HSBC North America Holdings Inc.

Liquidity Coverage Ratio Disclosure Report

For the Quarterly Period Ended March 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 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. LCR

The Basel Committee on Banking Supervision published the liquidity coverage ratio ("LCR"), designed to be a short-term measure to ensure banks have sufficient High Quality Liquid Assets ("HQLA") to cover net stressed cash outflows over the next 30 days. The LCR measures the amount of a financial institution's unencumbered HQLA relative to the net cash outflows the institution could encounter under a significant 30-day stress scenario.

In 2014, the FRB, the OCC and the FDIC issued final regulations to implement the LCR in the United States, applicable to certain large banking institutions, including HNAH. The U.S. LCR rule is generally consistent with the Basel Committee guidelines, but is more stringent in several areas including the range of assets that qualify as HQLA and the assumed rate of outflows of certain kinds of funding. Under the U.S. rule, U.S. institutions, including HNAH, have been required to maintain a minimum LCR of 100 percent since January 1, 2017, two years ahead of the Basel Committee's timeframe for compliance by January 1, 2019, and report LCR to U.S. regulators on a daily basis.

Composition of Eligible HQLA:

The final rule establishes three categories of HQLA: level 1 liquid assets, level 2A liquid assets and level 2B liquid assets.

Level 1 liquid assets, which are the highest quality and most liquid assets, are included in a Covered Company's eligible HQLA without a limit and without haircuts.

Under the U.S. LCR, the following assets are included as level 1 liquid assets: (1) Federal Reserve Bank balances; (2) foreign withdrawable reserves; (3) securities issued or unconditionally guaranteed as to the timely payment of principal and interest by the U.S. Department of the Treasury; (4) liquid and readily-marketable securities issued or unconditionally guaranteed as to the timely payment of principal and interest by any other U.S. government agency (provided that its obligations are fully and explicitly guaranteed by the full faith and credit of the United States government); (5) certain liquid and readily-marketable securities that are claims on, or claims guaranteed by, a sovereign entity, a central bank, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and European Community, or a multilateral development bank; and (6) certain debt securities issued by sovereign entities.

Level 2A liquid assets include certain obligations issued or guaranteed by a U.S. government sponsored enterprise (GSE) and certain obligations issued or guaranteed by a sovereign entity or a multilateral development bank. GSEs currently include the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Assets in these categories are required to be liquid and readily-marketable to be considered level 2A liquid assets.

An asset is a level 2B liquid asset if the asset is liquid and readily-marketable and is one of the following types of assets:

- A corporate debt security that is:
    - Investment grade under Title 12 of the Code of Federal Regulations (CFR) part 1 as of the calculation date;
    - Issued or guaranteed by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, as demonstrated by:
        - The market price of the corporate debt security or equivalent securities of the issuer declining by no more than 20 percent during a 30 calendar-day period of significant stress, or
        - The market haircut demanded by counterparties to secured lending and secured funding transactions that are collateralized by the corporate debt security or equivalent securities of the issuer increasing by no more than 20 percentage points during a 30 calendar-day period of significant stress; and
    - Not an obligation of a financial sector entity and not an obligation of a consolidated subsidiary of a financial sector entity; or
- A publicly traded common equity share that is:

- Included in the Russell 1000 Index; or an index that a bank's supervisor in a foreign jurisdiction recognizes for purposes of including equity shares in level 2B liquid assets under applicable regulatory policy, if the share is held in that foreign jurisdiction;
- Issued in U.S. dollars; or the currency of a jurisdiction where the bank operates and the bank holds the common equity share in order to cover its net cash outflows in that jurisdiction;
- Issued by an entity whose publicly traded common equity shares have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, as demonstrated by:
  - The market price of the security or equivalent securities of the issuer declining by no more than 40 percent during a 30 calendar-day period of significant stress, or
  - The market haircut demanded by counterparties to securities borrowing and lending transactions that are collateralized by the publicly traded common equity shares or equivalent securities of the issuer increasing by no more than 40 percentage points, during a 30 calendar day period of significant stress;
- Not issued by a financial sector entity and not issued by a consolidated subsidiary of a financial sector entity;
- If held by a depository institution, is not acquired in satisfaction of a debt previously contracted (DPC); and
- If held by a consolidated subsidiary of a depository institution, the depository institution can include the publicly traded common equity share in its level 2B liquid assets only if the share is held to cover net cash outflows of the depository institution's consolidated subsidiary in which the publicly traded common equity share is held.

The fair value, as determined under U.S. generally accepted accounting principles (GAAP), of a covered company's level 2A liquid assets and level 2B liquid assets are subject to haircuts of 15 percent and 50 percent, respectively. The amount of level 2 liquid assets (that is, level 2A and level 2B liquid assets) may not comprise more than 40 percent of the covered company's HQLA amount. The amount of level 2B liquid assets may not comprise more than 15 percent of the covered company's HQLA amount.

A covered company's total net cash outflow amount is determined by applying outflow and inflow rates, which reflect certain standardized stressed assumptions, against the balances of a covered company's funding sources, obligations, transactions, and assets over a prospective 30 calendar-day period. Inflows that can be included to offset outflows are limited to 75 percent of outflows to ensure that covered companies are maintaining sufficient on-balance sheet liquidity and are not overly reliant on inflows, which may not materialize in a period of stress.

The measure of net cash outflow and the outflow and inflow rates used in its determination are meant to reflect aspects of historical stress events including a financial crisis. Consistent with the Basel III Revised Liquidity Framework and the agencies' evaluation of relevant supervisory information, these net outflow components take into account the potential impact of idiosyncratic and market-wide shocks, including those that would result in: (1) A partial loss of unsecured wholesale funding capacity; (2) a partial loss of secured, short-term financing with certain collateral and counterparties; (3) losses from derivative positions and the collateral supporting those positions; (4) unscheduled draws on committed credit and liquidity facilities that a covered company has provided to its customers; (5) the potential need for a covered company to buy back debt or to honor non-contractual obligations in order to mitigate reputational and other risks; (6) a partial loss of retail deposits and brokered deposits from retail customers; and (7) other shocks that affect outflows linked to structured financing transactions, mortgages, central bank borrowings, and customer short positions.

3. Overview of U.S. LCR Disclosure Requirements

The U.S. LCR requires certain Covered Companies, including HNAH, to make quantitative and qualitative disclosures related to their U.S. LCR calculations and liquidity management practices on a quarterly basis ("LCR Disclosures"), beginning with the quarter ended June 30, 2018. This report contains the Firm's LCR Disclosures for the quarter ended March 31, 2024. HNAH has reported LCR as a Category IV institution since April 2022.

The HNAH LCR 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. LCR Qualitative Disclosures

The main drivers of the liquidity coverage ratio

Our U.S. LCR quantitative disclosures, shown in the chart in Section 5, reflect the daily average value of each disclosure category across the quarter. When discussing the main drivers of our U.S. LCR, 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 HQLA, Outflows and Inflows. Calculation of the final ratio is based on the calculated Average Weighted (post-factor) amounts.

HNAH average LCR for Q1 2024 was 115.1%. The calculation period covered all business days from January 1, 2024 through March 31, 2024. This ratio is the result of:

- HNAH's average weighted HQLA of $46.5 billion; divided by
- HNAH's average potential net cash outflows over a 30-calendar-day period of stress based on the assumptions specified in the U.S. LCR requirement of $40.4 billion

HNAH's cash outflow amounts during Q1 2024 were principally driven by unsecured wholesale funding outflows (primarily related to non-retail deposits) in addition to outflows related to derivative exposures and the undrawn portion of committed facilities. Net outflows related to these categories comprised approximately 85% of total cash outflows during the quarter. Additional outflows included those related to deposits from retail customers and wholesale secured funding transactions. Secured funding transactions include repurchase transactions, loans of collateral to customers to effect short positions, and other secured loans received by a Covered Company.

These outflows reflect prescribed, industry-wide assumptions in the U.S. LCR for liquidity risk in HNAH's business lines, activities and products, as measured for a projected 30-day stress period.

HNAH's cash inflow amounts during Q1 2024 were principally driven by net derivative cash inflow amounts and inflows related to unsecured and secured lending transactions. These categories of inflows comprised approximately 97% of aggregate cash inflows during the quarter.

A. Composition of eligible HQLA

As shown in the following chart, Level 1 assets constituted the most significant portion of the Firm's total eligible HQLA in the quarter, on both an unweighted and a weighted basis. HNAH's Level 1 assets primarily include cash on deposit with central banks, U.S. Treasury and GNMA securities. The Firm's combined Level 2A and Level 2B assets fall below the 40% cap for such assets under the U.S. LCR. The Firm's Level 2A assets primarily include U.S. government-sponsored enterprise securities. HNAH's holdings of Level 2B assets made up 6.1% of total weighted HQLA over the period.

	HQLA Categories as Percentage of Total Eligible HQLA	
	Average Unweighted	**Average Weighted**
Level 1 assets	77.3%	83.4%
Level 2A assets	11.4%	10.5%
Level 2B assets	11.3%	6.1%

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 liquidity coverage ratio over time and causes of such changes

The Firm's U.S. LCR 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 main drivers of our U.S. LCR, referred to above, were relatively stable throughout this quarter, and the Firm is in compliance with U.S. LCR requirements with an average LCR for Q1 2024 of 115.1%, well above the established regulatory minimum. HNAH's average U.S. LCR remained stable compared to the prior quarter, decreasing 0.3% from the Q4 2023 level of 115.4%.

5. U.S. LCR Quantitative Disclosures

In the tables shown on the subsequent pages, the figures reported in the "Average Weighted Amount" column rows 1 through 28 reflect the prescribed, industry-wide assumptions and haircuts defined by the U.S. LCR to determine the Firm's eligible HQLA, cash outflow amounts and cash inflow amounts for Q1 2024 prior to the application of the 30% adjustment factor prescribed in the Tailoring Rules for Category IV banks. The figures reported in the "Average Unweighted Amount" column reflect gross values that are not included in the calculation used to determine the Firm's compliance with U.S. LCR requirements. The maturity mismatch add-on (row 31 in the template below) is an adjustment to account for the largest net cumulative outflow that occurred within the 30-day LCR stress period.

Period: Jan 1, 2024 to Mar 31, 2024 In millions of U.S. Dollars		Average Unweighted Amount	Average Weighted Amount
HIGH-QUALITY LIQUID ASSETS			
1	**Total eligible high-quality liquid assets (HQLA), of which:**	**50,232**	**46,531**
2	Eligible level 1 liquid assets	38,828	38,828
3	Eligible level 2A liquid assets	5,718	4,860
4	Eligible level 2B liquid assets	5,687	2,843
CASH OUTFLOW AMOUNTS			
5	Deposit outflow from retail customers and counterparties, of which:	44,182	6,395
6	Stable retail deposit outflow	8,920	268
7	Other retail funding outflow	16,095	1,610
8	Brokered deposit outflow	19,167	4,518
9	Unsecured wholesale funding outflow, of which:	67,819	34,420
10	Operational deposit outflow	15,962	3,949
11	Non-operational funding outflow	50,681	29,295
12	Unsecured debt outflow	1,176	1,176
13	Secured wholesale funding and asset exchange outflow	100,905	4,414
14	Additional outflow requirements, of which:	96,079	30,478
15	Outflow related to derivative exposures and other collateral requirements	17,193	17,193
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments	78,885	13,285
17	Other contractual funding obligation outflow	166	166
18	Other contingent funding obligations outflow	14,292	533
19	**TOTAL CASH OUTFLOW**	**323,443**	**76,406**

CASH INFLOW AMOUNTS

20	Secured lending and asset exchange cash inflow	92,521	3,002
21	Retail cash inflow	1,082	555
22	Unsecured wholesale cash inflow	1,903	1,677
23	Other cash inflows, of which:	14,049	14,049
24	Net derivative cash inflow	14,039	14,039
25	Securities cash inflow	10	10
26	Broker-dealer segregated account inflow	-	-
27	Other cash inflow	-	-
28	**TOTAL CASH INFLOW**	**109,555**	**19,285**

			Average Amount[1]
29	**HQLA Amount**		**46,531**
30	**Total Net Cash outflow amount excluding the maturity mismatch add-on**		**39,985**
31	**Maturity mismatch add-on**		**445**
32	**Total Net Cash Outflow Amount**		**40,429**
33	**Liquidity Coverage Ratio (%)**		**115.1%**

[1] The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and reduced total net cash outflow amount applicable to Category IV institutions under the tailoring rule.