HSBC North America Holdings Inc.

Net Stable Funding Ratio Disclosure Report

For the Quarterly Periods Ending September 30, 2023

and December 31, 2023

Contents:

1. Corporate Overview

HSBC North America Holdings Inc. (*HNAH* or the *Firm*) is a bank holding company organized under the laws of the State of Delaware. It is an indirect wholly owned subsidiary of HSBC Holdings plc (HGHQ), the ultimate holding company of the HSBC Group. Its principal executive offices are at 452 Fifth Avenue, New York, New York. As a holding company, HNAH does not hold any material assets other than the equity interests in its subsidiaries and loans.

HNAH conducts its activities primarily through three locally incorporated wholly owned subsidiaries:

- HSBC USA Inc. (*HUSI*) is a U.S. bank holding company. HUSI's principal commercial banking subsidiary is HSBC Bank USA, National Association (*HBUS*), which provides a full range of commercial and consumer banking products and services to individuals, small businesses, corporations, institutions and governments, primarily in the U.S.;
- HSBC Markets (USA) Inc. (*HMUS*) is a holding company for investment banking and markets subsidiaries in the U.S. HMUS's principal subsidiary, HSBC Securities (USA) Inc. (HCSU), is a registered broker-dealer of securities under the Securities and Exchange Act of 1934 and is engaged in underwriting, dealing and brokering a full range of debt and equity securities and futures contracts; and
- HSBC Technology and Services (USA) Inc. (*HTSU*) is a provider of business operations, information technology and other operational and support services to other HNAH subsidiaries. HTSU also provides certain of these support services to other members of the HSBC Group.

2. Overview of U.S. Net Stable Funding Ratio (NSFR)

In response to the financial crisis that started in 2007, the Basel Committee on Banking Supervision established two quantitative standards for liquidity in 2010, the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The Basel III NSFR, which complements the LCR, promotes resilience by mitigating the risks presented by banking organizations supporting their assets with insufficiently stable funding. The NSFR has a longer, one-year time horizon and was developed to promote a sustainable maturity structure of assets and liabilities on an ongoing basis.

In 2021, the FRB, OCC and the FDIC issued final regulations to implement the NSFR in the United States, applicable to certain large banking institutions, including HNAH. The U.S. NSFR rule is generally consistent with the NSFR requirements under Basel Committee guidelines. The NSFR is expressed as the ratio of its available stable funding (ASF) amount to its required stable funding (RSF) amount, with a banking organization required to maintain a minimum NSFR of 100%. Under the U.S. rule, U.S.

institutions, including HNAH, have been required to maintain the minimum ratio since July 1, 2021 and report NSFR to U.S. regulators on a monthly basis.

Available Stable Funding (ASF) and Required Stable Funding (RSF):

The final rule establishes a banking organization's ASF amount to be calculated as the sum of the carrying values of the banking organization's liabilities and regulatory capital, each multiplied by a standardized weighting (ASF factor) ranging from zero to 100 percent to reflect the relative stability of such liabilities and capital over a one-year time horizon. Similarly, a banking organization's minimum RSF amount is calculated as the sum of the carrying values of its assets, each multiplied by a standardized weighting (RSF factor) ranging from zero to 100 percent to reflect the relative need for funding over a one-year time horizon based on the liquidity characteristics of the asset, plus RSF amounts based on the banking organization's committed facilities and derivative exposures.

For the purpose of assigning ASF factors, the rule categorizes NSFR regulatory capital elements and NSFR liabilities into five broad categories based on their tenor, the type of funding, and the type of funding counterparty. The rule applies the same ASF factor in each category to reflect the relative stability of regulatory capital elements and liabilities over a one-year time horizon. ASF factors are scaled from zero to 100 percent, with a zero percent weighting representing the lowest relative stability and a 100 percent weighting representing the highest relative stability. The rule groups NSFR regulatory capital elements and NSFR liabilities into one of four maturity categories: One year or more, less than one year, six months or more but less than one year, and less than six months.

RSF amounts reflect the company's funding requirement based on the liquidity characteristics of its assets, commitments and derivative exposure. RSF consists of the sum of two components: (i) The carrying values of a covered company's assets (other than assets included in the calculation of the covered company's derivatives RSF amount) and the undrawn amounts of its committed credit and liquidity facilities, and (ii) the covered company's derivatives RSF amount. The final rule groups NSFR assets, derivative exposures and commitments into broad categories and assigns RSF factors to determine the overall amount of stable funding a covered company must maintain. RSF factors are scaled from zero to 100 percent based on the tenor and other liquidity characteristics of an asset, derivative exposure, or committed facility. The final rule categorizes assets, derivative exposures, and committed facilities into categories and assigns RSF factors based on the following liquidity characteristics: (1) Tenor; (2) encumbrance; (3) type of counterparty; (4) credit quality, and (5) market characteristics.

3. Overview of U.S. NSFR Disclosure Requirements

Beginning in July 2023, the U.S. NSFR requires certain Covered Companies, including HNAH, to make quantitative and qualitative disclosures related to their U.S. NSFR calculations and liquidity management practices every second and fourth calendar quarter for each of the two immediately preceding calendar quarters. This report contains the Firm's NSFR Disclosures for the two prior quarters ending September 30, 2023 and December 31, 2023.

The HNAH NSFR Disclosures are not required to be, and have not been, audited by the Firm's independent registered public accounting firm and some measures of exposures contained in this report may not be consistent with accounting principles generally accepted in the U.S. ("U.S. GAAP").

4. U.S. NSFR Qualitative Disclosures

A. The main drivers of the net stable funding ratio

Our U.S. NSFR quantitative disclosures, shown in the chart in Section 5, reflect the daily average value of each disclosure category across each quarter. When discussing the main drivers of our U.S. NSFR, we refer to these daily average values. The template shows separate columns for Average Unweighted and Average Weighted amounts. Values in the Average Unweighted column are shown before the application of prescribed factors for each category of ASF and RSF. Calculation of the final ratio is based on the calculated Average Weighted (post-factor) amounts. Total Average Weighted ASF excludes non-transferrable assets, which is not broken out on a separate line.

HNAH average NSFR Q3 2023 was 144.9%. The calculation period covered all business days from July 1, 2023 through September 30, 2023. This ratio is the result of:

- HNAH's average weighted ASF of $76.9 billion (after trapping non-transferrable HBUS liquidity); divided by
- HNAH's average weighted RSF $53.1 billion (after adjustment for the Tailoring Rule)

The average NSFR for Q4 2023 was 140.5%. The calculation period covered all business days from October 1, 2023 through December 31, 2023. This ratio is the result of:

- HNAH's average weighted ASF of $73.8 billion (after trapping non-transferrable HBUS liquidity; divided by
- HNAH's average weighted RSF $52.5 billion (after adjustment for the Tailoring Rule)

HNAH's ASF amounts during Q3 and Q4 2023 were principally driven by a diverse distribution of available funding across regulatory capital elements, retail and wholesale deposits and wholesale funding.

HNAH's RSF amounts during Q3 and Q4 2023 were principally driven by wholesale financial and non-financial loans, retail mortgages and other assets.

B. ***Concentration of funding sources***

The HNAH Asset Liability Committee (ALCO) monitors the overall mix of deposit and funding concentrations to avoid undue reliance on individual funding sources and large deposit relationships.

We continuously monitor the impact of market events on our liquidity positions and will continue to adapt our liquidity framework to reflect market events and the evolving regulatory landscape and view as to best practices. Historically, we have seen the greatest strain in the wholesale market as opposed to the retail market (the latter being the market from which we source stable demand and time deposit accounts which are less sensitive to market events or changes in interest rates).

Liquidity is managed to provide the ability to generate cash to meet lending, deposit withdrawal and other commitments at a reasonable cost in a reasonable amount of time while maintaining routine operations and market confidence. Market funding is coordinated with other HSBC Group entities, as the markets increasingly view debt issuances from the separate companies within the context of our common parent company. Liquidity management is performed at both HSBC USA Inc. and HSBC Bank USA. Each entity is required to have sufficient liquidity for a crisis situation.

ALCO develops and implements policies and procedures to ensure that the minimum liquidity ratios and a strong overall liquidity position are maintained. ALCO projects cash flow requirements and determines the level of liquid assets and available funding sources to have at our disposal, with consideration given to anticipated deposit and balance sheet growth, contingent liabilities, and the ability to access wholesale funding markets.

C. Changes in the Net Stable Funding Ratio over time and causes of such changes

The Firm's U.S. NSFR will fluctuate over time in response to changes in our liquidity risk profile, market conditions, client and counterparty behavior, liquidity risk management limits, monetary policy, legal or regulatory developments, or other factors in the markets in which we operate. Volatility may be material and under some circumstances may result in a ratio of less than 100 percent.

The Firm is in compliance with U.S. LCR requirements with an average NSFR for Q3 of 144.9% and Q4 of 140.5%, well above the established regulatory minimum. The Q3 average ratio remained relatively stable compared to Q2 2023, increasing 1.0% on average for the period as a decrease in ASF resulting primarily from a return of capital at July month end and lower average medium-term notes was largely offset by a reduction in RSF other assets. From an actual dollar perspective, net ASF/RSF did not materially change (decreasing approximately $300 million) and the increase in the ratio can be attributed to a smaller numerator and denominator in the ratio calculation.

HNAH's average U.S. NSFR for Q4 of 140.5 declined 4.5% compared to Q3 2023 reflecting an average ASF decline of $3.2 billion offset in part by average RSF decline of $0.6 billion. The decrease in ASF was principally driven by a full quarter average of the July 31 return of capital mentioned above in addition to a reduction in certain secured financing transactions. The RSF decline of $0.6 billion remained relatively stable on average with largely offsetting activity.

5. U.S. NSFR Quantitative Disclosures

In the tables shown on the subsequent pages, the figures reported in the "Average Weighted Amount" column reflect the prescribed, industry-wide assumptions and haircuts defined by the U.S. NSFR to determine the Firm's ASF and RSF components for the third and fourth quarter 2023 prior to the application of the 30% adjustment factor prescribed in the Tailoring Rules for Category IV banks. The Total Average Weighted ASF at the consolidated entity excludes non-transferable assets from HSBC Bank to the top tier holding company due to regulatory restrictions (i.e. trapped liquidity). The figures reported in the "Average Unweighted Amount" columns reflect gross values by maturity category that are not included in the calculation used to determine the Firm's compliance with U.S. NSFR requirements.

Third Quarter 2023

Quarter ended 09/30/2023 In millions of U.S. dollars		Average Unweighted Amount					Average Weighted Amount
		Open Maturity	< 6 months	6 months < 1 year	≥ 1 year	Perpetual	
ASF ITEM							
1	Capital and Securities:	0	8,467	7,336	31,498	0	35,166
2	NSFR Regulatory Capital Elements	0	0	0	16,681	0	16,681
3	Other Capital Elements and Securities	0	8,467	7,336	14,817	0	18,485
4	Retail Funding:	35,155	4,847	167	676	0	31,006
5	Stable Deposits	8,019	1,172	0	0	0	8,731
6	Less Stable Deposits	12,446	3,362	0	0	0	14,228
7	Sweep Deposits, Brokered Reciprocal Deposits, and Brokered Deposits	14,690	292	167	676	0	8,037
8	Other Retail Funding	0	21	0	0	0	10
9	Wholesale Funding:	62,241	91,715	456	0	0	30,981
10	Operational Deposits	16,299	0	0	0	0	8,150
11	Other Wholesale Funding	45,941	91,715	456	0	0	22,832
	Other Liabilities:						
12	NSFR Derivatives Liability Amount			2			
13	Total derivatives Liability Amount			1,629			
14	All Other Liabilities Not Included in Categories 1 through 13 of this Table	6,694	6,639	295	4,499	0	0
15	**TOTAL ASF**						76,948
RSF ITEM							
16	Total High-Quality Liquid Assets (HQLA)	31,026	5,702	2,025	53,184	0	5,908
17	Level 1 Liquid Assets	31,026	5,623	1,805	34,507	0	0
18	Level 2A Liquid Assets	0	79	220	9,928	0	1,534
19	Level 2B Liquid Assets	0	0	0	8,749	0	4,374
20	Zero Percent RSF Assets that are not Level 1 Liquid Assets or Loans to Financial Sector entities or their Consolidated Subsidiaries	474	1,215	344	7,132	0	0
21	Operational Deposits placed at Financial Sector Entities or their Consolidated Subsidiaries	904	31	0	0	0	467
22	Loans and Securities:	11,863	80,005	4,676	47,871	0	48,340
23	Loans to Financial Sector Entities secured by Level 1 Liquid Assets	6,284	61,093	465	1	0	233
24	Loans to Financial Sector Entities secured by other than Level 1 Liquid Assets and Unsecured loans to Financial Sector Entities	3,687	9,939	953	6,104	0	8,624
25	Loans to Wholesale Customers or Counterparties that are Non Financial Sector Entities and Loans to Retail Customers or Counterparties	1,892	8,868	3,088	21,673	0	25,271
26	Of which : With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	0	0	0	0	0	0
27	Retail mortgages	0	105	171	15,682	0	10,463
28	Of which : With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	0	0	0	0	0	0
29	Securities that do not qualify as HQLA	0	0	0	4,410	0	3,749
	Other Assets:						
30	Commodities	0	0	0	2,025	0	1,721
31	Assets provided as Initial Margin for Derivative Transactions and Contributions to CCPs' mutualized			2,058			1,749
32	NSFR Derivatives Asset Amount			314			314
33	Total Derivatives Asset Amount			1,941			
34	RSF for potential Derivatives Portfolio Valuation Changes			5,790			289
35	All Other Assets not included in the categories 16-33 of this Table, Including Nonperforming Assets	240	1,574	34	11,617	0	13,188
36	Undrawn Commitments			77,617			3,875
37	**TOTAL RSF prior to Application of Required Stable Funding Adjustment Percentage**						75,854
38	**Required Stable Funding Adjustment Percentage**						70%
39	**TOTAL Adjusted RSF**						53,098
40	**NET STABLE FUNDING RATIO**						144.9%

Fourth Quarter 2023

Quarter ended 12/31/2023 In millions of U.S. dollars		Average Unweighted Amount					Average Weighted Amount
		Open Maturity	< 6 months	6 months < 1 year	≥ 1 year	Perpetual	
ASF ITEM							
1	Capital and Securities:	0	7,980	8,891	30,079	0	34,525
2	NSFR Regulatory Capital Elements	0	0	0	16,047	0	16,047
3	Other Capital Elements and Securities	0	7,980	8,891	14,033	0	18,478
4	Retail Funding:	35,454	5,535	409	906	0	31,566
5	Stable Deposits	7,657	1,343	0	0	0	8,549
6	Less Stable Deposits	11,716	3,778	0	0	0	13,945
7	Sweep Deposits, Brokered Reciprocal Deposits, and Brokered Deposits	16,081	389	409	906	0	9,060
8	Other Retail Funding	0	25	0	0	0	12
9	Wholesale Funding:	62,738	91,802	463	0	0	30,152
10	Operational Deposits	16,520	0	0	0	0	8,260
11	Other Wholesale Funding	46,218	91,802	463	0	0	21,892
	Other Liabilities:						
12	NSFR Derivatives Liability Amount			190			
13	Total derivatives Liability Amount			1,851			
14	All Other Liabilities Not Included in Categories 1 through 13 of this Table	6,919	6,362	0	0	0	0
15	TOTAL ASF						73,784
RSF ITEM							
16	Total High-Quality Liquid Assets (HQLA)	30,760	8,887	1,999	57,428	0	6,037
17	Level 1 Liquid Assets	30,760	8,762	1,464	38,952	0	0
18	Level 2A Liquid Assets	0	125	535	9,430	0	1,513
19	Level 2B Liquid Assets	0	0	0	9,046	0	4,523
20	Zero Percent RSF Assets that are not Level 1 Liquid Assets or Loans to Financial Sector entities or their Consolidated Subsidiaries	483	1,400	241	8,088	0	0
21	Operational Deposits placed at Financial Sector Entities or their Consolidated Subsidiaries	859	21	0	0	0	440
22	Loans and Securities:	11,827	82,194	4,751	48,728	0	48,751
23	Loans to Financial Sector Entities secured by Level 1 Liquid Assets	6,318	61,180	408	1	0	205
24	Loans to Financial Sector Entities secured by other than Level 1 Liquid Assets and Unsecured loans to Financial Sector Entities	3,507	13,964	1,008	6,322	0	9,475
25	Loans to Wholesale Customers or Counterparties that are Non Financial Sector Entities and Loans to Retail Customers or Counterparties	2,002	6,812	3,020	20,934	0	23,625
26	Of which : With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	0	0	0	0	0	0
27	Retail mortgages	0	238	314	16,109	0	10,888
28	Of which : With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	0	0	0	0	0	0
29	Securities that do not qualify as HQLA	0	0	0	5,362	0	4,557
	Other Assets:						
30	Commodities	0	0	0	279	0	237
31	Assets provided as Initial Margin for Derivative Transactions and Contributions to CCPs' mutualized			2,074			1,763
32	NSFR Derivatives Asset Amount			5			5
33	Total Derivatives Asset Amount			1,665			
34	RSF for potential Derivatives Portfolio Valuation Changes			6,678			334
35	All Other Assets not included in the categories 16-33 of this Table, Including Nonperforming Assets	253	1,219	29	12,440	0	13,668
36	Undrawn Commitments			76,233			3,812
37	**TOTAL RSF prior to Application of Required Stable Funding Adjustment Percentage**						75,046
38	**Required Stable Funding Adjustment Percentage**						70%
39	**TOTAL Adjusted RSF**						52,532
40	**NET STABLE FUNDING RATIO**						140.5%