**RWAs at 1 Jan 2021**	**522.5**	**41.8**
2	Asset size	2.0	0.2
3	Asset quality	(3.3)	(0.3)
5	Methodology and policy	(1.5)	(0.1)
7	Foreign exchange movements	(2.5)	(0.3)
9	**RWAs at 31 Mar 2021**	**517.2**	**41.3**

1 *Securitisation positions are not included in this table.*

Excluding a fall of $2.5bn due to foreign currency translation differences, RWAs under the IRB approach decreased by $2.8bn. Asset size increases of $2.0bn were primarily due to higher corporate lending and money market exposures in Asia, partly offset by reductions due to management actions, largely in GBM in Europe, North America and Asia.

A decrease of $3.3bn due to changes in asset quality was driven by portfolio mix changes, mostly in North America, Asia and Europe, partly offset by credit rating migration in Hong Kong and Europe.

Changes in methodology and policy led to a $1.5bn fall in RWAs. This was mostly the result of risk parameter refinements, mainly in Europe.

RWA flow statements of counterparty credit risk exposures under the IMM (CCR7)

Ref		RWAs	Capital requirement
		$bn	$bn
1	**RWAs at 1 Jan 2021**	**19.8**	**1.6**
2	Asset size	(1.3)	(0.1)
3	Asset quality	0.1	—
5	Methodology and policy	(0.3)	—
9	**RWAs at 31 Mar 2021**	**18.3**	**1.5**

RWAs under the internal model method decreased by $1.5bn in 1Q21. A $1.3bn decrease in RWAs from asset size movements was driven mainly by management initiatives in Europe and North America, and mark-to-market movements across all regions.

A $0.3bn decrease was due to changes to methodology and policy, mostly risk parameter refinements. Asset quality changes led to a $0.1bn increase in RWAs, mainly due to credit rating migration on derivative transactions in Europe and Asia.

RWA flow statements of market risk exposures under the IMA (MR2–B)

Ref		VaR	Stressed VaR	IRC	Other	Total RWAs	Capital requirement
		$bn	$bn	$bn	$bn	$bn	$bn
1	**RWAs at 1 Jan 2021**	**5.4**	**6.3**	**6.1**	**2.1**	**19.9**	**1.6**
2	Movement in risk levels	0.4	0.2	(1.5)	(0.3)	(1.2)	(0.1)
3	Model updates/changes	(0.5)	(0.5)	—	(0.2)	(1.2)	(0.1)
8	**RWAs at 31 Mar 2021**	**5.3**	**6.0**	**4.6**	**1.6**	**17.5**	**1.4**

RWAs under the internal models approach decreased by $2.4bn. A $1.2bn fall in risk levels was mainly due to the effects of risk mitigation actions on the emerging markets bond portfolio.

Model updates caused a $1.2bn decrease in RWAs, which included the effects of the recent implementation of a model for an options portfolio.

Minimum requirement for own funds and eligible liabilities

A requirement for total loss-absorbing capacity ('TLAC'), as defined in the final standards adopted by the Financial Stability Board, came into effect on 1 January 2019. In the EU and the UK, TLAC requirements were implemented via CRR II, which came into force in June 2019 and included a framework on minimum requirement for own funds and eligible liabilities ('MREL').

MREL includes own funds and liabilities that can be written down or converted into capital resources in order to absorb losses or recapitalise a bank in the event of its failure.

The framework is complemented with disclosure requirements.

As the specific UK format for disclosure is yet to be agreed, the disclosures are based on the formats provided in the Basel Standards for Pillar 3 disclosures requirements.

In line with our existing structure and business model, we have three resolution groups – namely the European resolution group, the Asian resolution group and the US resolution group. Smaller entities outside these resolution groups can be separately resolved.

The following tables summarise key metrics for each of the Group's three resolution groups. Fully loaded values and ratios are calculated without applying any regulatory transitional arrangements for ECL that may be available to the resolution group.

Key metrics of the European resolution group[1] (KM2)

		At				
		31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
1	Total loss absorbing capacity ('TLAC') available ($bn)	**97.3**	97.9	96.9	94.3	98.5
1a	Fully loaded ECL accounting model TLAC available ($bn)	**97.3**	97.8	96.8	94.2	98.4
2	Total RWAs at the level of the resolution group ($bn)	**290.3**	302.5	298.5	295.7	299.6
3	TLAC as a percentage of RWA (row1/row2) (%)	**33.5**	32.4	32.5	31.9	32.9
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**33.5**	32.3	32.4	31.9	32.8
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,285.2**	1,265.2	1,219.0	1,166.3	1,163.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**7.6**	7.7	7.9	8.1	8.5
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**7.6**	7.7	7.9	8.1	8.5
6a	Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

Key metrics of the Asian resolution group[2] (KM2)

		At				
		31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
1	Total loss absorbing capacity ('TLAC') available ($bn)	**96.9**	102.2	101.6	99.8	96.0
1a	Fully loaded ECL accounting model TLAC available ($bn)	**96.9**	102.2	101.6	99.8	96.0
2	Total RWAs at the level of the resolution group ($bn)	**387.3**	381.4	390.8	379.7	374.8
3	TLAC as a percentage of RWA (row1/row2) (%)	**25.0**	26.8	26.0	26.3	25.6
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**25.0**	26.8	26.0	26.3	25.6
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,143.3**	1,121.8	1,116.3	1,092.4	1,055.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**8.5**	9.1	9.1	9.1	9.1
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**8.5**	9.1	9.1	9.1	9.1
6a	Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

Key metrics of the US resolution group[3] (KM2)

		At				
		31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020
1	Total loss absorbing capacity ('TLAC') available ($bn)	**29.5**	30.2	30.5	30.4	30.5
1a	Fully loaded ECL accounting model TLAC available ($bn)	**29.5**	30.1	30.5	30.3	30.4
2	Total RWAs at the level of the resolution group ($bn)[4]	**112.4**	115.4	119.8	127.2	140.4
3	TLAC as a percentage of RWA (row1/row2) (%)[4]	**26.2**	26.2	25.5	23.9	21.7
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%))[4]	**26.2**	26.1	25.5	23.8	21.7
4	Leverage exposure measure at the level of the resolution group ($bn)	**257.7**	273.1	297.0	306.0	367.1
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**11.4**	11.1	10.3	9.9	8.3
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**11.4**	11.0	N/A	N/A	N/A
6a	Does the subordination exemption in the antepenultimate paragraph of section 11 of the FSB TLAC term sheet apply?	**No**	No	No	No	No
6b	Does the subordination exemption in the penultimate paragraph of section 11 of the FSB TLAC term sheet apply?	**No**	No	No	No	No
6c	If the capped subordination exemption applies, the amount of funding issued that ranks *pari passu* with excluded liabilities and that is recognised as external TLAC, divided by funding issued that ranks *pari passu* with excluded liabilities and that would be recognised as external TLAC if no cap was applied (%)	**N/A**	N/A	N/A	N/A	N/A

1 *The European resolution group reports in accordance with the applicable provisions of the Capital Requirements Regulation as amended by CRR II. Unless otherwise stated, all figures are calculated using the EU's regulatory transitional arrangements for IFRS 9 in article 473a of the Capital Requirements Regulation.*
2 *Reporting for the Asian resolution group follows the Hong Kong Monetary Authority regulatory rules. For the Asian resolution group, there are no IFRS 9 transitional arrangements.*
3 *The US accounting standard for current expected credit losses corresponding to IFRS 9 has been effective since 31 March 2020 with transitional adjustments. Leverage exposure and ratio are calculated under the US supplementary leverage ratio rules with Covid-19 relief (reducing on-balance sheet assets by US Treasury securities and deposits at the US Federal Reserve Board).*
4 *The treatment of collateral in RWA calculations in the US resolution group has been revised. Data at 31 December 2020 have been restated to be on a consistent basis with the current year.*

For further details on the Group's MREL and resolution groups, refer to page 20 of the Group's Pillar 3 Disclosures at 31 December 2020 *document.*

Cautionary statement regarding forward-looking statements

This *Pillar 3 1Q21* contains certain forward-looking statements with respect to HSBC's financial condition; results of operations and business, including the strategic priorities; and financial, investment and capital targets.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, information, data, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made. HSBC makes no commitment to revise or update any forward-looking statements to reflect events or circumstances occurring or existing after the date of any forward-looking statements.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment and creditworthy customers beyond those factored into consensus forecasts (including, without limitation, as a result of the Covid-19 pandemic); the Covid-19 pandemic, which is expected to continue to have adverse impacts on our income due to lower lending and transaction volumes, lower wealth and insurance manufacturing revenue, and lower or negative interest rates in markets where we operate, as well as, more generally, the potential for material adverse impacts on our financial condition, results of operations, prospects, liquidity, capital position and credit ratings; deviations from the market and economic assumptions that form the basis for our ECL measurements (including, without limitation, as a result of the Covid-19 pandemic or the UK's exit from the EU); potential changes in dividend policy; changes in foreign exchange rates and interest rates, including the accounting impact resulting from financial reporting in respect of hyperinflationary economies; volatility in equity markets; lack of liquidity in wholesale funding or capital markets, which may affect our ability to meet our obligations under financing facilities or to fund new loans, investments and businesses; geopolitical tensions or diplomatic developments producing social instability or legal uncertainty, such as the unrest in Hong Kong, the continuing US-China tensions and the emerging challenges in UK-China relations, which in turn may affect demand for our products and services and could result in (among other things) regulatory, reputational and market risks for HSBC; the efficacy of government, customer, and HSBC's actions in managing and mitigating climate change and in supporting the global transition to net zero carbon emissions, which may cause both idiosyncratic and systemic risks resulting in potential financial and non-financial impacts; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status of public or private defined benefit pensions; societal shifts in customer financing and investment needs, including consumer perception as to the continuing availability of credit; exposure to counterparty risk, including third parties using us as a conduit for illegal activities without our knowledge; the expected discontinuation of certain key Ibors and the development of near risk-free benchmark rates, which may result in (among other things) regulatory compliance, legal, conduct, financial, resilience and operational risks for HSBC; and price competition in the market segments we serve;

- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities in the principal markets in which we operate and the consequences thereof (including, without limitation, actions taken as a result of the Covid-19 pandemic); initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks, which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; changes to tax law and tax rates; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; the UK's exit from the EU, which may result in a prolonged period of uncertainty, unstable economic conditions and market volatility, including currency fluctuations; the imposition of a number of sanctions and trade restrictions by China and the US, including the US Hong Kong Autonomy Act, which continues to cause tensions between China and the US; general changes in government policy that may significantly influence investor decisions; the costs, effects and outcomes of regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques); our ability to achieve our financial, investment, capital and ESG targets/commitments that we set or adhere to, which may result in our failure to achieve any of the expected benefits of our strategic priorities; model limitations or failure, including, without limitation, the impact that the consequences of the Covid-19 pandemic have had on the performance and usage of financial models, which may require us to hold additional capital, incur losses and/or use compensating controls, including management judgemental adjustments based on the expert judgement of senior credit risk managers to address model limitations; changes to the judgements, estimates and assumptions we base our financial statements on; changes in our ability to meet the requirements of regulatory stress tests; a reduction in the credit ratings assigned to us or any of our subsidiaries, which could increase the cost or decrease the availability of our funding and affect our liquidity position and net interest margin; changes to the reliability and security of our data management, data privacy, information and technology infrastructure, including threats from cyber-attacks, which may impact our ability to service clients and may result in financial loss, business disruption and/or loss of customer services and data; changes in insurance customer behaviour and insurance claim rates; our dependence on loan payments and dividends from subsidiaries to meet our obligations; changes in accounting standards, which may have a material impact on the way we prepare our financial statements; changes in our ability to manage third-party, fraud and reputational risks inherent in our operations; employee misconduct, which may result in regulatory sanctions and/or reputational or financial harm; changes in skill requirements, ways of working and talent shortages, which may affect our ability to recruit and retain senior management and diverse and skilled personnel; and changes in our ability to develop sustainable finance products and our capacity to measure the climate impact from our financing activity, which may affect our ability to achieve our climate ambition. Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; and our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Top and emerging risks' on pages 110 to 115 of the *Annual Report and Accounts 2020.*

Abbreviations

$	United States dollar
A	
AIRB[1]	Advanced internal ratings based approach
ALCM	Asset, Liability and Capital Management
AT1 capital	Additional tier 1 capital
AVA	Additional value adjustment
B	
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
C	
CCR[1]	Counterparty credit risk
CCyB[1]	Countercyclical capital buffer
CECL	Current expected credit losses
CET1[1]	Common equity tier 1
CMB	Commercial Banking, a global business
CRD IV[1]	Capital Requirements Regulation and Directive
CRM[1]	Credit risk mitigation/mitigant
CRR[1]	Customer risk rating
CRR II	Revised Capital Requirements Regulation, as implemented
CVA[1]	Credit valuation adjustment
D	
D-SIB	Domestic systemically important bank
E	
EAD[1]	Exposure at default
EBA	European Banking Authority
EC	European Commission
ECL[1]	Expected credit losses. In the income statement, ECL is recorded as a change in expected credit losses and other credit impairment charges. In the balance sheet, ECL is recorded as an allowance for financial instruments to which only the impairment requirements in IFRS 9 are applied
EEA	European Economic Area
EL[1]	Expected loss
EU	European Union
F	
FCA	Financial Conduct Authority (UK)
FIRB[1]	Foundation internal ratings based approach
FPC[1]	Financial Policy Committee (UK)
FRTB	Fundamental Review of the Trading book
FSB	Financial Stability Board
G	
GAC	Group Audit Committee
GBM	Global Banking and Markets, a global business
GEC	Group Executive Committee
GRC	Group Risk Committee
Group	HSBC Holdings together with its subsidiary undertakings
G-SIB[1]	Global systemically important bank
G-SII	Global systemically important institution
H	
HKMA	Hong Kong Monetary Authority
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China
HQLA	High-quality liquid assets
HSBC	HSBC Holdings together with its subsidiary undertakings
I	
IAA	Internal assessment approach
IFRSs	International Financial Reporting Standards
ILAA	Individual liquidity adequacy assessment
IMA[1]	Internal models approach
IMM[1]	Internal model method
IRB[1]	Internal ratings-based approach
IRC	Incremental risk charge
IRRBB	Interest rate risk in the banking book
L	
LCR[1]	Liquidity coverage ratio
LGD[1]	Loss given default
M	
MENA	Middle East and North Africa
Moody's	Moody's Investor Service
MPE	Multiple point of entry
MREL	Minimum requirements for own funds and eligible liabilities
N	
NCOA	Non-credit obligation asset
NPL	Non-performing loans
O	
OTC[1]	Over-the-counter
P	
PD[1]	Probability of default
PRA[1]	Prudential Regulation Authority (UK)
PVA	Prudent valuation adjustment
Q	
QCCP	Qualifying Central Counterparty
R	
Retail IRB[1]	Retail internal ratings based approach
RMM	Group Risk Management Meeting
RNIV	Risks not in VaR
RWA[1]	Risk-weighted asset
S	
SA/STD[1]	Standardised approach
SA-CCR	Standardised approach for counterparty credit risk
SFT	Securities Financing Transactions
SME	Small and medium-sized enterprise
SPE[1]	Special Purpose Entity
SRB[1]	Systemic Risk Buffer
T	
TLAC[1]	Total loss absorbing capacity
T1 capital[1]	Tier 1 capital
T2 capital[1]	Tier 2 capital
U	
UK	United Kingdom
US	United States
V	
VaR[1]	Value at risk
W	
WPB	Wealth and Personal Banking, a global business

1 *Full definition included in the Glossary published on HSBC website www.hsbc.com.*

Contacts

Enquiries relating to HSBC's strategy or operations may be directed to:

Richard O'Connor
Global Head of Investor Relations
HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom

Telephone: +44 (0) 20 7991 6590

Email: investorrelations@hsbc.com

Mark Phin
Head of Asia Pacific Investor Relations
The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Telephone: +852 2822 4908

Email: investorrelations@hsbc.com.hk

HSBC Holdings plc

8 Canada Square
London E14 5HQ
United Kingdom
Telephone: 44 020 7991 8888
www.hsbc.com
Incorporated in England with limited liability
Registered number 617987