HSBC North America Holdings Inc.

Net Stable Funding Ratio Disclosure Report

For the Quarterly Periods Ending September 30, 2024

and December 31, 2024

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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 66 Hudson Blvd, 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 under the Securities and Exchange Act of 1934 and registered futures commission merchant under the Commodity Exchange Act. HCSU is engaged in underwriting, dealing, brokering a full range of securities and futures contracts, and clearing futures and swaps; 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 certain banking organizations required to maintain an NSFR of 100 percent depending on how they are

categorized. HNAH is classified as a Category IV institution and subject to a reduced requirement of 70 percent of the full NSFR under the Tailoring Rule.

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. HNAH's Total Average Weighted ASF at the consolidated entity excludes non-transferable assets from HBUS to the top tier holding company due to regulatory restrictions (i.e., trapped liquidity). This includes ASF held at HBUS in excess of its RSF after applying the benefit of the Tailoring Rule.

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, 2024 and December 31, 2024.

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 table 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, the daily average values are referenced. 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.

HNAH average NSFR for Q3 2024 was 131.5 percent. The calculation period covered all business days from July 1, 2024 through September 30, 2024. This ratio is the result of:

- HNAH's average weighted ASF of $77.1 billion (after excluding non-transferrable HBUS liquidity); divided by
- HNAH's average weighted RSF $58.7 billion (after adjustment for the Tailoring Rule)

The average NSFR for Q4 2024 was 131.4 percent. The calculation period covered all business days from October 1, 2024 through December 31, 2024. This ratio is the result of:

- HNAH's average weighted ASF of $78.6 billion (after excluding non-transferrable HBUS liquidity; divided by
- HNAH's average weighted RSF $59.9 billion (after adjustment for the Tailoring Rule)

HNAH's ASF amounts during Q3 and Q4 2024 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 2024 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.

The HNAH ALCO continuously monitors 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, the greatest strain was observed in the wholesale market as opposed to the retail market (the latter being the market from which stable demand and time deposit accounts are sourced, 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.

The HNAH ALCO develops and implements policies and procedures to ensure that the minimum liquidity ratios and a strong overall liquidity position are maintained. The HNAH ALCO projects cash flow requirements and determines the level of liquid assets and funding sources available, 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 the Firm operates. 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. requirements with an average NSFR for Q3 of 131.5 percent and Q4 of 131.4 percent, well above the established regulatory minimum. The Q3 average ratio decreased 3.2 percent on average compared to Q2 2024, driven by an increase in RSF from higher levels of secured lending transactions at HCSU and level 2B assets. These were offset in part by modest increases in several ASF categories, including sweep deposits, regulatory capital and debt instruments. From an actual dollar perspective, net ASF/RSF declined approximately $700 million.

HNAH's average U.S. NSFR for Q4 of 131.4 percent remained stable compared to Q3 2024, declining 0.1 percent. The average RSF increased $1.2 billion and was more than offset by an average ASF increase of $1.5 billion. The increase in RSF was principally driven by secured lending to financial customers, retail mortgages and non-HQLA securities while the ASF increase can be largely attributable to increased wholesale deposit funding and debt instruments.

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 2024 prior to the

application of the 30 percent adjustment factor prescribed in the Tailoring Rules for Category IV banks. HNAH's Total Average Weighted ASF at the consolidated entity excludes non-transferable assets from HBUS 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 2024

	Quarter ended 09/30/2024 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	9,290	7,249	31,269	0	34,893
2	NSFR Regulatory Capital Elements	0	0	0	16,624	0	16,624
3	Other Capital Elements and Securities	0	9,290	7,249	14,645	0	18,270
4	Retail Funding:	35,541	6,550	480	1,691	0	32,823
5	Stable Deposits	7,103	1,589	0	0	0	8,257
6	Less Stable Deposits	10,960	4,653	0	0	0	14,052
7	Sweep Deposits, Brokered Reciprocal Deposits,	17,478	282	480	1,691	0	10,501
8	Other Retail Funding	0	26	0	0	0	13
9	Wholesale Funding:	57,822	109,292	388	0	0	27,514
10	Operational Deposits	15,273	0	0	0	0	7,636
11	Other Wholesale Funding	42,550	109,292	388	0	0	19,877
	Other Liabilities:						
12	NSFR Derivatives Liability Amount			334			
13	Total derivatives Liability Amount			1,556			
14	All Other Liabilities Not Included in Categories 1	7,271	6,844	0	0	0	0
15	**TOTAL ASF**						77,117
RSF ITEM							
16	Total High-Quality Liquid Assets (HQLA)	27,066	5,583	2,512	65,353	0	7,193
17	Level 1 Liquid Assets	27,066	4,934	2,284	44,908	0	0
18	Level 2A Liquid Assets	0	649	228	9,033	0	1,486
19	Level 2B Liquid Assets	0	0	0	11,413	0	5,706
20	Zero Percent RSF Assets that are not Level 1 Liquid Assets or Loans to Financial Sector entities or their Consolidated Subsidiaries	466	1,237	319	9,313	0	0
21	Operational Deposits placed at Financial Sector Entities or their Consolidated Subsidiaries	1,002	15	0	0	0	508
22	Loans and Securities:	14,491	90,474	4,292	50,538	0	51,801
23	Loans to Financial Sector Entities secured by	7,819	65,179	337	11	0	187
24	Loans to Financial Sector Entities secured by	3,579	16,124	1,579	6,285	0	10,132
25	Loans to Wholesale Customers or Counterparties	3,092	8,671	1,777	20,509	0	24,140
26	Of which : With a risk weight no greater than 20	0	0	0	0	0	0
27	Retail mortgages	0	501	599	17,794	0	12,294
28	Of which : With a risk weight of no greater than	0	0	0	0	0	0
29	Securities that do not qualify as HQLA	0	0	0	5,939	0	5,048
	Other Assets:						
30	Commodities	0	0	0	127	0	108
31	Assets provided as Initial Margin for Derivative Transactions and Contributions to CCPs'			1,742			1,481
32	NSFR Derivatives Asset Amount			3			3
33	Total Derivatives Asset Amount			1,225			
34	RSF for potential Derivatives Portfolio Valuation			4,773			239
35	All Other Assets not included in the categories	631	3,503	33	14,203	0	18,151
36	Undrawn Commitments			86,533			4,327
37	**TOTAL RSF prior to Application of Required Stable Funding Adjustment Percentage**						83,810
38	**Required Stable Funding Adjustment Percentage**						70%
39	**TOTAL Adjusted RSF**						58,667
40	**NET STABLE FUNDING RATIO**						131.5%

Fourth Quarter 2024

Quarter ended 12/31/2024 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	8,831	7,214	32,545	0	36,152
2	NSFR Regulatory Capital Elements	0	0	0	16,862	0	16,862
3	Other Capital Elements and Securities	0	8,831	7,214	15,683	0	19,290
4	Retail Funding:	35,656	6,461	517	2,056	0	32,949
5	Stable Deposits	6,996	1,544	0	0	0	8,113
6	Less Stable Deposits	10,902	4,478	0	0	0	13,842
7	Sweep Deposits, Brokered Reciprocal Deposits, and	17,758	412	517	2,056	0	10,980
8	Other Retail Funding	0	26	0	0	0	13
9	Wholesale Funding:	61,261	113,753	313	0	0	28,997
10	Operational Deposits	15,574	0	0	0	0	7,787
11	Other Wholesale Funding	45,686	113,753	313	0	0	21,210
	Other Liabilities:						
12	NSFR Derivatives Liability Amount			34			
13	Total derivatives Liability Amount			1,391			
14	All Other Liabilities Not Included in Categories 1	6,758	7,386	0	0	0	0
15	**TOTAL ASF**						78,648

RSF ITEM							
16	Total High-Quality Liquid Assets (HQLA)	29,510	6,175	2,121	64,491	0	6,758
17	Level 1 Liquid Assets	29,508	5,854	2,068	46,191	0	0
18	Level 2A Liquid Assets	1	321	53	6,994	0	1,105
19	Level 2B Liquid Assets	0	0	0	11,306	0	5,653
20	Zero Percent RSF Assets that are not Level 1 Liquid Assets or Loans to Financial Sector entities or their Consolidated Subsidiaries	417	1,538	651	9,706	0	0
21	Operational Deposits placed at Financial Sector Entities or their Consolidated Subsidiaries	1,001	18	0	0	0	509
22	Loans and Securities:	13,996	95,065	4,601	52,176	0	53,388
23	Loans to Financial Sector Entities secured by	6,890	68,526	313	39	0	196
24	Loans to Financial Sector Entities secured by	4,087	17,605	1,653	6,645	0	10,796
25	Loans to Wholesale Customers or Counterparties	3,019	8,403	2,005	20,273	0	23,879
26	Of which : With a risk weight no greater than 20	0	0	0	0	0	0
27	Retail mortgages	0	531	629	18,616	0	12,904
28	Of which : With a risk weight of no greater than	0	0	0	0	0	0
29	Securities that do not qualify as HQLA	0	0	0	6,604	0	5,613
	Other Assets:						
30	Commodities	0	0	0	61	0	52
31	Assets provided as Initial Margin for Derivative Transactions and Contributions to CCPs'			1,659			1,410
32	NSFR Derivatives Asset Amount			48			48
33	Total Derivatives Asset Amount			1,405			
34	RSF for potential Derivatives Portfolio Valuation			4,548			227
35	All Other Assets not included in the categories	701	5,041	44	13,128	0	18,749
36	Undrawn Commitments			87,572			4,379
37	**TOTAL RSF prior to Application of Required Stable Funding Adjustment Percentage**						85,521
38	**Required Stable Funding Adjustment Percentage**						70%
39	**TOTAL Adjusted RSF**						59,864
40	**NET STABLE FUNDING RATIO**						131.4%