HSBC Holdings plc

Pillar 3 Disclosures at 30 September 2021

HSBC

Contents

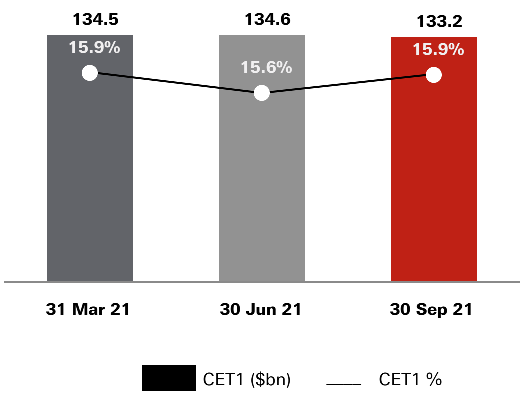
Unless the context requires otherwise, 'HSBC Holdings' means HSBC Holdings plc and 'HSBC', the 'Group', 'we', 'us' and 'our' refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong 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 3Q21*, which has been published on our website at www.hsbc.com/investors.

Introduction

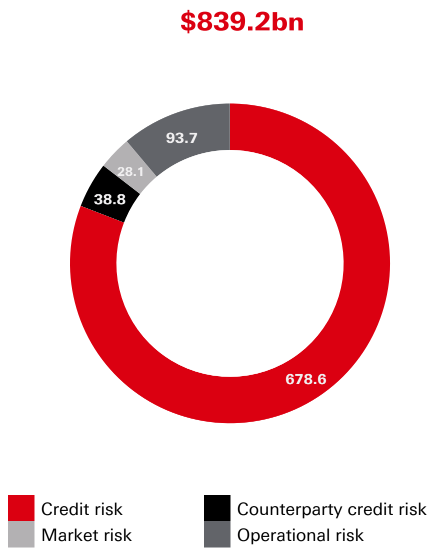
Highlights

Common equity tier 1: $133.2bn 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 30 September 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.

All European legislation that was in place on 31 December 2020 was onshored into UK law, subject to certain amendments. The PRA granted a transitional provision to allow the delay of implementation of those changes, subject to certain exemptions, until 31 March 2022.

Therefore, in our disclosures, following the end of the transition period that followed 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) continue to be relevant for HSBC's EU subsidiaries. Of these, HSBC Continental Europe and HSBC Malta qualify as large institutions and must publish information in accordance with recently introduced CRR II disclosures. To satisfy these requirements, their key metrics are reported in the section 'Selected EU subsidiary key metrics' on pages 9 to 10.

Pillar 3 disclosures

Our *Pillar 3 Disclosures at 30 September 2021* comprises both quantitative and qualitative information required under Pillar 3. These disclosures are made in accordance with the requirements of the Capital Requirements Regulation and Directive ('CRD IV') and associated EU 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 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 other locations.

Regulatory reporting developments

The Basel Committee scheduled the Basel III Reforms for implementation by 1 January 2023. Although the PRA has previously stated that it will follow Basel's timetable, the European Commission has recently proposed delaying implementation in the EU until 1 January 2025. The PRA has yet to respond to this proposal, but might consider delaying implementation if other major jurisdictions were to do so. We will continue to monitor developments, and consider the implications for our reporting and disclosures.

We highlight on page 86 of the *Interim Report 2021* 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 30 September 2021, and their impact is disclosed in the *Earnings Release 3Q21*, where possible.

There is an ongoing focus on the quality of regulatory reporting by the PRA and other regulators globally. We continue to strengthen our processes and controls, following the commissioning of independent external reviews of various aspects of regulatory reporting, including at the request of our regulators. As part of the strengthening of our control environment, we are improving global consistency and control standards across a number of our processes. There may be an impact on some of our regulatory ratios such as the CET1 and liquidity coverage ratio ('LCR') as a result. We are keeping the PRA and other relevant regulators informed of adverse findings from external and internal reviews.

Key metrics

Key metrics (KM1/IFRS9-FL)[1, 2]

		At				
Ref*		**30 Sep 2021**	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
	Available capital ($bn)					
1	Common equity tier 1 ('CET1') capital^	**133.2**	134.6	134.5	136.1	133.4
2	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**132.5**	133.8	133.6	134.9	132.2
3	Tier 1 capital^	**156.9**	158.3	160.2	160.2	157.4
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**156.2**	157.5	159.3	159.0	156.2
5	Total capital^	**179.0**	181.1	183.1	184.4	181.8
6	Total capital as if IFRS 9 transitional arrangements had not been applied	**178.3**	180.3	182.2	183.2	180.7
	Risk-weighted assets ('RWAs') ($bn)					
7	Total RWAs	**839.2**	862.3	846.8	857.5	857.0
8	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**838.6**	861.5	846.1	856.6	856.6
	Capital ratios (%)					
9	CET1^	**15.9**	15.6	15.9	15.9	15.6
10	CET1 as if IFRS 9 transitional arrangements had not been applied	**15.8**	15.5	15.8	15.7	15.4
11	Tier 1^	**18.7**	18.4	18.9	18.7	18.4
12	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**18.6**	18.3	18.8	18.6	18.2
13	Total capital^	**21.3**	21.0	21.6	21.5	21.2
14	Total capital as if IFRS 9 transitional arrangements had not been applied	**21.3**	20.9	21.5	21.4	21.1
	Additional CET1 buffer requirements as a percentage of RWAs (%)					
	Capital conservation buffer requirement	**2.5**	2.5	2.5	2.5	2.5
	Countercyclical buffer requirement	**0.2**	0.2	0.2	0.2	0.2
	Bank G-SIB and/or D-SIB additional requirements	**2.0**	2.0	2.0	2.0	2.0
	Total bank CET1 specific buffer requirements	**4.7**	4.7	4.7	4.7	4.7
	Total capital requirement (%)[3]					
	Total capital requirement	**11.0**	10.9	11.0	11.0	11.1
	CET1 available after meeting the bank's minimum capital requirements	**9.7**	9.5	9.7	9.7	9.3
	Leverage ratio[4]					
15	Total leverage ratio exposure measure ($bn)^	**2,964.8**	2,968.5	2,930.2	2,897.1	2,857.4
16	Leverage ratio (%)^	**5.2**	5.3	5.4	5.5	5.4
17	Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**5.2**	5.3	5.4	5.4	5.4
	Liquidity coverage ratio ('LCR')[5]					
	Total high-quality liquid assets ($bn)	**664.0**	659.3	695.1	677.9	654.2
	Total net cash outflow ($bn)	**490.2**	493.7	487.0	487.3	446.3
	LCR ratio (%)	**135.5**	133.5	142.7	139.1	146.6

* *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 pandemic.*
2 *Capital figures and ratios are reported on a CRR II transitional basis for capital instruments.*
3 *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.*
4 *Leverage ratio is calculated using the CRR II end point basis for capital.*
5 *LCR is calculated as at the end of each period rather than using average values. For further details, refer to page 90 of the* Interim Report 2021.

In the current period, the add-back to the capital base under the regulatory transitional arrangements for IFRS 9 amounted to $0.9bn under the standardised ('STD') approach with a tax impact of $0.2bn.

For further details of our application of IFRS 9 transitional regulatory arrangements, refer to page 88 of the Interim Report 2021.

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 at www.hsbc.com. 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 Treasury risk, see page 85 of the Interim Report 2021*.*

For further details of of our capital planning, see page 31 of the Earnings Release 3Q21*.*

Own funds disclosure

		At	
		30 Sep 2021	30 Jun 2021
Ref		**$m**	$m
6	Common equity tier 1 capital before regulatory adjustments	**162,938**	163,705
28	Total regulatory adjustments to common equity tier 1	**(29,743)**	(29,099)
29	**Common equity tier 1 capital**	**133,195**	134,606
36	Additional tier 1 capital before regulatory adjustments	**23,774**	23,789
43	Total regulatory adjustments to additional tier 1 capital	**(60)**	(60)
44	**Additional tier 1 capital**	**23,714**	23,729
45	**Tier 1 capital**	**156,909**	158,335
51	Tier 2 capital before regulatory adjustments	**23,504**	24,238
57	Total regulatory adjustments to tier 2 capital	**(1,435)**	(1,451)
58	**Tier 2 capital**	**22,069**	22,787
59	**Total capital**	**178,978**	181,122

At 30 September 2021, our common equity tier 1 ('CET1') capital ratio increased to 15.9% from 15.6% at 30 June 2021, reflecting a fall in RWAs. This was offset by a decrease in CET1 capital of $1.4bn, which was mainly a result of:

- $1.7bn unfavourable foreign currency translation differences;
- a $0.7bn higher deduction for intangible assets; and
- a $0.4bn decrease in the fair value through other comprehensive income reserves.

These decreases were partly offset by:

- $1.5bn capital generation through profits, net of foreseeable dividends of $1.7bn and dividends paid on equity instruments.

Effective from 11 October 2021, our Pillar 2A requirement (set by the PRA) is $24.4bn, equivalent to 2.9% of RWAs. Of this, 1.6% (equivalent to $13.7bn of RWAs) is expected to be met by CET1. This represents a reduction of $1.0bn from our previous requirement of $25.4bn, equivalent to 3.0% of RWAs.

Risk-weighted assets

Overview of RWAs (OV1)

		At		
		30 Sep 2021	30 Jun 2021	30 Sep 2021
		RWAs	RWAs	Capital requirement[1]
		$bn	$bn	$bn
1	**Credit risk (excluding counterparty credit risk)**	**622.0**	645.0	**49.8**
2	– standardised approach	**111.6**	120.8	**9.0**
3	– foundation internal ratings based ('IRB') approach	**96.1**	101.2	**7.7**
4	– advanced IRB approach	**414.3**	423.0	**33.1**
6	**Counterparty credit risk**	**38.7**	39.2	**3.1**
7	– mark-to-market	**21.8**	21.6	**1.7**
10	– internal model method ('IMM')	**13.6**	14.3	**1.1**
11	– risk exposure amount for contributions to the default fund of a central counterparty	**0.7**	0.6	**0.1**
12	– credit valuation adjustment	**2.6**	2.7	**0.2**
13	**Settlement risk**	**0.1**	0.1	**—**
14	**Securitisation exposures in the non-trading book**	**8.9**	9.3	**0.7**
14a	– internal ratings-based approach ('SEC-IRBA')	**2.0**	1.9	**0.2**
14b	– external ratings-based approach ('SEC-ERBA')	**2.7**	3.1	**0.2**
14c	– internal assessment approach ('IAA')	**1.3**	1.5	**0.1**
14d	– standardised approach ('SEC-SA')	**2.9**	2.8	**0.2**
19	**Market risk**	**28.1**	25.5	**2.2**
20	– standardised approach	**6.5**	6.8	**0.5**
21	– internal models approach ('IMA')	**21.6**	18.7	**1.7**
23	**Operational risk**	**93.7**	94.6	**7.5**
25	– standardised approach	**93.7**	94.6	**7.5**
27	**Amounts below the thresholds for deduction (subject to 250% risk-weight)**	**47.7**	48.6	**3.8**
29	**Total**	**839.2**	862.3	**67.1**

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)

RWAs fell by $23.9bn, including a decrease due to foreign currency translation differences of $7.4bn.

A $7.2bn decrease in RWAs due to asset size movements was driven by reductions in short-term lending related to the funding of initial public offerings in Hong Kong, partly offset by growth in corporate and mortgage lending, largely in Asia and North America.

Changes in asset quality led to an RWA decrease of $6.4bn. This reduction was predominantly in GBM, CMB and Corporate Centre. A total of $3.1bn was due to favourable credit migration in corporate lending across CMB and GBM, mostly in Europe, Asia and North America. Most of the remaining reduction followed favourable portfolio mix movements across the major regions, also concentrated in corporate lending portfolios.

Changes to methodology and policy led to an RWA decrease of $2.9bn. This was mostly the result of risk parameter refinements in GBM and CMB, predominantly in Europe, North America and Asia.

Counterparty credit risk

Counterparty credit risk (including settlement risk) RWAs decreased by $0.5bn, mostly due to changes in methodology and policy, largely management actions.

Securitisation

Securitisation RWAs decreased by $0.4bn, due to a fall in UK exposures and favourable movements in asset quality.

Market risk

Market risk RWAs rose by $2.6bn. A $3.5bn asset size increase mainly arose in stressed value at risk ('VaR') and risks not in VaR, reflecting market conditions in equity and foreign exchange portfolios. Changes to methodology and policy caused a $0.9bn fall in RWAs, which followed enhancements to foreign exchange risk calculations under the standardised approach.

Operational risk

Operational risk RWAs fell by $0.9bn, mostly due to foreign currency translation differences.

RWAs by geographical region

	Europe	Asia	MENA	North America	Latin America	Total
	$bn	$bn	$bn	$bn	$bn	$bn
Credit risk	196.5	313.1	49.8	92.9	26.3	678.6
Counterparty credit risk	21.6	10.2	1.2	3.6	2.2	38.8
Market risk[1]	18.9	24.5	3.1	5.0	1.0	28.1
Operational risk	25.7	45.2	6.2	11.7	4.9	93.7
At 30 Sep 2021	**262.7**	**393.0**	**60.3**	**113.2**	**34.4**	**839.2**

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					Market risk	Total RWAs
	Europe	Asia	MENA	North America	Latin America		
	$bn	$bn	$bn	$bn	$bn	$bn	$bn
RWAs at 1 Jul 2021	**252.7**	**382.4**	**57.4**	**110.6**	**33.7**	**25.5**	**862.3**
Asset size	0.5	(8.7)	(0.1)	1.3	–	3.5	(3.5)
Asset quality	(2.8)	(2.8)	(0.1)	(1.5)	0.8	–	(6.4)
Model updates	0.1	–	–	(0.1)	–	–	–
Methodology and policy	(1.5)	(0.8)	0.1	(1.4)	–	(0.9)	(4.5)
Foreign exchange movements	(5.2)	(1.6)	(0.1)	(0.7)	(1.1)	–	(8.7)
Total RWA movement	(8.9)	(13.9)	(0.2)	(2.4)	(0.3)	2.6	(23.1)
RWAs at 30 Sep 2021	**243.8**	**368.5**	**57.2**	**108.2**	**33.4**	**28.1**	**839.2**

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

Ref		RWAs	Capital requirement
		$bn	$bn
1	**RWAs at 1 Jul 2021**	**524.2**	**41.9**
2	Asset size	1.5	0.1
3	Asset quality	(6.4)	(0.5)
5	Methodology and policy	(2.8)	(0.2)
7	Foreign exchange movements	(6.1)	(0.5)
9	**RWAs at 30 Sep 2021**	**510.4**	**40.8**

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

RWAs fell by $13.8bn, including a decrease due to foreign currency translation differences of $6.1bn. A decrease of $6.4bn due to changes in asset quality predominantly related to favourable portfolio mix changes and credit migrations, mostly in Asia, Europe and North America.

Changes in methodology and policy led to a $2.8bn fall in RWAs, mostly due to risk parameter refinements. This was partly offset by asset size increase of $1.5bn, which was primarily due to lending growth in North America and Asia, partly offset by lower short-term lending to fund initial public offerings in Hong Kong.

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

Ref		RWAs	Capital requirement
		$bn	$bn
1	**RWAs at 1 Jul 2021**	**16.4**	**1.3**
2	Asset size	(0.7)	(0.1)
3	Asset quality	(0.1)	–
5	Methodology and policy	–	–
9	**RWAs at 30 Sep 2021**	**15.6**	**1.2**

RWAs under the internal model method decreased by $0.8bn in 3Q21, predominantly due to mark-to-market movements and management initiatives.

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 Jul 2021**	**5.1**	**8.4**	**3.6**	**1.6**	**18.7**	**1.5**
2	Movement in risk levels	(0.2)	2.6	0.7	(0.2)	2.9	0.2
8	**RWAs at 30 Sep 2021**	**4.9**	**11.0**	**4.3**	**1.4**	**21.6**	**1.7**

RWAs under the internal models approach increased by $2.9bn, mainly in stressed VaR and risks not in VaR, reflecting market conditions in equity and foreign exchange portfolios. A further $0.7bn rise in incremental risk RWAs followed an increase in sovereign exposures.

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, HSBC has three resolution groups – the European resolution group, the Asian resolution group and the US resolution group. There are some smaller entities that fall outside these resolution groups.

The following tables summarise key metrics for the Group's three resolution groups. Fully loaded values and ratios are calculated without applying any regulatory transitional arrangements for expected credit losses and other credit impairment charges ('ECL') that may be available to the resolution group.

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

		At				
		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
1	Total loss absorbing capacity ('TLAC') available ($bn)	**100.0**	98.2	97.3	97.9	96.9
1a	Fully loaded ECL accounting model TLAC available ($bn)	**99.9**	98.2	97.3	97.8	96.8
2	Total RWAs at the level of the resolution group ($bn)	**282.7**	286.9	290.3	302.5	298.5
3	TLAC as a percentage of RWA (row1/row2) (%)	**35.4**	34.2	33.5	32.4	32.5
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**35.3**	34.2	33.5	32.3	32.4
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,288.5**	1,293.6	1,285.2	1,265.2	1,219.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**7.8**	7.6	7.6	7.7	7.9
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**7.8**	7.6	7.6	7.7	7.9
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				
		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
1	Total loss absorbing capacity ('TLAC') available ($bn)	**103.0**	102.1	96.9	102.2	101.6
1a	Fully loaded ECL accounting model TLAC available ($bn)	**103.0**	102.1	96.9	102.2	101.6
2	Total RWAs at the level of the resolution group ($bn)	**394.0**	401.5	387.3	381.4	390.8
3	TLAC as a percentage of RWA (row1/row2) (%)	**26.2**	25.4	25.0	26.8	26.0
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)	**26.2**	25.4	25.0	26.8	26.0
4	Leverage exposure measure at the level of the resolution group ($bn)	**1,174.6**	1,166.7	1,143.3	1,121.8	1,116.3
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**8.8**	8.8	8.5	9.1	9.1
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**8.8**	8.8	8.5	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				
		30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020
1	Total loss absorbing capacity ('TLAC') available ($bn)	**27.9**	28.8	29.5	30.2	30.5
1a	Fully loaded ECL accounting model TLAC available ($bn)	**27.9**	28.8	29.5	30.1	30.5
2	Total RWAs at the level of the resolution group ($bn)[4]	**109.0**	109.7	112.4	115.4	119.8
3	TLAC as a percentage of RWA (row1/row2) (%)[4]	**25.6**	26.2	26.2	26.2	25.5
3a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model RWA (%)[4]	**25.6**	26.2	26.2	26.1	25.5
4	Leverage exposure measure at the level of the resolution group ($bn)	**318.6**	314.6	257.7	273.1	297.0
5	TLAC as a percentage of leverage exposure measure (row1/row4) (%)	**8.7**	9.1	11.4	11.1	10.3
5a	Fully loaded ECL accounting model TLAC as a percentage of fully loaded ECL accounting model leverage exposure measure (%)	**8.7**	9.1	11.4	11.0	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 ('SLR') rules with Covid-19 relief, which ended after 1Q21 and is not reflected in SLR calculations starting 2Q21.*
4 *The treatment of collateral in RWA calculations in the US resolution group has been revised. Comparative 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 13 of the Group's Pillar 3 Disclosures at 30 June 2021 *document.*

Selected EU subsidiary key metrics

The following tables present key metrics disclosures for our EU subsidiaries that qualify as large institutions, HSBC Continental Europe and HSBC Malta. These disclosures have been prepared in accordance to EBA guidelines.

HSBC Continental Europe key metrics (KM1)

		At	
		30 Sep 2021	30 Jun 2021
Ref*		€bn	€bn
	Available own funds (amounts)		
1	Common equity tier 1 ('CET1') capital	**5.7**	5.7
2	Tier 1 capital	**6.5**	6.4
3	Total capital	**7.9**	7.8
	Risk-weighted exposure (amounts)		
4	Total risk-weighted exposure amount	**47.4**	47.7
	Capital ratios (as a percentage of risk-weighted exposure amount) (%)		
5	CET1 ratio	**12.1**	11.9
6	Tier 1 ratio	**13.7**	13.5
7	Total capital ratio	**16.6**	16.4
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) (%)		
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage	**3.0**	3.0
EU-7b	of which: to be made up of CET1 capital (percentage points)	**1.7**	1.7
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	**2.3**	2.3
EU-7d	Total supervisory review and evaluation process ('SREP') own funds requirements	**11.0**	11.0
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount) (%)		
8	Capital conservation buffer	**2.5**	2.5
9	Institution-specific countercyclical capital buffer	**0.02**	0.02
11	Combined buffer requirement	**2.5**	2.5
EU-11a	Overall capital requirements	**13.5**	13.5
12	CET1 available after meeting the total SREP own funds requirements	**1.1**	0.9
	Leverage ratio		
13	Total exposure measure	**153.3**	150.5
14	Leverage ratio (%)	**4.2**	4.3
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) (%)		
EU-14c	Total SREP leverage ratio requirements	**3.4**	3.4
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU-14e	Overall leverage ratio requirements	**3.4**	3.4
	Liquidity coverage ratio		
15	Total high-quality liquid assets ('HQLA') (weighted value-average)	**47.2**	48.7
EU-16a	Cash outflows – total weighted value	**40.4**	40.6
EU-16b	Cash inflows – total weighted value	**6.3**	6.7
16	Total net cash outflows (adjusted value)	**34.1**	33.9
17	Liquidity coverage ratio (%)	**138.0**	144.0
	Net stable funding ratio ('NSFR')		
18	Total available stable funding	**83.3**	82.8
19	Total required stable funding	**59.0**	60.7
20	NSFR (%)	**141.0**	137.0

HSBC Malta key metrics (KM1)

Ref*		At 30 Sep 2021 €bn	30 Jun 2021 €bn
	Available own funds (amounts)		
1	Common equity tier 1 ('CET1') capital	**0.4**	0.4
	CET1 capital as if IFRS 9 transitional arrangements had not been applied	**0.4**	0.4
2	Tier 1 capital	**0.4**	0.4
	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	**0.4**	0.4
3	Total capital	**0.5**	0.5
	Total capital as if IFRS 9 transitional arrangements had not been applied	**0.4**	0.5
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	**2.4**	2.4
	Total RWAs as if IFRS 9 transitional arrangements had not been applied	**2.4**	2.4
	Capital ratios (as a percentage of risk-weighted exposure amount) (%)		
5	CET1 ratio	**16.2**	17.2
	CET1 as if IFRS 9 transitional arrangements had not been applied	**15.7**	16.6
6	Tier 1 ratio	**16.2**	17.2
	Tier 1 as if IFRS 9 transitional arrangements had not been applied	**15.7**	16.6
7	Total capital ratio	**18.8**	19.8
	Total capital as if IFRS 9 transitional arrangements had not been applied	**18.2**	19.2
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount) (%)		
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage	**2.3**	1.3
EU-7b	of which: to be made up of CET1 capital (percentage points)	**1.3**	0.4
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	**1.7**	0.6
EU-7d	Total SREP own funds requirements	**10.3**	10.3
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount) (%)		
8	Capital conservation buffer	**2.5**	2.5
EU-10a	Other systemically important institution buffer	**1.5**	1.5
11	Combined buffer requirement	**4.0**	4.0
EU-11a	Overall capital requirements	**14.3**	14.3
12	CET1 available after meeting the total SREP own funds requirements[1]	**5.9**	6.9
	Leverage ratio		
13	Total exposure measure	**6.5**	6.2
14	Leverage ratio (%)	**6.1**	6.6
	Leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	**5.9**	6.3
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount) (%)		
EU-14c	Total SREP leverage ratio requirements	**3.0**	3.0
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU-14e	Overall leverage ratio requirement	**3.0**	3.0
	Liquidity coverage ratio		
15	Total high-quality liquid assets (HQLA) (weighted value-average)	**1.4**	1.4
EU-16a	Cash outflows – total weighted value	**1.1**	1.0
EU-16b	Cash inflows – total weighted value	**1.0**	0.7
16	Total net cash outflows (adjusted value)	**0.3**	0.2
17	Liquidity coverage ratio (%)	**496.0**	571.9
	Net stable funding ratio ('NSFR')		
18	Total available stable funding	**5.0**	4.9
19	Total required stable funding	**2.9**	2.8
20	NSFR (%)	**174.0**	179.0

1 *Comparative 30 June 2021 data for row 12 has been restated to be on a consistent basis with the current period.*

Cautionary statement regarding forward-looking statements

This Pillar 3 Disclosures at 30 September 2021 contains certain forward-looking statements with respect to HSBC's: financial condition; results of operations and business, including the strategic priorities; financial, investment and capital targets; and ESG targets/commitments described herein.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'may', 'will', 'should', 'expects', 'targets', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', or the negative thereof, other variations thereon or 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); potential changes in HSBC's 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 diplomatic tensions, including between China and the US, the UK, the EU, India and other countries, and developments in Hong Kong and Taiwan, alongside other potential areas of tension, which may affect the Group by creating regulatory, reputational and market risks; 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, as well as the transition of legacy Ibor contracts to near risk-free benchmark rates, which exposes HSBC to material execution risks, and increases some financial and non-financial risks; 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; changes to tax laws and tax rates applicable to HSBC, including the imposition of levies or taxes designed to change business mix and risk appetite; 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 relationship with the EU following the UK's withdrawal from the EU, which may continue to be characterised by uncertainty despite the signing of the Trade and Cooperation Agreement between the UK and the EU; passage of the Hong Kong national security law and restrictions on telecommunications, as well as the US Hong Kong Autonomy Act, which have caused tensions between China, the US and the UK; 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, 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, such as judgemental post-model adjustments, 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, including the implementation of IFRS 17 'Insurance Contracts', which may have a material impact on the way we prepare our financial statements and may negatively affect the profitability of HSBC's insurance business; 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; our success in addressing operational, legal and regulatory, and litigation challenges; and other risks and uncertainties we identify in 'Risks' on pages 16 to 17 of the *Earnings Release 3Q21*.

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*

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