

2025

**The Hongkong and Shanghai Banking
Corporation Limited, Bangkok Branch**

Interim Pillar 3 Disclosures at 30 June 2025

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Introduction

Purpose

This document comprises Interim Pillar 3 Disclosures of The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch ('the Bank') at 30 June 2025. It meets the regulatory disclosure requirements under the Bank of Thailand ('BoT') Notifications dated 2 May 2013 and 7 May 2019, Re: The Public Disclosure of Capital Maintenance for Commercial Banks. It also serves to comply with the disclosures on Liquidity Coverage Ratio as required by the BoT's Notification dated 25 January 2018, Re: Liquidity Coverage Ratio Disclosure Standards.

References to 'HSBC', 'the Group' or 'the HSBC Group' within this document mean HSBC Holdings plc together with its subsidiaries.

These disclosures are governed by the Bank's disclosure policy, which has been approved by the Asset and Liability Management Committees ('ALCOs'). While the disclosure statement is not required to be externally audited, the document has been appropriately verified internally in accordance with the Bank's policies on disclosure and its financial reporting and governance processes.

Key prudential metrics

Table 1 : Key prudential metrics

	30 June 2025	31 December 2024
Available capital (THBm)		
Total capital.....	25,700	25,700
Fully loaded Expected Credit Loss total capital.....	25,700	25,700
Risk-weighted assets ('RWAs') (THBm)		
Total RWAs.....	125,009	117,813
Capital ratios (%)		
Capital ratio.....	20.6	21.8
Fully loaded Expected Credit Loss capital ratio.....	20.6	21.8
Additional capital buffer requirements as a percentage of RWA (%)		
Capital conservation buffer requirement.....	2.5	2.5
Countercyclical buffer requirement.....	-	-
Higher loss absorbency requirement.....	-	-
Total of capital specific buffer requirements.....	2.5	2.5
Capital ratio in excess of minimum requirements.....	9.6	10.8
Total capital ratio requirement (%)		
Total capital ratio including capital buffer.....	11.0	11.0
Minimum capital ratio requirements.....	8.5	8.5
	Average Balance	Average Balance
	2025	2024
	Quarter 2	Quarter 4
Liquidity Coverage Ratio ('LCR')		
Total high-quality liquid assets (THBm).....	121,318	101,791
Total net cash outflows (THBm).....	58,150	50,799
LCR ratio (%).....	210	201

The BoT set a guidance to set aside a minimum 1% of provisions for unimpaired assets and off-balance sheet items ('minimum provisions'). If the available provisions are less than minimum provisions, such shortfall of provision would be deducted from retained earnings or capital as appropriated.

At 30 June 2025, the available provisions of Baht 56 million was shortfall over the minimum provisions by Baht 930 million. Therefore, the additional reserve of Baht 1,050 million have been provided by using retained earnings.

Regulatory framework

The Bank calculates capital for prudential regulatory reporting based on BoT regulations with respect to the capital adequacy framework which in line with the Basel III framework of the Basel Committee ('Basel') as implemented in Thailand.

The Basel III framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process complemented by the 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 resources, risk exposures and risk management processes, and hence their capital adequacy.

Interim Pillar 3 Disclosures 2025

The Interim Pillar 3 Disclosures 2025 present summary updates on regulatory capital, capital adequacy and market risk together with liquidity and funding risk. The disclosures supplement those already made in the Pillar 3 Disclosures 2024 for those risks covered by the disclosure requirements of the BoT.

The Pillar 3, market discipline, complements the minimum capital requirements and the supervisory review process.

Media and location

The Interim Pillar 3 Disclosures 2025 and the Pillar 3 Disclosures 2024 on a standalone basis are available on our website:

www.about.hsbc.co.th/hsbc-in-thailand, whereas the Pillar 3 Disclosures 2024 of HSBC Holdings plc and its subsidiaries on a consolidated level and other information on HSBC are available on HSBC Group's website: www.hsbc.com.

Scope of permissions

Credit risk

For credit risk, with the BoT's approval, we have adopted the standardised approach.

Market risk

We have obtained approval from the BoT to apply a combined approach for market risk assessment to determine capital requirements. The standardised approach is used for Specific Interest Rate Risk and the Value at Risk ('VaR') model is used for general market, foreign exchange and interest rate risk.

Operational risk

We have adopted the standardised approach in determining our operational risk capital requirements.

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 in accordance with our strategy, and always meeting local regulatory capital requirements at all times.

To achieve this, we manage our capital within the context of an annual capital plan as part of Internal Capital Adequacy Assessment Process ('ICAAP') that is approved by the local Risk Management Committee ('RMM') and determines the optimal amount and mix of capital required to support planned business growth and meet local regulatory capital requirements within the context of the Group capital plan. Capital generated by us in excess of planned requirements is returned to our Head Office, normally by way of profit remittance, in accordance with the Bank's capital plan.

Capital conservation buffer

To align with the Basel III framework, the BoT contemplates a capital conservation buffer ('CCB'). The CCB was designed to ensure banks build up capital outside periods of stress that can be drawn down when losses are incurred and is set at 2.5%. This results in a minimum capital ratio of 11%.

Composition of regulatory capital

The BoT has issued the notification to revise the components of regulatory capital. Items that do not reflect true capital are added to the regulatory adjustments to be applied to the regulatory capital i.e. goodwill, intangible assets, gains on sale related to securitisation transactions and significant investments in common shares and warrants to be in line with the Basel III framework.

At 30 June 2025, we have an allocated and registered capital fund with the BoT of Baht 25,700 million (31 December 2024: Baht 25,700 million). The detail can be summarised as follows:

Table 2 : Capital structure

	30 June 2025 THBm	31 December 2024 THBm
Assets maintained under Section 32	26,559	26,355
Sum of net capital for maintenance of assets under Section 32 and net balance of inter-office accounts		
Net fund brought in to maintain assets under Section 32.....	25,700	25,700
Net balance of inter-office accounts where the branch is the debtor to the head office and other branches of the same juristic person, the parent company and subsidiaries of the head office.....	694	411
Total	26,394	26,111
Regulatory Capital	25,700	25,700
Regulatory Capital after deducting capital add-on from Single Lending Limit	25,700	25,700

Table 3 : Capital adequacy

Minimum capital requirement for credit risk classified by type of assets under the Standardised Approach

	30 June 2025 THBm	31 December 2024 THBm
Performing claims		
Claims on sovereigns and central banks, and multilateral development banks ('MDBs').....	81	51
Claims on financial institutions, non-central government public sector entities ('PSEs') treated as claims on financial institutions, and securities firms.....	1,551	1,611
Claims on corporates, non-central government public sector entities ('PSEs') treated as claims on corporates.....	7,397	6,748
Claims on retail portfolios.....	12	12
Claims on housing loans.....	5	5
Other assets.....	14	18
Non-performing claims	12	5
Total minimum capital requirement for credit risk	9,072	8,450

Minimum capital requirement for market risk for positions in the trading book

	30 June 2025 THBm	31 December 2024 THBm
Standardised approach - specific interest rate risk.....	-	-
Internal model approach.....	170	233
Total minimum capital requirement for market risk	170	233

Remark:

- The Bank has approval from the Bank of Thailand to apply a combined approach for market risk. The standardised approach is applied for specific interest rate risk and the internal model approach is applied for interest rate risk and foreign exchange rate risk.

Minimum capital requirement for operational risk

	30 June 2025 THBm	31 December 2024 THBm
Standardised approach.....	1,383	1,331
Total minimum capital requirement for operational risk	1,383	1,331

Capital ratio

	30 June 2025 %	31 December 2024 %
Total capital to risk-weighted assets	20.6	21.8
Total capital to risk-weighted assets after deducting capital add-on from Single Lending Limit	20.6	21.8
Total capital ratio requirement including CCB as specified by the BoT	11.0	11.0

Market risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices will reduce our income or the value of our portfolios.

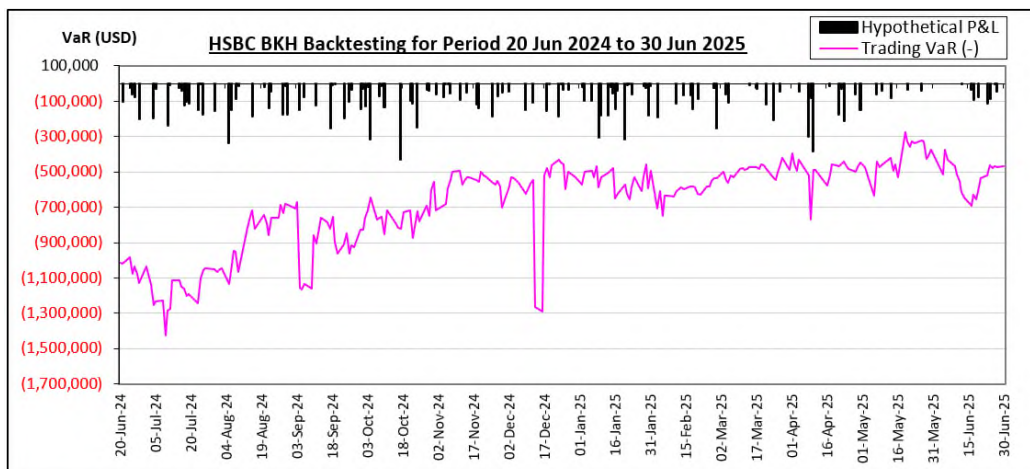
The objective is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent within our established risk appetite.

Table 4 : Market risk information by Internal Model Approach at 30 June 2025 and 31 December 2024

	30 June 2025 THBm	31 December 2024 THBm
Interest Rate Risk		
Maximum VaR during the period.....	71	146
Average VaR during the period.....	49	69
Minimum VaR during the period.....	29	48
VaR at the end of the period.....	44	55
Foreign Exchange Rate Risk		
Maximum VaR during the period.....	52	41
Average VaR during the period.....	7	8
Minimum VaR during the period.....	1	2
VaR at the end of the period.....	11	11
Total Market Risk		
Maximum VaR during the period.....	80	139
Average VaR during the period.....	49	69
Minimum VaR during the period.....	28	46
VaR at the end of the period.....	48	57

Remark: The period for Maximum VaR, Minimum VaR and Average VaR is 60 days interval. All figures are based on 10 days VaR as used for market risk capital charge calculation.

Table 5 : Backtesting result (considering loss side of Hypothetical P&L vs. Value at Risk)



Remark: There was no backtest exceptions for the period of 20 June 2024 to 30 June 2025.

Liquidity and funding risk

Overview

Liquidity risk is the risk that the bank does not have sufficient financial resources to meet its obligations when they fall due. The liquidity risk arises from mismatches in the timing of cashflows. Funding risk is the risk that we cannot raise funding or can only do so at excessive cost. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

Liquidity and funding risk management

HSBC has comprehensive policies, metrics and controls, which aims to allow us to withstand severe but plausible liquidity stresses. The HSBC Group manages liquidity and funding risk at an operating entity level, in accordance with globally consistent policies, procedures and reporting standard. This is to make sure that obligations can be met in the jurisdiction where they fall due, generally without reliance on other parts of the group.

Liquidity and Funding Risk management processes include:

- maintaining compliance with relevant regulatory requirements;
- projecting cash flows under various stress scenarios and considering the level of liquid assets necessary in relation thereto;
- monitoring liquidity and funding ratios against internal and regulatory limits;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of term funding;
- managing contingent liquidity commitment exposures;
- maintaining debt financing plans;
- monitoring of depositor concentration in order to avoid undue reliance on large individual depositors and ensuring a satisfactory overall funding mix; and
- maintaining liquidity and funding contingency plans.

Governance

The elements of liquidity and funding risk management framework are underpinned by a robust governance framework, with the two major elements being:

- the Asset and Liability Management Committees ('ALCOs'); and
- the annual internal liquidity adequacy assessment process ('ILAAP').

The local ALCO is responsible for managing all Asset, Liability and Capital Management ('ALCM') issues including liquidity and funding risk management and monitors the compliance with liquidity and funding requirements.

ALCM team is responsible for the application of the liquidity and funding risk management framework at a local operating entity level and assists ALCO to review liquidity and funding risks to ensure their prudent management. ALCM manages the balance sheet with a view to achieve efficient allocation and utilization of all resources.

The Markets Treasury team is responsible for managing cash, short-term liquidity and funding for the entity. This includes deployment of the commercial surplus as well as accessing wholesale senior funding markets if needed.

Treasury Risk Management carry out independent review, challenge and assurance of the appropriateness of the risk management activities undertaken by ALCM and Markets Treasury. They provide oversight and stewardship of liquidity and funding management including setting policy and control standards.

Global Internal Audit provide independent assurance that risk is managed effectively across the Group.

Internal liquidity adequacy assessment process ('ILAAP') and risk appetite

The operating entities are required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through the Internal Liquidity Adequacy Assessment Process ('ILAAP'), which ensures that operating entities have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity and funding risks over an appropriate set of time horizons, including intra-day.

The ILAAP informs the setting of tolerance threshold and warning trigger. It also assesses the capability to manage liquidity and funding effectively, taking into account of the underlying liquidity and funding risks in the Bank's balance sheet. This process performs a thorough review of the local liquidity and funding risks considering local regulatory rules, product features and business composition. These risks include but not limited to deposits stability, intraday liquidity risk, monetisation risk of high quality liquid assets, franchise viability risk and intragroup liquidity risk. These metrics are set and managed locally but are subject to robust global and regional review and challenge to ensure consistency of approach and application of the Group's policies and controls.

All operating entities are required to prepare an ILAAP document at appropriate frequency. Compliance with liquidity and funding requirements is monitored and reported to ALCO and RMM on a regular basis.

Management of liquidity and funding risk

Liquidity and funding plans form part of the financial resource plan that is approved by the Board. The Board level key risk indicator measures are the liquidity coverage ratio ('LCR') and net stable funding ratio ('NSFR'), supplementing by HSBC Internal Liquidity Metric ('ILM'). In addition, an appropriate funding and liquidity profile is managed through a wider set of measures:

- a minimum LCR and NSFR requirement;
- an internal liquidity metric ('ILM');
- a management of material currency ILM;
- a depositor concentration limit;
- the cumulative term funding maturity concentration limit;
- a management and monitoring of intraday liquidity;
- the application of liquidity funds transfer pricing; and
- forward-looking funding assessment.

Liquidity and funding risk metrics are monitored daily and/or monthly and reported to ALCO regularly.

Measurement and monitoring

BoT issued a Notification Re: Guidelines on Liquidity Coverage Ratio ('LCR'), where commercial banks are required to maintain High Quality Liquid Assets ('HQLA') relative to net cash outflows within the 30-day time horizon under liquidity stress scenarios of at least 100% from 1 January 2020.

The Bank manages its LCR position daily within the warning trigger which includes a buffer in excess of the regulatory requirement. The Bank actively considers the impact of business decisions on the LCR.

In addition, the Bank maintains a diversified funding base with projections of balance sheet and NSFR discussed in monthly ALCO meetings to ensure the Bank remains well-funded to support the business strategy. The Bank regularly examines its liquidity gaps and introduced the internal metrics on funding concentration to monitor funding risks.

Also, the Bank maintain the liquidity contingency plans that can be enacted in the event of internal or external triggers, which threaten the liquidity or funding position. The contingency plans set out a range of appropriate management actions, which could feasibly be executed in a stressed environment to recover the position.

Liquidity coverage ratio disclosure

Table 6 and table 7 set out the disclosure items under the LCR disclosure standard template as specified by the BoT.

The average value of the LCR and related components is calculated by the simple average method, which is the average of three data points (month-end data) over a particular quarter.

Explanations of the LCR disclosure template can be found in the Glossary section.

Further details of the Group's liquidity and funding risk management and disclosures can be viewed in the Annual Report and Accounts 2024, the Interim Report 2025 and the interim Pillar 3 Disclosure 2025, which is available on HSBC Group's website: www.hsbc.com.

Table 6 : Liquidity coverage ratio ('LCR')

	Average Balance	
	2025 Quarter 2	2024 Quarter 2
(1) Total high-quality liquid assets ('HQLA') (THBm).....	121,318	107,721
(2) Total net cash outflows within the 30-day time horizon (THBm).....	58,150	54,146
(3) Percentage of Liquidity Coverage Ratio (%).....	210	199
Minimum percentage of LCR as specified by the BoT (%).....	100	100

Table 7 : Comparative data of LCR

	2025 Average LCR %	2024 Average LCR %
Quarter 1.....	216	214
Quarter 2.....	210	199

The Bank maintains a healthy liquidity position the average LCR for the 2nd quarter of 2025 of 210%, which is 110% higher than the minimum LCR requirement as specified by the BoT. This LCR is the average of LCRs as at the end of April– 217%, May – 220% and June – 193%. The LCR consists of 2 main components;

1. High-quality liquid assets ('HQLA') include unencumbered high-quality assets with low risk and low volatility that can be easily liquidated through sale or repurchase transactions without any significant changes to their values, even in times of liquidity stress. The value of each type of HQLA is after the application of both haircuts and any applicable caps as specified by the BoT.

The average HQLA of the Bank for the 2nd quarter of 2025 is Baht 121,318 million, which is the average of HQLA as at the end of April – June. More than 97% of HQLAs are the Baht, US dollar and Singapore dollar denominated government and central bank debt securities. The Bank maintains a well-diversified portfolio of HQLA to support the regulatory and internal requirements.

2. The amount of net cash outflows is equal to expected cash outflows within the 30-day time horizon minus expected cash inflows within the 30-day time horizon under liquidity stress scenarios; but the expected cash inflows must not exceed 75% of the expected cash outflows.

The average net cash outflows of the Bank for the 2nd quarter of 2025 is Baht 58,150 million, which is the average of net cash outflows within the 30-day time horizon as at the end of April – June.

The expected cash outflows on which the Bank focuses under the severe liquidity stress scenarios are the run-off of unsecured wholesales deposits and borrowings, repayments of secured borrowings under repurchase agreements

(repos), derivative cash outflows to which the specified BoT run-off rates applied. The cash outflows arising from contingent funding, obligations and collateral requirements such repo funding and derivatives are also captured with the run-off rate assigned by the BoT.

The expected cash inflows are majority from performing customer's loan repayments, maturing deposits placement and derivative cash inflows, to which the specified BoT inflow rates applied.

Term

Definition

Explanation of the LCR disclosure template

The high-quality liquid assets ('HQLA')

Total high-quality liquid assets ('HQLA') is defined as the sum of liquid assets with the features as specified by the BoT as follows:

I. Characteristics of liquid assets

II. Guidelines on the calculation of liquid assets

III. Operational requirements

IV. Diversification of liquid assets

The total HQLA is the value of total HQLA after the application of both haircuts and any applicable caps as specified by the BoT.

Total net cash outflows within the 30-day time horizon

The term "total net cash outflows within the 30-day time horizon" is defined as the sum of all types of expected cash outflows within the 30-day time horizon multiplied by respective run-off rates minus the sum of all types of expected cash inflows within the 30-day time horizon multiplied by respective inflow rates, but no more than 75% of total expected cash outflows as specified by the BoT.

Total <u>net</u> cash outflows within the 30-day time horizon under liquidity stress scenarios	= Total expected cash <u>outflows</u> within the 30-day time horizon under liquidity stress scenarios	- Total expected cash <u>inflows</u> within the 30-day time horizon under liquidity stress scenarios
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Percentage of Liquidity Coverage Ratio (%LCR)

LCR is the ratio of total HQLA to total net cash outflows within the 30-day time horizon.