
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2025**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **001-07436**

HSBC USA Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State of incorporation)

66 Hudson Boulevard, New York, New York

(Address of principal executive offices)

13-2764867

(I.R.S. Employer Identification No.)

10001

(Zip Code)

Registrant's telephone number, including area code **(212) 525-5000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
\$100,000,000 Zero Coupon Callable Accreting Notes due January 15, 2043	HUSI/43	New York Stock Exchange
\$50,000,000 Zero Coupon Callable Accreting Notes due January 29, 2043	HUSI/43A	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 25, 2025, there were 714 shares of the registrant's common stock outstanding, all of which are owned by HSBC North America Holdings Inc.

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PART I

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Three Months Ended March 31,	2025	2024
	(in millions)	
Interest income:		
Loans	\$ 876	\$ 899
Securities	460	445
Trading securities	91	85
Short-term investments	434	448
Other	19	16
Total interest income	1,880	1,893
Interest expense:		
Deposits	934	1,012
Short-term borrowings	126	154
Long-term debt	280	285
Other	14	16
Total interest expense	1,354	1,467
Net interest income	526	426
Provision for credit losses	118	2
Net interest income after provision for credit losses	408	424
Other revenues:		
Credit card fees, net	14	15
Trust and investment management fees	41	36
Other fees and commissions	165	176
Trading revenue	193	276
Other securities gains, net	3	2
Servicing and other fees from HSBC affiliates	102	88
Gain (loss) on instruments designated at fair value and related derivatives	(3)	(20)
Other income (loss)	1	(34)
Total other revenues	516	539
Operating expenses:		
Salaries and employee benefits	148	135
Support services from HSBC affiliates	404	399
Occupancy expense, net	12	18
Other expenses	96	133
Total operating expenses	660	685
Income before income tax	264	278
Income tax expense	63	53
Net income	\$ 201	\$ 225

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Three Months Ended March 31,	2025	2024
	(in millions)	
Net income	\$ 201	\$ 225
Net change in unrealized gains (losses), net of tax:		
Investment securities	189	(107)
Fair value option liabilities attributable to our own credit spread	3	(37)
Derivatives designated as cash flow hedges	(79)	36
Total other comprehensive income (loss)	113	(108)
Comprehensive income	\$ 314	\$ 117

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 2025	December 31, 2024
	(in millions)	
Assets⁽¹⁾		
Cash and due from banks	\$ 888	\$ 621
Interest bearing deposits with banks	28,414	22,625
Federal funds sold and securities purchased under agreements to resell	10,379	14,313
Trading assets (includes \$3.8 billion and \$3.6 billion pledged to creditors at March 31, 2025 and December 31, 2024, respectively)	18,670	21,231
Securities available-for-sale (includes amortized cost of \$28.1 billion and \$27.2 billion at March 31, 2025 and December 31, 2024, respectively, an allowance for credit losses of nil at both March 31, 2025 and December 31, 2024, and \$1.4 billion and \$0.6 billion pledged to creditors at March 31, 2025 and December 31, 2024, respectively)	26,021	24,937
Securities held-to-maturity, net of allowance for credit losses of nil at both March 31, 2025 and December 31, 2024 (fair value of \$17.6 billion and \$17.0 billion at March 31, 2025 and December 31, 2024, respectively)	18,139	17,798
Loans (includes \$10 million and \$11 million designated under fair value option at March 31, 2025 and December 31, 2024, respectively)	63,414	62,753
Less – allowance for credit losses	634	537
Loans, net	62,780	62,216
Loans held for sale (includes \$519 million and \$395 million designated under fair value option at March 31, 2025 and December 31, 2024, respectively)	594	406
Properties and equipment, net	65	73
Goodwill	458	458
Other assets, net of allowance for credit losses of nil at both March 31, 2025 and December 31, 2024 (includes nil and \$16 million designated under fair value option at March 31, 2025 and December 31, 2024, respectively)	6,033	6,053
Total assets	\$ 172,441	\$ 170,731
Liabilities⁽¹⁾		
Debt:		
Domestic deposits:		
Noninterest bearing	\$ 20,303	\$ 21,251
Interest bearing (includes \$4.9 billion and \$4.0 billion designated under fair value option at March 31, 2025 and December 31, 2024, respectively)	98,250	96,656
Foreign deposits - interest bearing	7,171	5,443
Total deposits	125,724	123,350
Short-term borrowings	7,564	7,352
Long-term debt (includes \$7.5 billion and \$7.9 billion designated under fair value option at March 31, 2025 and December 31, 2024, respectively)	20,668	20,717
Total debt	153,956	151,419
Trading liabilities	2,669	3,907
Interest, taxes and other liabilities (includes nil and \$16 million designated under fair value option at March 31, 2025 and December 31, 2024, respectively)	3,020	2,916
Total liabilities	159,645	158,242
Equity		
Preferred stock (no par value; 40,999,000 shares authorized; 265 shares issued and outstanding at both March 31, 2025 and December 31, 2024)	265	265
Common equity:		
Common stock (\$5 par value; 150,000,000 shares authorized; 714 shares issued and outstanding at both March 31, 2025 and December 31, 2024)	—	—
Additional paid-in capital	12,720	12,727
Retained earnings	1,470	1,269
Accumulated other comprehensive loss	(1,659)	(1,772)
Total common equity	12,531	12,224
Total equity	12,796	12,489
Total liabilities and equity	\$ 172,441	\$ 170,731

- ⁽¹⁾ The following table summarizes assets and liabilities related to our consolidated variable interest entities ("VIEs") at March 31, 2025 and December 31, 2024. Assets and liabilities exclude intercompany balances that eliminate in consolidation. See Note 15, "Variable Interest Entities," for additional information.

	March 31, 2025	December 31, 2024
	(in millions)	
Assets		
Other assets	\$ 9	\$ 11
Total assets	<u>\$ 9</u>	<u>\$ 11</u>
Liabilities		
Interest, taxes and other liabilities	\$ 16	\$ 4
Total liabilities	<u>\$ 16</u>	<u>\$ 4</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Three Months Ended March 31,	2025	2024
	(in millions)	
<i>Preferred stock</i>		
Balance at beginning and end of period	\$ 265	\$ 265
<i>Common stock</i>		
Balance at beginning and end of period	—	—
<i>Additional paid-in capital</i>		
Balance at beginning of period	12,727	12,740
Employee benefit plans	(7)	—
Balance at end of period	<u>12,720</u>	<u>12,740</u>
<i>Retained earnings</i>		
Balance at beginning of period	1,269	560
Net income	201	225
Balance at end of period	<u>1,470</u>	<u>785</u>
<i>Accumulated other comprehensive loss</i>		
Balance at beginning of period	(1,772)	(1,926)
Other comprehensive income (loss), net of tax	113	(108)
Balance at end of period	<u>(1,659)</u>	<u>(2,034)</u>
<i>Total common equity</i>	<u>12,531</u>	<u>11,491</u>
<i>Total equity</i>	<u>\$ 12,796</u>	<u>\$ 11,756</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Three Months Ended March 31,	2025	2024
	(in millions)	
<i>Cash flows from operating activities</i>		
Net income	\$ 201	\$ 225
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	(8)	(16)
Provision for credit losses	118	2
Net realized gains on securities available-for-sale	(3)	(2)
Net change in other assets and liabilities	(562)	305
Net change in loans held for sale:		
Originations and purchases of loans held for sale	(335)	(87)
Sales and collections of loans held for sale	202	74
Net change in trading assets and liabilities	1,201	2,276
Lower of amortized cost or fair value adjustments on loans held for sale	—	(2)
Loss on instruments designated at fair value and related derivatives	3	20
Net cash provided by operating activities	<u>817</u>	<u>2,795</u>
<i>Cash flows from investing activities</i>		
Net change in federal funds sold and securities purchased under agreements to resell	3,934	5,572
Securities available-for-sale:		
Purchases of securities available-for-sale	(3,250)	(2,320)
Proceeds from sales of securities available-for-sale	1,846	1,075
Proceeds from paydowns and maturities of securities available-for-sale	916	970
Securities held-to-maturity:		
Purchases of securities held-to-maturity	(694)	(464)
Proceeds from paydowns and maturities of securities held-to-maturity	366	259
Change in loans:		
Originations, net of collections	(797)	(1,745)
Loans sold to third parties	146	861
Net cash provided by (used for) sales (acquisitions) of properties and equipment	5	(8)
Other, net	(31)	(25)
Net cash provided by investing activities	<u>2,441</u>	<u>4,175</u>
<i>Cash flows from financing activities</i>		
Net change in deposits	2,382	766
Debt:		
Net change in short-term borrowings	271	(2,881)
Issuance of long-term debt	2,481	2,331
Repayment of long-term debt	(2,329)	(1,523)
Other decreases in capital surplus	(7)	—
Net cash provided by (used in) financing activities	<u>2,798</u>	<u>(1,307)</u>
Net change in cash and due from banks and interest bearing deposits with banks	6,056	5,663
Cash and due from banks and interest bearing deposits with banks at beginning of period	23,246	25,719
<i>Cash and due from banks and interest bearing deposits with banks at end of period</i>	<u><u>\$ 29,302</u></u>	<u><u>\$ 31,382</u></u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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1. Organization and Presentation

HSBC USA Inc. ("HSBC USA"), incorporated under the laws of Maryland, is a New York State based bank holding company and a wholly-owned subsidiary of HSBC North America Holdings Inc. ("HSBC North America"), which is an indirect wholly-owned subsidiary of HSBC Holdings plc ("HSBC" and, together with its subsidiaries, "HSBC Group"). The accompanying unaudited interim consolidated financial statements of HSBC USA and its subsidiaries (collectively "HUSI") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X, as well as in accordance with predominant practices within the banking industry. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. HSBC USA's principal U.S. banking subsidiary is HSBC Bank USA, National Association (together with its subsidiaries, "HSBC Bank USA"). In the opinion of management, all normal and recurring adjustments considered necessary for a fair statement of financial position, results of operations and cash flows for the interim periods have been made. HUSI may also be referred to in these notes to the consolidated financial statements as "we," "us" or "our." These unaudited interim consolidated financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2024 (the "2024 Form 10-K").

The preparation of financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. Interim results should not be considered indicative of results in future periods.

2. Trading Assets and Liabilities

Trading assets and liabilities consisted of the following:

	March 31, 2025	December 31, 2024
	(in millions)	
Trading assets:		
U.S. Treasury	\$ 3,779	\$ 3,676
U.S. Government agency issued or guaranteed	1	1
U.S. Government sponsored enterprises	1,189	1,166
Foreign bonds	399	783
Equity securities	12,213	13,844
Precious metals	93	163
Derivatives, net	996	1,598
Total trading assets	<u>\$ 18,670</u>	<u>\$ 21,231</u>
Trading liabilities:		
Securities sold, not yet purchased	\$ 1,680	\$ 1,489
Payables for precious metals	6	70
Derivatives, net	983	2,348
Total trading liabilities	<u>\$ 2,669</u>	<u>\$ 3,907</u>

At March 31, 2025 and December 31, 2024, the fair value of derivatives included in trading assets is net of \$2,344 million and \$2,813 million, respectively, relating to amounts recognized for the obligation to return cash collateral received under master netting agreements with derivative counterparties.

At March 31, 2025 and December 31, 2024, the fair value of derivatives included in trading liabilities is net of \$1,178 million and \$1,291 million, respectively, relating to amounts recognized for the right to reclaim cash collateral paid under master netting agreements with derivative counterparties.

See Note 8, "Derivative Financial Instruments," for further information on our trading derivatives and related collateral.

Dividend income on equity securities held for trading, which is recorded in interest income in the consolidated statement of income, totaled \$42 million during both the three months ended March 31, 2025 and 2024. Trading security positions are primarily held as economic hedges of derivative products issued to our clients.

3. Securities

Our securities available-for-sale and securities held-to-maturity portfolios consisted of the following:

March 31, 2025	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)				
Securities available-for-sale:					
U.S. Treasury	\$ 10,958	\$ —	\$ 9	\$ (174)	\$ 10,793
U.S. Government sponsored enterprises:					
Mortgage-backed securities	3,213	—	—	(651)	2,562
Collateralized mortgage obligations	1,301	—	—	(284)	1,017
Direct agency obligations	543	—	3	(6)	540
U.S. Government agency issued or guaranteed:					
Mortgage-backed securities	5,178	—	—	(443)	4,735
Collateralized mortgage obligations	2,544	—	—	(480)	2,064
Direct agency obligations	159	—	4	—	163
Asset-backed securities collateralized by:					
Home equity mortgages	10	—	—	(1)	9
Corporate loans	50	—	—	—	50
Other	95	—	—	(10)	85
Foreign debt securities ⁽¹⁾	4,003	—	1	(1)	4,003
Total available-for-sale securities	<u>\$ 28,054</u>	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ (2,050)</u>	<u>\$ 26,021</u>
Securities held-to-maturity:					
U.S. Treasury	\$ 2,817	\$ —	\$ 1	\$ (37)	\$ 2,781
U.S. Government sponsored enterprises:					
Mortgage-backed securities	906	—	—	(60)	846
Collateralized mortgage obligations	233	—	3	(11)	225
U.S. Government agency issued or guaranteed:					
Mortgage-backed securities	12,727	—	27	(295)	12,459
Collateralized mortgage obligations	1,454	—	—	(131)	1,323
Obligations of U.S. states and political subdivisions	2	—	—	—	2
Total held-to-maturity securities	<u>\$ 18,139</u>	<u>\$ —</u>	<u>\$ 31</u>	<u>\$ (534)</u>	<u>\$ 17,636</u>

December 31, 2024	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Fair Value
	(in millions)				
Securities available-for-sale:					
U.S. Treasury	\$ 10,250	\$ —	\$ 7	\$ (205)	\$ 10,052
U.S. Government sponsored enterprises:					
Mortgage-backed securities	3,242	—	—	(691)	2,551
Collateralized mortgage obligations	1,324	—	—	(309)	1,015
Direct agency obligations	730	—	1	(8)	723
U.S. Government agency issued or guaranteed:					
Mortgage-backed securities	5,286	—	—	(543)	4,743
Collateralized mortgage obligations	2,602	—	—	(528)	2,074
Direct agency obligations	156	—	5	—	161
Asset-backed securities collateralized by:					
Home equity mortgages	11	—	—	(1)	10
Other	98	—	—	(11)	87
Foreign debt securities ⁽¹⁾	3,522	—	1	(2)	3,521
Total available-for-sale securities	<u>\$ 27,221</u>	<u>\$ —</u>	<u>\$ 14</u>	<u>\$ (2,298)</u>	<u>\$ 24,937</u>
Securities held-to-maturity:					
U.S. Treasury	\$ 2,807	\$ —	\$ —	\$ (86)	\$ 2,721
U.S. Government sponsored enterprises:					
Mortgage-backed securities	920	—	—	(77)	843
Collateralized mortgage obligations	245	—	2	(13)	234
U.S. Government agency issued or guaranteed:					
Mortgage-backed securities	12,313	—	6	(449)	11,870
Collateralized mortgage obligations	1,511	—	—	(152)	1,359
Obligations of U.S. states and political subdivisions	2	—	—	—	2
Total held-to-maturity securities	<u>\$ 17,798</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ (777)</u>	<u>\$ 17,029</u>

⁽¹⁾ Foreign debt securities represent public sector entity, bank or corporate debt.

Securities Available-for-Sale The following provides additional information about our portfolio of securities available-for-sale:

Allowance for credit losses On a quarterly basis, we perform an assessment to determine whether there have been any events or economic circumstances to indicate that a debt security available-for-sale in an unrealized loss position has suffered impairment due to credit factors. A debt security available-for-sale is considered impaired if its fair value is less than its amortized cost basis at the reporting date. If impaired, we assess whether the impairment is due to credit factors.

If we intend to sell the debt security or if it is more-likely-than-not that we will be required to sell the debt security before the recovery of its amortized cost basis, the impairment is recognized and the unrealized loss is recorded as a direct write-down of the security's amortized cost basis with an offsetting charge to earnings. If we do not intend to sell the debt security or believe we will not be required to sell the debt security before the recovery of its amortized cost basis, the impairment is assessed to determine if a credit loss component exists. We use a discounted cash flow method to determine the credit loss component. In the event a credit loss exists, an allowance for credit losses is recorded in earnings for the credit loss component of the impairment while the remaining portion of the impairment attributable to factors other than credit loss is recognized, net of tax, in other comprehensive income (loss). The amount of impairment recognized due to credit factors is limited to the excess of the amortized cost basis over the fair value of the security available-for-sale.

In determining whether a credit loss component exists, we consider a series of factors which include:

- The extent to which the fair value is less than the amortized cost basis;
- The credit protection features embedded within the instrument, which include but are not limited to credit subordination positions, payment structure, overcollateralization, protective triggers and financial guarantees provided by third parties;

- Changes in the near term prospects of the issuer or the underlying collateral of a security such as changes in default rates, loss severities given default and significant changes in prepayment assumptions;
- The level of excess cash flows generated from the underlying collateral supporting the principal and interest payments of the debt securities; and
- Any adverse change to the credit conditions of the issuer, the monoline insurer or the security such as credit downgrades by external rating agencies or changes to internal ratings.

At both March 31, 2025 and December 31, 2024, the allowance for credit losses on securities available-for-sale was nil.

Securities in an unrealized loss position for which no allowance for credit losses has been recognized The following table summarizes gross unrealized losses and related fair values for securities available-for-sale by major security type at March 31, 2025 and December 31, 2024 classified as to the length of time the losses have existed:

	One Year or Less			Greater Than One Year		
	Number of Securities	Gross Unrealized Losses	Aggregate Fair Value of Investment	Number of Securities	Gross Unrealized Losses	Aggregate Fair Value of Investment
(dollars are in millions)						
At March 31, 2025						
U.S. Treasury	16	\$ (6)	\$ 5,017	39	\$ (168)	\$ 4,313
U.S. Government sponsored enterprises	—	—	—	134	(941)	3,758
U.S. Government agency issued or guaranteed	4	(17)	525	137	(906)	6,293
Asset-backed securities	1	—	50	6	(11)	95
Foreign debt securities	17	(1)	2,528	1	—	100
Securities available-for-sale	<u>38</u>	<u>\$ (24)</u>	<u>\$ 8,120</u>	<u>317</u>	<u>\$ (2,026)</u>	<u>\$ 14,559</u>
At December 31, 2024						
U.S. Treasury	14	\$ (15)	\$ 3,402	38	\$ (190)	\$ 4,055
U.S. Government sponsored enterprises	—	—	—	137	(1,008)	3,871
U.S. Government agency issued or guaranteed	4	(28)	526	137	(1,043)	6,311
Asset-backed securities	—	—	—	6	(12)	97
Foreign debt securities	22	(2)	2,534	1	—	50
Securities available-for-sale	<u>40</u>	<u>\$ (45)</u>	<u>\$ 6,462</u>	<u>319</u>	<u>\$ (2,253)</u>	<u>\$ 14,384</u>

Gross unrealized losses decreased as compared with December 31, 2024 due primarily to decreasing yields on U.S. Government agency mortgage-backed and U.S. Government sponsored mortgage-backed securities.

Although the fair value of a particular security may be below its amortized cost, it does not necessarily result in a credit loss and hence an allowance for credit losses. The decline in fair value may be caused by, among other things, higher market rates or the illiquidity of the market. We have reviewed the securities in an unrealized loss position for which no allowance for credit losses has been recognized in accordance with our accounting policies, discussed further above. At March 31, 2025, we do not consider any of these securities to be impaired due to credit factors as we expect to recover their amortized cost basis and we neither intend nor expect to be required to sell these securities prior to recovery, even if that equates to holding them until their individual maturities. However, impairments due to credit factors may occur in future periods if the credit quality of the securities deteriorates.

Securities Held-to-Maturity The following provides additional information about our portfolio of securities held-to-maturity:

Allowance for credit losses We exclude from our calculation of lifetime expected credit losses ("lifetime ECL") securities for which we expect that non-payment of the amortized cost basis will be zero ("Zero Expected Credit Loss Exception"). Due to the composition of our portfolio of securities held-to-maturity, substantially all of our portfolio qualifies for the Zero Expected Credit Loss Exception and has been excluded from our lifetime ECL calculation. At both March 31, 2025 and December 31, 2024, the allowance for credit losses on securities held-to-maturity was nil.

At both March 31, 2025 and December 31, 2024, none of our securities held-to-maturity were past due or in nonaccrual status.

Credit risk profile Securities are assigned a credit rating based on the estimated probability of default. The credit ratings are used as a credit quality indicator to monitor our securities held-to-maturity portfolio. We utilize Standard and Poor's ("S&P") as the primary source of our credit ratings. If S&P ratings are not available, ratings by Moody's and Fitch are used in that order. Investment grade includes securities with credit ratings of at least BBB- or above. At both March 31, 2025 and December 31, 2024, all of our securities held-to-maturity were investment grade.

Other securities gains, net The following table summarizes realized gains and losses on investment securities transactions attributable to available-for-sale securities:

Three Months Ended March 31,	2025	2024
	(in millions)	
Gross realized gains	\$ 3	\$ 2
Gross realized losses	—	—
Net realized gains	<u>\$ 3</u>	<u>\$ 2</u>

Contractual Maturities and Yields The following table summarizes the amortized cost and fair values of securities available-for-sale and securities held-to-maturity at March 31, 2025 by contractual maturity. Expected maturities differ from contractual maturities because borrowers have the right to prepay obligations without prepayment penalties in certain cases. The table below also reflects the distribution of maturities of debt securities held at March 31, 2025, together with the approximate yield of the portfolio. The yields shown are calculated by dividing annualized interest income, including the accretion of discounts and the amortization of premiums, by the amortized cost of securities outstanding at March 31, 2025.

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(dollars are in millions)								
Available-for-sale:								
U.S. Treasury	\$ 865	1.24 %	\$ 5,433	3.60 %	\$ 2,267	4.05 %	\$ 2,393	2.96 %
U.S. Government sponsored enterprises	47	1.68	170	1.49	326	2.04	4,514	1.82
U.S. Government agency issued or guaranteed	20	.81	—	—	2	4.20	7,859	2.96
Asset-backed securities	—	—	48	4.41	47	3.89	60	5.33
Foreign debt securities	2,046	.86	1,724	4.34	233	4.32	—	—
Total amortized cost	<u>\$ 2,978</u>	.98 %	<u>\$ 7,375</u>	3.73 %	<u>\$ 2,875</u>	3.85 %	<u>\$ 14,826</u>	2.62 %
Total fair value	<u>\$ 2,972</u>		<u>\$ 7,340</u>		<u>\$ 2,867</u>		<u>\$ 12,842</u>	
Held-to-maturity:								
U.S. Treasury	\$ —	— %	\$ 2,412	3.65 %	\$ 405	3.74 %	\$ —	— %
U.S. Government sponsored enterprises	—	—	219	2.80	580	3.73	340	2.87
U.S. Government agency issued or guaranteed	—	—	1	4.56	10	6.06	14,170	4.63
Obligations of U.S. states and political subdivisions	—	—	2	3.78	—	—	—	—
Total amortized cost	<u>\$ —</u>	— %	<u>\$ 2,634</u>	3.58 %	<u>\$ 995</u>	3.76 %	<u>\$ 14,510</u>	4.59 %
Total fair value	<u>\$ —</u>		<u>\$ 2,599</u>		<u>\$ 952</u>		<u>\$ 14,085</u>	

Equity Securities Equity securities that are not classified as trading and are included in other assets consisted of the following:

	March 31, 2025	December 31, 2024
	(in millions)	
Equity securities carried at fair value	\$ 251	\$ 250
Equity securities without readily determinable fair values	17	15

On a quarterly basis, we perform an assessment to determine whether any equity securities without readily determinable fair values are impaired. In the event an equity security is deemed impaired, the security is written down to fair value with impairment recorded in earnings. During the first quarter of 2025, we determined that certain equity securities without readily determinable fair values were impaired and, as a result, we recorded an impairment loss of \$3 million as a component of other income (loss) in the consolidated statement of income compared with an impairment loss of \$4 million during the first quarter of 2024.

Also included in other assets were investments in Federal Home Loan Bank ("FHLB") stock and Federal Reserve Bank stock of \$95 million and \$438 million, respectively, at both March 31, 2025 and December 31, 2024. Our investment in Federal Reserve Bank stock represents approximately half of the total subscription price for our subscribed shares. The remaining half is unpaid and remains subject to call by the Federal Reserve Board ("FRB").

4. Loans

In connection with changes to our business segments as discussed further in Note 13, "Business Segments," during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation. All tables below have been recasted to reflect this reclassification, as applicable.

Loans consisted of the following:

	March 31, 2025	December 31, 2024
	(in millions)	
Commercial loans:		
Real estate, including construction	\$ 6,341	\$ 6,612
Business and corporate banking	26,212	25,426
Other commercial:		
Affiliates ⁽¹⁾	5,257	5,449
Other	3,532	3,564
Total other commercial	8,789	9,013
Total commercial	41,342	41,051
Consumer loans:		
Residential mortgages	21,430	21,035
Home equity mortgages	388	393
Credit cards	177	195
Other consumer ⁽²⁾	77	79
Total consumer	22,072	21,702
Total loans	\$ 63,414	\$ 62,753

⁽¹⁾ See Note 12, "Related Party Transactions," for additional information regarding loans to HSBC affiliates.

⁽²⁾ Includes certain student loans that we have elected to designate under the fair value option and are therefore carried at fair value, which totaled \$10 million and \$11 million at March 31, 2025 and December 31, 2024, respectively. See Note 9, "Fair Value Option," for further details.

Net deferred origination costs totaled \$23 million and \$32 million at March 31, 2025 and December 31, 2024, respectively. At both March 31, 2025 and December 31, 2024, we had a net unamortized discount on our loans of \$10 million.

Aging Analysis of Past Due Loans The following table summarizes the past due status of our loans at March 31, 2025 and December 31, 2024. The aging of past due amounts is determined based on the contractual delinquency status of payments under the loan. An account is generally considered to be contractually delinquent when payments have not been made in accordance with the loan terms. Delinquency status is affected by customer account management policies and practices such as re-age, which results in the re-setting of the contractual delinquency status to current.

	Past Due		Total Past Due	Current ⁽¹⁾	Total Loans
	30 - 89 Days	90+ Days	30 Days or More		
(in millions)					
At March 31, 2025					
Commercial loans:					
Real estate, including construction	\$ —	\$ 20	\$ 20	\$ 6,321	\$ 6,341
Business and corporate banking	1	51	52	26,160	26,212
Other commercial	82	—	82	8,707	8,789
Total commercial	83	71	154	41,188	41,342
Consumer loans:					
Residential mortgages	177	97	274	21,156	21,430
Home equity mortgages	2	6	8	380	388
Credit cards	2	2	4	173	177
Other consumer	2	1	3	74	77
Total consumer	183	106	289	21,783	22,072
Total loans	\$ 266	\$ 177	\$ 443	\$ 62,971	\$ 63,414
At December 31, 2024					
Commercial loans:					
Real estate, including construction	\$ 4	\$ 19	\$ 23	\$ 6,589	\$ 6,612
Business and corporate banking	63	182	245	25,181	25,426
Other commercial	31	—	31	8,982	9,013
Total commercial	98	201	299	40,752	41,051
Consumer loans:					
Residential mortgages	174	105	279	20,756	21,035
Home equity mortgages	2	4	6	387	393
Credit cards	2	2	4	191	195
Other consumer	2	1	3	76	79
Total consumer	180	112	292	21,410	21,702
Total loans	\$ 278	\$ 313	\$ 591	\$ 62,162	\$ 62,753

⁽¹⁾ Loans less than 30 days past due are presented as current.

Nonperforming Loans Nonperforming loans, including nonaccrual loans and accruing loans contractually 90 days or more past due, consisted of the following:

	Nonaccrual Loans	Accruing Loans Contractually Past Due 90 Days or More	Nonaccrual Loans With No Allowance For Credit Losses
	(in millions)		
At March 31, 2025			
Commercial loans:			
Real estate, including construction	\$ 384	\$ —	\$ 19
Business and corporate banking	336	46	63
Total commercial	720	46	82
Consumer loans:			
Residential mortgages ⁽¹⁾⁽²⁾⁽³⁾	168	—	74
Home equity mortgages ⁽¹⁾⁽²⁾	8	—	6
Credit cards	—	2	—
Other consumer	—	1	—
Total consumer	176	3	80
Total nonperforming loans	\$ 896	\$ 49	\$ 162
At December 31, 2024			
Commercial loans:			
Real estate, including construction	\$ 261	\$ —	\$ 21
Business and corporate banking	280	147	33
Total commercial	541	147	54
Consumer loans:			
Residential mortgages ⁽¹⁾⁽²⁾⁽³⁾	173	—	80
Home equity mortgages ⁽¹⁾⁽²⁾	6	—	5
Credit cards	—	3	—
Other consumer	—	1	—
Total consumer	179	4	85
Total nonperforming loans	\$ 720	\$ 151	\$ 139

⁽¹⁾ At March 31, 2025 and December 31, 2024, nonaccrual consumer mortgage loans include \$102 million and \$106 million, respectively, of loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

⁽²⁾ Nonaccrual consumer mortgage loans include all loans which are 90 or more days contractually delinquent as well as loans discharged under Chapter 7 bankruptcy and not re-affirmed and second lien loans where the first lien loan that we own or service is 90 or more days contractually delinquent.

⁽³⁾ Nonaccrual consumer mortgage loans for all periods does not include guaranteed loans purchased from the Government National Mortgage Association. Repayment of these loans is predominantly insured by the Federal Housing Administration and as such, these loans have different risk characteristics from the rest of our consumer loan portfolio.

Interest income that was recorded on nonaccrual loans and included in interest income totaled \$2 million during the three months ended March 31, 2025 compared with nil during the three months ended March 31, 2024.

Collateral-Dependent Loans Loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty are considered to be collateral-dependent loans. Collateral can have a significant financial effect in mitigating our exposure to credit risk.

Collateral-dependent residential mortgage loans are carried at the lower of amortized cost or fair value of the collateral less costs to sell, with any excess in the carrying amount of the loan generally charged off at the time foreclosure is initiated or when settlement is reached with the borrower, but not to exceed the end of the month in which the account becomes six months contractually delinquent. Collateral values are based on broker price opinions or appraisals which are updated at least every 180 days less estimated costs to sell. During the quarterly period between updates, real estate price trends are reviewed on a geographic basis and incorporated as necessary. At March 31, 2025 and December 31, 2024, we had collateral-dependent residential mortgage loans totaling \$276 million and \$282 million, respectively.

For collateral-dependent commercial loans, the allowance for expected credit losses is individually assessed based on the fair value of the collateral. Various types of collateral are used, including real estate, inventory, equipment, accounts receivable, securities and cash, among others. For commercial real estate loans, collateral values are generally based on appraisals which are updated based on management judgment under the specific circumstances on a case-by-case basis. In situations where an appraisal is not used, borrower-specific factors such as operating results, cash flows and debt service ratios are reviewed along with relevant market data of comparable properties in order to create a 10-year cash flow model to be discounted at appropriate rates to present value. The collateral value for securities is based on their quoted market prices or broker quotes. The collateral value for other financial assets is generally based on appraisals or is estimated using a discounted cash flow analysis. Commercial loan balances are charged off at the time all or a portion of the balance is deemed uncollectible. At March 31, 2025 and December 31, 2024, we had collateral-dependent commercial loans totaling \$703 million and \$524 million, respectively.

Loan Modifications In conjunction with our loss mitigation activities, we modify certain loans to borrowers experiencing financial difficulty. Modifications may include changes to one or more terms of the loan, including, but not limited to, a change in interest rate, extension of the term, reduction in payment amount and partial forgiveness or deferment of principal, accrued interest or other loan covenants.

The following disclosures provide information about loan payment modifications made to borrowers experiencing financial difficulty in the form of an interest rate reduction, principal forgiveness, a term extension or significant payment deferral, or a combination thereof. Not included are loans with short-term payment modifications (e.g., deferrals of three months or less) and other insignificant modifications, such as covenant waivers and amendments, and deferrals of financial statement and covenant compliance reporting requirements. Commercial loan payment modifications typically involve term extensions. In certain cases, the term extension is coupled with an interest rate increase which is intended to reduce the financial effect of extending the life of the loan. The effects of these interest rate increases are not included in the following disclosures. For consumer loans, payment modifications typically involve payment deferrals or interest rate reductions which lower the amount of interest income we are contractually entitled to receive in future periods. Through lowering the interest rate, we believe we are able to increase the amount of cash flow that will ultimately be collected from the loan, given the borrower's financial condition.

Not included in the following tables are consumer residential mortgage loans where the borrowers were provided with short-term payment deferrals as a result of the recent California wildfires. The unpaid principal balance of these loans totaled \$56 million at March 31, 2025.

The following table presents information about loan payment modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025 and 2024 by type of modification, including the period-end carrying value and as a percentage of total loans.

	Interest Rate Reduction	Principal Forgiveness	Term Extension / Significant Payment Deferral	Combination ⁽¹⁾	Total	% of Total Loans
(dollars are in millions)						
Three Months Ended March 31, 2025						
Commercial loans:						
Business and corporate banking	\$ —	\$ —	\$ 14	\$ —	\$ 14	.1 %
Total commercial	\$ —	\$ —	\$ 14	\$ —	\$ 14	.0
Three Months Ended March 31, 2024						
Commercial loans:						
Business and corporate banking	\$ —	\$ —	\$ 65	\$ —	\$ 65	.2 %
Total commercial	\$ —	\$ —	\$ 65	\$ —	\$ 65	.2

⁽¹⁾ Represents loans with more than one type of payment modification during the period.

At March 31, 2025 and December 31, 2024, additional commitments to lend to commercial borrowers who were provided with a loan payment modification during the respective year-to-date periods totaled \$7 million and \$25 million, respectively.

The following table summarizes the financial effect of loan payment modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2025 and 2024 by type of modification:

	Weighted-Average Interest Rate Reduction	Principal Forgiven (in millions)	Weighted-Average Term Extension / Payment Deferral (in years)
Three Months Ended March 31, 2025			
Commercial loans:			
Business and corporate banking	— %	\$ —	1.1
Three Months Ended March 31, 2024			
Commercial loans:			
Business and corporate banking	— %	\$ —	1.8

The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the methodology used to estimate lifetime ECL, which considers historical loss information including losses from modifications of loans to borrowers experiencing financial difficulty. As a result, a material change to the allowance for credit losses is generally not recorded upon modification. In instances when a loan is modified in the form of principal forgiveness, the amount of principal forgiven is deemed uncollectible and that portion of the loan balance is charged off with a corresponding reduction to the allowance for credit losses.

We closely monitor the performance of modified loans to understand the effectiveness of our loss mitigation efforts. Upon determination that a modified loan or a portion of a modified loan has subsequently been deemed uncollectible, the loan or a portion of the loan is charged off in accordance with our accounting policies with a corresponding reduction to the allowance for credit losses.

The following table presents loans to borrowers experiencing financial difficulty with a payment modification during the previous 12 months which subsequently became 90 days or greater contractually delinquent during the three months ended March 31, 2025 and 2024 by type of modification:

	Interest Rate Reduction	Principal Forgiveness	Term Extension / Significant Payment Deferral	Combination ⁽¹⁾	Total
(in millions)					
Three Months Ended March 31, 2025					
Consumer loans:					
Residential mortgages	\$ —	\$ —	\$ 1	\$ —	\$ 1
Total consumer	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1</u>
Three Months Ended March 31, 2024					
Commercial loans:					
Business and corporate banking	\$ —	\$ —	\$ 1	\$ —	\$ 1
Total commercial	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1</u>

⁽¹⁾ Represents loans with more than one type of payment modification during the period.

The following table presents the past due status of loans to borrowers experiencing financial difficulty with a payment modification during the previous 12 months at March 31, 2025 and December 31, 2024:

	Past Due		Current ⁽¹⁾	Total
	30 - 89 Days	90+ Days		
	(in millions)			
At March 31, 2025				
Commercial loans:				
Real estate, including construction.....	\$ —	\$ —	\$ 236	\$ 236
Business and corporate banking.....	—	28	134	162
Total commercial.....	—	28	370	398
Consumer loans:				
Residential mortgages.....	—	1	4	5
Total consumer.....	—	1	4	5
Total.....	\$ —	\$ 29	\$ 374	\$ 403
At December 31, 2024				
Commercial loans:				
Real estate, including construction.....	\$ —	\$ —	\$ 232	\$ 232
Business and corporate banking.....	—	29	177	206
Total commercial.....	—	29	409	438
Consumer loans:				
Residential mortgages.....	1	—	4	5
Total consumer.....	1	—	4	5
Total.....	\$ 1	\$ 29	\$ 413	\$ 443

⁽¹⁾ Loans less than 30 days past due are presented as current.

Commercial Loan Credit Quality Indicators and Gross Charge-offs by Year of Origination

The following credit quality indicators are utilized to monitor our commercial loan portfolio:

Criticized loans - Criticized loan classifications presented in the table below are determined by the assignment of various criticized facility risk ratings based on the risk rating standards of our regulator. The following facility risk ratings are deemed to be criticized:

Special Mention - generally includes loans that are protected by collateral and/or the credit worthiness of the customer, but are potentially weak based upon economic or market circumstances which, if not checked or corrected, could weaken our credit position at some future date.

Substandard - includes loans that are inadequately protected by the underlying collateral and/or general credit worthiness of the customer. These loans present a distinct possibility that we will sustain some loss if the deficiencies are not corrected.

Doubtful - includes loans that have all the weaknesses exhibited by substandard loans, with the added characteristic that the weaknesses make collection or liquidation in full of the recorded loan highly improbable. However, although the possibility of loss is extremely high, certain factors exist which may strengthen the credit at some future date, and therefore the decision to charge-off the loan is deferred. Loans graded as doubtful are required to be placed in nonaccrual status.

The following table summarizes our criticized commercial loans, including a disaggregation of the loans by year of origination as of March 31, 2025 and December 31, 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Mar. 31, 2025
	(in millions)								
Real estate, including construction:									
Special mention	\$ —	\$ —	\$ —	\$ 105	\$ —	\$ 69	\$ —	\$ —	\$ 174
Substandard	2	—	—	54	—	303	—	—	359
Doubtful	—	—	—	—	32	332	—	—	364
Total real estate, including construction	2	—	—	159	32	704	—	—	897
Business and corporate banking:									
Special mention	97	195	155	92	25	240	154	10	968
Substandard	40	163	135	47	44	235	402	13	1,079
Doubtful	—	4	—	37	—	172	63	—	276
Total business and corporate banking	137	362	290	176	69	647	619	23	2,323
Total commercial	<u>\$ 139</u>	<u>\$ 362</u>	<u>\$ 290</u>	<u>\$ 335</u>	<u>\$ 101</u>	<u>\$ 1,351</u>	<u>\$ 619</u>	<u>\$ 23</u>	<u>\$ 3,220</u>
Total commercial:									
Special mention	\$ 97	\$ 195	\$ 155	\$ 197	\$ 25	\$ 309	\$ 154	\$ 10	\$ 1,142
Substandard	42	163	135	101	44	538	402	13	1,438
Doubtful	—	4	—	37	32	504	63	—	640
Total commercial	<u>\$ 139</u>	<u>\$ 362</u>	<u>\$ 290</u>	<u>\$ 335</u>	<u>\$ 101</u>	<u>\$ 1,351</u>	<u>\$ 619</u>	<u>\$ 23</u>	<u>\$ 3,220</u>

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Dec. 31, 2024
(in millions)									
Real estate, including construction:									
Special mention	\$ —	\$ —	\$ 104	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 104
Substandard	—	—	64	—	—	432	28	—	524
Doubtful	—	—	—	32	—	207	—	—	239
Total real estate, including construction	—	—	168	32	—	639	28	—	867
Business and corporate banking:									
Special mention	194	235	126	27	3	178	143	18	924
Substandard	141	103	44	43	—	210	541	5	1,087
Doubtful	1	10	—	—	—	178	44	—	233
Total business and corporate banking	336	348	170	70	3	566	728	23	2,244
Total commercial	<u>\$ 336</u>	<u>\$ 348</u>	<u>\$ 338</u>	<u>\$ 102</u>	<u>\$ 3</u>	<u>\$ 1,205</u>	<u>\$ 756</u>	<u>\$ 23</u>	<u>\$ 3,111</u>
Total commercial:									
Special mention	\$ 194	\$ 235	\$ 230	\$ 27	\$ 3	\$ 178	\$ 143	\$ 18	\$ 1,028
Substandard	141	103	108	43	—	642	569	5	1,611
Doubtful	1	10	—	32	—	385	44	—	472
Total commercial	<u>\$ 336</u>	<u>\$ 348</u>	<u>\$ 338</u>	<u>\$ 102</u>	<u>\$ 3</u>	<u>\$ 1,205</u>	<u>\$ 756</u>	<u>\$ 23</u>	<u>\$ 3,111</u>

Nonperforming The following table summarizes the nonperforming status of our commercial loan portfolio, including a disaggregation of the loans by year of origination as of March 31, 2025 and December 31, 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Mar. 31, 2025
(in millions)									
Real estate, including construction:									
Performing loans	\$ 50	\$ 1,673	\$ 618	\$ 1,026	\$ 718	\$ 1,856	\$ 14	\$ 2	\$ 5,957
Nonaccrual loans	—	—	—	—	32	334	18	—	384
Total real estate, including construction	50	1,673	618	1,026	750	2,190	32	2	6,341
Business and corporate banking:									
Performing loans	611	2,503	2,437	1,832	1,853	7,799	8,490	305	25,830
Nonaccrual loans	—	4	1	39	—	219	73	—	336
Accruing loans contractually past due 90 days or more	—	—	—	—	—	46	—	—	46
Total business and corporate banking	611	2,507	2,438	1,871	1,853	8,064	8,563	305	26,212
Other commercial:									
Performing loans	10	596	126	276	79	1,781	5,921	—	8,789
Total other commercial	10	596	126	276	79	1,781	5,921	—	8,789
Total commercial	<u>\$ 671</u>	<u>\$ 4,776</u>	<u>\$ 3,182</u>	<u>\$ 3,173</u>	<u>\$ 2,682</u>	<u>\$ 12,035</u>	<u>\$ 14,516</u>	<u>\$ 307</u>	<u>\$ 41,342</u>
Total commercial:									
Performing loans	\$ 671	\$ 4,772	\$ 3,181	\$ 3,134	\$ 2,650	\$ 11,436	\$ 14,425	\$ 307	\$ 40,576
Nonaccrual loans	—	4	1	39	32	553	91	—	720
Accruing loans contractually past due 90 days or more	—	—	—	—	—	46	—	—	46
Total commercial	<u>\$ 671</u>	<u>\$ 4,776</u>	<u>\$ 3,182</u>	<u>\$ 3,173</u>	<u>\$ 2,682</u>	<u>\$ 12,035</u>	<u>\$ 14,516</u>	<u>\$ 307</u>	<u>\$ 41,342</u>

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Dec. 31, 2024
(in millions)									
Real estate, including construction:									
Performing loans	\$ 1,035	\$ 946	\$ 1,109	\$ 850	\$ 262	\$ 2,129	\$ 17	\$ 3	\$ 6,351
Nonaccrual loans	—	—	—	32	—	210	19	—	261
Total real estate, including construction	1,035	946	1,109	882	262	2,339	36	3	6,612
Business and corporate banking:									
Performing loans	2,322	2,734	1,721	1,986	276	7,477	8,188	295	24,999
Nonaccrual loans	2	11	1	—	—	205	61	—	280
Accruing loans contractually past due 90 days or more	—	40	—	—	—	47	60	—	147
Total business and corporate banking	2,324	2,785	1,722	1,986	276	7,729	8,309	295	25,426
Other commercial:									
Performing loans	493	90	281	136	504	1,565	5,944	—	9,013
Total other commercial	493	90	281	136	504	1,565	5,944	—	9,013
Total commercial	\$ 3,852	\$ 3,821	\$ 3,112	\$ 3,004	\$ 1,042	\$ 11,633	\$ 14,289	\$ 298	\$ 41,051
Total commercial:									
Performing loans	\$ 3,850	\$ 3,770	\$ 3,111	\$ 2,972	\$ 1,042	\$ 11,171	\$ 14,149	\$ 298	\$ 40,363
Nonaccrual loans	2	11	1	32	—	415	80	—	541
Accruing loans contractually past due 90 days or more	—	40	—	—	—	47	60	—	147
Total commercial	\$ 3,852	\$ 3,821	\$ 3,112	\$ 3,004	\$ 1,042	\$ 11,633	\$ 14,289	\$ 298	\$ 41,051

Credit risk profile Commercial loans are assigned a credit rating based on the estimated probability of default. Investment grade includes loans with credit ratings of at least BBB- or above or the equivalent based on our internal credit rating system. The following table summarizes the credit risk profile of our commercial loan portfolio, including a disaggregation of the loans by year of origination as of March 31, 2025 and December 31, 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Mar. 31, 2025
(in millions)									
Real estate, including construction:									
Investment grade	\$ —	\$ 317	\$ —	\$ —	\$ —	\$ 286	\$ —	\$ —	\$ 603
Non-investment grade	50	1,356	618	1,026	750	1,904	32	2	5,738
Total real estate, including construction	50	1,673	618	1,026	750	2,190	32	2	6,341
Business and corporate banking:									
Investment grade	413	1,158	1,186	1,008	1,025	4,398	3,956	40	13,184
Non-investment grade	198	1,349	1,252	863	828	3,666	4,607	265	13,028
Total business and corporate banking	611	2,507	2,438	1,871	1,853	8,064	8,563	305	26,212
Other commercial:									
Investment grade	10	302	66	114	71	1,310	5,745	—	7,618
Non-investment grade	—	294	60	162	8	471	176	—	1,171
Total other commercial	10	596	126	276	79	1,781	5,921	—	8,789
Total commercial	\$ 671	\$ 4,776	\$ 3,182	\$ 3,173	\$ 2,682	\$ 12,035	\$ 14,516	\$ 307	\$ 41,342
Total commercial:									
Investment grade	\$ 423	\$ 1,777	\$ 1,252	\$ 1,122	\$ 1,096	\$ 5,994	\$ 9,701	\$ 40	\$ 21,405
Non-investment grade	248	2,999	1,930	2,051	1,586	6,041	4,815	267	19,937
Total commercial	\$ 671	\$ 4,776	\$ 3,182	\$ 3,173	\$ 2,682	\$ 12,035	\$ 14,516	\$ 307	\$ 41,342

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total at Dec. 31, 2024
(in millions)									
Real estate, including construction:									
Investment grade	\$ 67	\$ 307	\$ 27	\$ —	\$ 165	\$ 757	\$ —	\$ —	\$ 1,323
Non-investment grade	968	639	1,082	882	97	1,582	36	3	5,289
Total real estate, including construction	1,035	946	1,109	882	262	2,339	36	3	6,612
Business and corporate banking:									
Investment grade	1,325	1,668	981	1,357	190	4,896	4,752	88	15,257
Non-investment grade	999	1,117	741	629	86	2,833	3,557	207	10,169
Total business and corporate banking	2,324	2,785	1,722	1,986	276	7,729	8,309	295	25,426
Other commercial:									
Investment grade	365	71	141	86	220	1,258	5,783	—	7,924
Non-investment grade	128	19	140	50	284	307	161	—	1,089
Total other commercial	493	90	281	136	504	1,565	5,944	—	9,013
Total commercial	<u>\$ 3,852</u>	<u>\$ 3,821</u>	<u>\$ 3,112</u>	<u>\$ 3,004</u>	<u>\$ 1,042</u>	<u>\$ 11,633</u>	<u>\$ 14,289</u>	<u>\$ 298</u>	<u>\$ 41,051</u>
Total commercial:									
Investment grade	\$ 1,757	\$ 2,046	\$ 1,149	\$ 1,443	\$ 575	\$ 6,911	\$ 10,535	\$ 88	\$ 24,504
Non-investment grade	2,095	1,775	1,963	1,561	467	4,722	3,754	210	16,547
Total commercial	<u>\$ 3,852</u>	<u>\$ 3,821</u>	<u>\$ 3,112</u>	<u>\$ 3,004</u>	<u>\$ 1,042</u>	<u>\$ 11,633</u>	<u>\$ 14,289</u>	<u>\$ 298</u>	<u>\$ 41,051</u>

Gross Charge-offs The following table summarizes gross charge-off dollars in our commercial loan portfolio, disaggregated by year of origination, during the three months ended March 31, 2025 and 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Revolving Loans Converted to Term Loans	Total
(in millions)									
Three Months Ended March 31, 2025									
Business and corporate banking	\$ —	\$ —	\$ 7	\$ —	\$ —	\$ —	\$ 8	\$ —	\$ 15
Total commercial	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8</u>	<u>\$ —</u>	<u>\$ 15</u>
Three Months Ended March 31, 2024									
Business and corporate banking	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ 1
Total commercial	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ 1</u>

Consumer Loan Credit Quality Indicators and Gross Charge-offs by Year of Origination

The following credit quality indicators are utilized to monitor our consumer loan portfolio:

Delinquency The following table summarizes dollars of two-months-and-over contractual delinquency for our consumer loan portfolio, including a disaggregation of the loans by year of origination as of March 31, 2025 and December 31, 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total at Mar. 31, 2025
(in millions)								
Residential mortgages ⁽¹⁾⁽²⁾	\$ —	\$ —	\$ 2	\$ 10	\$ 7	\$ 107	\$ —	\$ 126
Home equity mortgages ⁽¹⁾⁽²⁾	—	—	1	—	1	5	—	7
Credit cards	—	—	—	—	—	—	3	3
Other consumer	—	—	—	—	—	1	—	1
Total consumer	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ 10</u>	<u>\$ 8</u>	<u>\$ 113</u>	<u>\$ 3</u>	<u>\$ 137</u>

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total at Dec. 31, 2024
(in millions)								
Residential mortgages ⁽¹⁾⁽²⁾	\$ 1	\$ 5	\$ 11	\$ 2	\$ 12	\$ 103	\$ —	\$ 134
Home equity mortgages ⁽¹⁾⁽²⁾	—	—	—	—	—	4	—	4
Credit cards	—	—	—	—	—	—	3	3
Other consumer	—	—	—	—	—	1	—	1
Total consumer	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$ 12</u>	<u>\$ 108</u>	<u>\$ 3</u>	<u>\$ 142</u>

⁽¹⁾ At March 31, 2025 and December 31, 2024, consumer mortgage loan delinquency includes \$62 million and \$67 million, respectively, of loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

⁽²⁾ At March 31, 2025 and December 31, 2024, consumer mortgage loans include \$39 million and \$32 million, respectively, of loans that were in the process of foreclosure.

Nonperforming The following table summarizes the nonperforming status of our consumer loan portfolio, including a disaggregation of the loans by year of origination as of March 31, 2025 and December 31, 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total at Mar. 31, 2025
(in millions)								
Residential mortgages:								
Performing loans	\$ 858	\$ 4,115	\$ 2,258	\$ 2,581	\$ 3,871	\$ 7,579	\$ —	\$ 21,262
Nonaccrual loans	—	2	6	12	9	139	—	168
Total residential mortgages	<u>858</u>	<u>4,117</u>	<u>2,264</u>	<u>2,593</u>	<u>3,880</u>	<u>7,718</u>	<u>—</u>	<u>21,430</u>
Home equity mortgages:								
Performing loans	13	47	76	59	8	177	—	380
Nonaccrual loans	—	—	1	—	1	6	—	8
Total home equity mortgages	<u>13</u>	<u>47</u>	<u>77</u>	<u>59</u>	<u>9</u>	<u>183</u>	<u>—</u>	<u>388</u>
Credit cards:								
Performing loans	—	—	—	—	—	—	175	175
Accruing loans contractually past due 90 days or more	—	—	—	—	—	—	2	2
Total credit cards	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177</u>	<u>177</u>
Other consumer:								
Performing loans	—	2	1	3	8	58	4	76
Accruing loans contractually past due 90 days or more	—	—	—	—	—	1	—	1
Total other consumer	<u>—</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>8</u>	<u>59</u>	<u>4</u>	<u>77</u>
Total consumer	<u>\$ 871</u>	<u>\$ 4,166</u>	<u>\$ 2,342</u>	<u>\$ 2,655</u>	<u>\$ 3,897</u>	<u>\$ 7,960</u>	<u>\$ 181</u>	<u>\$ 22,072</u>
Total consumer:								
Performing loans	\$ 871	\$ 4,164	\$ 2,335	\$ 2,643	\$ 3,887	\$ 7,814	\$ 179	\$ 21,893
Nonaccrual loans	—	2	7	12	10	145	—	176
Accruing loans contractually past due 90 days or more	—	—	—	—	—	1	2	3
Total consumer	<u>\$ 871</u>	<u>\$ 4,166</u>	<u>\$ 2,342</u>	<u>\$ 2,655</u>	<u>\$ 3,897</u>	<u>\$ 7,960</u>	<u>\$ 181</u>	<u>\$ 22,072</u>

	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total at Dec. 31, 2024
(in millions)								
Residential mortgages:								
Performing loans	\$ 4,237	\$ 2,314	\$ 2,615	\$ 3,924	\$ 2,601	\$ 5,171	\$ —	\$ 20,862
Nonaccrual loans	—	5	10	8	10	140	—	173
Total residential mortgages	4,237	2,319	2,625	3,932	2,611	5,311	—	21,035
Home equity mortgages:								
Performing loans	47	81	60	9	18	172	—	387
Nonaccrual loans	—	—	—	—	—	6	—	6
Total home equity mortgages	47	81	60	9	18	178	—	393
Credit cards:								
Performing loans	—	—	—	—	—	—	192	192
Accruing loans contractually past due 90 days or more	—	—	—	—	—	—	3	3
Total credit cards	—	—	—	—	—	—	195	195
Other consumer:								
Performing loans	—	—	3	8	4	59	4	78
Accruing loans contractually past due 90 days or more	—	—	—	—	—	1	—	1
Total other consumer	—	—	3	8	4	60	4	79
Total consumer	\$ 4,284	\$ 2,400	\$ 2,688	\$ 3,949	\$ 2,633	\$ 5,549	\$ 199	\$ 21,702
Total consumer:								
Performing loans	\$ 4,284	\$ 2,395	\$ 2,678	\$ 3,941	\$ 2,623	\$ 5,402	\$ 196	\$ 21,519
Nonaccrual loans	—	5	10	8	10	146	—	179
Accruing loans contractually past due 90 days or more	—	—	—	—	—	1	3	4
Total consumer	\$ 4,284	\$ 2,400	\$ 2,688	\$ 3,949	\$ 2,633	\$ 5,549	\$ 199	\$ 21,702

Gross Charge-offs The following table summarizes gross charge-off dollars in our consumer loan portfolio, disaggregated by year of origination, during the three months ended March 31, 2025 and 2024:

	2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
(in millions)								
Three Months Ended March 31, 2025								
Credit cards	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ 2
Total consumer	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ 2
Three Months Ended March 31, 2024								
Credit cards	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ 2
Total consumer	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ 2

Concentration of Credit Risk At March 31, 2025 and December 31, 2024, our loan portfolios included interest-only residential mortgage and home equity mortgage loans totaling \$4,669 million and \$4,650 million, respectively. An interest-only residential mortgage loan allows a customer to pay the interest-only portion of the monthly payment for a period of time which results in lower payments during the initial loan period. However, subsequent events affecting a customer's financial position could affect the ability of customers to repay the loan in the future when the principal payments are required which increases the credit risk of this loan type.

5. Allowance for Credit Losses

We utilize a minimum of four forward-looking economic scenarios to calculate lifetime ECL when estimating the allowance for credit losses for in scope financial assets and the liability for off-balance sheet credit exposures. Three of the scenarios are termed the "Consensus Economic Scenarios" which include a 'most likely outcome' (the "Central scenario") and two less likely 'outer' scenarios, referred to as the "Upside scenario" and the "Downside scenario." The fourth scenario, referred to as the "Alternative Downside scenario," is designed to consider severe downside risks with more extreme economic outcomes. Each scenario is assigned a weighting deemed appropriate for the estimation of lifetime ECL, with the majority of the weighting typically placed on the Central scenario. At management's discretion, changes may be made to the weighting assigned to the four scenarios or additional scenarios may be included in order to consider current economic conditions.

Updates to Economic Scenarios and Other Changes During the Three Months Ended March 31, 2025 During the first quarter of 2025, economic uncertainty increased due to the potential impacts of new trade and other economic policies in the United States, including tariffs, along with the ongoing uncertainty associated with elevated interest rates and the effects from higher inflation. We updated our Consensus Economic Scenarios and our Alternative Downside scenario to reflect management's current view of forecasted economic conditions and utilized the four updated scenarios for estimating lifetime ECL at March 31, 2025. Each of the four scenarios were assigned weightings with the majority of the weighting placed on the Central scenario, the second most weighting placed on the Downside scenario, the third most weighting placed on the Upside scenario, and the lowest weighting placed on the Alternative Downside scenario. This weighting was deemed appropriate for the estimation of lifetime ECL under current conditions. The following discussion summarizes the Central, Upside, Downside and Alternative Downside scenarios at March 31, 2025. The economic assumptions described in this section have been formed specifically for the purpose of calculating lifetime ECL.

In the Central scenario, inflation re-accelerates in 2025 driven by escalation in tariff actions. With squeezed consumer spending and reduced trade growth, U.S. Gross Domestic Product ("GDP") growth moderates in 2025 compared with 2024, while the FRB reduces its policy rate in the second half of 2025. Amid weaker GDP growth, the unemployment rate increases slightly in the first half of 2026, but remains near historic lows, while residential housing prices grow modestly as weaker demand is offset by a limited supply of homes for sale. In the financial markets, the growth in financial asset prices stalls in 2025.

In the Upside scenario, the economy grows at a faster pace than in the Central scenario as inflation wanes and tariff actions do not escalate. As a result, the unemployment rate falls and remains lower than in the Central scenario, while both residential housing and commercial real estate prices are higher than in the Central scenario. In this scenario, the equity price index climbs with strong momentum and overall optimism fueled by easing inflation allows the FRB to normalize its policy rate slightly faster than currently anticipated, which, combined with lower inflation expectations, drive the 10-year U.S. Treasury yield lower than in the Central scenario.

In the Downside scenario, inflation re-accelerates beyond the Central scenario and the economy enters a mild recession, with the unemployment rate increasing and remaining at a higher level, while residential housing and commercial real estate prices undergo correction due to weakness in the labor market and rising inflation. In this scenario, the FRB raises its policy rate initially to tackle inflation and the equity price index goes through a substantial correction by the end of 2026 driven by an overall erosion of consumer and business sentiments, which eventually results in lower interest rates than in the Central scenario.

In the Alternative Downside scenario, geopolitical tensions and tariff actions escalate significantly, and more severe inflationary pressures accompanied by tighter monetary policy lead the U.S. economy into a deep recession in 2025, followed by a very anemic recovery starting in the second half of 2026. An extended period of economic contraction keeps the unemployment rate at an elevated level, which pressures residential housing prices to depreciate, while at the same time, contracting corporate activities and increased unemployment pushes the commercial real estate market into a downturn. In this scenario, financial markets experience a major sell-off and volatility in the financial markets remains extremely high over the next year, widening corporate credit spreads, and flight to safe-haven assets pushes the 10-year U.S. Treasury yield lower.

The following table presents the forecasted key macroeconomic variables in our Central scenarios used for estimating lifetime ECL at March 31, 2025 and December 31, 2024:

	For the Quarter Ended			
	June 30, 2025	December 31, 2025	June 30, 2026	December 31, 2026
Unemployment rate (quarterly average):				
Forecast at March 31, 2025	4.2 %	4.4 %	4.5 %	4.4 %
Forecast at December 31, 2024	4.4	4.4	4.3	4.3
GDP growth rate (year-over-year):				
Forecast at March 31, 2025	1.9	1.4	1.9	2.3
Forecast at December 31, 2024	2.0	1.8	1.6	1.6

In addition to the updates to the economic scenarios, during the three months ended March 31, 2025, we increased our commercial allowance for credit losses associated with individually assessed loans due primarily to the downgrade of a large commercial real estate loan. During the three months ended March 31, 2025, we also increased the management judgement allowance on our commercial loan portfolio for risk factors associated with higher risk exposures reflecting uncertainty in the forward economic outlook that are not fully captured in the models.

While we believe that the assumptions used in our credit loss models are reasonable and within the parameters for which the models have been built and calibrated to operate, inflation, elevated interest rates, and new trade and other economic policies in the United States, including tariffs, may adversely impact certain clients, which may not be fully captured by the models. As a result, adjustments to model outputs to reflect consideration of management judgment are used with stringent governance in place to ensure an appropriate lifetime ECL estimate.

The impacts of the new trade and other economic policies in the United States, including tariffs, are evolving and, along with the ongoing impacts of elevated interest rates and the effects from higher inflation, will continue to impact our business and our allowance for credit losses in future periods, the extent of which remains uncertain. We will continue to monitor these situations closely and will continue to adapt our approach as necessary to reflect management's current view of forecasted economic conditions.

Allowance for Credit Losses / Liability for Off-Balance Sheet Credit Exposures The following table summarizes our allowance for credit losses and the liability for off-balance sheet credit exposures:

	March 31, 2025	December 31, 2024
	(in millions)	
Allowance for credit losses:		
Loans	\$ 634	\$ 537
Securities held-to-maturity ⁽¹⁾	—	—
Other financial assets measured at amortized cost ⁽²⁾	—	—
Securities available-for-sale ⁽¹⁾	—	—
Total allowance for credit losses	<u>\$ 634</u>	<u>\$ 537</u>
Liability for off-balance sheet credit exposures	\$ 145	\$ 139

⁽¹⁾ See Note 3, "Securities," for additional information regarding the allowance for credit losses associated with our security portfolios.

⁽²⁾ Primarily includes accrued interest receivables and customer acceptances.

The following table summarizes the changes in the allowance for credit losses on loans by product or line of business during the three months ended March 31, 2025 and 2024:

	Commercial Loans			Consumer Loans					
	Real Estate, including Construction	Business and Corporate Banking ⁽¹⁾	Other Comm'l	Residential Mortgages	Home Equity Mortgages	Credit Cards	Other Consumer	Total Loans	
	(in millions)								
Three Months Ended March 31, 2025									
Allowance for credit losses – beginning of period	\$ 144	\$ 381	\$ 1	\$ (12)	\$ 6	\$ 13	\$ 4	\$ 537	
Provision charged (credited) to income	66	46	—	—	(1)	1	—	112	
Charge-offs	—	(15)	—	—	—	(2)	—	(17)	
Recoveries	—	—	—	1	—	1	—	2	
Net (charge-offs) recoveries	—	(15)	—	1	—	(1)	—	(15)	
Allowance for credit losses – end of period	<u>\$ 210</u>	<u>\$ 412</u>	<u>\$ 1</u>	<u>\$ (11)</u>	<u>\$ 5</u>	<u>\$ 13</u>	<u>\$ 4</u>	<u>\$ 634</u>	
Three Months Ended March 31, 2024									
Allowance for credit losses – beginning of period	\$ 144	\$ 429	\$ 1	\$ (9)	\$ 7	\$ 16	\$ 3	\$ 591	
Provision charged (credited) to income	(10)	(1)	—	1	1	—	(1)	(10)	
Charge-offs	—	(1)	—	—	—	(2)	—	(3)	
Recoveries	—	1	—	1	—	1	—	3	
Net (charge-offs) recoveries	—	—	—	1	—	(1)	—	—	
Allowance for credit losses – end of period	<u>\$ 134</u>	<u>\$ 428</u>	<u>\$ 1</u>	<u>\$ (7)</u>	<u>\$ 8</u>	<u>\$ 15</u>	<u>\$ 2</u>	<u>\$ 581</u>	

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

The following table summarizes the changes in the liability for off-balance sheet credit exposures during the three months ended March 31, 2025 and 2024:

Three Months Ended March 31,	2025	2024
(in millions)		
Balance at beginning of period	\$ 139	\$ 111
Provision charged to income	6	12
Balance at end of period	<u>\$ 145</u>	<u>\$ 123</u>

Accrued Interest Receivables The following table summarizes accrued interest receivables associated with financial assets carried at amortized cost and securities available-for-sale along with the related allowance for credit losses, which are reported net in other assets on the consolidated balance sheet. These accrued interest receivables are excluded from the amortized cost basis disclosures presented elsewhere in these financial statements, including Note 3, "Securities," and Note 4, "Loans."

	March 31, 2025	December 31, 2024
(in millions)		
Accrued interest receivables:		
Loans	\$ 244	\$ 249
Securities held-to-maturity	71	67
Other financial assets measured at amortized cost	47	25
Securities available-for-sale	130	117
Total accrued interest receivables	492	458
Allowance for credit losses	—	—
Accrued interest receivables, net	<u>\$ 492</u>	<u>\$ 458</u>

During both the three months ended March 31, 2025 and 2024, charged-off accrued interest receivables were immaterial.

6. Loans Held for Sale

Loans held for sale consisted of the following:

	March 31, 2025	December 31, 2024
	(in millions)	
Commercial loans:		
Real estate, including construction	\$ 29	\$ 79
Business and corporate banking ⁽¹⁾	563	327
Total commercial	592	406
Consumer loans:		
Residential mortgages	2	—
Total consumer	2	—
Total loans held for sale	\$ 594	\$ 406

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Commercial Loans Included in commercial loans held for sale are certain loans that we have elected to designate under the fair value option which consists of loans that we originate in connection with our participation in a number of syndicated credit facilities with the intent of selling them to unaffiliated third parties as well as loans that we purchase from the secondary market and hold as hedges against our exposure to certain total return swaps or intend to sell. The fair value of these loans totaled \$519 million and \$395 million at March 31, 2025 and December 31, 2024, respectively. See Note 9, "Fair Value Option," for additional information.

Commercial loans held for sale also includes certain loans that we no longer intend to hold for investment and were transferred to held for sale which totaled \$73 million and \$11 million at March 31, 2025 and December 31, 2024, respectively. During both the three months ended March 31, 2025 and 2024, lower of amortized cost or fair value adjustments on these commercial loans held for sale were immaterial.

Consumer Loans Residential mortgage loans held for sale comprise agency-eligible conforming residential mortgage loans which are originated and held for sale to third parties, currently on a servicing retained basis. Gains and losses from the sale of these residential mortgage loans are reflected as a component of other income (loss) in the consolidated statement of income.

Loans held for sale are subject to market risk, liquidity risk and interest rate risk, in that their value will fluctuate as a result of changes in market conditions, as well as the credit environment. Interest rate risk for residential mortgage loans which are originated and held for sale is partially mitigated through an economic hedging program to offset changes in the fair value of these mortgage loans held for sale, from the time of commitment to sale, attributable to changes in market interest rates. Revenue associated with this economic hedging program, which is reflected as a component of other income (loss) in the consolidated statement of income, was nil during both the three months ended March 31, 2025 and 2024.

Valuation Allowances Excluding the loans designated under the fair value option discussed above, loans held for sale are recorded at the lower of amortized cost or fair value, with adjustments to fair value being recorded as a valuation allowance through other revenues. The valuation allowance on loans held for sale was nil at both March 31, 2025 and December 31, 2024.

7. Goodwill

Goodwill was \$458 million at both March 31, 2025 and December 31, 2024. Goodwill for these periods reflects accumulated impairment losses of \$1,819 million, which were recognized in prior periods. All of our goodwill is allocated to our Corporate and Institutional Banking business segment. During the first quarter of 2025, there were no events or changes in circumstances to indicate that it is more likely than not the goodwill in our Corporate and Institutional Banking business segment has been impaired. See Note 13, "Business Segments," for further discussion of Corporate and Institutional Banking, which was created in the first quarter of 2025.

8. Derivative Financial Instruments

In the normal course of business, the derivative instruments we enter into are for trading, market making and risk management purposes. For financial reporting purposes, derivative instruments are designated in one of the following categories: (a) hedging instruments designated as qualifying hedges under derivative and hedge accounting principles, (b) financial instruments held for trading or (c) non-qualifying economic hedges. The derivative instruments held are predominantly swaps, futures, options and forward contracts. All derivatives are stated at fair value. Where we enter into enforceable master netting agreements with counterparties, the master netting agreements permit us to net those derivative asset and liability positions and to offset cash collateral held and posted with the same counterparty.

The following table presents the fair value of derivative contracts by major product type on a gross basis. Gross fair values exclude the effects of both counterparty netting as well as collateral, and therefore are not representative of our exposure. The table below also presents the amounts of counterparty netting and cash collateral that have been offset in the consolidated balance sheet, as well as cash and securities collateral posted and received under enforceable master netting agreements that do not meet the criteria for netting. Derivative assets and liabilities which are not subject to an enforceable master netting agreement, or are subject to a netting agreement where an appropriate legal opinion to determine such agreements are enforceable has not been either sought or obtained, have not been netted in the following table. Where we have received or posted collateral under netting agreements where an appropriate legal opinion to determine such agreements are enforceable has not been either sought or obtained, the related collateral also has not been netted in the following table.

	March 31, 2025		December 31, 2024	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
(in millions)				
Derivatives accounted for as fair value hedges:⁽¹⁾				
OTC-cleared ⁽²⁾	\$ —	\$ 8	\$ —	\$ —
Bilateral OTC ⁽²⁾	1	4	25	5
Interest rate contracts	1	12	25	5
Derivatives accounted for as cash flow hedges:⁽¹⁾				
Foreign exchange contracts - bilateral OTC⁽²⁾	32	4	99	—
OTC-cleared ⁽²⁾	2	6	—	—
Bilateral OTC ⁽²⁾	—	2	—	4
Interest rate contracts	2	8	—	4
Total derivatives accounted for as hedges	35	24	124	9
Trading derivatives not accounted for as hedges:⁽³⁾				
Exchange-traded ⁽²⁾	7	6	2	2
OTC-cleared ⁽²⁾	55	—	68	—
Bilateral OTC ⁽²⁾	763	466	1,027	624
Interest rate contracts	825	472	1,097	626
Foreign exchange contracts - bilateral OTC⁽²⁾	8,606	8,257	16,292	16,241
Equity contracts - bilateral OTC⁽²⁾	757	340	576	634
Precious metals contracts - bilateral OTC⁽²⁾	1,678	1,685	1,220	1,092
OTC-cleared ⁽²⁾	4	—	—	—
Bilateral OTC ⁽²⁾	162	130	246	105
Credit contracts	166	130	246	105
Other non-qualifying derivatives not accounted for as hedges:⁽¹⁾				
Interest rate contracts - bilateral OTC⁽²⁾	4	84	—	97
Equity contracts - bilateral OTC⁽²⁾	287	354	440	189
OTC-cleared ⁽²⁾	8	—	—	—
Bilateral OTC ⁽²⁾	15	86	25	94
Credit contracts	23	86	25	94
Other contracts - bilateral OTC⁽²⁾⁽⁴⁾	6	32	5	31
Total derivatives	12,387	11,464	20,025	19,118
Less: Gross amounts of receivable / payable subject to enforceable master netting agreements⁽⁵⁾⁽⁷⁾	8,978	8,978	15,345	15,345
Less: Gross amounts of cash collateral received / posted subject to enforceable master netting agreements⁽⁶⁾⁽⁷⁾	2,344	1,178	2,925	1,291
Net amounts of derivative assets / liabilities presented in the balance sheet	1,065	1,308	1,755	2,482
Less: Gross amounts of financial instrument collateral received / posted subject to enforceable master netting agreements but not offset in the consolidated balance sheet	272	17	265	268
Net amounts of derivative assets / liabilities	\$ 793	\$ 1,291	\$ 1,490	\$ 2,214

⁽¹⁾ Derivative assets / liabilities related to cash flow hedges, fair value hedges and derivative instruments held for purposes other than for trading are recorded in other assets / interest, taxes and other liabilities on the consolidated balance sheet.

⁽²⁾ Over-the-counter ("OTC") derivatives include derivatives executed and settled bilaterally with counterparties without the use of an organized exchange or central clearing house. The credit risk associated with bilateral OTC derivatives is managed through obtaining collateral and enforceable master netting agreements. OTC-cleared derivatives are executed bilaterally in the OTC market but then novated to a central clearing counterparty, whereby the central clearing counterparty becomes the counterparty to each of the original counterparties. Exchange traded derivatives are executed directly on an organized exchange. Credit risk is minimized for OTC-cleared derivatives and exchange traded derivatives through daily margining requirements. In addition, OTC-cleared derivatives with central clearing counterparties are settled daily.

⁽³⁾ Trading related derivative assets / liabilities are recorded in trading assets / trading liabilities on the consolidated balance sheet.

⁽⁴⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Inc. ("Visa") Class B common shares ("Class B Shares").

⁽⁵⁾ Represents the netting of derivative receivable and payable balances for the same counterparty under enforceable netting agreements.

⁽⁶⁾ Represents the netting of cash collateral posted and received by counterparty under enforceable netting agreements.

⁽⁷⁾ Netting is performed at a counterparty level in cases where enforceable master netting agreements are in place, regardless of the type of derivative instrument. Therefore, we have not allocated netting to the different types of derivative instruments shown in the table above.

See Note 16, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for further information on offsetting related to resale and repurchase agreements.

Derivatives Held for Risk Management Purposes Our risk management policy requires us to identify, analyze and manage risks arising from the activities conducted during the normal course of business. We use derivative instruments as an asset and liability management tool to manage our exposures in interest rate, foreign currency and credit risks in existing assets and liabilities, commitments and forecasted transactions. The accounting for changes in fair value of a derivative instrument will depend on whether the derivative has been designated and qualifies for hedge accounting.

We designate derivative instruments to offset the fair value risk and cash flow risk arising from fixed-rate and floating-rate assets and liabilities as well as forecasted transactions. We assess the hedging relationships, both at the inception of the hedge and on an ongoing basis, using a regression approach to determine whether the designated hedging instrument is highly effective in offsetting changes in the fair value or the cash flows attributable to the hedged risk. Accounting principles for qualifying hedges require us to prepare detailed documentation describing the relationship between the hedging instrument and the hedged item, including, but not limited to, the risk management objective, the hedging strategy and the methods to assess and measure the ineffectiveness of the hedging relationship. We discontinue hedge accounting when we determine that the hedge is no longer highly effective, the hedging instrument is terminated, sold or expired, the designated forecasted transaction is not probable of occurring, or when the designation is removed by us.

Fair Value Hedges In the normal course of business, we hold fixed-rate loans and securities, and issue fixed-rate deposits and senior and subordinated debt obligations. The fair value of fixed-rate assets and liabilities fluctuates in response to changes in interest rates. We utilize interest rate swaps, forward and futures contracts to minimize our exposure to changes in fair value caused by interest rate volatility. The changes in the fair value of the hedged item designated in a qualifying hedge are captured as an adjustment to the carrying amount of the hedged item (basis adjustment). If the hedging relationship is discontinued and the hedged item continues to exist, the basis adjustment is amortized over the remaining life of the hedged item.

The following table presents the carrying amount of hedged items in fair value hedges recognized in the consolidated balance sheet at March 31, 2025 and December 31, 2024, along with the cumulative amount of fair value hedging adjustments included in the carrying amount of those hedged items:

	Carrying Amount of Hedged Items ⁽¹⁾	Cumulative Amount of Fair Value Hedging Adjustments Increasing (Decreasing) the Carrying Amount of Hedged Items		
		Active	Discontinued	Total
(in millions)				
At March 31, 2025				
Securities available-for-sale ("AFS")	\$ 14,920	\$ (1,043)	\$ (230)	\$ (1,273)
Deposits	1,483	(46)	29	(17)
Long-term debt	9,034	(201)	20	(181)
At December 31, 2024				
Securities AFS	11,685	(1,283)	(232)	(1,515)
Deposits	1,476	(61)	37	(24)
Long-term debt	8,236	(295)	31	(264)

⁽¹⁾ The carrying amount of securities AFS represents the amortized cost basis.

The following table presents information on gains and losses on derivative instruments designated and qualifying as hedging instruments and the hedged items in fair value hedges and their location on the consolidated statement of income:

	Location of Gain (Loss) Recognized in Income	Gain (Loss) on Derivatives	Gain (Loss) on Hedged Items
(in millions)			
Three Months Ended March 31, 2025			
Interest rate contracts / Securities AFS	Net interest income	\$ (177)	\$ 344
Interest rate contracts / Deposits	Net interest income	8	(31)
Interest rate contracts / Long-term debt	Net interest income	52	(179)
Total		<u>\$ (117)</u>	<u>\$ 134</u>
Three Months Ended March 31, 2024			
Interest rate contracts / Securities AFS	Net interest income	\$ 368	\$ (194)
Interest rate contracts / Deposits	Net interest income	(23)	(12)
Interest rate contracts / Long-term debt	Net interest income	(100)	(40)
Total		<u>\$ 245</u>	<u>\$ (246)</u>

Cash Flow Hedges We own or issue floating rate financial instruments and enter into forecasted transactions that give rise to variability in future cash flows. As a part of our risk management strategy, we use interest rate swaps, currency swaps and futures contracts to mitigate risk associated with variability in the cash flows. Changes in fair value of a derivative instrument associated with a qualifying cash flow hedge are recognized in other comprehensive income (loss). When the cash flows being hedged materialize and are recorded in income or expense, the associated gain or loss from the hedging derivative previously recorded in accumulated other comprehensive loss ("AOCI") is reclassified into earnings in the same accounting period in which the designated forecasted transaction or hedged item affects earnings. If a cash flow hedge of a forecasted transaction is discontinued because it is no longer highly effective, or if the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative to that date will continue to be reported in AOCI unless it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period as documented at the inception of the hedge, at which time the cumulative gain or loss is released into earnings.

At March 31, 2025, active cash flow hedge relationships extend or mature through July 2036. During the three months ended March 31, 2025, \$10 million of losses related to discontinued cash flow hedge relationships were amortized to earnings from AOCI compared with losses of \$7 million during the three months ended March 31, 2024. During the next twelve months, we expect to amortize \$62 million of remaining losses to earnings resulting from these discontinued cash flow hedges. The interest accrual related to the hedging instruments is recognized in net interest income.

The following table presents information on gains and losses on derivative instruments designated and qualifying as hedging instruments in cash flow hedges (including amounts recognized in AOCI from discontinued cash flow hedges) and their location on the consolidated statement of income:

	Gain (Loss) Recognized in AOCI on Derivatives		Location of Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Reclassified From AOCI into Income	
	2025	2024		2025	2024
(in millions)					
Three Months Ended March 31,					
Foreign exchange contracts	\$ (2)	\$ (1)	Net interest income	\$ —	\$ —
Interest rate contracts	(113)	42	Net interest income	(10)	(7)
Total	<u>\$ (115)</u>	<u>\$ 41</u>		<u>\$ (10)</u>	<u>\$ (7)</u>

Trading Derivatives and Non-Qualifying Hedging Activities In addition to risk management, we also enter into derivative contracts, including buy- and sell-protection credit derivatives, for the purposes of trading and market making, or repackaging risks to form structured trades to meet clients' risk taking objectives. Additionally, we buy or sell securities and use derivatives to mitigate the market risks arising from our trading activities with our clients that exceed our risk appetite. We also use buy-protection credit derivatives to manage our counterparty credit risk exposure. Where we enter into derivatives for trading purposes, realized and unrealized gains and losses are recognized in trading revenue. Counterparty credit risk associated with OTC derivatives, including risk-mitigating buy-protection credit derivatives, are recognized as an adjustment to the fair value of the derivatives and are recorded in trading revenue.

Our non-qualifying hedging and other activities include:

- Derivative contracts related to the fixed-rate long-term debt issuances and hybrid instruments, including structured notes and deposits, for which we have elected fair value option accounting. These derivative contracts are non-qualifying hedges but are considered economic hedges.
- Credit default swaps which are designated as economic hedges against the credit risks within our loan portfolio. In the event of an impairment loss occurring in a loan that is economically hedged, the impairment loss is recognized as provision for credit losses while the gain on the credit default swap is recorded as other income (loss).
- Swap agreements entered into in conjunction with the sales of Visa Class B Shares to a third party to retain the litigation risk associated with the Class B Shares sold until the related litigation is settled. See Note 16, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for additional information.
- Forward purchases or sales of to-be-announced ("TBA") securities used to economically hedge changes in the fair value of residential mortgage loans which are originated and held for sale attributable to changes in market interest rates. Changes in the fair value of TBA positions, which are considered derivatives, are recorded in other income (loss). See Note 6, "Loans Held for Sale," for additional information.
- Equity warrant assets obtained in connection with certain commercial lending activities, which generally entitle us to acquire stock in private companies. Changes in fair value are recorded in other income (loss).

Derivative instruments designated as economic hedges that do not qualify for hedge accounting are recorded at fair value through profit and loss. Realized and unrealized gains and losses on economic hedges are recognized in gain (loss) on instruments designated at fair value and related derivatives or other income (loss) while the derivative asset or liability positions are reflected as other assets or other liabilities.

The following table presents information on gains and losses on derivative instruments held for trading purposes and their location on the consolidated statement of income:

Location of Gain (Loss) Recognized in Income on Derivatives		Gain (Loss) Recognized in Income on Derivatives	
		Three Months Ended March 31,	
		2025	2024
		(in millions)	
Interest rate contracts	Trading revenue	\$ (127)	\$ 71
Foreign exchange contracts	Trading revenue	134	117
Equity contracts	Trading revenue	778	(1,048)
Precious metals contracts	Trading revenue	4	(22)
Credit contracts	Trading revenue	(52)	79
Total		<u>\$ 737</u>	<u>\$ (803)</u>

The following table presents information on gains and losses on derivative instruments held for non-qualifying hedging and other activities and their location on the consolidated statement of income:

Location of Gain (Loss) Recognized in Income on Derivatives		Gain (Loss) Recognized in Income on Derivatives	
		Three Months Ended March 31,	
		2025	2024
		(in millions)	
Interest rate contracts	Gain (loss) on instruments designated at fair value and related derivatives	\$ 32	\$ (54)
Equity contracts	Gain (loss) on instruments designated at fair value and related derivatives	(200)	151
Equity contracts	Other income (loss)	(3)	—
Credit contracts	Other income (loss)	(3)	(25)
Other contracts ⁽¹⁾	Other income (loss)	(7)	(2)
Total		<u>\$ (181)</u>	<u>\$ 70</u>

⁽¹⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares.

Credit-Risk Related Contingent Features The majority of our derivative contracts contain provisions that require us to maintain a specific credit rating from each of the major credit rating agencies. Sometimes the derivative instrument transactions are a part of broader structured product transactions. If our credit ratings were to fall below the current ratings, the counterparties to our derivative instruments could demand us to post additional collateral. The amount of additional collateral required to be posted will depend on whether we are downgraded by one or more notches. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a net liability position at March 31, 2025 was \$108 million, for which we had posted collateral of \$36 million. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position at December 31, 2024 was \$401 million, for which we had posted collateral of \$153 million. Substantially all of the collateral posted is in the form of cash or securities available-for-sale. See Note 16, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," for further details.

The following table presents the amount of additional collateral that we would be required to post (from the current collateral level) related to derivative instruments with credit-risk related contingent features if our long-term ratings were downgraded by one or two notches. A downgrade by a single rating agency that does not result in a rating lower than a preexisting corresponding rating provided by another rating agency will generally not result in additional collateral.

	One-notch downgrade	Two-notch downgrade
(in millions)		
Amount of additional collateral to be posted upon downgrade.....	\$ —	\$ 35

Notional Value of Derivative Contracts The following table summarizes the notional values of derivative contracts:

	March 31, 2025	December 31, 2024
(in millions)		
Interest rate:		
Futures and forwards	\$ 39,170	\$ 16,829
Swaps	112,409	104,458
Options written	667	1,217
Options purchased	594	1,222
Total interest rate	152,840	123,726
Foreign exchange:		
Swaps, futures and forwards	959,521	1,026,047
Options written	37,986	29,739
Options purchased	38,048	29,859
Spot	49,044	32,603
Total foreign exchange	1,084,599	1,118,248
Commodities, equities and precious metals:		
Swaps, futures and forwards	33,195	33,520
Options written	1,649	1,513
Options purchased	10,387	9,855
Total commodities, equities and precious metals	45,231	44,888
Credit derivatives	20,643	19,175
Other contracts ⁽¹⁾	1,841	1,670
Total	\$ 1,305,154	\$ 1,307,707

⁽¹⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares.

9. Fair Value Option

We report our results to HSBC in accordance with HSBC Group accounting and reporting policies ("Group Reporting Basis"), which apply International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). We typically have elected to apply fair value option ("FVO") accounting to selected financial instruments to align the measurement attributes of those instruments under U.S. GAAP and the Group Reporting Basis and to simplify the accounting model applied to those financial instruments. We elected to apply FVO accounting to certain commercial loans held for sale, certain student loans held for investment, certain fixed-rate long-term debt issuances, all of our hybrid instruments, including structured notes and deposits, and certain client share repurchase transactions. Excluding the fair value movement on fair value option liabilities attributable to our own credit spread, which is recorded in other comprehensive income (loss), changes in the fair value of fair value option assets and liabilities as well as the mark-to-market adjustment on the related derivatives and the net realized gains or losses on these derivatives are reported in gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income.

Loans and Loans Held For Sale We elected to apply FVO accounting to certain commercial syndicated loans which are originated with the intent to sell and certain commercial loans that we purchased from the secondary market and hold as hedges against our exposure to certain total return swaps or intend to sell and include these loans as loans held for sale in the consolidated balance sheet. We also elected to apply FVO accounting to certain student loans held for investment. These elections allow us to account for these loans at fair value which is consistent with the manner in which the instruments are managed. Where available, fair value is based on observable market pricing obtained from independent sources, relevant broker quotes or observed market prices of instruments with similar characteristics. Where observable market parameters are not available, fair value is determined based on contractual cash flows adjusted for estimates of prepayment rates, expected default rates and loss severity discounted at management's estimate of the expected rate of return required by market participants. We also consider loan-specific risk mitigating factors such as collateral arrangements in determining the fair value estimate. Interest from these loans is recorded as interest income in the consolidated statement of income. Because a substantial majority of the loans elected for the fair value option are floating-rate commercial loans, changes in their fair value are primarily attributable to changes in loan-specific credit risk factors. The components of gain (loss) related to loans designated at fair value are summarized in the table below. At March 31, 2025 and December 31, 2024, no loans for which the fair value option has been elected were 90 days or more past due or in nonaccrual status.

Long-Term Debt (Own Debt Issuances) We elected to apply FVO accounting to certain fixed-rate long-term debt, primarily for which we had applied or otherwise would elect to apply fair value hedge accounting. The election allows us to achieve a similar accounting effect without having to meet the hedge accounting requirements. Substantially all of our own debt issuances elected under FVO are traded in secondary markets and, as such, the fair value is determined based on observed prices for the specific instruments. The observed market price of these instruments reflects the effect of changes to our own credit spreads and interest rates. Interest on the fixed-rate debt accounted for under FVO is recorded as interest expense in the consolidated statement of income. Excluding the fair value movement attributable to our own credit spread, the components of gain (loss) in the consolidated statement of income related to long-term debt designated at fair value are summarized in the table below.

Hybrid Instruments We elected to apply FVO accounting to all of our hybrid instruments issued, including structured notes and deposits. The valuation of the hybrid instruments is predominantly driven by the derivative features embedded within the instruments and our own credit risk. Cash flows of the hybrid instruments in their entirety, including the embedded derivatives, are discounted at an appropriate rate for the applicable duration of the instrument adjusted for our own credit spreads. The credit spreads applied to structured notes are determined with reference to our own debt issuance rates observed in the primary and secondary markets, internal funding rates, and structured note rates in recent executions while the credit spreads applied to structured deposits are determined using market rates currently offered on comparable deposits with similar characteristics and maturities. Interest on this debt is recorded as interest expense in the consolidated statement of income. Excluding the fair value movement attributable to our own credit spread, the components of gain (loss) in the consolidated statement of income related to hybrid instruments designated at fair value are summarized in the table below.

Client Share Repurchase Transactions From time to time, we enter into agreements with clients to facilitate share repurchase transactions under which the clients make a substantial up-front cash payment in exchange for the delivery of shares. Simultaneously, we enter into corresponding agreements with HSBC Bank plc to execute the share repurchases. We elected to apply FVO accounting to these transactions, which are recorded in other assets and interest, taxes and other liabilities on the consolidated balance sheet.

The following table summarizes the fair value and unpaid principal balance for items we account for under FVO:

	Fair Value	Unpaid Principal Balance	Fair Value Over (Under) Unpaid Principal Balance
	(in millions)		
At March 31, 2025			
Student loans held for investment	\$ 10	\$ 12	\$ (2)
Commercial loans held for sale	519	538	(19)
Fixed rate long-term debt	853	838	15
Hybrid instruments:			
Structured deposits	4,862	4,799	63
Structured notes	6,661	6,811	(150)
At December 31, 2024			
Student loans held for investment	\$ 11	\$ 13	\$ (2)
Commercial loans held for sale	395	399	(4)
Client share repurchase asset	16	16	—
Fixed rate long-term debt	851	847	4
Hybrid instruments:			
Structured deposits	3,956	3,892	64
Structured notes	7,044	6,888	156
Client share repurchase liability	16	16	—

Components of Gain (Loss) on Instruments Designated at Fair Value and Related Derivatives The following table summarizes the components of gain (loss) on instruments designated at fair value and related derivatives reflected in the consolidated statement of income for the three months ended March 31, 2025 and 2024:

	Loans and Loans Held for Sale	Long-Term Debt	Hybrid Instruments	Total
(in millions)				
Three Months Ended March 31, 2025				
Interest rate and other components ⁽¹⁾	\$ —	\$ (16)	\$ 188	\$ 172
Credit risk component ⁽²⁾	(7)	—	—	(7)
Total mark-to-market on financial instruments designated at fair value	(7)	(16)	188	165
Mark-to-market on related derivatives	—	17	(186)	(169)
Net realized gain (loss) on related long-term debt derivatives	—	1	—	1
Gain (loss) on instruments designated at fair value and related derivatives	<u>\$ (7)</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ (3)</u>
Three Months Ended March 31, 2024				
Interest rate and other components ⁽¹⁾	\$ —	\$ 23	\$ (141)	\$ (118)
Credit risk component ⁽²⁾	1	—	—	1
Total mark-to-market on financial instruments designated at fair value	1	23	(141)	(117)
Mark-to-market on related derivatives	—	(27)	125	98
Net realized gain (loss) on related long-term debt derivatives	—	(1)	—	(1)
Gain (loss) on instruments designated at fair value and related derivatives	<u>\$ 1</u>	<u>\$ (5)</u>	<u>\$ (16)</u>	<u>\$ (20)</u>

⁽¹⁾ As it relates to hybrid instruments, interest rate and other components primarily includes interest rate and equity contract risks.

⁽²⁾ The fair value movement on fair value option liabilities attributable to our own credit spread is recorded in other comprehensive income (loss).

10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes certain items that are reported directly within a separate component of equity. The following table presents changes in accumulated other comprehensive loss balances:

Three Months Ended March 31,	2025	2024
	(in millions)	
Unrealized gains (losses) on investment securities:		
Balance at beginning of period	\$ (1,732)	\$ (1,734)
Other comprehensive income (loss) for period:		
Net unrealized gains (losses) arising during period, net of tax of \$64 million and \$(36) million, respectively	190	(106)
Reclassification adjustment for gains realized in net income, net of tax of less than \$(1) million and less than \$(1) million, respectively ⁽¹⁾	(2)	(2)
Amortization of net unrealized losses on securities transferred from available-for-sale to held-to-maturity realized in net income, net of tax of less than \$1 million and less than \$1 million, respectively ⁽²⁾	1	1
Total other comprehensive income (loss) for period	189	(107)
Balance at end of period	(1,543)	(1,841)
Unrealized gains (losses) on fair value option liabilities attributable to our own credit spread:		
Balance at beginning of period	6	61
Other comprehensive income (loss) for period:		
Net unrealized gains (losses) arising during period, net of tax of \$1 million and \$(12) million, respectively	3	(37)
Total other comprehensive income (loss) for period	3	(37)
Balance at end of period	9	24
Unrealized gains (losses) on derivatives designated as cash flow hedges:		
Balance at beginning of period	(52)	(260)
Other comprehensive income (loss) for period:		
Net unrealized gains (losses) arising during period, net of tax of \$(28) million and \$10 million, respectively	(87)	31
Reclassification adjustment for losses realized in net income, net of tax of \$2 million and \$2 million, respectively ⁽³⁾	8	5
Total other comprehensive income (loss) for period	(79)	36
Balance at end of period	(131)	(224)
Pension and postretirement benefit liability:		
Balance at beginning and end of period	6	7
Total accumulated other comprehensive loss at end of period	\$ (1,659)	\$ (2,034)

⁽¹⁾ Amount reclassified to net income is included in other securities gains, net in our consolidated statement of income.

⁽²⁾ Amount amortized to net income is included in interest income in our consolidated statement of income. During 2014, we transferred securities from available-for-sale to held-to-maturity. At the date of transfer, AOCI included net pretax unrealized losses related to the transferred securities which are being amortized over the remaining contractual life of each security as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

⁽³⁾ Amount reclassified to net income is included in net interest income in our consolidated statement of income.

11. Fee Income from Contracts with Customers

The following table summarizes fee income from contracts with customers disaggregated by type of activity, as well as a reconciliation to total other revenues, during the three months ended March 31, 2025 and 2024. See Note 23, "Fee Income from Contracts with Customers," in our 2024 Form 10-K for a description of the various types of fee-based activities and how revenue associated with these activities is recognized. There have been no significant changes in these activities since December 31, 2024.

Three Months Ended March 31,	2025	2024
	(in millions)	
Credit card fees, net	\$ 14	\$ 15
Trust and investment management fees	41	36
Other fees and commissions:		
Account services	79	75
Credit facilities	77	91
Other fees	9	10
Total other fees and commissions	165	176
Servicing and other fees from HSBC affiliates	102	88
Insurance ⁽¹⁾	1	1
Total fee income from contracts with customers	323	316
Other non-fee revenue	193	223
Total other revenues ⁽²⁾	\$ 516	\$ 539

⁽¹⁾ Included within other income (loss) in the consolidated statement of income.

⁽²⁾ See Note 13, "Business Segments," for a reconciliation of total other revenues on a U.S. GAAP basis to other operating income for each business segment under the Group Reporting Basis.

Credit card fees, net We recognized interchange fees of \$28 million and \$27 million during the three months ended March 31, 2025 and 2024, respectively. Credit card rewards program costs totaled \$19 million and \$15 million during the three months ended March 31, 2025 and 2024, respectively.

Deferred Fee Income

Information related to deferred fee income on loan commitments, revolving credit facilities and standby letters of credit is included in Note 16, "Guarantee Arrangements, Pledged Assets and Repurchase Agreements," and Note 17, "Fair Value Measurements." Excluding these items, we had deferred fee income related to certain account service fees that are paid upfront and recognized over the service period and annual fees on credit cards which collectively was \$7 million and \$3 million at March 31, 2025 and December 31, 2024, respectively. We expect to recognize this revenue over a remaining period of one year or less.

We do not use significant judgments in the determination of the amount and timing of fee income from contracts with customers. Additionally, costs to obtain or fulfill contracts with customers were immaterial.

12. Related Party Transactions

In the normal course of business, we conduct transactions with HSBC and its subsidiaries. HSBC policy requires that these transactions occur at prevailing market rates and terms and, where applicable, these transactions are compliant with United States banking regulations. All extensions of credit by (and certain credit exposures of) HSBC Bank USA to other HSBC affiliates (other than Federal Deposit Insurance Corporation insured banks) are legally required to be secured by eligible collateral. The following tables present related party balances and the income (expense) generated by related party transactions:

	March 31, 2025	December 31, 2024
	(in millions)	
Assets:		
Cash and due from banks	\$ 358	\$ 188
Interest bearing deposits with banks	180	4
Securities purchased under agreements to resell ⁽¹⁾	—	405
Trading assets	19	120
Loans	5,257	5,449
Other ⁽²⁾	445	468
Total assets	<u>\$ 6,259</u>	<u>\$ 6,634</u>
Liabilities:		
Deposits	\$ 11,702	\$ 8,351
Trading liabilities	18	77
Short-term borrowings	1,790	1,549
Long-term debt	9,888	8,388
Other ⁽²⁾	429	252
Total liabilities	<u>\$ 23,827</u>	<u>\$ 18,617</u>

⁽¹⁾ Reflects purchases of securities under which other HSBC affiliates have agreed to repurchase.

⁽²⁾ Other assets and other liabilities primarily consist of derivative balances associated with hedging activities and other miscellaneous account receivables and payables. Other assets also includes receivables from HSBC Bank plc associated with certain client share repurchase transactions.

Three Months Ended March 31,	2025	2024
	(in millions)	
Income (Expense):		
Interest income	\$ 71	\$ 54
Interest expense	(162)	(130)
Net interest expense	(91)	(76)
Trading revenue (expense)	(484)	(2,020)
Servicing and other fees from HSBC affiliates:		
HSBC Bank plc	67	48
HSBC Markets (USA) Inc. ("HMUS")	18	23
Other HSBC affiliates	17	17
Total servicing and other fees from HSBC affiliates	102	88
Gain (loss) on instruments designated at fair value and related derivatives	(187)	125
Support services from HSBC affiliates:		
HSBC Technology & Services (USA) Inc. ("HTSU")	(226)	(235)
HMUS	(55)	(56)
Other HSBC affiliates	(123)	(108)
Total support services from HSBC affiliates	(404)	(399)
Rental income from HSBC affiliates ⁽¹⁾	12	14
Stock based compensation expense ⁽²⁾	(8)	(9)

⁽¹⁾ We receive rental income from our affiliates for certain office space, which is recorded as a component of occupancy expense, net in our consolidated statement of income.

⁽²⁾ Employees may participate in one or more stock compensation plans sponsored by HSBC. These expenses are included in salaries and employee benefits in our consolidated statement of income. Certain employees are also eligible to participate in a defined benefit pension plan and other postretirement plans sponsored by HSBC North America which are discussed in Note 22, "Pension and Other Postretirement Benefits," in our 2024 Form 10-K.

Funding Arrangements with HSBC Affiliates:

We use HSBC affiliates to fund a portion of our borrowing and liquidity needs. At March 31, 2025 and December 31, 2024, long-term debt with affiliates reflected \$9.9 billion and \$8.4 billion, respectively, of borrowings from HSBC North America. The outstanding balance includes:

- \$2.0 billion of fixed-rate senior debt which matures in June 2025;
- \$2.0 billion of fixed-rate senior debt which matures in September 2025;
- \$0.5 billion of fixed-rate senior debt which matures in December 2027;
- \$0.5 billion of fixed-rate senior debt which matures in December 2028;
- \$1.5 billion of fixed-rate senior debt which matures in June 2030;
- \$0.3 billion of fixed-rate senior debt which matures in September 2029;
- \$1.6 billion of fixed-rate senior debt consisting of seven equal borrowings which mature in annual increments from November 2025 to November 2031; and
- \$1.5 billion of fixed-rate senior debt which was issued during the first quarter of 2025 and matures in March 2028.

We have a \$4.0 billion uncommitted line of credit with HSBC North America. The available borrowing capacity under this facility is fungible between HSBC USA, HSBC Securities (USA) Inc. ("HSI") and HSBC North America, but total borrowings cannot collectively exceed \$4.0 billion at any time. We had no outstanding borrowing under this credit facility at either March 31, 2025 or December 31, 2024.

We also incur short-term borrowings with certain affiliates. In addition, certain affiliates have placed deposits with us.

Lending and Derivative Related Arrangements Extended to HSBC Affiliates:

At March 31, 2025 and December 31, 2024, we had the following loan balances outstanding with HSBC affiliates:

	March 31, 2025	December 31, 2024
	(in millions)	
HMUS and subsidiaries	\$ 2,040	\$ 2,013
HSBC North America	3,000	3,000
Other short-term affiliate lending	217	436
Total loans	<u>\$ 5,257</u>	<u>\$ 5,449</u>

HMUS and subsidiaries We have extended loans and lines of credit, some of them uncommitted, to HMUS and its subsidiaries in the amount of \$14.3 billion at both March 31, 2025 and December 31, 2024, of which \$2.0 billion was outstanding. The maturities of the outstanding balances range from overnight to one month. Each borrowing is re-evaluated prior to its maturity date and either extended or allowed to mature.

HSBC North America Under the \$4.0 billion uncommitted fungible line of credit with HSBC North America as discussed above, there was \$3.0 billion outstanding at both March 31, 2025 and December 31, 2024. The outstanding balance includes \$1.4 billion that matures in the second quarter of 2025 and \$1.6 billion that matures in the third quarter of 2025.

We have extended lines of credit to various other HSBC affiliates totaling \$3.5 billion which did not have any outstanding balances at either March 31, 2025 or December 31, 2024.

Other short-term affiliate lending In addition to loans and lines extended to affiliates discussed above, from time to time we may extend loans to affiliates which are generally short term in nature. At March 31, 2025 and December 31, 2024, there were \$217 million and \$436 million, respectively, of these loans outstanding.

Derivative contracts As part of a global HSBC strategy to offset interest rate or other market risks associated with certain securities, debt issues and derivative contracts with unaffiliated third parties, we routinely enter into derivative transactions with HSBC Bank plc and other HSBC affiliates. The notional value of derivative contracts related to these transactions was approximately \$725.5 billion and \$735.5 billion at March 31, 2025 and December 31, 2024, respectively. The net credit exposure (defined as the net fair value of derivative assets and liabilities, including any collateral received) related to the contracts was approximately \$27 million and \$126 million at March 31, 2025 and December 31, 2024, respectively. We account for these transactions on a mark to market basis, with the change in value of contracts with HSBC affiliates substantially offset by the change in value of related contracts entered into with unaffiliated third parties.

Services Provided Between HSBC Affiliates:

Under multiple service level agreements, we provide services to and receive services from various HSBC affiliates. These activities are summarized in Note 24, "Related Party Transactions," in our 2024 Form 10-K. There have been no significant changes in these activities since December 31, 2024.

Other Transactions with HSBC Affiliates:

At both March 31, 2025 and December 31, 2024, we had \$265 million of non-cumulative preferred stock issued and outstanding to HSBC North America. See Note 19, "Preferred Stock," in our 2024 Form 10-K for additional details.

13. Business Segments

We have three distinct business segments that we utilize for management reporting and analysis purposes, which are aligned with HSBC's business strategy. We previously announced as part of simplifying the HSBC Group's organizational structure that we would combine our Commercial Banking ("CMB") and Global Banking and Markets ("GBM") businesses to create a single Corporate and Institutional Banking ("CIB") business, and we would rename our Wealth and Personal Banking ("WPB") business International Wealth and Premier Banking ("IWPB"). During the first quarter of 2025, we implemented changes to our internal management reporting to report what was historically CMB and GBM, including Global Banking ("GB"), Markets and Securities Services ("MSS") and Global Banking and Markets Other ("GBM Other"), together within a newly created CIB business segment, and to rename our WPB business segment IWPB. As a result, IWPB and CIB along with a Corporate Center ("CC") are our reportable segments, and we have aligned our segment reporting to reflect these changes for all periods presented.

The following table summarizes the impact of these changes on reported segment profit (loss) before tax, total assets and total deposits as of and for the three months ended March 31, 2024:

	As Previously Reported	After Reporting Changes
	(in millions)	
Segment profit (loss) before tax during the three months ended March 31, 2024:		
IWPB ⁽¹⁾	\$ 59	\$ 59
CIB	NR	297
CMB	193	NR
GB	75	NR
MSS	11	NR
GBM Other	18	NR
CC	(70)	(70)
Segment total assets at March 31, 2024:		
IWPB ⁽¹⁾	\$ 37,255	\$ 37,255
CIB	NR	140,417
CMB ⁽²⁾	56,195	NR
GB	10,165	NR
MSS	33,767	NR
GBM Other	40,290	NR
CC	3,889	3,889
Segment total deposits at March 31, 2024:		
IWPB ⁽¹⁾	\$ 29,936	\$ 29,936
CIB	NR	84,347
CMB	40,214	NR
GB	41,137	NR
MSS	1,157	NR
GBM Other	1,839	NR
CC	—	—

NR Not Reported

⁽¹⁾ Previously referred to as WPB.

⁽²⁾ Segment total assets included goodwill that was previously allocated to CMB of \$358 million at March 31, 2024.

There have been no additional changes in the basis of our segmentation as compared with the presentation in our 2024 Form 10-K.

Net interest income of each segment represents the difference between actual interest earned on assets and interest incurred on liabilities of the segment, adjusted for a funding charge or credit that includes both interest rate and liquidity components. Segments are charged a cost to fund assets (e.g., customer loans) and receive a funding credit for funds provided (e.g., customer deposits) based on equivalent market rates that incorporate both repricing (interest rate risk) and tenor (liquidity) characteristics.

Net funding charges associated with CIB trading activities are reported within other operating income to align with the trading revenue generated by such activities. These net funding charges are reversed back into net interest income in the CC. The objective of these charges/credits is to transfer interest rate risk to one centralized unit in Markets Treasury. Markets Treasury income statement and balance sheet results are allocated to each of the global businesses based upon tangible equity levels and levels of any surplus liabilities.

Certain other revenue and operating expense amounts are also apportioned among the business segments based upon the benefits derived from the activity or the relationship of the activity to other segment activity. These inter-segment transactions have not been eliminated, and we generally account for them as if they were with third parties.

As a wholly-owned subsidiary, a significant portion of our operating expenses is allocated to us and relates to services that we receive from other HSBC affiliates which are discussed further in Note 12, "Related Party Transactions." As a result, our segment-level information that is regularly provided to the chief operating decision maker breaks down operating expenses into two categories: (a) direct costs, which include salaries and employee benefits, occupancy expense, equipment and software, marketing, outside services, professional fees, deposit insurance assessment fees, expense related to legal matters, and other miscellaneous expenses that the segments directly incur, and (b) indirect costs, which primarily include allocated support service costs from HTSU and other HSBC affiliates. In addition, certain corporate function activities which are reported in direct costs in the CC are allocated from the CC to the other business segments within indirect costs.

Our segment results are presented in accordance with HSBC Group accounting and reporting policies, which apply IFRSs as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the Group Reporting Basis. We continue, however, to monitor capital adequacy and report to regulatory agencies on a U.S. GAAP basis. Our Chief Executive Officer, who is the chief operating decision maker, primarily uses segment profit (loss) before income tax under the Group Reporting Basis in monitoring and assessing segment performance, evaluating trends, and deciding how to allocate resources, such as employees.

There have been no changes in the measurement of segment profit as compared with the presentation in our 2024 Form 10-K.

A summary of significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results is presented in Note 25, "Business Segments," in our 2024 Form 10-K. There have been no significant changes since December 31, 2024 in the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

The following table summarizes the results for each segment on a Group Reporting Basis, as well as provides a reconciliation of total results under the Group Reporting Basis to U.S. GAAP consolidated totals:

	Group Reporting Basis Consolidated Amounts				Group Reporting Basis Adjustments ⁽¹⁾	Group Reporting Basis Reclassifications ⁽²⁾	U.S. GAAP Consolidated Totals
	IWPB	CIB	CC	Total			
	(in millions)						
Three Months Ended March 31, 2025							
Net interest income (expense)	\$ 186	\$ 473	\$ (100)	\$ 559	\$ 6	\$ (39)	\$ 526
Other operating income	51	323	96	470	(3)	49	516
Total operating income (expense)	237	796	(4)	1,029	3	10	1,042
Expected credit losses / provision for credit losses	2	84	—	86	32	—	118
	235	712	(4)	943	(29)	10	924
Operating expenses:							
Direct Costs	86	110	42	238	N/A	N/A	N/A
Indirect Costs	99	313	(10)	402	N/A	N/A	N/A
Total operating expenses	185	423	32	640	10	10	660
Profit (loss) before income tax	\$ 50	\$ 289	\$ (36)	\$ 303	\$ (39)	\$ —	\$ 264
Balances at end of period:							
Total assets	\$ 38,299	\$ 142,336	\$ 4,416	\$ 185,051	\$ (12,610)	\$ —	\$ 172,441
Total loans, net	27,234	33,906	—	61,140	(771)	2,411	62,780
Goodwill	—	358	—	358	100	—	458
Total deposits	28,046	88,647	—	116,693	(2,362)	11,393	125,724
Three Months Ended March 31, 2024							
Net interest income (expense)	\$ 179	\$ 436	\$ (168)	\$ 447	\$ 7	\$ (28)	\$ 426
Other operating income	67	265	173	505	(3)	37	539
Total operating income	246	701	5	952	4	9	965
Expected credit losses / provision for credit losses	—	(7)	—	(7)	9	—	2
	246	708	5	959	(5)	9	963
Operating expenses:							
Direct Costs	89	103	85	277	N/A	N/A	N/A
Indirect Costs	98	308	(10)	396	N/A	N/A	N/A
Total operating expenses	187	411	75	673	3	9	685
Profit (loss) before income tax	\$ 59	\$ 297	\$ (70)	\$ 286	\$ (8)	\$ —	\$ 278
Balances at end of period:							
Total assets	\$ 37,255	\$ 140,417	\$ 3,889	\$ 181,561	\$ (14,595)	\$ —	\$ 166,966
Total loans, net	23,955	34,037	—	57,992	(561)	1,785	59,216
Goodwill	—	358	—	358	100	—	458
Total deposits	29,936	84,347	—	114,283	(1,750)	9,520	122,053

N/A Not Applicable

⁽¹⁾ Represents adjustments associated with differences between U.S. GAAP and the Group Reporting Basis.

⁽²⁾ Represents differences in financial statement presentation between U.S. GAAP and the Group Reporting Basis.

14. Retained Earnings and Regulatory Capital Requirements

Bank dividends are one of the sources of funds used for payment of shareholder dividends and other HSBC USA cash needs. Approval from the Office of the Comptroller of the Currency ("OCC") is required if the total of all dividends HSBC Bank USA declares in any year exceeds the cumulative net income for that year, combined with the net income for the two preceding years reduced by dividends attributable to those years. OCC approval also is required for a reduction of permanent capital of HSBC Bank USA. Under a separate restriction, payment of dividends is prohibited in amounts greater than undivided profits then on hand, after deducting actual losses and bad debts. Bad debts are debts due and unpaid for a period of six months unless well secured, as defined, and in the process of collection.

We are subject to regulatory capital rules issued by U.S. banking regulators including Basel III (the "Basel III rule"). A bank or bank holding company's failure to meet minimum capital requirements can result in certain mandatory actions and possibly additional discretionary actions by its regulators. The following table summarizes the capital amounts and ratios of HSBC USA and HSBC Bank USA, calculated in accordance with the Basel III rule at March 31, 2025 and December 31, 2024:

	March 31, 2025			December 31, 2024		
	Capital Amount	Well-Capitalized Ratio ⁽¹⁾	Actual Ratio	Capital Amount	Well-Capitalized Ratio ⁽¹⁾	Actual Ratio
(dollars are in millions)						
Common equity Tier 1 ratio:						
HSBC USA	\$ 13,702	4.5 % ⁽²⁾	13.6 %	\$ 13,508	4.5 % ⁽²⁾	13.6 %
HSBC Bank USA	15,762	6.5	16.5	15,504	6.5	16.4
Tier 1 capital ratio:						
HSBC USA	13,967	6.0	13.8	13,773	6.0	13.8
HSBC Bank USA	17,262	8.0	18.0	17,004	8.0	18.0
Total capital ratio:						
HSBC USA	16,410	10.0	16.2	16,111	10.0	16.2
HSBC Bank USA	19,395	10.0	20.3	19,035	10.0	20.2
Tier 1 leverage ratio:						
HSBC USA	13,967	4.0 ⁽²⁾	8.0	13,773	4.0 ⁽²⁾	8.0
HSBC Bank USA	17,262	5.0	10.2	17,004	5.0	10.2
Risk-weighted assets: ⁽³⁾						
HSBC USA	101,078			99,462		
HSBC Bank USA	95,737			94,334		
Adjusted quarterly average assets: ⁽⁴⁾						
HSBC USA	175,341			173,041		
HSBC Bank USA	168,708			167,348		

⁽¹⁾ HSBC USA and HSBC Bank USA are categorized as "well-capitalized," as defined by their principal regulators. To be categorized as well-capitalized under regulatory guidelines, a banking institution must maintain capital equal to or in excess of the ratios reflected in the above table, and must not be subject to a directive, order, or written agreement to meet and maintain specific capital levels.

⁽²⁾ There are no common equity Tier 1 or Tier 1 leverage ratio components in the definition of a well-capitalized bank holding company. The ratios shown are the regulatory minimums.

⁽³⁾ Calculated using the Standardized Approach.

⁽⁴⁾ Represents the Tier 1 leverage ratio denominator which reflects quarterly average assets adjusted for amounts permitted to be deducted from Tier 1 capital.

15. Variable Interest Entities

In the ordinary course of business, we have organized or invested in special purpose entities ("SPEs") primarily to facilitate our own and our clients' financing and investing needs. For disclosure purposes, we aggregate SPEs based on the purpose, risk characteristics and business activities of the SPEs. An SPE is a VIE if it lacks sufficient equity investment at risk to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack either a) the power through voting or similar rights to direct the activities of the entity that most significantly impacts the entity's economic performance; or b) the obligation to absorb the entity's expected losses, the right to receive the expected residual returns, or both.

Variable Interest Entities We consolidate VIEs in which we hold a controlling financial interest as evidenced by the power to direct the activities of a VIE that most significantly impact its economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE and therefore are deemed to be the primary beneficiary. We take into account our entire involvement in a VIE (explicit or implicit) in identifying variable interests that individually or in the aggregate could be significant enough to warrant our designation as the primary beneficiary and hence require us to consolidate the VIE or otherwise require us to make appropriate disclosures. We consider our involvement to be potentially significant where we, among other things, (i) enter into derivative contracts to absorb the risks and benefits from the VIE or from the assets held by the VIE; (ii) provide a financial guarantee that covers assets held or liabilities issued by a VIE; (iii) sponsor the VIE in that we design, organize and structure the transaction; and (iv) retain a financial or servicing interest in the VIE.

We are required to evaluate whether to consolidate a VIE when we first become involved and on an ongoing basis. In almost all cases, a qualitative analysis of our involvement in the entity provides sufficient evidence to determine whether we are the primary beneficiary. In rare cases, a more detailed analysis to quantify the extent of variability to be absorbed by each variable interest holder is required to determine the primary beneficiary.

Consolidated VIEs The following table summarizes assets and liabilities related to our consolidated VIEs at March 31, 2025 and December 31, 2024 which are consolidated on our balance sheet. Assets and liabilities exclude intercompany balances that eliminate in consolidation.

	March 31, 2025		December 31, 2024	
	Consolidated Assets	Consolidated Liabilities	Consolidated Assets	Consolidated Liabilities
(in millions)				
Low income housing limited liability partnership:				
Other assets	\$ 9	\$ —	\$ 11	\$ —
Interest, taxes and other liabilities	—	16	—	4
Total	<u>\$ 9</u>	<u>\$ 16</u>	<u>\$ 11</u>	<u>\$ 4</u>

Low income housing limited liability partnership In 2009, all low income housing investments held by us at the time were transferred to a limited liability partnership ("LLP"). The LLP was created in order to ensure the utilization of future tax benefits from these low income housing tax projects. The LLP was deemed to be a VIE because it does not have sufficient equity investment at risk to finance its activities. Upon entering into this transaction, we concluded that we were the primary beneficiary of the LLP due to the nature of our continuing involvement and, as a result, we consolidate the LLP and report the assets of the LLP in other assets on our consolidated balance sheet. The investments held by the LLP represent equity investments in the underlying low income housing partnerships. The LLP does not consolidate the underlying partnerships because it does not have the power to direct the activities of the partnerships that most significantly impact the economic performance of the partnerships.

We amortize our low income housing investments (including the unconsolidated housing investments discussed further below) in proportion to the allocated tax credits under the proportional amortization method and present the associated tax credits and other tax benefits net of investment amortization in income tax expense in the consolidated statement of income, and in operating activities in the consolidated statement of cash flows. We recognized tax credits and other tax benefits related to low income housing investments of \$34 million and \$31 million during the three months ended March 31, 2025 and 2024, respectively. Investment amortization expense totaled \$28 million and \$26 million during the three months ended March 31, 2025 and 2024, respectively. Additionally, non-income-tax-related gains and other returns received, which are recognized in other income (loss) in the consolidated statement of income and in operating activities in the consolidated statement of cash flows, were immaterial during both the three months ended March 31, 2025 and 2024.

Unconsolidated VIEs We also have variable interests in other VIEs that are not consolidated because we are not the primary beneficiary. The following table provides additional information on these unconsolidated VIEs, including the variable interests held by us and our maximum exposure to loss arising from our involvement in these VIEs, at March 31, 2025 and December 31, 2024:

	Total Assets Held by Unconsolidated VIEs	Carrying Value of Variable Interests Held Reported as		Maximum Exposure to Loss
		Assets	Liabilities	
(in millions)				
At March 31, 2025				
Limited partnership investments ⁽¹⁾	\$ 7,497	\$ 1,008	\$ 466	\$ 1,008
Asset-backed financing SPEs	1,020	539	—	545
Total	<u>\$ 8,517</u>	<u>\$ 1,547</u>	<u>\$ 466</u>	<u>\$ 1,553</u>
At December 31, 2024				
Limited partnership investments ⁽¹⁾	\$ 7,506	\$ 971	\$ 427	\$ 971
Asset-backed financing SPEs	1,047	645	—	650
Total	<u>\$ 8,553</u>	<u>\$ 1,616</u>	<u>\$ 427</u>	<u>\$ 1,621</u>

⁽¹⁾ The carrying value of variable interests held reported as assets includes low income housing investments which totaled \$972 million and \$934 million at March 31, 2025 and December 31, 2024, respectively.

Information on the types of VIEs with which we are involved, the nature of our involvement and the variable interests held in those entities is presented below.

Limited partnership investments We invest as a limited partner in partnerships that operate qualified affordable housing, renewable energy and community development projects. The returns of these investments are generated primarily from the tax benefits, including Federal tax credits and tax deductions from operating losses in the project companies. In addition, some of the investments help us comply with the Community Reinvestment Act. Certain limited partnership structures are considered to be VIEs because either (a) they do not have sufficient equity investment at risk or (b) the limited partners with equity at risk do not have substantive kick-out rights through voting rights or substantive participating rights over the general partner. As a limited partner, we are not the primary beneficiary of the VIEs and do not consolidate them. Our investments in these partnerships are recorded in other assets on the consolidated balance sheet. The maximum exposure to loss shown in the table above represents our recorded investments as well as any outstanding funding commitments extended to the partnerships.

Asset-backed financing SPEs In 2023 and 2021, we sold portfolios of commercial real estate loans and provided loans to the third-party buyer sponsored SPEs for portions of the purchase prices. The SPEs are asset-backed financing entities that issued residual beneficial interests to third-party investors. The loans we provided to the SPEs are senior to the residual beneficial interests and are secured by the commercial real estate loans held by the SPEs. The SPEs are VIEs in which we have variable interests through our ownership of the loans, which are arm's-length transactions. We do not have the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, the VIEs are designed such that the residual interest holders absorb any expected loss and/or benefit that could be potentially significant to the VIEs and, therefore, we are not the primary beneficiaries. The maximum exposure to loss shown in the table above represents our recorded investments in the loans as well as any unfunded commitments without consideration of any recovery benefits from the value of the commercial real estate loans.

Third-party sponsored securitization entities We invest in asset-backed securities issued by third-party sponsored securitization entities which may be considered VIEs. The investments are transacted at arm's-length and decisions to invest are based on a credit analysis of the underlying collateral assets or the issuer. We are a passive investor in these issuers and do not have the power to direct the activities of these issuers. As such, we do not consolidate these securitization entities. Additionally, we do not have other involvements in servicing or managing the collateral assets or provide financial or liquidity support to these issuers which potentially give rise to risk of loss exposure. These investments are an integral part of the disclosure in Note 2, "Trading Assets and Liabilities," Note 3 "Securities," and Note 17, "Fair Value Measurements," and, therefore, are not disclosed in this note to avoid redundancy. Similarly, in the ordinary course of business, we also provide loans and loan commitments to third-party sponsored securitization entities which may be considered VIEs for which we generally have no other form of involvement. We do not have the power to direct the activities of these entities and do not consolidate these entities. These loans are reported and disclosed in Note 4, "Loans," in the same manner as all other loans.

In addition to the above, we have established and manage money market funds and non-money market mutual funds to provide customers with investment opportunities. As fund manager, we may be entitled to receive management fees based on the assets under management. We do not consolidate the funds because we do not absorb the majority of the expected future risk

associated with the fund's assets, including interest rate, liquidity, credit and other relevant risks that are expected to affect the value of the assets.

16. Guarantee Arrangements, Pledged Assets and Repurchase Agreements

Guarantee Arrangements As part of our normal operations, we enter into credit derivatives and various off-balance sheet guarantee arrangements with affiliates and third parties. These arrangements arise principally in connection with our lending and client intermediation activities and include standby letters of credit and certain credit derivative transactions. The contractual amounts of these arrangements represent our maximum possible credit exposure in the event that we are required to fulfill the maximum obligation under the contractual terms of the guarantee.

The following table presents total carrying value and contractual amounts of our sell protection credit derivatives and major off-balance sheet guarantee arrangements at March 31, 2025 and December 31, 2024. Following the table is a description of the various arrangements.

	March 31, 2025		December 31, 2024	
	Carrying Value	Notional / Maximum Exposure to Loss	Carrying Value	Notional / Maximum Exposure to Loss
	(in millions)			
Credit derivatives ⁽¹⁾⁽²⁾	\$ 190	\$ 8,092	\$ 191	\$ 6,827
Financial standby letters of credit, net of participations ⁽³⁾⁽⁴⁾	—	5,300	—	5,337
Performance standby letters of credit, net of participations ⁽³⁾⁽⁴⁾	—	3,350	—	3,264
Total	<u>\$ 190</u>	<u>\$ 16,742</u>	<u>\$ 191</u>	<u>\$ 15,428</u>

⁽¹⁾ Includes \$3,254 million and \$2,797 million of notional issued for the benefit of HSBC affiliates at March 31, 2025 and December 31, 2024, respectively.

⁽²⁾ For credit derivatives, the maximum loss is represented by the notional amounts without consideration of mitigating effects from collateral or recourse arrangements.

⁽³⁾ Includes \$1,563 million and \$1,590 million of both financial and performance standby letters of credit issued for the benefit of HSBC affiliates at March 31, 2025 and December 31, 2024, respectively.

⁽⁴⁾ For standby letters of credit, maximum loss represents losses to be recognized assuming the letters of credit have been fully drawn and the obligors have defaulted with zero recovery.

Credit-Risk Related Guarantees

Credit derivatives Credit derivatives are financial instruments that transfer the credit risk of a reference obligation from the credit protection buyer to the credit protection seller who is exposed to the credit risk without buying the reference obligation. We sell credit protection on underlying reference obligations (such as loans or securities) by entering into credit derivatives, primarily in the form of credit default swaps, with various institutions. We account for all credit derivatives at fair value. Where we sell credit protection to a counterparty that holds the reference obligation, the arrangement is effectively a financial guarantee on the reference obligation. Under a credit derivative contract, the credit protection seller will reimburse the credit protection buyer upon occurrence of a credit event (such as bankruptcy, insolvency, restructuring or failure to meet payment obligations when due) as defined in the derivative contract, in return for a periodic premium. Upon occurrence of a credit event, we will pay the counterparty the stated notional amount of the derivative contract and receive the underlying reference obligation. The recovery value of the reference obligation received could be significantly lower than its notional principal amount when a credit event occurs.

Certain derivative contracts are subject to master netting arrangements and related collateral agreements. A party to a derivative contract may demand that the counterparty post additional collateral in the event its net exposure exceeds certain predetermined limits and when the credit rating falls below a certain grade. We set the collateral requirements by counterparty such that the collateral covers various transactions and products, and is not allocated to specific individual contracts.

We manage our exposure to credit derivatives using a variety of risk mitigation strategies where we enter into offsetting hedge positions or transfer the economic risks, in part or in entirety, to investors through the issuance of structured credit products. We actively manage the credit and market risk exposure in the credit derivative portfolios on a net basis and, as such, retain no or a limited net position at any time. The following table summarizes our net credit derivative positions at March 31, 2025 and December 31, 2024:

	March 31, 2025		December 31, 2024	
	Carrying / Fair Value	Notional	Carrying / Fair Value	Notional
(in millions)				
Sell-protection credit derivative positions	\$ 190	\$ 8,092	\$ 191	\$ 6,827
Buy-protection credit derivative positions	(212)	12,551	(116)	12,348
Net position ⁽¹⁾	<u>\$ (22)</u>	<u>\$ 4,459</u>	<u>\$ 75</u>	<u>\$ 5,521</u>

⁽¹⁾ Positions are presented net in the table above to provide a complete analysis of our risk exposure and depict the way we manage our credit derivative portfolio. The offset of the sell-protection credit derivatives against the buy-protection credit derivatives may not be legally binding in the absence of master netting agreements with the same counterparty. Furthermore, the credit loss triggering events for individual sell-protection credit derivatives may not be the same or occur in the same period as those of the buy-protection credit derivatives thereby not providing an exact offset.

Standby letters of credit A standby letter of credit is issued to a third party for the benefit of a client and is a guarantee that the client will perform or satisfy certain obligations under a contract. It irrevocably obligates us to pay a specified amount to the third-party beneficiary if the client fails to perform the contractual obligation. We issue two types of standby letters of credit: performance and financial. A performance standby letter of credit is issued where the client is required to perform some non-financial contractual obligation, such as the performance of a specific act, whereas a financial standby letter of credit is issued where the client's contractual obligation is of a financial nature, such as the repayment of a loan or debt instrument.

The issuance of a standby letter of credit is subject to our credit approval process and collateral requirements. We charge fees for issuing letters of credit commensurate with the client's credit evaluation and the nature of any collateral. Included in other liabilities are deferred fees on standby letters of credit amounting to \$55 million and \$53 million at March 31, 2025 and December 31, 2024, respectively. Also included in other liabilities is an allowance for credit losses on unfunded standby letters of credit of \$11 million and \$12 million at March 31, 2025 and December 31, 2024, respectively.

The following table summarizes the credit ratings related to guarantees including the ratings of counterparties against which we sold credit protection and financial standby letters of credit at March 31, 2025 as an indicative proxy of payment risk:

Notional/Contractual Amounts	Average Life (in years)	Credit Ratings of the Obligors		
		Investment Grade	Non-Investment Grade	Total
(dollars are in millions)				
Sell-protection credit derivatives: ⁽¹⁾				
Single name credit default swaps	1.2	\$ 1,734	\$ 912	\$ 2,646
Index credit derivatives	4.1	3,651	1,795	5,446
Subtotal		5,385	2,707	8,092
Standby letters of credit ⁽²⁾	0.9	6,474	2,176	8,650
Total		\$ 11,859	\$ 4,883	\$ 16,742

⁽¹⁾ The credit ratings in the table represent external credit ratings for classification as investment grade and non-investment grade.

⁽²⁾ External ratings for most of the obligors are not available. Presented above are the internal credit ratings which are developed using similar methodologies and rating scale equivalent to external credit ratings for purposes of classification as investment grade and non-investment grade.

Our internal credit ratings are determined based on HSBC's risk rating systems and processes which assign a credit grade based on a scale which ranks the risk of default of a client. The credit grades are assigned and used for managing risk and determining level of credit exposure appetite based on the client's operating performance, liquidity, capital structure and debt service ability. In addition, we also incorporate subjective judgments into the risk rating process concerning such things as industry trends, comparison of performance to industry peers and perceived quality of management. We compare our internal risk ratings to outside external rating agency benchmarks, where possible, at the time of formal review and regularly monitor whether our risk ratings are comparable to the external ratings benchmark data.

A non-investment grade rating of a referenced obligor has a negative impact to the fair value of the credit derivative and increases the likelihood that we will be required to perform under the credit derivative contract. We employ market-based parameters and, where possible, use the observable credit spreads of the referenced obligors as measurement inputs in determining the fair value of the credit derivatives. We believe that such market parameters are more indicative of the current

status of payment/performance risk than external ratings by the rating agencies which may not be forward-looking in nature and, as a result, lag behind those market-based indicators.

Non Credit-Risk Related Guarantees and Other Arrangements

Visa covered litigation In 2008, we received Class B Shares as part of Visa's initial public offering ("IPO"). Pursuant to the IPO, we, along with all the other Class B shareholders, agreed to indemnify Visa for the claims and obligations arising from certain specific covered litigation. The Class B Shares were not eligible to be converted into publicly traded Class A common shares ("Class A Shares") until settlement of the covered litigation described in Note 30, "Litigation and Regulatory Matters" in our 2024 Form 10-K. Accordingly, the Class B Shares were considered restricted and were only transferable under limited circumstances.

In 2016 and 2017, we sold substantially all of our Visa Class B Shares to a third party. Under the terms of the sale agreements, we entered into swap agreements with the purchaser to retain the litigation risk associated with the Class B Shares sold until the related litigation is settled and the Class B Shares could be converted into Class A Shares. In 2024, Visa completed an exchange offer that allowed holders to exchange a portion of their Class B Shares for publicly traded Class A Shares. The purchaser of our Class B Shares participated in the exchange offer which required our existing swap agreements to be amended to reflect the reduction in notional value and a new makewhole agreement to be entered into with the purchaser in order to continue to retain the litigation risk associated with the exchanged shares. These swaps had a carrying value of \$32 million and \$31 million at March 31, 2025 and December 31, 2024, respectively. The swap agreements we entered into with the purchaser require us to (a) make periodic payments, calculated by reference to the market price of Class A Shares, (b) make or receive payments based on subsequent changes in the conversion rate of Class B Shares into Class A Shares and (c) for exchanged shares, make payments based on the number of shares sold by the purchaser. We have entered into total return swap positions to economically hedge the periodic payments made under these swap agreements. The payments under the derivatives will continue until the related litigation is settled and the remaining Class B Shares are able to be converted into Class A Shares. The fair value of the swap agreements is estimated using a discounted cash flow methodology and is dependent upon the final resolution of the related litigation. Changes in fair value between periods are recognized in other income (loss). See Note 8, "Derivative Financial Instruments," for further information.

Clearing houses and exchanges We are a member of various exchanges and clearing houses that trade and clear securities and/or derivative contracts. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, members of a clearing house may be required to contribute to a guaranty fund to backstop members' obligations to the clearing house. As a member, we may be required to pay a proportionate share of the financial obligations of another member who defaults on its obligations to the exchange or the clearing house. Our guarantee obligations would arise only if the exchange or clearing house had exhausted its resources. Any potential contingent liability under these membership agreements cannot be estimated.

Lease Obligations We are obligated under a number of noncancellable operating leases for premises and equipment. See Note 12, "Leases," in our 2024 Form 10-K for information regarding our leases, including a maturity analysis of our operating lease liabilities.

Mortgage Loan Repurchase Obligations We originate and sell mortgage loans to third parties and provide various representations and warranties related to, among other things, the ownership of the loans, the validity of the liens, the loan selection and origination process, and the compliance to the origination criteria established by the government agencies. In the event of a breach of our representations and warranties, we may be obligated to repurchase the loans with identified defects or to indemnify the buyers. Our contractual obligation arises only when the breach of representations and warranties are discovered and repurchase is demanded.

In estimating our repurchase liability arising from breaches of representations and warranties, we consider historical losses on residual risks not covered by settlement agreements adjusted for any risk factors not captured in the historical losses as well as the level of outstanding repurchase demands received. Outstanding repurchase demands received were immaterial at both March 31, 2025 and December 31, 2024.

Our estimated repurchase liability for obligations arising from the breach of representations and warranties associated with mortgage loans sold was \$3 million at both March 31, 2025 and December 31, 2024. Our repurchase liability represents our best estimate of the loss that has been incurred, including interest, arising from breaches of representations and warranties associated with mortgage loans sold. Because the level of mortgage loan repurchase losses is dependent upon economic factors, investor demand strategies and other external risk factors such as housing market trends that may change, the level of the liability for mortgage loan repurchase losses requires significant judgment. We continue to evaluate our methods of determining the best estimate of loss based on recent trends. As these estimates are influenced by factors outside our control, there is uncertainty inherent in these estimates making it reasonably possible that they could change. The range of reasonably possible losses in excess of our recorded repurchase liability is between zero and \$25 million at March 31, 2025. This estimated range of reasonably possible losses was determined primarily based upon modifying the assumptions utilized in our best estimate of probable losses to reflect what we believe to be reasonably possible adverse assumptions.

Securitization Activity In addition to the repurchase risk described above, we have also been involved as a sponsor/seller of loans used to facilitate whole loan securitizations underwritten by our affiliate, HSI. In this regard, we began acquiring residential mortgage loans in 2005 which were warehoused on our balance sheet with the intent of selling them to HSI to facilitate HSI's whole loan securitization program which was discontinued in 2007. During 2005-2007, we purchased and sold \$24 billion of such loans to HSI which were subsequently securitized and sold by HSI to third parties. See "Mortgage Securitization Matters" in Note 30, "Litigation and Regulatory Matters," in our 2024 Form 10-K for additional discussion of related exposure. The outstanding principal balance on these loans was approximately \$2.3 billion at both March 31, 2025 and December 31, 2024.

Pledged Assets

Pledged assets included in the consolidated balance sheet consisted of the following:

	March 31, 2025	December 31, 2024
	(in millions)	
Interest bearing deposits with banks ⁽¹⁾	\$ 870	\$ 333
Trading assets ⁽²⁾	3,790	3,621
Securities available-for-sale ⁽³⁾	13,513	12,357
Securities held-to-maturity ⁽³⁾	9,888	9,811
Loans ⁽⁴⁾	25,079	25,132
Other assets ⁽⁵⁾	757	1,271
Total	<u>\$ 53,897</u>	<u>\$ 52,525</u>

⁽¹⁾ Represents gross amount of cash on deposit with banks primarily related to derivative collateral-support agreements, of which a majority has been netted against derivative liabilities on the consolidated balance sheet.

⁽²⁾ Trading assets are primarily pledged against liabilities associated with repurchase agreements.

⁽³⁾ Securities are primarily pledged against derivatives, public fund deposits, trust deposits and various short-term and long term borrowings, as well as providing capacity for potential secured borrowings from the FHLB and the Federal Reserve Bank of New York.

⁽⁴⁾ Loans are primarily residential mortgage loans pledged against current and potential borrowings from the FHLB and the Federal Reserve Bank of New York.

⁽⁵⁾ Represents gross amount of cash on deposit with non-banks primarily related to derivative collateral support agreements, of which a majority has been netted against derivative liabilities on the consolidated balance sheet.

Debt securities pledged as collateral under repurchase agreements that can be sold or repledged by the secured party continue to be reported on the consolidated balance sheet. The fair value of securities available-for-sale that could be sold or repledged was \$1,352 million and \$616 million at March 31, 2025 and December 31, 2024, respectively. The fair value of trading assets that could be sold or repledged was \$3,790 million and \$3,621 million at March 31, 2025 and December 31, 2024, respectively.

The fair value of collateral we accepted under security resale agreements but was not reported on the consolidated balance sheet was \$14,392 million and \$17,595 million at March 31, 2025 and December 31, 2024, respectively. Of this collateral, \$13,742 million and \$16,945 million could be sold or repledged at March 31, 2025 and December 31, 2024, respectively, of which \$201 million and \$235 million, respectively, had been sold or repledged as collateral under repurchase agreements or to cover short sales.

Repurchase Agreements

We enter into purchases of securities under agreements to resell (resale agreements) and sales of securities under agreements to repurchase (repurchase agreements) identical or substantially the same securities. Resale and repurchase agreements are accounted for as secured lending and secured borrowing transactions, respectively.

Repurchase agreements may require us to deposit cash or other collateral with the lender. In connection with resale agreements, it is our policy to obtain possession of collateral, which may include the securities purchased, with market value in excess of the principal amount loaned. The market value of the collateral subject to the resale and repurchase agreements is regularly monitored, and additional collateral is obtained or provided when appropriate, to ensure appropriate collateral coverage of these secured financing transactions.

The following table provides information about resale and repurchase agreements that are subject to offset at March 31, 2025 and December 31, 2024:

					Gross Amounts Not Offset in the Balance Sheet				
	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet ⁽¹⁾	Net Amounts Presented in the Balance Sheet		Financial Instruments ⁽²⁾	Cash Collateral Received / Pledged		Net Amount ⁽³⁾	
(in millions)									
At March 31, 2025									
Assets:									
Securities purchased under resale agreements	\$ 14,426	\$ 4,047	\$ 10,379	\$ 10,356	\$ 9	\$ 14			
Liabilities:									
Securities sold under repurchase agreements	\$ 5,326	\$ 4,047	\$ 1,279	\$ 1,279	\$ —	\$ —			
At December 31, 2024									
Assets:									
Securities purchased under resale agreements	\$ 17,775	\$ 3,462	\$ 14,313	\$ 14,248	\$ 10	\$ 55			
Liabilities:									
Securities sold under repurchase agreements	\$ 4,611	\$ 3,462	\$ 1,149	\$ 1,121	\$ 23	\$ 5			

⁽¹⁾ Represents recognized amount of resale and repurchase agreements with counterparties subject to legally enforceable netting agreements that meet the applicable netting criteria as permitted by generally accepted accounting principles.

⁽²⁾ Represents securities received or pledged to cover financing transaction exposures.

⁽³⁾ Represents the amount of our exposure that is not collateralized / covered by pledged collateral.

The following table provides the class of collateral pledged and remaining contractual maturity of repurchase agreements accounted for as secured borrowings at March 31, 2025 and December 31, 2024:

	Overnight and Continuous	Up to 30 Days	31 to 90 Days	91 Days to One Year	Greater Than One Year	Total
(in millions)						
At March 31, 2025						
U.S. Treasury, U.S. Government sponsored and U.S. Government agency securities.....	\$ 2,842	\$ 638	\$ 666	\$ 1,180	\$ —	\$ 5,326
At December 31, 2024						
U.S. Treasury, U.S. Government sponsored and U.S. Government agency securities.....	\$ 2,099	\$ 1,257	\$ 450	\$ 805	\$ —	\$ 4,611

17. Fair Value Measurements

Accounting principles related to fair value measurements provide a framework for measuring fair value that focuses on the exit price that would be received to sell an asset or paid to transfer a liability in the principal market (or in the absence of the principal market, the most advantageous market) accessible in an orderly transaction between willing market participants (the "Fair Value Framework"). Where required by the applicable accounting standards, assets and liabilities are measured at fair value using the "highest and best use" valuation premise. Fair value measurement guidance clarifies that financial instruments do not have alternative use and, as such, the fair value of financial instruments should be determined using an "in-exchange" valuation premise. However, the fair value measurement guidance provides a valuation exception and permits an entity to measure the fair value of a group of financial assets and financial liabilities with offsetting credit risks and/or market risks based on the exit price it would receive or pay to transfer the net risk exposure of a group of assets or liabilities if certain conditions are met. We elected to apply the measurement exception to a group of derivative instruments with offsetting credit risks and market risks, which primarily relate to interest rate, foreign currency, debt and equity price risk, and commodity price risk as of the reporting date.

Fair Value Adjustments The best evidence of fair value is quoted market price in an actively traded market, where available. In the event listed price or market quotes are not available, valuation techniques that incorporate relevant transaction data and market parameters reflecting the attributes of the asset or liability under consideration are applied. Where applicable, fair value adjustments are made to ensure the financial instruments are appropriately recorded at fair value. The fair value adjustments reflect the risks associated with the products, contractual terms of the transactions, and the liquidity of the markets in which the transactions occur. The fair value adjustments are broadly categorized by the following major types:

Credit valuation adjustment - The credit valuation adjustment is an adjustment to a group of financial assets and financial liabilities, predominantly derivative assets and derivative liabilities, to reflect the credit quality of the parties to the transaction in arriving at fair value. A credit valuation adjustment to a financial asset is required to reflect the default risk of the counterparty. A debit valuation adjustment to a financial liability is recorded to reflect the default risk of HUSI. See "Valuation Techniques - Derivatives" below for additional details.

Liquidity risk adjustment - The liquidity risk adjustment (primarily in the form of bid-offer adjustment) reflects the cost that would be incurred to close out the market risks by hedging, disposing or unwinding the position. Valuation models generally produce mid-market values. The bid-offer adjustment is made in such a way that results in a measure that reflects the exit price that most represents the fair value of the financial asset or financial liability under consideration or, where applicable, the fair value of the net market risk exposure of a group of financial assets or financial liabilities. These adjustments relate primarily to Level 2 assets.

Model valuation adjustment - Where fair value measurements are determined using an internal valuation model based on observable and unobservable inputs, certain valuation inputs may be less readily determinable. There may be a range of possible valuation inputs that market participants may assume in determining the fair value measurement. The resultant fair value measurement has inherent measurement risk if one or more parameters are unobservable and must be estimated. An input valuation adjustment is necessary to reflect the likelihood that market participants may use different input parameters, and to mitigate the possibility of measurement error. In addition, the values derived from valuation techniques are affected by the choice of valuation model and model limitation. When different valuation techniques are available, the choice of valuation model can be subjective. Furthermore, the valuation model applied may have measurement limitations. In those cases, an additional valuation adjustment is also applied to mitigate the measurement risk. Model valuation adjustments are not material and relate primarily to Level 2 instruments.

We apply stress scenarios in determining appropriate liquidity risk and model risk adjustments for Level 3 fair values by reviewing the historical data for unobservable inputs (e.g., correlation, volatility). Some stress scenarios involve at least a 95 percent confidence interval (i.e., two standard deviations). We also utilize unobservable parameter adjustments when instruments are valued using internally developed models which reflects the uncertainty in the value estimates provided by the model.

Funding Fair Value Adjustment ("FFVA") - The FFVA reflects the estimated present value of the future market funding cost or benefit associated with funding uncollateralized derivative exposure at unsecured funding spreads. See "Valuation Techniques - Derivatives" below for additional details.

Fair Value Hierarchy The Fair Value Framework establishes a three-tiered fair value hierarchy as follows:

Level 1 quoted market price - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 valuation technique using observable inputs - Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are inactive, and measurements

determined using valuation models where all significant inputs are observable, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 valuation technique with significant unobservable inputs - Level 3 inputs are unobservable inputs for the asset or liability and include situations where fair values are measured using valuation techniques based on one or more significant unobservable inputs.

Classification within the fair value hierarchy is based on whether the lowest hierarchical level input that is significant to the fair value measurement is observable. As such, the classification within the fair value hierarchy is dynamic and can be transferred to other hierarchy levels in each reporting period.

Where fair value measurements are determined based on information obtained from independent pricing services or brokers, we apply appropriate validation procedures to substantiate fair value. For price validation purposes, quotations from at least two independent pricing sources are obtained for each financial instrument, where possible.

The following factors are considered in determining fair values:

- similarities between the asset or the liability under consideration and the asset or liability for which quotation is received;
- collaboration of pricing by referencing to other independent market data such as market transactions and relevant benchmark indices;
- consistency among different pricing sources;
- the valuation approach and the methodologies used by the independent pricing sources in determining fair value;
- the elapsed time between the date to which the market data relates and the measurement date;
- the source of the fair value information; and
- whether the security is traded in an active or inactive market.

Greater weight is given to quotations of instruments with recent market transactions, pricing quotes from dealers who stand ready to transact, quotations provided by market-makers who structured such instrument and market consensus pricing based on inputs from a large number of survey participants. Any significant discrepancies among the external quotations are reviewed and adjustments to fair values are recorded where appropriate. Where the transaction volume of a specific instrument has been reduced and the fair value measurement becomes less transparent, we will apply more detailed procedures to understand and challenge the appropriateness of the unobservable inputs and the valuation techniques used by the independent pricing service. Where applicable, we will develop a fair value estimate using our own pricing model inputs to test reasonableness. Where fair value measurements are determined using internal valuation models, we will validate the fair value measurement by either developing unobservable inputs based on the industry consensus pricing surveys in which we participate or back testing by observing the actual settlements occurring soon after the measurement date.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis The following table presents information about our assets and liabilities measured at fair value on a recurring basis at March 31, 2025 and December 31, 2024, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value. Unless otherwise noted below, assets and liabilities in the following table are recorded at fair value through net income.

March 31, 2025	Fair Value Measurements on a Recurring Basis					
	Level 1	Level 2	Level 3	Gross Balance	Netting ⁽¹⁾	Net Balance
	(in millions)					
Assets:						
Trading assets, excluding derivatives:						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	\$ 3,779	\$ 1,190	\$ —	\$ 4,969	\$ —	\$ 4,969
Debt securities issued by foreign entities	399	—	—	399	—	399
Equity securities	12,213	—	—	12,213	—	12,213
Precious metals trading	—	93	—	93	—	93
Derivatives: ⁽²⁾						
Interest rate contracts	7	824	1	832	—	832
Foreign exchange contracts	—	8,632	6	8,638	—	8,638
Equity contracts	—	987	57	1,044	—	1,044
Precious metals contracts	—	1,678	—	1,678	—	1,678
Credit contracts	—	189	—	189	—	189
Other contracts ⁽³⁾	—	—	6	6	—	6
Derivatives netting	—	—	—	—	(11,322)	(11,322)
Total derivatives	7	12,310	70	12,387	(11,322)	1,065
Securities available-for-sale: ⁽⁴⁾						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	11,477	10,397	—	21,874	—	21,874
Asset-backed securities:						
Home equity mortgages	—	—	9	9	—	9
Corporate loans	—	50	—	50	—	50
Other	—	—	85	85	—	85
Debt securities issued by foreign entities	4,003	—	—	4,003	—	4,003
Loans ⁽⁵⁾	—	10	—	10	—	10
Loans held for sale ⁽⁵⁾	—	478	41	519	—	519
Other assets:						
Mortgage servicing rights	—	—	7	7	—	7
Equity securities	—	128	—	128	—	128
Equity securities measured at net asset value ⁽⁶⁾	—	—	—	123	—	123
Total assets	<u>\$ 31,878</u>	<u>\$ 24,656</u>	<u>\$ 212</u>	<u>\$ 56,869</u>	<u>\$ (11,322)</u>	<u>\$ 45,547</u>
Liabilities:						
Domestic deposits ⁽⁵⁾	\$ —	\$ 4,567	\$ 295	\$ 4,862	\$ —	\$ 4,862
Trading liabilities, excluding derivatives	1,680	6	—	1,686	—	1,686
Derivatives: ⁽²⁾						
Interest rate contracts	6	566	4	576	—	576
Foreign exchange contracts	—	8,255	6	8,261	—	8,261
Equity contracts	—	607	87	694	—	694
Precious metals contracts	—	1,685	—	1,685	—	1,685
Credit contracts	—	215	1	216	—	216
Other contracts ⁽³⁾	—	—	32	32	—	32
Derivatives netting	—	—	—	—	(10,156)	(10,156)
Total derivatives	6	11,328	130	11,464	(10,156)	1,308
Long-term debt ⁽⁵⁾	—	5,568	1,946	7,514	—	7,514
Total liabilities	<u>\$ 1,686</u>	<u>\$ 21,469</u>	<u>\$ 2,371</u>	<u>\$ 25,526</u>	<u>\$ (10,156)</u>	<u>\$ 15,370</u>

December 31, 2024	Fair Value Measurements on a Recurring Basis					
	Level 1	Level 2	Level 3	Gross Balance	Netting ⁽¹⁾	Net Balance
	(in millions)					
Assets:						
Trading assets, excluding derivatives:						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	\$ 3,676	\$ 1,167	\$ —	\$ 4,843	\$ —	\$ 4,843
Debt securities issued by foreign entities	783	—	—	783	—	783
Equity securities	13,844	—	—	13,844	—	13,844
Precious metals trading	—	163	—	163	—	163
Derivatives: ⁽²⁾						
Interest rate contracts	2	1,118	2	1,122	—	1,122
Foreign exchange contracts	—	16,386	5	16,391	—	16,391
Equity contracts	—	970	46	1,016	—	1,016
Precious metals contracts	—	1,220	—	1,220	—	1,220
Credit contracts	—	271	—	271	—	271
Other contracts ⁽³⁾	—	—	5	5	—	5
Derivatives netting	—	—	—	—	(18,270)	(18,270)
Total derivatives	2	19,965	58	20,025	(18,270)	1,755
Securities available-for-sale: ⁽⁴⁾						
U.S. Treasury, U.S. Government agencies and sponsored enterprises	10,716	10,603	—	21,319	—	21,319
Asset-backed securities:						
Home equity mortgages	—	—	10	10	—	10
Other	—	—	87	87	—	87
Debt securities issued by foreign entities	3,521	—	—	3,521	—	3,521
Loans ⁽⁵⁾	—	11	—	11	—	11
Loans held for sale ⁽⁵⁾	—	241	154	395	—	395
Other assets:						
Mortgage servicing rights	—	—	7	7	—	7
Equity securities	—	126	—	126	—	126
Equity securities measured at net asset value ⁽⁶⁾	—	—	—	124	—	124
Other ⁽⁵⁾⁽⁷⁾	—	16	—	16	—	16
Total assets	\$ 32,542	\$ 32,292	\$ 316	\$ 65,274	\$ (18,270)	\$ 47,004
Liabilities:						
Domestic deposits ⁽⁵⁾	\$ —	\$ 3,665	\$ 291	\$ 3,956	\$ —	\$ 3,956
Trading liabilities, excluding derivatives	1,489	70	—	1,559	—	1,559
Derivatives: ⁽²⁾						
Interest rate contracts	2	725	5	732	—	732
Foreign exchange contracts	—	16,236	5	16,241	—	16,241
Equity contracts	—	759	64	823	—	823
Precious metals contracts	—	1,092	—	1,092	—	1,092
Credit contracts	—	198	1	199	—	199
Other contracts ⁽³⁾	—	—	31	31	—	31
Derivatives netting	—	—	—	—	(16,636)	(16,636)
Total derivatives	2	19,010	106	19,118	(16,636)	2,482
Long-term debt ⁽⁵⁾	—	5,742	2,153	7,895	—	7,895
Other liabilities ⁽⁵⁾⁽⁷⁾	—	16	—	16	—	16
Total liabilities	\$ 1,491	\$ 28,503	\$ 2,550	\$ 32,544	\$ (16,636)	\$ 15,908

⁽¹⁾ Represents counterparty and cash collateral netting which allow the offsetting of amounts relating to certain contracts if certain conditions are met.

⁽²⁾ Includes trading derivative assets of \$996 million and \$1,598 million and trading derivative liabilities of \$983 million and \$2,348 million at March 31, 2025 and December 31, 2024, respectively, as well as derivatives held for hedging and other non-qualifying economic hedging activities. See Note 8, "Derivative Financial Instruments," for additional information. Excluding changes in fair value of a derivative instrument associated with a qualifying cash flow hedge, which are recognized initially in other comprehensive income (loss), derivative assets and liabilities are recorded at fair value through net income.

⁽³⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares.

⁽⁴⁾ Securities available-for-sale are recorded at fair value through other comprehensive income (loss). Changes in the allowance for credit losses on securities available-for-sale are recorded through net income.

- (5) See Note 9, "Fair Value Option," for additional information. Excluding the fair value movement on fair value option liabilities attributable to our own credit spread, which is recorded in other comprehensive income (loss), fair value option assets and liabilities are recorded at fair value through net income.
- (6) Investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy.
- (7) Consists of assets and liabilities associated with certain client share repurchase transactions.

Information on Level 3 assets and liabilities The following table summarizes additional information about changes in the fair value of Level 3 assets and liabilities during the three months ended March 31, 2025 and 2024. As a risk management practice, we may risk manage the Level 3 assets and liabilities, in whole or in part, using securities and derivative positions that are classified as Level 1 or Level 2 measurements within the fair value hierarchy. Since those Level 1 and Level 2 risk management positions are not included in the table below, the information provided does not reflect the effect of such risk management activities related to the Level 3 assets and liabilities.

	Total Realized / Unrealized Gains (Losses) Included in							Current Period Unrealized Gains (Losses) Still Held Included in			
	Jan. 1, 2025	Earnings	Other Compre- hensive Income (Loss)	Purch- ases	Issu- ances	Settle- ments	Transfers Into Level 3	Transfers Out of Level 3	Mar. 31, 2025	Earnings	Other Compre- hensive Income (Loss)
(in millions)											
Assets:											
Derivatives, net: ⁽¹⁾											
Interest rate contracts.....	\$ (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (3)	\$ 1	\$ —
Foreign exchange contracts.....	—	—	—	—	—	—	—	—	—	—	—
Equity contracts.....	(18)	(41)	—	—	—	(7)	(6)	42	(30)	(17)	—
Credit contracts.....	(1)	—	—	—	—	—	—	—	(1)	—	—
Other contracts ⁽²⁾	(26)	(7)	—	—	—	7	—	—	(26)	—	—
Asset-backed securities available-for-sale ⁽³⁾	97	—	1	—	—	(4)	—	—	94	—	1
Loans held for sale ⁽⁴⁾	154	—	—	2	—	(115)	—	—	41	—	—
Mortgage servicing rights ⁽⁵⁾	7	—	—	—	—	—	—	—	7	—	—
Total assets.....	<u>\$ 210</u>	<u>\$ (48)</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ (119)</u>	<u>\$ (6)</u>	<u>\$ 42</u>	<u>\$ 82</u>	<u>\$ (16)</u>	<u>\$ 1</u>
Liabilities:											
Domestic deposits ⁽⁴⁾	\$ (291)	\$ (1)	\$ —	\$ —	\$ (15)	\$ 14	\$ (68)	\$ 66	\$ (295)	\$ 1	\$ —
Long-term debt ⁽⁴⁾	(2,153)	4	—	—	(304)	247	(278)	538	(1,946)	7	—
Total liabilities.....	<u>\$ (2,444)</u>	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (319)</u>	<u>\$ 261</u>	<u>\$ (346)</u>	<u>\$ 604</u>	<u>\$ (2,241)</u>	<u>\$ 8</u>	<u>\$ —</u>

	Total Realized / Unrealized Gains (Losses) Included in							Current Period Unrealized Gains (Losses) Still Held Included in			
	Jan. 1, 2024	Earnings	Other Compre- hensive Income (Loss)	Purch- ases	Issu- ances	Settle- ments	Transfers Into Level 3	Transfers Out of Level 3	Mar. 31, 2024	Earnings	Other Compre- hensive Income (Loss)
(in millions)											
Assets:											
Derivatives, net: ⁽¹⁾											
Interest rate contracts.....	\$ (4)	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ (3)	\$ (1)	\$ —
Foreign exchange contracts.....	—	—	—	—	—	—	—	—	—	—	—
Equity contracts	21	59	—	—	—	3	(7)	(9)	67	50	—
Credit contracts	1	(3)	—	—	—	(1)	—	3	—	—	—
Other contracts ⁽²⁾	(35)	(2)	—	—	—	7	—	—	(30)	—	—
Asset-backed securities available-for-sale ⁽³⁾	104	—	(1)	—	—	(1)	—	—	102	—	(1)
Loans held for sale ⁽⁴⁾	32	1	—	17	—	(24)	3	(4)	25	1	—
Mortgage servicing rights ⁽⁵⁾	19	—	—	—	—	—	—	—	19	—	—
Total assets	<u>\$ 138</u>	<u>\$ 54</u>	<u>\$ (1)</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ (16)</u>	<u>\$ (2)</u>	<u>\$ (10)</u>	<u>\$ 180</u>	<u>\$ 50</u>	<u>\$ (1)</u>
Liabilities:											
Domestic deposits ⁽⁴⁾	\$ (293)	\$ (4)	\$ (2)	\$ —	\$ (74)	\$ 35	\$ —	\$ 7	\$ (331)	\$ (3)	\$ (2)
Long-term debt ⁽⁴⁾	(1,919)	(107)	(2)	—	(327)	281	(13)	128	(1,959)	(69)	(2)
Total liabilities	<u>\$ (2,212)</u>	<u>\$ (111)</u>	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ (401)</u>	<u>\$ 316</u>	<u>\$ (13)</u>	<u>\$ 135</u>	<u>\$ (2,290)</u>	<u>\$ (72)</u>	<u>\$ (4)</u>

⁽¹⁾ Level 3 net derivatives included derivative assets of \$70 million and derivative liabilities of \$130 million at March 31, 2025 and derivative assets of \$230 million and derivative liabilities of \$196 million at March 31, 2024. Gains (losses) on derivatives, net are predominantly included in trading revenue and gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income.

⁽²⁾ Consists of swap agreements entered into in conjunction with the sales of Visa Class B Shares. Gains (losses) on these swap agreements are included in other income (loss) in the consolidated statement of income.

⁽³⁾ Realized gains (losses) on securities available-for-sale are included in other securities gains, net in the consolidated statement of income. Changes in the allowance for credit losses on securities available-for-sale are included in the provision for credit losses in the consolidated statement of income. Unrealized gains (losses) on securities available-for-sale are included in other comprehensive income (loss).

⁽⁴⁾ Excluding unrealized gains (losses) on fair value option liabilities attributable to our own credit spread, which are recorded in other comprehensive income (loss), gains (losses) on fair value option assets and liabilities are included in gain (loss) on instruments designated at fair value and related derivatives in the consolidated statement of income.

⁽⁵⁾ Gains (losses) on mortgage servicing rights are included in other income (loss) in the consolidated statement of income.

Significant Unobservable Inputs for Recurring Fair Value Measurements

The following table presents quantitative information about the unobservable inputs used to determine the recurring fair value measurement of assets and liabilities classified as Level 3 fair value measurements at March 31, 2025 and December 31, 2024:

March 31, 2025

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average⁽¹⁾
Interest rate derivative contracts	\$ (3)	Market comparable adjusted for probability to fund and, where applicable, option pricing model	Probability to fund for rate lock commitments	34% - 100%	76%
			Interest rate yield curve	9%	N/A
Foreign exchange derivative contracts	\$ —	Option pricing model	Cross-currency basis	(9)bps	N/A
Equity derivative contracts ⁽²⁾ ..	\$ (30)	Option pricing model	Equity / Equity Index volatility	7% - 151%	43%
			Equity / Equity and Equity / Index correlation	40% - 98%	77%
			Equity forward price	\$0 - \$25,363	\$1,485
Credit derivative contracts	\$ (1)	Option pricing model and, where applicable, discounted cash flows	Credit default swap spreads	19bps - 535bps	118bps
Other derivative contracts	\$ (26)	Discounted cash flows	Conversion rate	1.5 times	N/A
			Expected duration	1.0 year	N/A
Asset-backed securities available-for-sale	\$ 94	Discounted cash flows	Market assumptions related to yields for comparable instruments	2% - 3%	2%
Loans held for sale	\$ 41	Market comparables and internal assumptions	Adjusted market price	99% - 100%	99%
Mortgage servicing rights	\$ 7	Discounted cash flows	Constant prepayment rates	6% - 20%	7%
			Discount rate	10% - 14%	10%
			Estimated annualized costs to service	\$70 - \$79 per account	\$75 per account
Domestic deposits (structured deposits) ⁽²⁾⁽³⁾	\$ (295)	Option adjusted discounted cash flows	Equity / Equity Index volatility	7% - 57%	15%
			Equity / Equity and Equity / Index correlation	40% - 92%	63%
Long-term debt (structured notes) ⁽²⁾⁽³⁾	\$ (1,946)	Option adjusted discounted cash flows	Equity / Equity Index volatility	16% - 64%	22%
			Equity / Equity and Equity / Index correlation	41% - 98%	82%
			Credit default swap spreads	759bps	N/A

December 31, 2024

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Interest rate derivative contracts	\$ (3)	Market comparable adjusted for probability to fund and, where applicable, option pricing model	Probability to fund for rate lock commitments	73% - 100%	88%
			Interest rate yield curve	10%	N/A
Foreign exchange derivative contracts	\$ —	Option pricing model	Cross-currency basis	(66)bps	N/A
Equity derivative contracts ⁽²⁾ ..	\$ (18)	Option pricing model	Equity / Equity Index volatility	6% - 118%	24%
			Equity / Equity and Equity / Index correlation	27% - 98%	74%
			Equity forward price	\$0 - \$26,542	\$1,238
Credit derivative contracts	\$ (1)	Option pricing model and, where applicable, discounted cash flows	Credit default swap spreads	15bps - 525bps	101bps
Other derivative contracts	\$ (26)	Discounted cash flows	Conversion rate	1.5 times	N/A
			Expected duration	1.3 years	N/A
Asset-backed securities available-for-sale	\$ 97	Discounted cash flows	Market assumptions related to yields for comparable instruments	2% - 3%	2%
Loans held for sale	\$ 154	Market comparables and internal assumptions	Adjusted market price	94% - 101%	100%
Mortgage servicing rights	\$ 7	Discounted cash flows	Constant prepayment rates	6% - 19%	7%
			Discount rate	10% - 14%	10%
			Estimated annualized costs to service	\$70 - \$79 per account	\$76 per account
Domestic deposits (structured deposits) ⁽²⁾⁽³⁾	\$ (291)	Option adjusted discounted cash flows	Equity / Equity Index volatility	6% - 54%	14%
			Equity / Equity and Equity / Index correlation	40% - 93%	66%
Long-term debt (structured notes) ⁽²⁾⁽³⁾	\$ (2,153)	Option adjusted discounted cash flows	Equity / Equity Index volatility	6% - 59%	24%
			Equity / Equity and Equity / Index correlation	27% - 98%	80%
			Credit default swap spreads	728bps	N/A

N/A Not Applicable

⁽¹⁾ For equity derivatives, credit derivatives, structured deposits and structured notes, weighted averages are calculated based on the fair value of the instruments. For all remaining instrument types, weighted averages are calculated based on the notional value of the instruments.

⁽²⁾ We are the client-facing entity and, except for structured notes and deposits with embedded credit derivative features, we enter into identical but opposite derivatives to transfer the resultant risks to our affiliates. With the exception of counterparty credit risks, we are market risk neutral in substantially all of the structured notes and deposits. The corresponding intra-group derivatives are presented as equity derivatives in the table.

⁽³⁾ Structured deposits and structured notes contain embedded derivative features whose fair value measurements contain significant Level 3 inputs. See equity derivatives and credit derivatives below for a discussion of the uncertainty of Level 3 inputs related to structured deposits and structured notes.

Uncertainty of Level 3 Inputs to Fair Value Measurements

Interest rate derivatives - For mortgage rate lock commitments, the fair value measurement is affected by the probability of executing and funding the mortgage. An increase (decrease) in the likelihood of a mortgage being executed would have resulted in a lower (higher) fair value measurement of the interest rate derivative. For certain other interest rate derivatives, the interest rates for longer dated tenors were not observable. An increase (decrease) in the interest rate would have resulted in a higher (lower) fair value measurement of the derivative depending on if we receive or pay the floating rate.

Foreign exchange derivatives - For certain foreign exchange derivatives, the cross-currency basis for longer dated tenors were not observable. An increase (decrease) in the cross-currency basis would have resulted in a higher (lower) fair value measurement of the derivative depending on if we receive or pay the floating rate plus the basis spread.

Equity derivatives - For certain equity derivatives, particularly those with long-dated maturities and/or strike values far from at-the-money, volatility can be unobservable. A significant increase (decrease) in the implied volatility would have resulted in a higher (lower) fair value of a long position in the derivative contract. For a derivative referenced to a basket of equities, the fair value measurement is also affected by the correlation of the referenced equities, which can also be unobservable. Correlation measures the relative change in values among two or more variables (i.e., equity pair), which can be positively or negatively correlated. A significant increase (decrease) in the correlation of the referenced variables would have resulted in a higher (lower) fair value of a long position in the derivative contract. In addition, for the majority of unlisted equities and some listed

equities, the forward price is unobservable. A significant increase (decrease) in the price would have resulted in a higher (lower) fair value of a long position in the derivative contract.

Credit derivatives - The fair value measurement of certain credit derivatives is primarily affected by the credit spreads of credit default swap contracts. A significant increase (decrease) in the credit spreads would have resulted in a higher (lower) fair value measurement of a long position in the credit derivative.

Other derivatives - The fair value of the swap agreements we entered into in conjunction with the sales of Visa Class B Shares is dependent upon the final resolution of the related litigation. Significant unobservable inputs used in the fair value measurement include estimated changes in the conversion rate of Visa Class B Shares into Visa Class A Shares and the expected timing of the final resolution. An increase (decrease) in the loss estimate or in the timing of the resolution of the related litigation would have resulted in a higher (lower) fair value measurement of the derivative.

Asset-backed securities available-for-sale - The fair value measurement of certain asset-backed securities is primarily affected by estimated yields which are determined based on current market yields of comparable instruments adjusted for market liquidity. An increase (decrease) in the yields would have resulted in a lower (higher) fair value measurement of the securities.

Loans held for sale - The fair value measurement of certain commercial loans held for sale is affected by estimated market prices which are unobservable. An increase (decrease) in the estimated prices would have resulted in a higher (lower) fair value measurement of the loans.

Mortgage servicing rights - The fair value measurement of mortgage servicing rights is primarily affected by the estimated prepayment rates of the mortgage loans and the discount rates. An increase (decrease) in either of these inputs would have resulted in a lower (higher) fair value measurement of the mortgage servicing rights.

Significant Transfers Into and Out of Level 3 Measurements During the three months ended March 31, 2025, we transferred \$66 million of domestic deposits and \$538 million of long-term debt, which we have elected to carry at fair value, from Level 3 to Level 2 as a result of the embedded derivative no longer being unobservable as the derivative option is closer to maturity and the underlying inputs have become more observable. During the three months ended March 31, 2025, we also transferred \$42 million of equity derivatives from Level 3 to Level 2 as the inputs used to value these derivative contracts have become more observable. During the three months ended March 31, 2025, we transferred \$68 million of domestic deposits and \$278 million of long-term debt, which we elected to carry at fair value, from Level 2 to Level 3 as a result of a change in the observability of underlying inputs that resulted in the embedded derivative being unobservable.

During the three months ended March 31, 2024, we transferred \$128 million of long-term debt, which we have elected to carry at fair value, from Level 3 to Level 2 as a result of the embedded derivative no longer being unobservable as the derivative option is closer to maturity and the underlying inputs have become more observable. During the three months ended March 31, 2024, we transferred \$13 million of long-term debt, which we elected to carry at fair value, from Level 2 to Level 3 as a result of a change in the observability of underlying inputs that resulted in the embedded derivative being unobservable.

Assets and Liabilities Recorded at Fair Value on a Non-recurring Basis Certain financial and non-financial assets are measured at fair value on a non-recurring basis and therefore, are not included in the tables above. These assets include (a) loans classified as held for sale reported at the lower of amortized cost or fair value, (b) impaired loans or assets that are written down to fair value based on the valuation of underlying collateral during the period and (c) lease right-of-use ("ROU") assets or leasehold improvement assets that were written down during the period. These instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustment in certain circumstances (e.g., impairment). The following table presents the fair value hierarchy level within which the fair value of the financial and non-financial assets has been recorded at March 31, 2025 and December 31, 2024. The gains (losses) during the three months ended March 31, 2025 and 2024 are also included.

	Non-Recurring Fair Value Measurements at March 31, 2025				Total Gains (Losses) For the Three Months Ended March 31, 2025
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Consumer loans ⁽¹⁾	\$ —	\$ 98	\$ —	\$ 98	\$ 1
Commercial loans held for sale ⁽²⁾	—	29	—	29	—
Commercial loans ⁽³⁾	—	—	443	443	(52)
Total assets at fair value on a non-recurring basis	\$ —	\$ 127	\$ 443	\$ 570	\$ (51)
	Non-Recurring Fair Value Measurements at December 31, 2024				Total Gains (Losses) For the Three Months Ended March 31, 2024
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Consumer loans ⁽¹⁾	\$ —	\$ 100	\$ —	\$ 100	\$ 1
Commercial loans held for sale	—	—	—	—	2
Commercial loans ⁽³⁾	—	—	350	350	(2)
Total assets at fair value on a non-recurring basis	\$ —	\$ 100	\$ 350	\$ 450	\$ 1

⁽¹⁾ Represents residential mortgage loans held for investment whose carrying amount was adjusted during the period based on the fair value of the underlying collateral.

⁽²⁾ At March 31, 2025, the fair value of the loans held for sale was below cost.

⁽³⁾ Certain commercial loans are individually assessed for impairment. We measure the credit impairment of a collateral-dependent loan based on the fair value of the collateral asset. The collateral often involves real estate properties that are illiquid due to market conditions. As a result, these loans are classified as a Level 3 fair value measurement within the fair value hierarchy.

Significant Unobservable Inputs for Non-Recurring Fair Value Measurements

The following tables present quantitative information about non-recurring fair value measurements of assets and liabilities classified with Level 3 of the fair value hierarchy at March 31, 2025 and December 31, 2024:

At March 31, 2025

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Commercial loans	\$ 443	Valuation of third-party appraisal on underlying collateral	Loss severity rates	6% - 100%	31%

At December 31, 2024

Financial Instrument Type	Fair Value (in millions)	Valuation Technique(s)	Significant Unobservable Inputs	Range of Inputs	Weighted Average ⁽¹⁾
Commercial loans	\$ 350	Valuation of third-party appraisal on underlying collateral	Loss severity rates	8% - 100%	26%

⁽¹⁾ Weighted average is calculated based on the carrying value of the loans.

Valuation Techniques

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Consumer loans designated under FVO – We elected to apply FVO accounting to certain student loans held for investment. The fair value of these loans is based on observed market prices of instruments with similar characteristics.

Consumer loans held for sale – Consumer loans held for sale are recorded at the lower of amortized cost or fair value. The fair value of consumer loans held for sale is estimated using observed market prices of instruments with similar characteristics. Adjustments are made to reflect differences in collateral location, loan-to-value ratio, FICO scores, vintage year, default rates, the completeness of the loan documentation and other risk characteristics. Where observable market parameters are not available, fair value is estimated using the discounted cash flow method using assumptions consistent with those which would be used by market participants in valuing such loans, including estimates of prepayment rates, default rates, loss severities and market rates of return. We also may hold discussions on value directly with potential investors.

Commercial loans held for sale – Commercial loans held for sale (that are not designated under FVO as discussed below) are recorded at the lower of amortized cost or fair value. The fair value of commercial loans held for sale is estimated using observable market pricing obtained from independent sources, relevant broker quotes or observed market prices of instruments with similar characteristics. We also may hold discussions on value directly with potential investors or take into account underlying collateral values.

Commercial loans held for sale designated under FVO – We elected to apply FVO accounting to certain commercial loans held for sale. Where available, fair value is based on observable market pricing obtained from independent sources, relevant broker quotes or observed market prices of instruments with similar characteristics. Where observable market parameters are not available, fair value is determined based on contractual cash flows adjusted for estimates of prepayment rates, expected default rates and loss severity discounted at management's estimate of the expected rate of return required by market participants. We also consider loan-specific risk mitigating factors such as collateral arrangements in determining the fair value estimate. For certain commercial loans held for sale, the fair value measurement process uses significant unobservable inputs to adjust market prices which are specific to the characteristics of the loans.

Commercial loans individually assessed for impairment – Generally represents collateral-dependent commercial loans with fair value determined based on pricing quotes obtained from an independent third-party appraisal.

Precious metals trading – Precious metals trading primarily includes physical inventory which is valued using spot prices.

Securities - Where available, debt and equity securities are valued based on quoted market prices. If a quoted market price for the identical security is not available, the security is valued based on quotes from similar securities, where possible. For certain securities, internally developed valuation models are used to determine fair values or validate quotes obtained from pricing services. The following summarizes the valuation methodology used for our major security classes:

- U.S. Treasury, U.S. Government agency issued or guaranteed and obligations of U.S. state and political subdivisions – As these securities transact in an active market, fair value measurements are based on quoted prices for the identical security or quoted prices for similar securities with adjustments as necessary made using observable inputs which are market corroborated.
- U.S. Government sponsored enterprises – For government sponsored mortgage-backed securities which transact in an active market, fair value measurements are based on quoted prices for the identical security or quoted prices for similar securities with adjustments as necessary made using observable inputs which are market corroborated. For government sponsored mortgage-backed securities which do not transact in an active market, fair value is determined primarily based on pricing information obtained from pricing services and is verified by internal review processes.
- Asset-backed securities – Fair value is primarily determined based on pricing information obtained from independent pricing services adjusted for the characteristics and the performance of the underlying collateral.
- Foreign debt securities (government and corporate) - Government securities transact in an active market and therefore fair value measurements are based on quoted prices for the identical security or quoted prices for similar securities with adjustments as necessary made using observable inputs which are market corroborated. For non-callable corporate securities, a credit spread scale is created for each issuer. These spreads are then added to the equivalent maturity U.S. Treasury yield to determine current pricing. Credit spreads are obtained from the primary market, secondary trading levels and dealer quotes. For securities with early redemption features, an option adjusted spread model is incorporated to adjust the spreads determined above. Additionally, we survey the broker/dealer community to obtain relevant trade data including benchmark quotes and updated spreads.
- Equity securities – Fair value measurements are determined based on quoted prices for the identical security. Certain equity securities represent investments in private equity funds that help us comply with the Community Reinvestment Act. The fair value of these investments are estimated using the net asset value per share as calculated by the fund

managers. Distributions will be received from the funds as the underlying assets are liquidated. While the funds do not allow us to redeem our investments, we are permitted to sell or transfer our investments subject to the approval of the fund manager. Unfunded commitments associated with these investments totaled \$20 million at both March 31, 2025 and December 31, 2024.

The following tables provide additional information relating to our available-for-sale asset-backed securities at March 31, 2025:

Rating of Securities: ⁽¹⁾	Collateral Type:	Level 2	Level 3	Total
(in millions)				
AAA - A	Home equity mortgages - Alt A	\$ —	\$ 9	\$ 9
	Corporate loans	50	—	50
	Total AAA - A	50	9	59
BBB - B	Other	—	85	85
		<u>\$ 50</u>	<u>\$ 94</u>	<u>\$ 144</u>

⁽¹⁾ We utilize S&P as the primary source of credit ratings in the tables above. If S&P ratings are not available, ratings by Moody's and Fitch are used in that order.

Derivatives – Derivatives are recorded at fair value. Asset and liability positions in individual derivatives that are covered by legally enforceable master netting agreements, including receivables (payables) for cash collateral posted (received), are offset and presented net in accordance with accounting principles which allow the offsetting of amounts.

Derivatives traded on an exchange are valued using quoted prices. OTC derivatives, which comprise a majority of derivative contract positions, are valued using valuation techniques. The fair value for the majority of our derivative instruments are determined based on internally developed models that utilize independently corroborated market parameters, including interest rate yield curves, option volatilities, and currency rates. For complex or long-dated derivative products where market data is not available, fair value may be affected by the underlying assumptions about, among other things, the timing of cash flows, expected exposure, probability of default and recovery rates. The fair values of certain structured derivative products are sensitive to unobservable inputs such as correlations of the referenced variables and volatilities of embedded options. These estimates are susceptible to significant change in future periods as market conditions change.

We typically use the risk-free rate/overnight indexed swap curves as the base discounting curve for measuring the fair value of all derivatives, both collateralized and uncollateralized, and apply a FFVA to reflect the estimated present value of the future market funding cost or benefit associated with funding uncollateralized derivative exposure at an unsecured market funding rate. The FFVA is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralized component of the OTC derivative portfolio. The expected future funding exposure is calculated by a simulation methodology, where available, and is adjusted for events that may terminate the exposure, such as the default of HUSI or the counterparty.

Significant inputs related to derivative classes are broken down as follows:

- Credit Derivatives – Use credit default curves and recovery rates which are generally provided by broker quotes and various pricing services. Certain credit derivatives may also use correlation inputs in their model valuation.
- Interest Rate Derivatives – Swaps use interest rate curves based on currency that are actively quoted by brokers and other pricing services. Options will also use volatility inputs which are also quoted in the broker market.
- Foreign Exchange ("FX") Derivatives – FX transactions, to the extent possible, use spot and forward FX rates which are quoted in the broker market. Where applicable, we also use implied volatility of currency pairs as inputs.
- Equity Derivatives – Use listed equity security pricing and implied volatilities from equity traded options position.
- Precious Metal Derivatives – Use spot and forward metal rates which are quoted in the broker market.

As discussed earlier, we make fair value adjustments to model valuations in order to ensure that those values represent appropriate estimates of fair value. These adjustments, which are applied consistently over time, are generally required to reflect factors such as bid-ask spreads and counterparty credit risk that can affect prices in arms-length transactions with unrelated third parties. Such adjustments are based on management judgment and may not be observable.

We estimate the counterparty credit risk for financial assets and our own credit standing for financial liabilities (the "credit valuation adjustments") in determining the fair value measurement. For derivative instruments, we calculate the credit valuation adjustment by applying the probability of default of the counterparty to the expected exposure, and multiplying the result by the expected loss given default. We also take into consideration the risk mitigating factors including collateral agreements and master netting agreements in determining credit valuation adjustments. We estimate the implied probability of default based on the credit spread of the specific counterparty observed in the credit default swap market. Where credit default spread of the

counterparty is not available, we use the credit default spread of a specific proxy (e.g., the credit default swap spread of the counterparty's parent) or a proxy based on credit default swaps referencing to credit names of similar credit standing.

Real estate owned - Fair value is determined based on third-party appraisals obtained at the time we take title to the property and, if less than the carrying amount of the loan, the carrying amount of the loan is adjusted to the fair value. The carrying amount of the property is further reduced, if necessary, at least every 90 days to reflect observable local market data, including local area sales data.

Mortgage servicing rights - Mortgage servicing rights are recorded at fair value. The fair value for the mortgage servicing rights is determined based on a single rate path cash flow analysis approach which involves discounting servicing cash flows under static interest rate projections at risk-adjusted rates. The valuation model also incorporates our best estimates of the prepayment speed of the mortgage loans, current cost to service and discount rates which are unobservable.

Client share repurchase transactions designated under FVO - We elected to apply FVO accounting to certain client share repurchase transactions. The fair value of the assets and liabilities associated with these transactions is determined based on the value of the remaining shares to be delivered.

Structured notes and deposits designated under FVO - Structured notes and deposits are hybrid instruments containing embedded derivatives and are elected to be measured at fair value in their entirety under FVO accounting principles. The valuation of hybrid instruments is predominantly driven by the derivative features embedded within the instruments and our own credit risk. The valuation of embedded derivatives may include significant unobservable inputs such as correlation of the referenced credit names or volatility of the embedded option. Cash flows of the funded notes and deposits in their entirety, including the embedded derivatives, are discounted at the relevant interest rates for the duration of the instrument adjusted for our own credit spreads. The credit spreads so applied are determined with reference to our own debt issuance rates observed in primary and secondary markets, internal funding rates, and the structured note rates in recent executions.

Long-term debt designated under FVO - We elected to apply FVO accounting to certain of our own debt issuances, primarily for which fair value hedge accounting otherwise would have been applied. Substantially all of our own debt issuances elected under FVO are traded in secondary markets and, as such, the fair value is determined based on observed prices for the specific instrument. The observed market price of these instruments reflects the effect of our own credit spreads. The credit spreads applied to these instruments were derived from the spreads at the measurement date.

Additional Disclosures About the Fair Value of Financial Instruments that are Not Carried at Fair Value on the Consolidated Balance Sheet The fair value estimates set forth below are made solely to comply with disclosures required by generally accepted accounting principles in the United States and should be read in conjunction with the financial statements and notes included in this report.

The carrying amount of certain financial instruments recorded at cost on the consolidated balance sheet is considered to approximate fair value because they are short-term in nature, bear interest rates that approximate market rates, and generally have negligible credit risk. These items include cash and due from banks, interest bearing deposits with banks, customer acceptance assets and liabilities, federal funds sold and purchased, securities purchased and sold under resale and repurchase agreements, deposits with no stated maturity (e.g., demand, savings and certain money market deposits), short-term borrowings and dividends payable.

The following table summarizes the carrying value and estimated fair value of our financial instruments, excluding financial instruments that are carried at fair value on a recurring basis, at March 31, 2025 and December 31, 2024, and their classification within the fair value hierarchy:

March 31, 2025	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(in millions)		
Financial assets:					
Short-term financial assets, net of allowance for credit losses	\$ 29,337	\$ 29,337	\$ 888	\$ 28,414	\$ 35
Federal funds sold and securities purchased under agreements to resell	10,379	10,379	—	10,379	—
Securities held-to-maturity, net of allowance for credit losses	18,139	17,636	2,781	14,855	—
Commercial loans, net of allowance for credit losses	40,719	41,577	—	—	41,577
Commercial loans held for sale	73	73	—	73	—
Consumer loans, net of allowance for credit losses	22,051	20,399	—	—	20,399
Financial liabilities:					
Short-term financial liabilities	\$ 7,599	\$ 7,599	\$ —	\$ 7,564	\$ 35
Deposits	120,862	120,806	—	120,806	—
Long-term debt	13,154	13,523	—	13,523	—
December 31, 2024	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(in millions)		
Financial assets:					
Short-term financial assets, net of allowance for credit losses	\$ 23,265	\$ 23,265	\$ 621	\$ 22,625	\$ 19
Federal funds sold and securities purchased under agreements to resell	14,313	14,313	—	14,313	—
Securities held-to-maturity, net of allowance for credit losses	17,798	17,029	2,721	14,308	—
Commercial loans, net of allowance for credit losses	40,525	41,645	—	—	41,645
Commercial loans held for sale	11	11	—	11	—
Consumer loans, net of allowance for credit losses	21,680	19,435	—	—	19,435
Financial liabilities:					
Short-term financial liabilities	\$ 7,371	\$ 7,371	\$ —	\$ 7,352	\$ 19
Deposits	119,394	119,394	—	119,394	—
Long-term debt	12,822	13,257	—	13,257	—

Lending-related commitments - The fair value of loan commitments, revolving credit facilities and standby letters of credit are not included in the above table. The majority of the lending-related commitments are not carried at fair value on a recurring basis nor are they actively traded. These instruments generate fees, which approximate those currently charged to originate similar commitments, which are recognized over the term of the commitment period. Deferred fees on loan commitments, revolving credit facilities and standby letters of credit totaled \$157 million and \$168 million at March 31, 2025 and December 31, 2024, respectively.

18. *Litigation and Regulatory Matters*

The following supplements, and should be read together with, the disclosure in Note 30, "Litigation and Regulatory Matters," in our 2024 Form 10-K. Only those matters with significant updates and new matters since our disclosure in our 2024 Form 10-K are reported herein.

In addition to the matters described below and in our 2024 Form 10-K, in the ordinary course of business, we are routinely named as defendants in, or as parties to, various legal actions and proceedings relating to activities of our current and/or former operations. These legal actions and proceedings may include claims for substantial or indeterminate compensatory or punitive damages, or for injunctive relief. In the ordinary course of business, we also are subject to governmental and regulatory examinations, information-gathering requests, investigations and proceedings (both formal and informal), certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. In connection with formal and informal inquiries by these regulators, we receive numerous requests, subpoenas and orders seeking documents, testimony and other information in connection with various aspects of our regulated activities.

Due to the inherent unpredictability of legal matters, including litigation, governmental and regulatory matters, particularly where the damages sought are substantial or indeterminate or when the proceedings or investigations are in the early stages, we cannot determine with any degree of certainty the timing or ultimate resolution of such matters or the eventual loss, fines, penalties or business impact, if any, that may result. We establish reserves for litigation, governmental and regulatory matters when those matters present loss contingencies that are both probable and can be reasonably estimated. Once established, reserves are adjusted from time to time, as appropriate, in light of additional information. The actual costs of resolving litigation and regulatory matters, however, may be substantially higher than the amounts reserved for those matters. Some of our exposure may be offset by applicable insurance coverage. We do not consider the possible availability of insurance coverage in determining the amounts of any accruals (although we record the amount of related insurance recoveries that are deemed probable up to the amount of the accrual).

For the legal matters disclosed below, including litigation and governmental and regulatory matters, as well as for the legal matters disclosed in Note 30, "Litigation and Regulatory Matters," in our 2024 Form 10-K, as to which a loss in excess of accrued liability is reasonably possible in future periods and for which there is sufficient currently available information on the basis of which management believes it can make a reliable estimate, we believe a reasonable estimate could be as much as \$125 million for HUSI. The legal matters underlying this estimate of possible loss will change from time to time and actual results may differ significantly from this current estimate.

Given the substantial or indeterminate amounts sought in certain of these matters, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could have a material adverse effect on our consolidated financial statements in any particular quarterly or annual period.

Madoff Litigation

In March 2025, the remaining claims against HSBC Bank USA in the Fairfield matter were dismissed pursuant to a settlement between Fairfield and the non-HSBC defendant who had allegedly been the initial recipient of the redemption payments Fairfield had sought to recover from HSBC Bank USA.

Anti-Terrorism Act Cases

Kathleen Freeman, et al. v. HSBC Holdings plc, et al. Plaintiffs filed an amended complaint in March 2025. Defendants will move to dismiss in May 2025. Defendants will also move to dismiss the amended complaint in *Kathleen Stephens, v. HSBC Holdings plc, et al.*

19. New Accounting Pronouncements

The following are new accounting pronouncements issued by the Financial Accounting Standards Board which will be adopted in future periods:

Accounting Standards Update	Summary of Guidance	Financial Statement Impact
Improvements to Income Tax Disclosures <i>Issued December 2023</i>	- Eliminates, amends and adds certain disclosure requirements for income taxes. - In particular, requires the disaggregation of certain existing disclosures, including a) the effective tax rate reconciliation to be broken out into specific categories; b) income taxes paid and income tax expense to be broken out between federal, state and foreign; and c) income before income tax to be broken out between domestic and foreign.	- Effective for annual periods beginning January 1, 2025, with early adoption permitted. - The new guidance should be applied prospectively, with a retrospective option. - While the adoption of this guidance will result in changes to existing disclosures, it will not have any impact on our financial position or results of operations.
Disaggregation of Income Statement Expenses <i>Issued November 2024</i>	- Requires certain expense captions presented on the face of the income statement to be disaggregated into specific categories in the notes to the financial statements, including a) employee compensation; b) depreciation; and c) intangible asset amortization. A description of the amounts that are not separately disaggregated should be disclosed. - Also requires disclosure of the total amount of selling expenses and the entity's definition of selling expenses.	- Effective for annual periods beginning January 1, 2027, and interim periods beginning January 1, 2028, with early adoption permitted. - The new guidance should be applied prospectively, with a retrospective option. - While the adoption of this guidance will result in changes to existing disclosures, it will not have any impact on our financial position or results of operations.

There have been no additional accounting pronouncements issued that are expected to have a material impact on our consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain matters discussed throughout this Form 10-Q are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make or approve certain statements in future filings with the United States Securities and Exchange Commission ("SEC"), in press releases, or oral or written presentations by representatives of HSBC USA Inc. ("HSBC USA" and, together with its subsidiaries, "HUSI") that are not statements of historical fact and may also constitute forward-looking statements. Words such as "may," "will," "should," "would," "could," "appears," "believe," "intends," "expects," "estimates," "targeted," "plans," "anticipates," "goal," and similar expressions are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. These matters or statements will relate to our future operations, strategy, financial condition, economic forecast, results of operations, plans, objectives, performance or business developments and will involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements.

All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond our control. Our actual future results may differ materially from those set forth in our forward-looking statements. While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those in the forward-looking statements:

- our ability to effectively implement and deliver on our business strategies, and the effect implementation of our business strategy may have on our financial results, operations and relationships with our customers, regulators, employees and other stakeholders;
- uncertainty concerning the future market and economic conditions in the United States and abroad, including but not limited to, changes in interest rates, energy prices, inflation, supply chain issues, a decline in housing prices, the availability of credit and liquidity, unemployment levels, turmoil in the financial markets and related efforts of government agencies to stabilize the financial system, changes in consumer confidence and consumer spending and behavior, consumer perception as to the continuing availability of credit and price competition in the market segments we serve and the consequences of unexpected geopolitical events, such as trade disputes and tariffs or unforeseen events such as natural disasters or pandemics;
- compliance with the Chinese National Security Law, the Hong Kong Autonomy Act and other laws of China and the United States., which may impact, among other things, individuals or entities with which we are able to conduct business;
- changes in laws, regulatory requirements and policies, including the potential impact of any legal, regulatory or policy changes affecting financial institutions and the global economy as a result of changes by the current administration;
- the ability to deliver on our regulatory priorities;
- capital and liquidity requirements under Basel guidance, the Federal Reserve Board's ("FRB") Comprehensive Capital Analysis and Review ("CCAR") program, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act" or "Dodd-Frank") stress testing ("DFAST"), including the U.S. FRB requirements for U.S. global systemically important banks ("G-SIBs") and U.S. intermediate holding companies ("IHCs") owned by non-U.S. G-SIBs to issue total loss-absorbing capacity ("TLAC") instruments;
- regulatory requirements in the U.S. and in non-U.S. jurisdictions to facilitate the future orderly resolution of large financial institutions;
- changes in central banks' policies with respect to the provision or removal of liquidity support to financial markets;
- the ability of HSBC Holdings plc ("HSBC" and, together with its subsidiaries, "HSBC Group") and HSBC Bank USA, National Association (together with its subsidiaries, "HSBC Bank USA") to fulfill the requirements imposed by a consent order or guidance from regulators generally;
- the use of us, or our affiliates, as a conduit for illegal activities without our knowledge by third parties;
- the ability to successfully manage our risks;
- the financial condition of our clients and counterparties and our ability to manage counterparty risk;
- concentrations of credit and market risk;
- increases in our allowance for credit losses and changes in our assessment of our loan portfolios;
- the ability to successfully implement changes to our operational practices as needed and/or required from time to time;
- damage to our reputation;

- the ability to attract or retain key employees, including foreign workers, and customers;
- the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms;
- the effects of operational risks that are inherent in banking operations, including fraudulent and other criminal activities, breakdowns in processes or procedures and systems failure or non-availability;
- disruption in our and our third-party providers' and partners' operations or other adverse impacts resulting from technology failures, cyberattacks, and inadequate data management and consumer privacy protections;
- the ability of third-party service providers and partners to provide adequate services;
- risks associated with matters such as climate and human rights issues and policies;
- losses suffered due to the negligence, fraud or misconduct of our employees or the negligence, fraud or misconduct on the part of third parties;
- a failure in our internal controls;
- our ability to meet our funding requirements;
- adverse changes to our credit ratings;
- financial difficulties or credit downgrades of mortgage bond insurers;
- changes in Financial Accounting Standards Board and International Accounting Standards Board ("IASB") accounting standards and their interpretation;
- heightened regulatory and government enforcement scrutiny of financial institutions, including in connection with product governance and sales practices, account opening and closing procedures, customer and employee complaints and sales compensation structures related to such practices;
- possible negative impact of regulatory investigations and legal proceedings related to alleged foreign exchange manipulation;
- heightened regulatory and government enforcement scrutiny of financial markets, with a particular focus on traded asset classes, including foreign exchange;
- the possibility of incorrect assumptions or estimates in our financial statements, including reserves related to litigation, deferred tax assets and the fair value of certain assets and liabilities;
- model limitations or failure;
- the possibility of incorrect interpretations, application of or changes in tax laws to which we and our clients are subject;
- unexpected and/or increased expenses relating to, among other things, litigation and regulatory matters, remediation efforts, penalties and fines; and
- the other risk factors and uncertainties described under Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2024 (the "2024 Form 10-K").

Forward-looking statements are based on our current views and assumptions and speak only as of the date they are made. We undertake no obligation to update any forward-looking statement to reflect subsequent circumstances or events. You should, however, consider any additional disclosures of a forward-looking nature that arise after the date hereof as may be discussed in any of our subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

Executive Overview

HSBC USA is a wholly-owned subsidiary of HSBC North America Holdings Inc. ("HSBC North America"), which is an indirect wholly-owned subsidiary of HSBC. HUSI may also be referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") as "we," "us" or "our."

Economic Environment The U.S. economy continued to grow during the first quarter of 2025 despite continued pressures from inflation and elevated interest rates. U.S. Gross Domestic Product ("GDP") is currently forecast to grow at an annual rate in excess of 2.5 percent in the first quarter of 2025, while the personal consumption expenditures price index is currently forecast to remain slightly above the FRB's target inflation rate at March 2025. In addition, the total unemployment rate increased slightly to 4.2 percent at March 2025 as compared with 4.1 percent at December 2024. In March 2025, the FRB decided to hold short-term interest rates steady and has indicated that rate decreases in 2025 will depend on future economic conditions.

Although the U.S. economy continued to grow during the first quarter of 2025, economic uncertainty increased due to the potential impacts of new trade and other economic policies in the United States, including tariffs, which are expected to lead to a slowdown of future economic growth and increased inflation, and have led to a decline in consumer confidence during the quarter. This, along with the ongoing uncertainty associated with elevated interest rates and the effects from higher inflation, as well as the new Chinese and baseline tariffs on all U.S. imports beginning in April, together with the threat to implement additional individualized tariffs, will impact our business in future periods. Concerns over domestic and global policy issues, and geopolitical events, including the turmoil in the Middle East, as well as the implications of those events on the markets in general, further add to the global uncertainty. There is also a risk that tariff actions could lead to a recession. Interest rate levels, inflation, unemployment levels and economic growth, in combination with global economic conditions, fiscal and monetary policy, trade policy and the level of regulatory and government scrutiny of financial institutions will continue to impact our results in 2025 and beyond.

Performance, Developments and Trends The following tables set forth selected financial metrics of HUSI for the three months ended March 31, 2025 and 2024 and at March 31, 2025 and December 31, 2024:

Three Months Ended March 31,	2025	2024
	(dollars are in millions)	
Net income	\$ 201	\$ 225
Rate of return on average:		
Total assets	.5 %	.5 %
Common equity	6.6	7.9
Tangible common equity ⁽¹⁾	6.8	8.2
Total equity	6.4	7.7
Net interest margin	1.29	1.10
Efficiency ratio	63.3	71.0
Commercial net charge-off ratio ⁽²⁾	.15	—
Consumer net charge-off ratio ⁽²⁾	—	—

⁽¹⁾ The following table provides a reconciliation of average common equity to average tangible common equity:

Three Months Ended March 31,	2025	2024
	(in millions)	
Common equity	\$ 12,417	\$ 11,449
Less: Goodwill	458	458
Tangible common equity	<u>\$ 11,959</u>	<u>\$ 10,991</u>

⁽²⁾ Excludes loans held for sale.

	March 31, 2025	December 31, 2024
Additional Select Ratios:		
Allowance as a percent of loans ⁽¹⁾	1.00 %	.86 %
Commercial allowance as a percent of loans ⁽¹⁾	1.51	1.28
Consumer allowance as a percent of loans ⁽¹⁾	.05	.05
Loans to deposits ratio ⁽²⁾	50.41	50.77
Common equity Tier 1 capital to risk-weighted assets	13.6	13.6
Tier 1 capital to risk-weighted assets	13.8	13.8
Total capital to risk-weighted assets	16.2	16.2
Tier 1 leverage ratio	8.0	8.0
Total equity to total assets	7.4	7.3

⁽¹⁾ Excludes loans held for sale.

⁽²⁾ Represents period end loans, net of allowance for loan losses, as a percentage of total deposits.

Net income was \$201 million during the three months ended March 31, 2025 compared with \$225 million during the three months ended March 31, 2024. Income before income tax was \$264 million during the three months ended March 31, 2025 compared with \$278 million during the three months ended March 31, 2024. The decrease in income before income tax during the three months ended March 31, 2025 was due primarily to a higher provision for credit losses on our commercial loan portfolio and, to a lesser extent, lower other revenues. These decreases were partially offset by higher net interest income and lower operating expenses.

See "Results of Operations" for a more detailed discussion of our operating trends. In addition, see "Balance Sheet Review" for further discussion on our asset and liability trends, "Liquidity and Capital Resources" for further discussion on funding and capital and "Credit Quality" for additional discussion on our credit trends.

Basis of Reporting

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

Group Reporting Basis We report financial information to HSBC in accordance with HSBC Group accounting and reporting policies, which apply International Financial Reporting Standards ("IFRSs") as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the basis of HSBC Group's accounting and reporting policies ("Group Reporting Basis"). Because operating results on the Group Reporting Basis are used in managing our businesses and rewarding performance of employees, our management also separately monitors profit before tax under this basis of reporting. The following table reconciles our U.S. GAAP versus Group Reporting Basis profit before tax:

Three Months Ended March 31,	2025	2024
	(in millions)	
Profit before tax – U.S. GAAP basis	\$ 264	\$ 278
Adjustments:		
Expected credit losses	33	10
Renewable energy tax credit investments	2	4
Other	4	(6)
Profit before tax – Group Reporting Basis	<u>\$ 303</u>	<u>\$ 286</u>

The significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results are summarized in Note 25, "Business Segments," in our 2024 Form 10-K. There have been no significant changes since December 31, 2024 in the differences between U.S. GAAP and the Group Reporting Basis impacting our results. Differences in reported profit before tax in the table above that were individually significant for the periods presented are explained below.

During the first quarter of 2025, expected credit losses were higher under U.S. GAAP than under the Group Reporting Basis. Under the Group Reporting Basis, a majority of our loans are considered to be in "stage 1" (which requires a 12-month expected credit losses estimate), while under U.S. GAAP such loans require a lifetime expected credit losses estimate ("lifetime

ECL"). Primarily as a result of the different requirements, loss provisions for risk factors associated with higher risk exposures were more pronounced under U.S. GAAP.

During the first quarter of 2024, expected credit losses were higher under U.S. GAAP than under the Group Reporting Basis. Primarily as a result of the different requirements related to stage 1 loans discussed above, loss provisions associated with growth in innovation banking were more pronounced under U.S. GAAP.

Balance Sheet Review

The following table provides balance sheet totals at March 31, 2025 and increases (decreases) since December 31, 2024:

		Increase (Decrease) From December 31, 2024	
	March 31, 2025	Amount	%
	(dollars are in millions)		
Period end assets:			
Short-term investments	\$ 39,681	\$ 2,122	5.6 %
Loans, net	62,780	564	.9
Loans held for sale	594	188	46.3
Trading assets	18,670	(2,561)	(12.1)
Securities	44,160	1,425	3.3
All other assets	6,556	(28)	(.4)
	<u>\$ 172,441</u>	<u>\$ 1,710</u>	<u>1.0 %</u>
Period end liabilities and equity:			
Total deposits	\$ 125,724	\$ 2,374	1.9 %
Trading liabilities	2,669	(1,238)	(31.7)
Short-term borrowings	7,564	212	2.9
Long-term debt	20,668	(49)	(.2)
Interest, taxes and other liabilities	3,020	104	3.6
Total equity	12,796	307	2.5
	<u>\$ 172,441</u>	<u>\$ 1,710</u>	<u>1.0 %</u>

Short-Term Investments Short-term investments include cash and due from banks, interest bearing deposits with banks and federal funds sold and securities purchased under agreements to resell. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity. Short-term investments increased compared with December 31, 2024 due to an increase in funds driven primarily by higher deposits and lower trading assets as discussed in detail below. These increases were partially offset by higher securities and lower trading liabilities.

Loans, Net The following table summarizes our loan balances at March 31, 2025, excluding loans held for sale, and increases (decreases) since December 31, 2024:

		Increase (Decrease) From December 31, 2024	
	March 31, 2025	Amount	%
	(dollars are in millions)		
Commercial loans:			
Real estate, including construction.....	\$ 6,341	\$ (271)	(4.1)%
Business and corporate banking ⁽¹⁾	26,212	786	3.1
Other commercial ⁽²⁾	8,789	(224)	(2.5)
Total commercial.....	41,342	291	.7
Consumer loans:			
Residential mortgages	21,430	395	1.9
Home equity mortgages	388	(5)	(1.3)
Credit cards	177	(18)	(9.2)
Other consumer	77	(2)	(2.5)
Total consumer.....	22,072	370	1.7
Total loans	63,414	661	1.1
Allowance for credit losses ⁽³⁾	634	97	18.1
Loans, net.....	\$ 62,780	\$ 564	.9 %

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," in the accompanying consolidated financial statements, during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

⁽²⁾ Includes loans to HSBC affiliates which totaled \$5,257 million and \$5,449 million at March 31, 2025 and December 31, 2024, respectively.

⁽³⁾ See "Credit Quality" in this MD&A for a discussion of trends in our allowance for credit losses on loans.

Commercial loans increased compared with December 31, 2024 driven by new business activity in business and corporate banking as we continued to apply a disciplined lending approach, partially offset by a decline in real estate loans and lower loans to affiliates. The increase in commercial non-affiliate loans was primarily in the consumer services, consumer durables, retailing and capital goods industries, partially offset by decreases in the diversified financials, semiconductor and real estate industries.

Consumer loans increased compared with December 31, 2024 due to growth in residential mortgages, which we continue to target towards our globally connected affluent and high net worth clients.

The following table presents loan-to-value ("LTV") ratios for our residential mortgage loan portfolio, excluding mortgage loans held for sale:

	LTV Ratios ⁽¹⁾⁽²⁾			
	March 31, 2025		December 31, 2024	
	First Lien	Second Lien	First Lien	Second Lien
LTV < 80%	99.4 %	98.5 %	99.1 %	99.0 %
80% ≤ LTV < 90%	.6	1.5	.9	1.0
90% ≤ LTV < 100%	—	—	—	—
LTV ≥ 100%	—	—	—	—
Average LTV for portfolio	50.7	46.9	50.4	46.2

⁽¹⁾ LTVs for first liens are calculated using the loan balance as of the reporting date. LTVs for second liens are calculated using the loan balance as of the reporting date plus the senior lien amount at origination. Current estimated property values are derived from the property's appraised value at the time of loan origination updated by the change in the Federal Housing Finance Agency's House Price Index ("HPI") at either a core-based statistical area or state level. The estimated value of the homes could differ from actual fair values due to changes in condition of the underlying property, variations in housing price changes within metropolitan statistical areas and other factors. As a result, actual property values associated with loans that end in foreclosure may be significantly lower than the estimates used for purposes of this disclosure.

⁽²⁾ Current estimated property values are calculated using the most current HPIs available and applied on an individual loan basis, which results in an approximate three month delay in the production of reportable statistics. Therefore, the information in the table above reflects current estimated property values using HPIs at December 31, 2024 and September 30, 2024, respectively.

Loans Held for Sale The following table summarizes loans held for sale at March 31, 2025 and increases (decreases) since December 31, 2024:

		Increase (Decrease) From December 31, 2024	
	March 31, 2025	Amount	%
	(dollars are in millions)		
Commercial loans:			
Real estate, including construction.....	\$ 29	\$ (50)	(63.3)%
Business and corporate banking ⁽¹⁾	563	236	72.2
Total commercial.....	592	186	45.8
Consumer loans:			
Residential mortgages.....	2	2	*
Total consumer.....	2	2	*
Total loans held for sale.....	\$ 594	\$ 188	46.3 %

* Percentage change is greater than 100 percent.

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," in the accompanying consolidated financial statements, during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Commercial loans held for sale increased compared with December 31, 2024. Included in commercial loans held for sale are certain loans that we have elected to designate under the fair value option which consists of loans that we originate in connection with our participation in a number of syndicated credit facilities with the intent of selling them to unaffiliated third parties as well as loans that we purchase from the secondary market and hold as hedges against our exposure to certain total return swaps or intend to sell. The fair value of these loans totaled \$519 million and \$395 million at March 31, 2025 and December 31, 2024, respectively. Balances will fluctuate from period to period depending on the volume and level of activity.

Commercial loans held for sale also includes certain loans that we no longer intend to hold for investment and were transferred to held for sale which totaled \$73 million and \$11 million at March 31, 2025 and December 31, 2024, respectively.

Consumer loans held for sale were relatively flat compared with December 31, 2024. Residential mortgage loans held for sale comprise agency-eligible conforming residential mortgage loans which are originated and held for sale to third parties, currently on a servicing retained basis. Balances will fluctuate from period to period depending on the volume and level of activity. Gains and losses from the sale of these residential mortgage loans are reflected as a component of other income (loss) in the accompanying consolidated statement of income.

Excluding the loans designated under the fair value option discussed above, loans held for sale are recorded at the lower of amortized cost or fair value, with adjustments to fair value being recorded as a valuation allowance through other revenues. The valuation allowance on loans held for sale was nil at both March 31, 2025 and December 31, 2024.

Trading Assets and Liabilities The following table summarizes trading assets and liabilities at March 31, 2025 and increases (decreases) since December 31, 2024:

		Increase (Decrease) From December 31, 2024	
	March 31, 2025	Amount	%
	(dollars are in millions)		
Trading assets:			
Securities ⁽¹⁾	\$ 17,581	\$ (1,889)	(9.7)%
Precious metals	93	(70)	(42.9)
Derivatives, net	996	(602)	(37.7)
	<u>\$ 18,670</u>	<u>\$ (2,561)</u>	<u>(12.1)%</u>
Trading liabilities:			
Securities sold, not yet purchased	\$ 1,680	\$ 191	12.8 %
Payables for precious metals	6	(64)	(91.4)
Derivatives, net	983	(1,365)	(58.1)
	<u>\$ 2,669</u>	<u>\$ (1,238)</u>	<u>(31.7)%</u>

⁽¹⁾ See Note 2, "Trading Assets and Liabilities," in the accompanying consolidated financial statements for a breakout of trading securities by category.

Trading securities balances were lower compared with December 31, 2024 due to decreases in equity and foreign sovereign positions. Trading security positions are primarily held as economic hedges of interest rate, credit and equity derivative products issued to clients of domestic and emerging markets. Balances of securities sold, not yet purchased were higher compared with December 31, 2024 due to an increase in short U.S. Treasury positions related to economic hedges used to manage interest rate risk.

Precious metals trading assets decreased compared with December 31, 2024 driven by declines in our own gold and platinum inventory positions. Payables for precious metals also decreased compared with December 31, 2024 driven by declines in borrowing of platinum and silver inventory to support client activity levels. Precious metal positions may not represent our net underlying exposure as we may use derivative contracts to reduce our risk associated with these positions, the fair value of which would appear in derivatives in the table above.

Derivative asset and liability balances both decreased compared with December 31, 2024 mainly from market movements which resulted in lower valuations of foreign exchange and interest rate derivatives, partially offset by higher valuations of commodity derivatives. Market movements on equity derivatives were mixed, resulting in higher asset valuations, but lower liability valuations.

Securities Securities include securities available-for-sale and securities held-to-maturity, net. Securities balances were higher compared with December 31, 2024 due primarily to net purchases of U.S. Treasury and U.S. Government agency mortgage-backed securities, partially offset by sales and maturities of foreign sovereign securities as part of our continuing strategy to maximize returns while balancing the securities portfolio for risk management purposes.

All Other Assets All other assets include, among other items, properties and equipment, net, and goodwill. All other assets decreased modestly compared with December 31, 2024 due primarily to lower derivative balances associated with hedging activities.

Deposits The following table summarizes deposit balances by major depositor categories at March 31, 2025 and increases (decreases) since December 31, 2024:

		Increase (Decrease) From December 31, 2024	
	March 31, 2025	Amount	%
	(dollars are in millions)		
Individuals, partnerships and corporations	\$ 111,120	\$ 509	.5 %
Domestic and foreign banks	12,649	2,161	20.6
U.S. government and states and political subdivisions	68	(5)	(6.8)
Foreign governments and official institutions	1,887	(291)	(13.4)
Total deposits	<u>\$ 125,724</u>	<u>\$ 2,374</u>	<u>1.9 %</u>

Total deposits increased compared with December 31, 2024 due primarily to higher deposits from affiliates, partially offset by lower commercial demand deposits reflecting the impact of seasonality as clients managed their cash needs at year-end. Also contributing to the increase, to a lesser extent, were higher retail savings and demand deposits.

Short-Term Borrowings Short-term borrowings were higher compared with December 31, 2024 due primarily to increases in federal funds purchased and securities sold under repurchase agreements, partially offset by a decrease in commercial paper outstanding resulting from the management of our short-term funding positions. We continue to actively manage our balance sheet to maximize returns while maintaining adequate liquidity.

Long-Term Debt Long-term debt was relatively flat compared with December 31, 2024 as the impact of debt issuances, including \$1,500 million of senior debt issued to HSBC North America during the first quarter of 2025, was more than offset by debt retirements and fair value movements on fair value option debt. Debt issuances during the three months ended March 31, 2025 totaled \$2,481 million, of which nil was issued by HSBC Bank USA.

Incremental issuances from our shelf registration statement with the SEC totaled \$981 million of senior structured notes during the three months ended March 31, 2025. Total long-term debt outstanding under this shelf was \$8,264 million and \$9,590 million at March 31, 2025 and December 31, 2024, respectively.

Incremental issuances from the HSBC Bank USA Global Bank Note Program totaled nil during the three months ended March 31, 2025. Total debt outstanding under this program was \$1,860 million and \$1,870 million at March 31, 2025 and December 31, 2024, respectively.

Borrowings from the Federal Home Loan Bank ("FHLB") totaled \$1,000 million at both March 31, 2025 and December 31, 2024.

Interest, Taxes and Other Liabilities Interest, taxes and other liabilities increased compared with December 31, 2024 due primarily to higher derivative balances associated with hedging activities and higher outstanding settlement balances related to security purchases. These increases were partially offset by decreases in accrued incentive compensation and accrued interest payables.

Results of Operations

Net Interest Income Net interest income is the total interest income on earning assets less the total interest expense on deposits and borrowed funds. An analysis of consolidated average balances and interest rates is presented in this MD&A under the caption "Consolidated Average Balances and Interest Rates."

The significant components of net interest margin are summarized in the following table:

Three Months Ended March 31,	2025	2025 Compared with 2024 Increase (Decrease)		2024
		Volume	Rate	
(dollars are in millions)				
Interest income:				
Short-term investments	\$ 434	\$ 33	\$ (47)	\$ 448
Trading securities	91	(1)	7	85
Securities	460	26	(11)	445
Commercial loans	640	27	(98)	711
Consumer loans	236	27	21	188
Other	19	4	(1)	16
Total interest income	1,880	116	(129)	1,893
Interest expense:				
Deposits	934	82	(160)	1,012
Short-term borrowings	126	1	(29)	154
Long-term debt	280	34	(39)	285
Tax liabilities and other	14	1	(3)	16
Total interest expense	1,354	118	(231)	1,467
Net interest income	\$ 526	\$ (2)	\$ 102	\$ 426
Yield on total interest earning assets	4.61 %			4.88 %
Cost of total interest bearing liabilities	4.07			4.75
Interest rate spread	.54			.13
Benefit from net non-interest paying funds ⁽¹⁾	.75			.97
Net interest margin on average earning assets	1.29 %			1.10 %

⁽¹⁾ Represents the benefit associated with interest earning assets in excess of interest bearing liabilities. Increased percentages reflect growth in this excess or a higher cost of interest bearing liabilities, while decreased percentages reflect a reduction in this excess or a lower cost of interest bearing liabilities.

Net interest income increased during the three months ended March 31, 2025 due to lower interest expense from interest bearing liabilities driven by lower rates paid, partially offset by lower interest income from interest earning assets driven by lower yields. The favorable impact of higher average balances in loans, short-term investments and securities was offset by the unfavorable impact of higher average balances in deposits and long-term debt.

Lower yields on interest earning assets and lower rates paid on interest bearing liabilities reflect the impact of lower market rates.

Short-term investments Interest income decreased during the three months ended March 31, 2025 due to lower yields, partially offset by higher average balances.

Trading securities Interest income increased during the three months ended March 31, 2025 due to higher yields reflecting a shift in mix driven by an increase in higher yielding equity positions and a decrease in lower yielding foreign sovereign positions. Interest income associated with trading securities was partially offset within trading revenue by the performance of the associated derivatives as discussed further below.

Securities Interest income was higher during the three months ended March 31, 2025 due to higher average balances, partially offset by lower yields. Higher average balances were driven by increases in U.S. Treasury, U.S. Government agency mortgage-backed and foreign sovereign securities, partially offset by a decline in U.S. Government sponsored mortgage-backed securities.

Commercial loans Interest income decreased during the three months ended March 31, 2025 due to lower yields on variable rate loans and newly originated loans, partially offset by higher average balances driven by higher loans to affiliates.

Consumer loans Interest income was higher during the three months ended March 31, 2025 due to higher average balances driven by growth in residential mortgages as well as higher yields on newly originated residential mortgage loans.

Other Higher interest income during the three months ended March 31, 2025 was due primarily to higher average balances in cash collateral posted.

Deposits Interest expense decreased during the three months ended March 31, 2025 due to lower rates paid, partially offset by higher average balances. Higher average balances were driven by growth in commercial demand and savings deposits, including a shift in mix to interest bearing accounts from noninterest bearing accounts, as well as higher deposits from affiliates. Higher average balances were partially offset by lower deposits from a few large private banking clients and the attrition of retail savings and demand deposits.

Short-term borrowings Interest expense was lower during the three months ended March 31, 2025 due to lower rates paid.

Long-term debt Interest expense decreased during the three months ended March 31, 2025 due to lower rates paid on variable rate borrowings and newly issued debt, partially offset by higher average balances.

Tax liabilities and other Lower interest expense during the three months ended March 31, 2025 was due to lower rates paid on securities sold, not yet repurchased.

Provision for Credit Losses The following table summarizes the components of the provision for credit losses:

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Loans:				
Commercial loans:				
Real estate, including construction	\$ 66	\$ (10)	\$ 76	*
Business and corporate banking ⁽¹⁾	46	(1)	47	*
Total commercial loans	112	(11)	123	*
Consumer loans:				
Residential mortgages	—	1	(1)	(100.0)
Home equity mortgages	(1)	1	(2)	*
Credit cards	1	—	1	*
Other consumer	—	(1)	1	100.0
Total consumer loans	—	1	(1)	(100.0)
Total loans	112	(10)	122	*
Off-balance sheet credit exposures	6	12	(6)	(50.0)
Total provision for credit losses	\$ 118	\$ 2	\$ 116	*

* Percentage change is greater than 100 percent.

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," in the accompanying consolidated financial statements, during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Our provision for credit losses increased \$116 million during the three months ended March 31, 2025 due to a higher provision for credit losses on our commercial loan portfolio, partially offset by a lower provision for credit losses on off-balance sheet credit exposures. The provision for credit losses on our consumer loan portfolio was flat.

The provision for credit losses on our commercial loan portfolio increased \$123 million during the three months ended March 31, 2025 reflecting a loss provision compared with a release in credit loss reserves in the prior year period. The loss provision in the current year period was driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial real estate loan, and an increase in credit reserves for risk factors associated with higher risk exposures reflecting uncertainty in the forward economic outlook. In the prior year period, the release in credit reserves was driven by improved economic forecasts and improvements in the credit condition of certain clients, partially offset by downgrades reflecting weakness in the financial condition of certain clients and higher provisions associated with growth in innovation banking.

The provision for credit losses on off-balance sheet credit exposures decreased \$6 million during the three months ended March 31, 2025. The loss provision in the current year period resulted from downgrades reflecting weakness in the financial condition of certain clients, while the loss provision in the prior year period resulted from higher provisions associated with growth in innovation banking and downgrades reflecting weakness in the financial condition of certain clients.

See "Credit Quality" in this MD&A for additional discussion on the allowance for credit losses associated with our various loan portfolios.

Other Revenues The following table summarizes the components of other revenues:

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Credit card fees, net	\$ 14	\$ 15	\$ (1)	(6.7)%
Trust and investment management fees	41	36	5	13.9
Other fees and commissions	165	176	(11)	(6.3)
Trading revenue	193	276	(83)	(30.1)
Other securities gains, net	3	2	1	50.0
Servicing and other fees from HSBC affiliates	102	88	14	15.9
Gain (loss) on instruments designated at fair value and related derivatives	(3)	(20)	17	85.0
Other income (loss):				
Valuation of loans held for sale	—	2	(2)	(100.0)
Residential mortgage banking revenue	1	1	—	—
Insurance	1	1	—	—
Miscellaneous income (loss)	(1)	(38)	37	97.4
Total other income (loss)	1	(34)	35	*
Total other revenues	\$ 516	\$ 539	\$ (23)	(4.3)%

* Percentage change is greater than 100 percent.

Credit card fees, net Credit card fees, net were relatively flat during the three months ended March 31, 2025 as higher cost estimates associated with our credit card rewards program was largely offset by increases in interchange fees and other miscellaneous fees.

Trust and investment management fees Trust and investment management fees increased during the three months ended March 31, 2025 driven by higher average assets under management and higher discretionary fees from private banking funds.

Other fees and commissions Other fees and commissions decreased during the three months ended March 31, 2025 due primarily to lower fees from loan syndication reflecting lower business activity compared with the prior year period. See Note 11, "Fee Income from Contracts with Customers," in the accompanying consolidated financial statements for additional information including a summary of the components of other fees and commissions.

Trading revenue Trading revenue is generated by participation in the foreign exchange, precious metals, rates, credit and equities markets. The following table presents trading revenue by business activity. Not included in the table below is the impact of net interest income associated with trading securities which is an integral part of trading activities' overall performance. Net interest income related to trading activities is recorded in net interest income in the consolidated statement of income. Certain derivatives, such as total return swaps, are economically hedged by holding the underlying interest bearing referenced assets. Trading revenue related to the mortgage banking business is included as a component of other income (loss). In connection with changes to our business segments as discussed further in Note 13, "Business Segments," in the accompanying consolidated financial statements, during the first quarter of 2025, we changed our presentation for the components of trading revenue to reflect management's current view. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Business Activities:				
Foreign Exchange	\$ 74	\$ 98	\$ (24)	(24.5)%
Debt Markets	14	26	(12)	(46.2)
Equities	126	123	3	2.4
Markets Treasury	(13)	7	(20)	*
Other trading	(8)	22	(30)	*
Total trading revenue	\$ 193	\$ 276	\$ (83)	(30.1)%

* Percentage change is greater than 100 percent.

Trading revenue decreased during the three months ended March 31, 2025 due to lower revenue in Other trading, Foreign Exchange, Markets Treasury and Debt Markets. Lower Other trading revenue was due primarily to unfavorable fair value adjustments on certain investments held for Community Reinvestment Act purposes and the lower performance of economic hedge positions used to manage interest rate risk. Lower revenue in Foreign Exchange was driven by emerging markets products, while lower revenue in Debt Markets was driven by lower valuation gains. The decline in Markets Treasury revenue was due to the lower performance of economic hedge positions used to manage interest rate risk.

Other securities gains, net We maintain securities portfolios as part of our balance sheet diversification and risk management strategies. During the three months ended March 31, 2025 and 2024, we sold \$1,846 million and \$1,075 million, respectively, of primarily U.S. Treasury securities as part of our continuing strategy to maximize returns while balancing the securities portfolio for risk management purposes. Other securities gains, net were relatively flat during the three months ended March 31, 2025. The gross realized gains and losses from sales of securities, which are included as a component of other securities gains, net above, are summarized in Note 3, "Securities," in the accompanying consolidated financial statements.

Servicing and other fees from HSBC affiliates Servicing and other fees from HSBC affiliates increased during the three months ended March 31, 2025 due primarily to higher performance fees associated with trading activity booked on the balance sheet of HSBC Bank plc, higher custodial fees from HSBC Bank plc and higher cost reimbursements associated with shared services performed on behalf of other HSBC affiliates. These increases were partially offset by lower loan servicing fees from HSBC Markets (USA) Inc. ("HMUS").

Gain (loss) on instruments designated at fair value and related derivatives We have elected to apply fair value option accounting to certain commercial loans held for sale, certain student loans held for investment, certain of our own fixed-rate debt issuances, all of our hybrid instruments issued, including structured notes and deposits, and certain client share repurchase transactions. We also use derivatives to economically hedge the interest rate and other risks associated with certain financial assets and liabilities for which fair value option accounting has been elected. Gain (loss) on instruments designated at fair value and related derivatives improved during the three months ended March 31, 2025 attributable to favorable movements related to the economic hedging of interest rate and other risks within our hybrid instruments and own debt, partially offset by unfavorable fair value adjustments on commercial loans held for sale driven by deterioration in the financial condition of certain clients in the current year period. See Note 9, "Fair Value Option," in the accompanying consolidated financial statements for additional information including a breakout of these amounts by individual component.

Other income (loss) Other income (loss) improved during the three months ended March 31, 2025 due primarily to lower valuation losses associated with credit default swap protection which largely reflects the hedging of a few client relationships and higher gains associated with bank owned life insurance.

Operating Expenses The following table summarizes the components of operating expenses:

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Salaries and employee benefits	\$ 148	\$ 135	\$ 13	9.6 %
Support services from HSBC affiliates:				
Fees paid to HSBC Technology & Services (USA) Inc. ("HTSU")	226	235	(9)	(3.8)
Fees paid to HMUS	55	56	(1)	(1.8)
Fees paid to other HSBC affiliates	123	108	15	13.9
Total support services from HSBC affiliates	404	399	5	1.3
Occupancy expense, net	12	18	(6)	(33.3)
Other expenses:				
Equipment and software	34	27	7	25.9
Marketing	8	6	2	33.3
Outside services	10	12	(2)	(16.7)
Professional fees	11	13	(2)	(15.4)
FDIC assessment fees	20	57	(37)	(64.9)
Miscellaneous	13	18	(5)	(27.8)
Total other expenses	96	133	(37)	(27.8)
Total operating expenses	\$ 660	\$ 685	\$ (25)	(3.6)%
Personnel - average number	2,085	2,021		
Efficiency ratio	63.3 %	71.0 %		

Salaries and employee benefits Salaries and employee benefits expense increased during the three months ended March 31, 2025 due primarily to higher salaries expense and other staff costs driven by the addition of personnel associated with growth initiatives in innovation banking. Also contributing to the increase, to a lesser extent, were higher severance costs.

Support services from HSBC affiliates Support services from HSBC affiliates increased during the three months ended March 31, 2025 as lower cost allocations from our technology and support service functions were more than offset by higher cost allocations associated with global resourcing and other global support activities as well as higher costs associated with our investments in systems infrastructure and new technologies. A summary of the services received from various HSBC affiliates is included in Note 12, "Related Party Transactions," in the accompanying consolidated financial statements.

Occupancy expense, net Occupancy expense, net decreased during the three months ended March 31, 2025 due primarily to the non-recurrence of lease impairment costs associated with the exit of our previous U.S. headquarters as well as lower depreciation expense.

Other expenses Other expenses decreased during the three months ended March 31, 2025 due primarily to lower deposit insurance assessment fees driven by \$3 million of additional special assessment fees which were accrued during the first quarter of 2025 to reflect our updated special assessment amount compared with \$36 million of additional special assessment fees which were accrued during the prior year period. Also contributing to the decrease was higher expense capitalization related to internally developed software, partially offset by higher amortization of previously capitalized software development costs.

Efficiency ratio Our efficiency ratio improved during the three months ended March 31, 2025 due to higher net interest income and lower operating expenses, partially offset by lower other revenues as discussed in detail above.

Income tax expense The following table summarizes our effective tax rate based on the provision for income taxes attributable to pretax income:

Three Months Ended March 31,	2025	2024
	(dollars are in millions)	
Income before income tax	\$ 264	\$ 278
Income tax expense	63	53
Effective tax rate	23.9 %	19.1 %

During the three months ended March 31, 2025, income tax expense and the effective tax rate increased due primarily to the non-recurrence of an immaterial out of period adjustment to our deferred tax asset balance which decreased tax expense by \$12 million during the first quarter of 2024.

Management evaluated the need for a valuation allowance against deferred tax assets at March 31, 2025 and December 31, 2024 and it was determined that a valuation allowance was not required.

Segment Results – Group Reporting Basis

We have three distinct business segments that we utilize for management reporting and analysis purposes, which are aligned with HSBC's business strategy. We previously announced as part of simplifying the HSBC Group's organizational structure that we would combine our Commercial Banking ("CMB") and Global Banking and Markets ("GBM") businesses to create a single Corporate and Institutional Banking ("CIB") business, and we would rename our Wealth and Personal Banking ("WPB") business International Wealth and Premier Banking ("IWPB"). During the first quarter of 2025, we implemented changes to our internal management reporting to report what was historically CMB and GBM, including Global Banking ("GB"), Markets and Securities Services ("MSS") and Global Banking and Markets Other ("GBM Other"), together within a newly created CIB business segment, and to rename our WPB business segment IWPB. As a result, IWPB and CIB along with a Corporate Center ("CC") are our reportable segments, and we have aligned our segment reporting to reflect these changes for all periods presented.

See Note 13, "Business Segments," in the accompanying consolidated financial statements for a table that summarizes the impact of these changes on reported profit (loss) before tax, total assets and total deposits as of and for the three months ended March 31, 2024. There have been no additional changes in the basis of our segmentation as compared with the presentation in our 2024 Form 10-K.

Net interest income of each segment represents the difference between actual interest earned on assets and interest incurred on liabilities of the segment, adjusted for a funding charge or credit that includes both interest rate and liquidity components. Segments are charged a cost to fund assets (e.g., customer loans) and receive a funding credit for funds provided (e.g., customer deposits) based on equivalent market rates that incorporate both repricing (interest rate risk) and tenor (liquidity) characteristics. Net funding charges associated with CIB trading activities are reported within other operating income to align with the trading revenue generated by such activities. These net funding charges are reversed back into net interest income in the CC. The objective of these charges/credits is to transfer interest rate risk to one centralized unit in Markets Treasury. Markets Treasury income statement and balance sheet results are allocated to each of the global businesses based upon tangible equity levels and levels of any surplus liabilities.

Certain other revenue and operating expense amounts are also apportioned among the business segments based upon the benefits derived from the activity or the relationship of the activity to other segment activity. These inter-segment transactions have not been eliminated, and we generally account for them as if they were with third parties.

We report financial information to our parent, HSBC, in accordance with HSBC Group accounting and reporting policies, which apply IFRSs as issued by the IASB. As a result, our segment results are prepared and presented using financial information prepared on the Group Reporting Basis. We continue, however, to monitor capital adequacy and report to regulatory agencies on a U.S. GAAP basis. Our Chief Executive Officer ("CEO"), who is the chief operating decision maker, primarily uses segment profit (loss) before income tax under the Group Reporting Basis in monitoring and assessing segment performance, evaluating trends, and deciding how to allocate resources, such as employees.

There have been no changes in the measurement of segment profit as compared with the presentation in our 2024 Form 10-K.

The significant differences between U.S. GAAP and the Group Reporting Basis as they impact our results are summarized in Note 25, "Business Segments," in our 2024 Form 10-K. There have been no significant changes since December 31, 2024 in the differences between U.S. GAAP and the Group Reporting Basis impacting our results.

International Wealth and Premier Banking The following table summarizes the Group Reporting Basis results for our IWPB segment:

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Net interest income.....	\$ 186	\$ 179	\$ 7	3.9 %
Other operating income.....	51	67	(16)	(23.9)
Total operating income ⁽¹⁾	237	246	(9)	(3.7)
Expected credit losses.....	2	—	2	*
Net operating income.....	235	246	(11)	(4.5)
Operating expenses.....	185	187	(2)	(1.1)
Profit before tax.....	\$ 50	\$ 59	\$ (9)	(15.3)%

⁽¹⁾ The following table summarizes the impact of key activities on the total operating income of our IWPB segment. In connection with the changes to our business segments as discussed further above, during the first quarter of 2025, we changed our presentation for the key activities of total operating income to reflect management's current view. As a result, we have reclassified prior year amounts in order to conform to the current year presentation.

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Retail Banking	\$ 137	\$ 144	\$ (7)	(4.9)%
Wealth	80	75	5	6.7
Other ⁽²⁾	20	27	(7)	(25.9)
Total operating income	\$ 237	\$ 246	\$ (9)	(3.7)%

⁽²⁾ Includes cost reimbursements associated with activities performed on behalf of other HSBC affiliates and allocated Markets Treasury revenue.

Our IWPB segment reported a lower profit before tax during the three months ended March 31, 2025 due primarily to lower other operating income, partially offset by higher net interest income.

Net interest income increased during the three months ended March 31, 2025 due to higher loan balances driven by growth in residential mortgages as well as higher yields on newly originated residential mortgage loans. These increases were partially offset by the unfavorable impact of lower deposit balances driven by the attrition of savings and demand deposits.

Other operating income decreased during the three months ended March 31, 2025 due primarily to the lower performance of economic hedge positions used to manage interest rate risk and, to a lesser extent, higher losses on the swap agreements entered into in conjunction with previous sales of Visa Class B shares.

Expected credit losses were relatively flat during the three months ended March 31, 2025.

Operating expenses were relatively flat during the three months ended March 31, 2025.

Client Assets The following table provides information regarding private banking client assets during the three months ended March 31, 2025 and 2024:

Three Months Ended March 31,	2025		2024	
	(in millions)			
Client assets at beginning of period	\$	67,564	\$	55,754
Net new money (outflows)		(3,570)		(992)
Value change		2,799		1,040
Client assets at end of period	\$	66,793	\$	55,802

Corporate and Institutional Banking The following table summarizes the Group Reporting Basis results for our CIB segment:

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Net interest income.....	\$ 473	\$ 436	\$ 37	8.5 %
Other operating income.....	323	265	58	21.9
Total operating income ⁽¹⁾	796	701	95	13.6
Expected credit losses.....	84	(7)	91	*
Net operating income.....	712	708	4	.6
Operating expenses.....	423	411	12	2.9
Profit before tax.....	\$ 289	\$ 297	\$ (8)	(2.7)%

⁽¹⁾ The following table summarizes the impact of key activities on the total operating income of our CIB segment. For purposes of the discussion below the table, total operating income is referred to as revenue. In connection with the changes to our business segments as discussed further above, during the first quarter of 2025, we changed our presentation for the key activities of total operating income to reflect management's current view. As a result, we have reclassified prior year amounts in order to conform to the current year presentation.

Three Months Ended March 31,	2025	2024	Increase (Decrease)		
			Amount	%	
(dollars are in millions)					
Wholesale Transaction Banking	\$ 477	\$ 389	\$ 88	22.6 %	
Investment Banking	37	51	(14)	(27.5)	
Debt and Equity Markets	49	35	14	40.0	
Credit and Lending	114	92	22	23.9	
Other ⁽²⁾	119	134	(15)	(11.2)	
Total operating income	\$ 796	\$ 701	\$ 95	13.6 %	

⁽²⁾ Includes cost reimbursements associated with activities performed on behalf of other HSBC affiliates, allocated Markets Treasury revenue and net interest income on capital held in the business and not assigned to products.

Our CIB segment reported a lower profit before tax during the three months ended March 31, 2025 due primarily to higher expected credit losses and, to a lesser extent, higher operating expenses. These decreases were partially offset by higher other operating income and higher net interest income.

Revenue increased during the three months ended March 31, 2025 due to higher revenue in Wholesale Transaction Banking, Credit and Lending, and Debt and Equity Markets, partially offset by lower revenue in Investment Banking and Other.

- Wholesale Transaction Banking revenue increased driven by higher net interest income from higher deposit spreads and the favorable impact of higher deposit balances as well as increased foreign exchange revenue from market volatility.
- Credit and Lending revenue increased due to improved fair value adjustments on certain credit-linked structured notes and lower valuation losses associated with credit default swap protection which largely reflects the hedging of a few clients relationships. These increases were partially offset by lower net interest income from lower loan spreads and lower loan balances.
- Debt and Equity Markets revenue increased driven by higher performance fees associated with trading activity booked on the balance sheet of HSBC Bank plc, increased balance sheet deployment and improved trading spreads on equities. These increases were partially offset by unfavorable fair value adjustments on certain loans held for sale driven by deterioration in the financial condition of certain clients.
- Investment Banking revenue decreased due primarily to lower fees from loan syndication.
- Other revenue decreased driven by lower allocated Markets Treasury revenue.

Expected credit losses increased during the three months ended March 31, 2025 reflecting a loss provision compared with a release in credit loss reserves in the prior year period. The loss provision in the current year period was driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial real estate loan, and a higher loss estimate for risk factors associated with higher risk exposures. In the prior year period, the release in credit loss reserves was driven by improvements in the credit condition of certain clients, partially offset by downgrades reflecting weakness in the financial condition of certain clients and a higher loss estimate for risk factors associated with higher risk industry exposures.

Operating expenses increased during the three months ended March 31, 2025 due primarily to higher salaries expense and other staff costs driven by the addition of personnel associated with growth initiatives in innovation banking as well as higher cost allocations from our support service functions.

Corporate Center The following table summarizes the Group Reporting Basis results for our CC segment:

Three Months Ended March 31,	2025	2024	Increase (Decrease)	
			Amount	%
(dollars are in millions)				
Net interest expense.....	\$ (100)	\$ (168)	\$ 68	40.5 %
Other operating income.....	96	173	(77)	(44.5)
Total operating income (expense).....	(4)	5	(9)	*
Expected credit losses.....	—	—	—	—
Net operating income (expense).....	(4)	5	(9)	*
Operating expenses.....	32	75	(43)	(57.3)
Loss before tax.....	\$ (36)	\$ (70)	\$ 34	48.6 %

Our CC segment reported a lower loss before tax during the three months ended March 31, 2025 due to lower net interest expense and lower operating expenses, partially offset by lower other operating income.

Net interest expense decreased during the three months ended March 31, 2025 driven by a lower cost of funds reflecting the impact of lower market rates.

Other operating income decreased during the three months ended March 31, 2025 due primarily to lower net funding credits associated with CIB trading activities which decreased by \$69 million which reflects the lower net interest expense above. Also contributing to the decrease were unfavorable fair value adjustments on certain investments held for Community Reinvestment Act purposes.

Operating expenses decreased during the three months ended March 31, 2025 due primarily to lower deposit insurance special assessment fees driven by \$3 million of additional special assessment fees which were accrued during the first quarter of 2025 to reflect our updated special assessment amount compared with \$36 million of additional special assessment fees which were accrued during the prior year period. Also contributing to the decrease was lower expense associated with corporate services.

Reconciliation of Segment Results As previously discussed, segment results are reported on a Group Reporting Basis. See Note 13, "Business Segments," in the accompanying consolidated financial statements for a reconciliation of our Group Reporting Basis segment results to U.S. GAAP consolidated totals.

Credit Quality

In the normal course of business, we enter into a variety of transactions that involve both on and off-balance sheet credit risk. Principal among these activities is lending to various commercial, institutional, governmental and individual customers. We participate in lending activity throughout the United States and, on a limited basis, internationally.

Allowance for Credit Losses / Liability for Off-Balance Sheet Credit Exposures Our accounting policies and methodologies related to the allowance for credit losses and liability for off-balance sheet credit exposures are presented under the caption "Critical Accounting Estimates" in MD&A and in Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," in our 2024 Form 10-K. Our approach toward credit risk management is summarized under the caption "Risk Management" in MD&A in our 2024 Form 10-K. There have been no significant revisions to our policies or methodologies during the first quarter of 2025.

The following table summarizes our allowance for credit losses and the liability for off-balance sheet credit exposures:

	March 31, 2025	December 31, 2024
	(in millions)	
Allowance for credit losses:		
Loans:		
Commercial loans	\$ 623	\$ 526
Consumer loans	11	11
Total loans	634	537
Securities held-to-maturity	—	—
Other financial assets measured at amortized cost ⁽¹⁾	—	—
Securities available-for-sale	—	—
Total allowance for credit losses	\$ 634	\$ 537
Liability for off-balance sheet credit exposures	\$ 145	\$ 139

⁽¹⁾ Primarily includes accrued interest receivables and customer acceptances.

The total allowance for credit losses at March 31, 2025 increased \$97 million or 18 percent as compared with December 31, 2024 due to a higher loss estimate on our commercial loan portfolio, while our consumer allowance for credit losses was relatively flat.

Our commercial allowance for credit losses at March 31, 2025 increased \$97 million or 18 percent as compared with December 31, 2024 driven by downgrades reflecting weakness in the financial condition of certain clients, including the downgrade of a large commercial real estate loan, and an increase in credit reserves for risk factors associated with higher risk exposures reflecting uncertainty in the forward economic outlook. These increases were partially offset by the charge-off of two corporate banking loans.

The liability for off-balance sheet credit exposures at March 31, 2025 increased \$6 million or 4 percent as compared with December 31, 2024 resulting from downgrades reflecting weakness in the financial condition of certain clients.

Analysis of the Allowance for Credit Losses on Loans

The following table presents the allowance for credit losses on loans by major loan categories:

	Amount	% of Loans to Total Loans	Amount	% of Loans to Total Loans
	March 31, 2025		December 31, 2024	
(dollars are in millions)				
Commercial:				
Real estate, including construction	\$ 210	10.0 %	\$ 144	10.5 %
Business and corporate banking ⁽¹⁾	412	41.3	381	40.5
Other commercial	1	13.9	1	14.4
Total commercial	623	65.2	526	65.4
Consumer:				
Residential mortgages	(11)	33.8	(12)	33.5
Home equity mortgages	5	.6	6	.6
Credit cards	13	.3	13	.3
Other consumer	4	.1	4	.2
Total consumer	11	34.8	11	34.6
Total	\$ 634	100.0 %	\$ 537	100.0 %

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," in the accompanying consolidated financial statements, during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

The following table sets forth key ratios for the allowance for credit losses on loans:

	March 31, 2025	December 31, 2024
Ratio of Allowance for credit losses to:		
Loans: ⁽¹⁾		
Commercial:		
Non-affiliates	1.73 %	1.48 %
Affiliates	—	—
Total commercial	1.51	1.28
Consumer:		
Residential mortgages	(.05)	(.06)
Home equity mortgages	1.29	1.53
Credit cards	7.34	6.67
Other consumer	5.19	5.06
Total consumer	.05	.05
Total loans	1.00	.86
Nonperforming loans: ⁽¹⁾⁽²⁾		
Commercial	81 %	76 %
Consumer	6	6
Total nonperforming loans	67	62

⁽¹⁾ Ratios exclude loans held for sale as these loans are carried at the lower of amortized cost or fair value.

⁽²⁾ Represents our commercial and consumer allowance for credit losses, as appropriate, divided by the corresponding outstanding balance of total nonperforming loans held for investment. Nonperforming loans include accruing loans contractually past due 90 days or more.

See Note 5, "Allowance for Credit Losses," in the accompanying consolidated financial statements for a rollforward of credit losses by loan categories for the three months ended March 31, 2025 and 2024.

The allowance for credit losses on loans as a percentage of total loans held for investment at March 31, 2025 increased as compared with December 31, 2024 due to the increase in our commercial allowance for credit losses for the reasons discussed above.

The allowance for credit losses on loans as a percentage of nonperforming loans held for investment at March 31, 2025 increased as compared with December 31, 2024 as the increase in our commercial allowance for credit losses for the reasons discussed above outpaced an increase in nonperforming loans in our commercial loan portfolio as discussed further below.

Delinquency The following table summarizes dollars of two-months-and-over contractual delinquency and two-months-and-over contractual delinquency as a percentage of total loans, excluding loans held for sale ("delinquency ratio").

	March 31, 2025		December 31, 2024	
	Delinquent Loans	Delinquency Ratio	Delinquent Loans	Delinquency Ratio
(dollars are in millions)				
Commercial	\$ 72	.17 %	\$ 212	.52 %
Consumer:				
Residential mortgages ⁽¹⁾⁽²⁾	126	.59	134	.64
Home equity mortgages ⁽¹⁾⁽²⁾	7	1.80	4	1.02
Credit cards	3	1.69	3	1.54
Other consumer	1	1.30	1	1.27
Total consumer	137	.62	142	.65
Total	\$ 209	.33	\$ 354	.56

⁽¹⁾ At March 31, 2025 and December 31, 2024, consumer mortgage loan delinquency includes \$62 million and \$67 million, respectively, of loans that are carried at the lower of amortized cost or fair value of the collateral less costs to sell.

⁽²⁾ The following table reflects dollars of contractual delinquency and delinquency ratios for interest-only loans and adjustable rate mortgage ("ARM") loans:

	March 31, 2025		December 31, 2024	
	Delinquent Loans	Delinquency Ratio	Delinquent Loans	Delinquency Ratio
(dollars are in millions)				
Interest-only loans	\$ 6	.13 %	\$ 9	.19 %
ARM loans	80	.50	87	.56

Our two-months-and-over contractual delinquency ratio decreased 23 basis points compared with December 31, 2024 due primarily to lower dollars of delinquency in our commercial loan portfolio and, to a lesser extent, in our consumer loan portfolio.

Our commercial loan two-months-and-over contractual delinquency ratio decreased 35 basis points compared with December 31, 2024 due to lower dollars of delinquency driven by the collections of a few corporate banking loans.

Our consumer loan two-months-and-over contractual delinquency ratio decreased 3 basis points compared with December 31, 2024 due to lower dollars of delinquency in residential mortgages driven by collections.

Net Charge-offs of Loans The following table summarizes net charge-off (recovery) dollars as well as net charge-off (recovery) of loans for the period as a percentage of average loans, excluding loans held for sale ("net charge-off ratio"):

	Three Months Ended March 31,					
	2025			2024		
	Net Charge-off Dollars	Average Loans	Net Charge-off Ratio	Net Charge-off Dollars	Average Loans	Net Charge-off Ratio
(dollars are in millions)						
Commercial:						
Real estate, including construction	\$ —	\$ 6,596	— %	\$ —	\$ 7,093	— %
Business and corporate banking ⁽¹⁾	15	26,171	.37	—	26,543	—
Other commercial	—	8,866	—	—	6,444	—
Total commercial	15	41,633	.15	—	40,080	—
Consumer:						
Residential mortgages	(1)	21,214	(.02)	(1)	18,561	(.02)
Home equity mortgages	—	393	—	—	384	—
Credit cards	1	181	2.21	1	188	2.13
Other consumer	—	78	—	—	89	—
Total consumer	—	21,866	—	—	19,222	—
Total	\$ 15	\$ 63,499	.10	\$ —	\$ 59,302	—

⁽¹⁾ In connection with changes to our business segments as discussed further in Note 13, "Business Segments," in the accompanying consolidated financial statements, during the first quarter of 2025, we changed our presentation for what was previously reported as global banking to include such activity within business and corporate banking. As a result, we have reclassified prior year amounts to conform to the current year presentation.

Our net charge-off ratio increased 10 basis points during the three months ended March 31, 2025 due to a higher level of net charge-offs in our commercial loan portfolio driven by the deterioration of two corporate banking loans, while the level of net charge-offs in our consumer loan portfolio was flat.

Nonperforming Loans The following table summarizes nonperforming loans, including nonaccrual loans and accruing loans contractually 90 days or more past due, as well as nonperforming loans as a percentage of total loans, excluding loans held for sale ("nonperforming ratio"):

	March 31, 2025		December 31, 2024	
	Nonperforming Loans ⁽¹⁾	Nonperforming Ratio	Nonperforming Loans ⁽¹⁾	Nonperforming Ratio
(dollars are in millions)				
Commercial	\$ 766	1.85 %	\$ 688	1.68 %
Consumer:				
Residential mortgages ⁽²⁾⁽³⁾⁽⁴⁾	168	.78	173	.82
Home equity mortgages ⁽²⁾⁽³⁾	8	2.06	6	1.53
Credit cards	2	1.13	3	1.54
Other consumer	1	1.30	1	1.27
Total consumer	179	.81	183	.84
Total	\$ 945	1.49	\$ 871	1.39
Other real estate owned ⁽⁵⁾	\$ 6		\$ 8	

⁽¹⁾ See Note 4, "Loans," in the accompanying consolidated financial statements for a breakout of nonaccrual loans and accruing loans contractually 90 days or more past due. At March 31, 2025 and December 31, 2024, total nonperforming loans include \$49 million and \$151 million, respectively, of accruing loans contractually 90 days or more past due.

⁽²⁾ At March 31, 2025 and December 31, 2024, nonperforming consumer mortgage loans include \$102 million and \$106 million, respectively, of loans that are carried at the lower of amortized cost or fair value of the collateral less cost to sell.

⁽³⁾ Nonperforming consumer mortgage loans held for investment include all loans which are 90 or more days contractually delinquent as well as loans discharged under Chapter 7 bankruptcy and not re-affirmed and second lien loans where the first lien loan that we own or service is 90 or more days contractually delinquent.

⁽⁴⁾ Nonperforming consumer mortgage loans for all periods does not include guaranteed loans purchased from the Government National Mortgage Association. Repayment of these loans is predominantly insured by the Federal Housing Administration and as such, these loans have different risk characteristics from the rest of our customer loan portfolio.

⁽⁵⁾ Includes \$1 million or less of commercial other real estate owned at both March 31, 2025 and December 31, 2024.

Our nonperforming loans ratio increased 10 basis points compared with December 31, 2024 due to higher nonperforming loans in our commercial loan portfolio, partially offset by lower nonperforming loans in our consumer loan portfolio.

Our commercial nonperforming loans ratio increased 17 basis points compared with December 31, 2024 due to higher nonperforming loans driven by downgrades, including the downgrade of a large commercial real estate loan, partially offset by the collections of a few corporate banking loans which were accruing loans contractually 90 days or more past due at year-end.

Our consumer nonperforming loans ratio decreased 3 basis points compared with December 31, 2024 due to lower nonperforming loans in residential mortgages driven by collections.

Our policies and practices for problem loan management and placing loans on nonaccrual status are summarized in Note 2, "Summary of Significant Accounting Policies and New Accounting Pronouncements," in our 2024 Form 10-K.

Concentration of Credit Risk A concentration of credit risk is defined as a significant credit exposure with an individual or group engaged in similar activities or affected similarly by economic conditions. We enter into a variety of transactions in the normal course of business that involve both on and off-balance sheet credit risk. Principal among these activities is lending to various commercial, institutional, governmental and individual customers. We manage the varying degrees of credit risk associated with on and off-balance sheet transactions through specific credit policies and procedures which provide for a strict approval, monitoring and reporting process. It is our policy to require collateral when it is deemed appropriate. Varying degrees and types of collateral are secured depending upon management's credit evaluation.

Commercial Credit Exposure Our commercial credit exposure is diversified across a broad range of industries. Commercial loans outstanding, excluding loans held for sale, and unused commercial commitments by industry are presented in the table below:

	March 31, 2025		December 31, 2024	
	Commercial Utilized	Unused Commercial Commitments	Commercial Utilized	Unused Commercial Commitments
	(in millions)			
Diversified financials	\$ 8,936	\$ 9,122	\$ 9,396	\$ 9,034
Real estate	4,593	2,076	4,744	1,922
Commercial and professional services	2,751	6,519	2,703	6,525
Consumer services	2,205	3,729	1,843	3,731
Retailing	2,076	4,966	1,868	5,106
Consumer durables and apparel	1,869	3,342	1,508	3,521
Capital goods	1,844	6,860	1,672	6,987
Utilities	1,717	1,484	1,626	1,401
Software and services	1,603	7,055	1,511	7,988
Chemicals	1,163	4,365	1,015	4,309
Energy	947	4,248	929	4,847
Food, beverage and tobacco	858	2,497	832	2,373
Health care equipment and services	808	2,997	803	2,964
Technology hardware and equipment	723	6,264	736	6,277
Metals and mining	703	520	682	566
Semiconductors and semiconductor equipment	702	1,620	1,202	1,186
Food and staples retailing	550	1,625	624	1,587
Media and entertainment	430	868	435	883
Insurance	353	2,992	345	3,009
Pharmaceuticals, biotechnology and life science	319	4,370	307	4,254
Total commercial credit exposure in top 20 industries ⁽¹⁾	35,150	77,519	34,781	78,470
All other industries	935	7,325	821	7,324
Total commercial credit exposure ⁽²⁾	<u>\$ 36,085</u>	<u>\$ 84,844</u>	<u>\$ 35,602</u>	<u>\$ 85,794</u>

⁽¹⁾ Based on utilization at March 31, 2025.

⁽²⁾ Excludes commercial credit exposures with affiliates.

Our commercial real estate secured loan portfolio which totaled \$3,520 million and \$3,686 million at March 31, 2025 and December 31, 2024, respectively, reflects the following borrower types:

	March 31, 2025	December 31, 2024
Multifamily	38.8 %	40.6 %
Office	28.1	27.4
Hotels	13.1	12.5
All other types	20.0	19.5
Total	<u>100.0 %</u>	<u>100.0 %</u>

Geographic Concentrations The following table reflects regional exposure at March 31, 2025 and December 31, 2024 for our real estate secured loan portfolios, excluding loans held for sale:

	Commercial Real Estate, including Construction Loans	Residential Mortgages and Home Equity Mortgages
March 31, 2025		
New York State	20.9 %	26.9 %
California	15.3	48.5
North Central United States	6.4	.9
North Eastern United States, excluding New York State	4.9	7.0
Southern United States	45.4	9.5
Western United States, excluding California	7.1	7.2
Total	<u>100.0 %</u>	<u>100.0 %</u>
December 31, 2024		
New York State	20.3 %	27.3 %
California	15.3	48.3
North Central United States	8.3	.9
North Eastern United States, excluding New York State	4.8	7.0
Southern United States	43.2	9.5
Western United States, excluding California	8.1	7.0
Total	<u>100.0 %</u>	<u>100.0 %</u>

Residential Mortgage Loans Our consumer loan portfolio includes the following types of loans:

- Interest-only loans – A loan which allows a customer to pay the interest-only portion of the monthly payment for a period of time which results in lower payments during the initial loan period.
- ARM loans – A loan which allows us to adjust pricing on the loan in line with market movements.

The following table summarizes the balances of interest-only and ARM loans in our loan portfolios, excluding mortgages held for sale, at March 31, 2025 and December 31, 2024. Each category is not mutually exclusive and loans may appear in more than one category below.

	March 31, 2025	December 31, 2024
	(in millions)	
Interest-only residential mortgage and home equity mortgage loans	\$ 4,669	\$ 4,650
ARM loans ⁽¹⁾	15,955	15,587

⁽¹⁾ During the remainder of 2025 and during 2026, approximately \$373 million and \$723 million, respectively, of the ARM loans will experience their first interest rate reset.

The following table summarizes the concentrations of first and second liens within the outstanding residential mortgage and home equity mortgage portfolios, excluding mortgages held for sale, at March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
	(in millions)	
Closed end:		
First lien	\$ 21,430	\$ 21,035
Second lien	13	13
Revolving ⁽¹⁾	375	380
Total	<u>\$ 21,818</u>	<u>\$ 21,428</u>

⁽¹⁾ A majority of revolving are second lien mortgages.

Credit Risks Associated with Derivative Contracts Credit risk associated with derivatives is measured as the net replacement cost of derivative contracts in a receivable position in the event the counterparties of such contracts fail to perform under the terms of those contracts. In managing derivative credit risk, both the current exposure, which is the replacement cost of contracts on the measurement date, as well as an estimate of the potential change in value of contracts over their remaining lives are considered. Counterparties to our derivative activities include financial institutions, central clearing parties, foreign and domestic government agencies, corporations, funds (mutual funds, hedge funds, etc.), insurance companies and private clients as well as other HSBC entities. These counterparties are subject to regular credit review by the credit risk management department. To minimize credit risk, we may enter into legally enforceable master netting agreements which reduce risk by permitting the closeout and netting of transactions with the same counterparty upon occurrence of certain events. In addition, we reduce credit risk by obtaining collateral from counterparties. The determination of the need for and the levels of collateral will differ based on an assessment of the credit risk of the counterparty and/or regulatory requirements.

The total risk in a derivative contract is a function of a number of variables, such as:

- volatility of interest rates, currencies, equity or corporate reference entity used as the basis for determining contract payments;
- current market events or trends;
- country risk;
- maturity and liquidity of contracts;
- creditworthiness of the counterparties in the transaction;
- the existence of a master netting agreement among the counterparties; and
- existence and value of collateral received from counterparties to secure exposures.

The table below presents total credit risk exposure calculated using the general risk-based capital rules of the Basel III Standardized Approach which includes the net positive mark-to-market of the derivative contracts plus any adjusted potential future exposure as measured in reference to the notional amount. The regulatory capital rules recognize that bilateral netting agreements reduce credit risk and, therefore, allow for reductions of risk-weighted assets when netting requirements have been met and collateral exists. As a result, risk-weighted amounts for regulatory capital purposes are a portion of the original gross exposures. Furthermore, many contracts contain provisions that allow us to close out the transaction if the counterparty fails to post required collateral. In addition, many contracts give us the right to break the transactions earlier than the final maturity date. As a result, these contracts have potential future exposures that are often much smaller than the future exposures derived from the regulatory capital rules.

	March 31, 2025	December 31, 2024
	(in millions)	
Risk associated with derivative contracts:		
Total credit risk exposure	\$ 10,509	\$ 11,591
Less: collateral held against exposure	2,914	3,587
Net credit risk exposure	<u>\$ 7,595</u>	<u>\$ 8,004</u>

Liquidity and Capital Resources

Effective liquidity management is defined as ensuring we can meet customer loan requests, customer deposit maturities/withdrawals and other cash commitments efficiently under both normal operating conditions and under unpredictable circumstances of industry or market stress. To achieve this objective, we have guidelines that require sufficient liquidity to cover potential funding requirements in both the short- and long-term and to avoid over-dependence on volatile, less reliable funding markets. Guidelines are set for the consolidated balance sheet of HSBC USA to ensure that it is a source of strength for our regulated, deposit-taking banking subsidiary, as well as to address the more limited sources of liquidity available to it as a holding company. Similar guidelines are set for HSBC Bank USA to ensure that it can meet its liquidity needs in various stress scenarios. Cash flow analysis, including stress testing scenarios, forms the basis for liquidity management and contingency funding plans. See "Risk Management" in this MD&A for further discussion of our approach towards liquidity and funding risk management, including information regarding the key measures employed to define, monitor and control our liquidity and funding risk.

Interest Bearing Deposits with Banks totaled \$28,414 million and \$22,625 million at March 31, 2025 and December 31, 2024, respectively, of which \$28,165 million and \$22,533 million, respectively, were held with the Federal Reserve Bank. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity.

Surplus interest bearing deposits with the Federal Reserve Bank may be deployed into securities purchased under agreements to resell or other investments depending on market conditions and the opportunity to maximize returns.

Federal Funds Sold and Securities Purchased under Agreements to Resell totaled \$10,379 million and \$14,313 million at March 31, 2025 and December 31, 2024, respectively. Balances may fluctuate from period to period depending upon our liquidity position at the time and our strategy for deploying liquidity.

Trading Assets includes securities totaling \$17,581 million and \$19,470 million at March 31, 2025 and December 31, 2024, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on trends.

Securities includes securities available-for-sale and securities held-to-maturity totaling \$44,160 million and \$42,735 million at March 31, 2025 and December 31, 2024, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on trends.

Short-Term Borrowings totaled \$7,564 million and \$7,352 million at March 31, 2025 and December 31, 2024, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on short-term borrowing trends.

Deposits totaled \$125,724 million and \$123,350 million at March 31, 2025 and December 31, 2024, respectively. See "Balance Sheet Review" in this MD&A for further analysis and discussion on deposit trends.

Long-Term Debt decreased to \$20,668 million at March 31, 2025 from \$20,717 million at December 31, 2024. The following table presents the maturities of long-term debt at March 31, 2025:

	(in millions)
2025	\$ 5,413
2026	1,977
2027	3,464
2028	3,268
2029	1,327
Thereafter	5,219
Total	<u>\$ 20,668</u>

The following table summarizes issuances and retirements of long-term debt during the three months ended March 31, 2025 and 2024:

Three Months Ended March 31,	2025	2024
	(in millions)	
Long-term debt issued	\$ 2,481	\$ 2,335
Long-term debt repaid	(2,329)	(1,523)
Net long-term debt issued	<u>\$ 152</u>	<u>\$ 812</u>

See "Balance Sheet Review" in this MD&A for further analysis and discussion on long-term debt trends, including additional information on debt issued and repaid during the three months ended March 31, 2025.

Under our shelf registration statement on file with the SEC, we may issue certain securities including debt securities and preferred stock. We satisfy the eligibility requirements for designation as a "well-known seasoned issuer," which allows us to file a registration statement that does not have a limit on issuance capacity. The ability to issue under the registration statement is limited by the authority granted by the Board of Directors. At March 31, 2025, we were authorized to issue up to \$15,000 million, of which \$6,736 million was available. HSBC Bank USA has a Global Bank Note Program that provides for the aggregate issuance of \$40,000 million of subordinated and senior notes, of which \$11,968 million remained available to be issued at March 31, 2025.

As a member of the FHLB and the Federal Reserve Bank of New York, we have secured borrowing facilities which are collateralized by loans and investment securities. At March 31, 2025, long-term debt included \$1,000 million of borrowings from the FHLB facility. Based upon the amounts pledged as collateral under these facilities, we have additional borrowing capacity of up to \$34,514 million.

Preferred Equity See Note 19, "Preferred Stock," in our 2024 Form 10-K for information regarding all outstanding HSBC USA preferred share issues.

Common Equity During the first quarter of 2025, HSBC USA did not receive any cash capital contributions from its parent, HSBC North America, and did not make any capital contributions to its subsidiary, HSBC Bank USA.

Capital Ratios In managing capital, we develop targets for common equity Tier 1 capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, total capital to risk-weighted assets and Tier 1 capital to adjusted quarterly average assets (i.e., the "Tier 1 leverage ratio"). Capital targets are reviewed at least semi-annually to ensure they reflect our business mix and risk profile, as well as real-time conditions and circumstances. The following table summarizes HSBC USA's Basel III capital ratios calculated as of March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
Common equity Tier 1 capital to risk-weighted assets.....	13.6 %	13.6 %
Tier 1 capital to risk-weighted assets.....	13.8	13.8
Total capital to risk-weighted assets.....	16.2	16.2
Tier 1 leverage ratio ⁽¹⁾	8.0	8.0

⁽¹⁾ Adjusted quarterly average assets, the Tier 1 leverage ratio denominator, reflects quarterly average assets adjusted for amounts permitted to be deducted from Tier 1 capital.

We manage capital in accordance with HSBC Group policy. The HSBC North America Internal Capital Adequacy Assessment Process ("ICAAP") works in conjunction with the HSBC Group's ICAAP. The HSBC North America ICAAP applies to HSBC USA and HSBC Bank USA and evaluates regulatory capital adequacy and capital adequacy under various stress scenarios. Our approach is to meet our capital needs for these stress scenarios locally through activities which reduce risk. To the extent that local alternatives are insufficient, as a wholly-owned subsidiary of HSBC, we would seek support from our ultimate parent. Regulatory capital requirements are based on the amount of capital required to be held, plus applicable capital buffers, as defined by regulations, and the amount of risk-weighted assets and leverage exposure, also calculated based on regulatory definitions.

We are subject to regulatory capital rules issued by U.S. banking regulators including Basel III (the "Basel III rule"). The Basel III rule establishes minimum capital ratios and overall capital adequacy standards for banks and bank holding companies ("BHCs"). HSBC North America, HSBC USA and HSBC Bank USA each calculate their risk-based capital requirements for credit risk under the Standardized Approach in the Basel III rule. In 2019, the FRB and the other federal banking agencies jointly finalized rules to implement the Economic Growth, Regulatory Relief and Consumer Protection Act that tailor the application of the enhanced prudential standards for large BHC and foreign banking organizations (the "Tailoring Rules"). The Tailoring Rules assign each BHC and IHC with \$50 billion or more in total U.S. assets into one of five classifications (Categories I through IV, and 'other firms') based on its size and four risk-based indicators. Under the Tailoring Rules, HSBC North America and HSBC Bank USA are subject to Category IV standards. For additional discussion of the Basel III rule requirements, including required minimum capital ratios, as well as further discussion of the Tailoring Rules, Category IV standards and other related regulatory developments and their expected impact see Part I, "Regulation and Competition - Regulatory Capital and Liquidity Requirements," in our 2024 Form 10-K. We continue to review the composition of our capital structure.

Capital Planning and Stress Testing The FRB requires certain U.S. top-tier BHCs and IHCs, including HSBC North America, to comply with the FRB's capital plan rule and CCAR program, as well as the supervisory stress tests conducted by the FRB. The stress tests are forward looking exercises to assess the impact of hypothetical macroeconomic baseline and severely adverse scenarios provided by the FRB on the financial condition and capital adequacy of a CCAR firm over a nine quarter planning horizon. As a Category IV firm, HSBC North America is subject to supervisory stress testing on a biennial basis, and it may opt-in to such testing in an "off year" in order to recalibrate its stress capital buffer based on its most recent supervisory stress test. The FRB continues to supervise Category IV firms on an ongoing basis, including evaluation of the capital adequacy and capital planning processes during off-cycle years. For further discussion of capital planning and stress testing, including detail regarding the FRB's supervisory assessment as part of the CCAR process, see Part I, "Regulation and Competition - Regulatory Capital and Liquidity Requirements," in our 2024 Form 10-K.

HSBC North America submitted its 2025 CCAR capital plan in April 2025. As discussed above, HSBC North America is subject to supervisory stress testing on a biennial basis and, therefore, will not participate in the FRB's 2025 supervisory stress test. Capital planning and stress testing for HSBC North America may impact our future capital and liquidity.

While BHC regulatory capital compliance is generally performed at the HSBC North America level, and also separately for HSBC Bank USA, as a BHC we are required to meet minimum capital requirements imposed by the FRB. We present our capital ratios, together with HSBC Bank USA's in Note 14, "Retained Earnings and Regulatory Capital Requirements," in the accompanying consolidated financial statements.

2025 Funding Strategy Our current estimate for funding needs and sources for 2025 are summarized in the following table:

	Actual January 1 through March 31, 2025	Estimated April 1 through December 31, 2025	Estimated Full Year 2025
	(in billions)		
Increase (decrease) in funding needs:			
Net change in loans	\$ 1	\$ 1	\$ 2
Net change in short-term investments and securities	4	(7)	(3)
Net change in trading and other assets	(3)	—	(3)
Total funding needs	<u>\$ 2</u>	<u>\$ (6)</u>	<u>\$ (4)</u>
Increase (decrease) in funding sources:			
Net change in deposits	\$ 2	\$ (3)	\$ (1)
Net change in trading and other short-term liabilities	—	(3)	(3)
Net change in long-term debt	—	—	—
Total funding sources	<u>\$ 2</u>	<u>\$ (6)</u>	<u>\$ (4)</u>

The above table reflects a long-term funding strategy. Daily balances fluctuate as we accommodate customer needs, while ensuring that we have liquidity in place to support the balance sheet maturity funding profile. Should market conditions deteriorate, we have contingency plans to generate additional liquidity through the sales of assets or financing transactions. We remain confident in our ability to access the market for long-term debt funding needs in the current market environment. We continue to seek well-priced and stable customer deposits. We also continue to sell new agency-eligible conforming residential mortgage loans to third parties.

HSBC Bank USA is subject to significant restrictions imposed by federal law on extensions of credit to, and certain other 'covered transactions' with HSBC USA and other affiliates. For further discussion, see Part I, "Regulation and Competition - Affiliate Transaction Restrictions," in our 2024 Form 10-K.

See "Risk Management" in this MD&A for further discussion relating to our liquidity contingency plans and our approach to liquidity and funding risk management.

Off-Balance Sheet Arrangements As part of our normal operations, we enter into credit derivatives and various off-balance sheet arrangements with affiliates and third parties. These arrangements arise principally in connection with our lending and client intermediation activities and involve primarily commitments to extend credit and, in certain cases, guarantees.

Commitments to extend credit include arrangements whereby we are contractually obligated to extend credit in the form of loans, participations in loans or similar transactions. At March 31, 2025 and December 31, 2024, we had commitments to extend credit totaling \$92.1 billion and \$93.8 billion, respectively, comprised primarily of commercial commitments and, to a lesser extent, consumer commitments. Commercial commitments comprise primarily those related to secured and unsecured loans and lines of credit. Consumer commitments comprise unused credit card lines, where we have the right to change terms or conditions upon notification to the customer, and commitments to extend credit secured by residential properties, where we have the right to change terms or conditions, for cause, upon notification to the customer. For a summary of guarantees, including standby letters of credit and certain credit derivative transactions, as well as the contractual amounts outstanding at March 31, 2025 and December 31, 2024, see Note 16, "Guarantee Arrangements, Pledged Asset and Repurchase Agreements," in the accompanying consolidated financial statements.

The contractual amounts of these financial instruments represent our maximum possible credit exposure in the event that a counterparty draws down the full commitment amount or we are required to fulfill our maximum obligation under a guarantee. Many of these commitments and guarantees expire unused or without default. As a result, we believe that the contractual amount is not representative of the actual future credit exposure or funding requirements.

In addition, we had commitments to purchase securities under agreements to resell on a forward starting basis totaling nil at both March 31, 2025 and December 31, 2024. These contracts typically expire in less than one month and are secured by collateral primarily from U.S. Treasury securities.

Our off-balance sheet arrangements also include transactions with unconsolidated variable interest entities ("VIEs"). See Note 15, "Variable Interest Entities," in the accompanying consolidated financial statements for a summary of these unconsolidated VIEs.

Fair Value

Fair Value Hierarchy Fair value measurement accounting principles establish a fair value hierarchy structure that prioritizes the inputs to determine the fair value of an asset or liability (the "Fair Value Framework"). The Fair Value Framework distinguishes between inputs that are based on observed market data and unobservable inputs that reflect market participants' assumptions. It emphasizes the use of valuation methodologies that maximize observable market inputs. For financial instruments carried at fair value, the best evidence of fair value is a quoted price in an actively traded market (Level 1). Where the market for a financial instrument is not active, valuation techniques are used. The majority of our valuation techniques use market inputs that are either observable or indirectly derived from and corroborated by observable market data for substantially the full term of the financial instrument (Level 2). Because Level 1 and Level 2 instruments are determined by observable inputs, less judgment is applied in determining their fair values. In the absence of observable market inputs, the financial instrument is valued based on valuation techniques that feature one or more significant unobservable inputs (Level 3). The determination of the level of fair value hierarchy within which the fair value measurement of an asset or a liability is classified often requires judgment and may change over time as market conditions evolve. We consider the following factors in developing the fair value hierarchy:

- whether the asset or liability is transacted in an active market with a quoted market price;
- the level of bid-ask spreads;
- a lack of pricing transparency due to, among other things, complexity of the product and market liquidity;
- whether only a few transactions are observed over a significant period of time;
- whether the pricing quotations differ substantially among independent pricing services;
- whether inputs to the valuation techniques can be derived from or corroborated with market data; and
- whether significant adjustments are made to the observed pricing information or model output to determine the fair value.

Level 1 inputs are unadjusted quoted prices in active markets that the reporting entity has the ability to access for identical assets or liabilities. A financial instrument is classified as a Level 1 measurement if it is listed on an exchange or is an instrument actively traded in the over-the-counter ("OTC") market where transactions occur with sufficient frequency and volume. We regard financial instruments such as debt securities, equity securities and derivative contracts listed on the primary exchanges of a country to be actively traded. Non-exchange-traded instruments classified as Level 1 assets include securities issued by the U.S. Treasury, to-be-announced securities, non-callable securities issued by U.S. Government sponsored enterprises and certain foreign government-backed debt.

Level 2 inputs are those that are observable either directly or indirectly but do not qualify as Level 1 inputs. We classify mortgage pass-through securities, agency and certain non-agency mortgage collateralized obligations, non-exchange-traded derivative contracts, asset-backed securities, obligations of U.S. states and political subdivisions, corporate debt securities, certain foreign government-backed debt, preferred securities, securities purchased and sold under resale and repurchase agreements, precious metals, certain loans held for sale, certain student loans held for investment, residential mortgage loans whose carrying amount was reduced based on the fair value of the underlying collateral, real estate owned and certain client share repurchase transactions as Level 2 measurements. Where possible, at least two quotations from independent sources are obtained based on transactions involving comparable assets and liabilities to validate the fair value of these instruments. We have established a process to understand the methodologies and inputs used by the third-party pricing services to ensure that pricing information meets the fair value objective and, where appropriate, this pricing data is back-tested to market trade executions. Where significant differences arise among the independent pricing quotes and the internally determined fair value, we investigate and reconcile the differences. If the investigation results in a significant adjustment to the fair value, the instrument will be classified as Level 3 within the fair value hierarchy. In general, we have observed that there is a correlation between the credit standing and the market liquidity of a non-derivative instrument.

Level 2 derivative instruments are generally valued based on discounted future cash flows or an option pricing model adjusted for counterparty credit risk and market liquidity. The fair value of certain derivative products is determined using valuation techniques based on inputs derived from observable indices traded in the OTC market. Appropriate control processes and procedures have been applied to ensure that the derived inputs are applied to value only those instruments that share similar risks to the relevant benchmark indices and therefore demonstrate a similar response to market factors.

Level 3 inputs are unobservable estimates that management expects market participants would use to determine the fair value of the asset or liability. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. We develop Level 3 inputs based on the best information available in the circumstances. At March 31, 2025 and December 31, 2024, our Level 3 assets and liabilities measured at fair value included the following: certain structured deposits and structured notes for which the embedded derivatives have significant

unobservable inputs (e.g., volatility or default correlations), certain asset-backed securities, individually assessed commercial loans, mortgage servicing rights, derivatives with certain inputs which are unobservable, certain credit default swaps, certain loans held for sale and swap agreements entered into in conjunction with the sales of Visa Class B Shares for which the fair value is dependent upon the final resolution of the related litigation. See Note 17, "Fair Value Measurements," in the accompanying consolidated financial statements for additional information on Level 3 inputs.

Level 3 Measurements The following table provides information about Level 3 assets/liabilities in relation to total assets/liabilities measured at fair value at March 31, 2025 and December 31, 2024:

	March 31, 2025	December 31, 2024
	(dollars are in millions)	
Level 3 assets ⁽¹⁾⁽²⁾	\$ 655	\$ 666
Total assets measured at fair value ⁽¹⁾⁽³⁾	57,439	65,724
Level 3 liabilities ⁽¹⁾	2,371	2,550
Total liabilities measured at fair value ⁽¹⁾	25,526	32,544
Level 3 assets as a percent of total assets measured at fair value	1.1 %	1.0 %
Level 3 liabilities as a percent of total liabilities measured at fair value	9.3 %	7.8 %

⁽¹⁾ Presented without netting which allows the offsetting of amounts relating to certain contracts if certain conditions are met.

⁽²⁾ Includes \$212 million of recurring Level 3 assets and \$443 million of non-recurring Level 3 assets at March 31, 2025. Includes \$316 million of recurring Level 3 assets and \$350 million of non-recurring Level 3 assets at December 31, 2024.

⁽³⁾ Includes \$56,869 million of assets measured on a recurring basis and \$570 million of assets measured on a non-recurring basis at March 31, 2025. Includes \$65,274 million of assets measured on a recurring basis and \$450 million of assets measured on a non-recurring basis at December 31, 2024.

Significant Changes in Fair Value for Level 3 Assets and Liabilities See Note 17, "Fair Value Measurements," in the accompanying consolidated financial statements for information on additions to and transfers into (out of) Level 3 measurements during the three months ended March 31, 2025 and 2024 as well as for further details including the classification hierarchy associated with assets and liabilities measured at fair value.

Effect of Changes in Significant Unobservable Inputs The fair value of certain financial instruments is measured using valuation techniques that incorporate pricing assumptions not supported by, derived from or corroborated by observable market data. The resultant fair value measurements are dependent on unobservable input parameters which can be selected from a range of estimates and may be interdependent. Changes in one or more of the significant unobservable input parameters may change the fair value measurements of these financial instruments. For the purpose of preparing the financial statements, the final valuation inputs selected are based on management's best judgment that reflect the assumptions market participants would use in pricing similar assets or liabilities.

The unobservable input parameters selected are subject to the internal valuation control processes and procedures. When we perform a test of all the significant input parameters to the extreme values within the range at the same time, it could result in an increase of the overall fair value measurement of approximately \$15 million or a decrease of the overall fair value measurement of approximately \$33 million at March 31, 2025. The effect of changes in significant unobservable input parameters are primarily driven by the uncertainty in determining the fair value of certain credit-linked structured notes and swap agreements entered into in conjunction with the sales of Visa Class B Shares.

Risk Management

Overview The primary role of risk management is to protect our customers, business, colleagues and the communities that we serve, while ensuring we are able to support our strategy and provide sustainable growth.

We aim to use a comprehensive risk management approach across the organization and across all risk types underpinned by our culture and values. This is outlined in our risk management framework, including the key principles and practices that we employ in managing material risks, both financial and non-financial. This framework fosters continuous monitoring, promotes risk awareness, and encourages sound operational and strategic decision-making and escalation processes. It also supports a consistent approach to identifying, assessing, managing, and reporting the risks we accept and incur in our activities, with clear accountabilities.

Our Board of Directors has ultimate supervisory responsibility for the effective management of risk and approves our risk appetite. It is advised on risk matters by the Risk Committee of the Board of Directors, notably risk appetite and its alignment with our strategy, risk governance and internal controls, as well as high-level risk related matters. We use a defined executive

risk governance structure to help ensure there is appropriate oversight and accountability embedded throughout our business for the effective management of risk.

Our *material risks* The principal risks associated with our operations include the following:

- *Credit risk* is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract;
- *Treasury risk* is the risk of having insufficient capital, liquidity or funding resources to meet financial obligations and satisfy regulatory requirements, including the risk of an adverse impact on earnings or capital due to changes in market interest rates, together with pension risk;
- *Market risk* is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations and credit spreads;
- *Climate risk* relates to the financial and non-financial impacts that may arise as a consequence of climate change and the move to a net zero economy;
- *Resilience risk* is the risk of sustained and significant business disruption from execution, delivery, physical security or safety events, causing the inability to provide critical services to our customers, affiliates and counterparties;
- *Regulatory compliance risk* is the risk associated with breaching our duty to clients and other counterparties, inappropriate market conduct (including unauthorized trading) and breaching related financial services regulatory standards;
- *Financial crime risk* is the risk that our products and services will be exploited for criminal activity, including fraud, bribery and corruption, tax evasion, sanctions and export control violations, money laundering, terrorist financing and proliferation financing;
- *Strategic risk* is the risk that the business will fail to identify, execute and react appropriately to opportunities and/or threats arising from changes in the market, some of which may emerge over a number of years such as changing economic and political circumstances, customer requirements, demographic trends, regulatory developments or competitor action; and
- *Model risk* is the risk of the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.

In the course of our regular risk management activities, we use models to help quantify the risk we are taking. We believe that the assumptions used in these models are reasonable and within the parameters for which the models have been built and calibrated to operate, but events may unfold differently than what is assumed in the models. Adjustments to model outputs to reflect consideration of management judgment are used with stringent governance in place to ensure appropriate results. Models are also monitored to confirm they are performing as intended.

See "Risk Management" in MD&A in our 2024 Form 10-K for a more complete discussion of the objectives of our risk management system as well as our risk management policies and practices. There have been no material changes to our approach to risk management since December 31, 2024.

Credit Risk Management Credit risk is managed through a robust risk identification and control framework which outlines clear and consistent policies, principles and guidance for risk managers. Credit risk is monitored using various internal risk management measures and within limits approved by individuals within a framework of delegated authorities. Our credit risk management procedures are designed for all stages of economic and financial cycles, including challenging periods of market volatility and economic uncertainty. During the first quarter of 2025, economic uncertainty increased due to the potential impacts of new trade and other economic policies in the United States, including tariffs, along with the ongoing uncertainty associated with elevated interest rates and the effects from higher inflation. We continue to monitor the performance of our material commercial loans as conditions evolve and take necessary credit actions where warranted. See "Risk Management" in MD&A in our 2024 Form 10-K for a more complete discussion of our approach to credit risk.

Treasury Risk Management We continuously monitor our capital ratios and the impact of market events on our liquidity positions and will continue to adapt our frameworks as necessary to reflect market events and the evolving regulatory landscape and view as to best practices. See "Risk Management" in MD&A in our 2024 Form 10-K for a more complete discussion of our approach to treasury risk.

Capital risk See "Liquidity and Capital Resources" in this MD&A for a discussion of our approach to capital risk management, including our capital ratios and regulatory capital requirements.

Liquidity and funding risk As part of our approach towards liquidity and funding risk management, we employ the measures discussed below to define, monitor and control our liquidity and funding risk in accordance with HSBC policy.

HSBC North America is subject to the U.S. liquidity coverage ratio ("LCR") rule, which is designed to be a short-term liquidity measure to ensure banks have sufficient High Quality Liquid Assets ("HQLA") to cover net stressed cash outflows over the

next 30 days, and both HSBC North America and HSBC Bank USA calculate and report their LCR to U.S. regulators on a daily basis. During the three months ended March 31, 2025, HSBC Bank USA's LCR remained above 100 percent. Under the Tailoring Rules, a 70 percent LCR requirement applies to Category IV firms with weighted short-term wholesale funding that equals or exceeds \$50 billion. As a result, a LCR of 100 percent or higher reflects an unencumbered HQLA balance that is equal to or exceeds 70 percent of a Category IV firm's liquidity needs for a 30 calendar day liquidity stress scenario. HQLA consists of cash or assets that can be converted into cash at little or no loss of value in private markets.

HSBC North America is also subject to the U.S. net stable funding ratio ("NSFR") rule, which is a longer term liquidity measure with a 12-month time horizon to ensure a sustainable maturity structure of assets and liabilities, and both HSBC North America and HSBC Bank USA calculate and report their NSFR to U.S. regulators. At both March 31, 2025 and December 31, 2024, HSBC Bank USA's NSFR exceeded 100 percent. Under the Tailoring Rules, a 70 percent NSFR requirement applies to Category IV firms with weighted short-term wholesale funding that equals or exceeds \$50 billion. As a result, a NSFR of 100 percent or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds 70 percent of a Category IV firm's required amount of stable funding for assets and off-balance sheet exposures. In addition, under the United Kingdom ("U.K.") Prudential Regulatory Authority ("PRA") based NSFR rule, HSBC USA's NSFR exceeded 100 percent at both March 31, 2025 and December 31, 2024. Under the U.K. PRA NSFR rule, a NSFR of 100 percent or more reflects an available stable funding balance from liabilities and capital over the next 12 months that is equal to or exceeds the required amount of stable funding for assets and off-balance sheet exposures.

As a Category IV firm, HSBC North America is subject to liquidity stress testing and related liquidity buffer and liquidity risk management requirements. HSBC North America and HSBC Bank USA have liquidity profiles to support compliance with these rules and may need to make changes to their liquidity profiles to support compliance with any future rules.

Our liquidity and funding risk management approach includes deposits, supplemented by wholesale borrowing to fund our balance sheet, and using security sales or secured borrowings for liquidity stress situations in our liquidity contingency plans. In addition, regulations require banks to retain a portfolio of HQLA. As such, we are maintaining a large portfolio of high quality sovereign and sovereign guaranteed securities.

Our ability to regularly attract wholesale funds at a competitive cost is enhanced by strong ratings from the major credit rating agencies. The following table reflects the short and long-term credit ratings of HSBC USA and HSBC Bank USA at March 31, 2025:

	Moody's	S&P	Fitch
HSBC USA:			
Short-term borrowings.....	P-1	A-2	F1+
Long-term/senior debt.....	A2	A-	A+
HSBC Bank USA:			
Short-term borrowings.....	P-1	A-1	F1+
Long-term/senior debt.....	Aa3	A+	AA-

Rating agencies continue to evaluate economic and geopolitical trends, regulatory developments, future profitability, risk management practices and legal matters, all of which could lead to adverse ratings actions.

Although we closely monitor and strive to manage factors influencing our credit ratings, there is no assurance that our credit ratings will not change in the future. At March 31, 2025, none of the ratings on the debt of HSBC USA or HSBC Bank USA from any of the rating agencies were under review for potential downgrade.

See "Liquidity and Capital Resources" in this MD&A for further discussion of our liquidity position, including additional information regarding our outstanding borrowings, the remaining availability of our debt issuance programs and our funding strategy.

Interest rate risk Various techniques are utilized to quantify and monitor risks associated with the repricing characteristics of our assets, liabilities and derivative contracts. See "Risk Management" in MD&A in our 2024 Form 10-K for a more complete discussion of our approach to interest rate risk.

Economic value of equity ("EVE") EVE represents the present value of the banking book cash flows that could be provided to our equity holder under a managed run-off scenario. An EVE sensitivity represents the change in EVE due to a defined movement in interest rates. We manage to an immediate parallel upward shock of 200 basis points and an immediate parallel downward shock of 200 basis points to the market implied interest rates. At both March 31, 2025 and December 31, 2024, our EVE remained within risk limits for the up 200 and down 200 basis point interest rate shock scenarios.

Earnings-at-risk Earnings-at-risk is a measure of interest rate risk in the banking book generated by our non-trading assets and liabilities that primarily includes loans, deposits with banks, investment securities, deposits, long-term debt and any associated interest rate hedges that are not held for trading intent or in order to hedge positions held with trading intent. Earnings-at-risk utilizes a number of interest rate scenarios to estimate the impact on projected banking book net interest income over a twelve month period, such as rate shock scenarios which assume immediate market rate movements by 100 basis points, as well as scenarios in which rates gradually rise or fall by 100 basis points. In the gradual scenarios, 25 percent of the interest rate movement occurs at the beginning of each quarter. The following table reflects the estimated impact of the earnings-at-risk scenarios on projected banking book net interest income:

	March 31, 2025		December 31, 2024	
	Amount	%	Amount	%
(dollars are in millions)				
Estimated increase (decrease) in projected banking book net interest income (reflects projected rate movements on April 1, 2025 and January 1, 2025, respectively):				
Resulting from a gradual 100 basis point increase in the yield curve	\$ (48)	(2)%	\$ (56)	(2)%
Resulting from a gradual 100 basis point decrease in the yield curve	48	2	43	2
Other significant scenarios monitored (reflects projected rate movements on April 1, 2025 and January 1, 2025, respectively):				
Resulting from an immediate 100 basis point increase in the yield curve	(54)	(2)	(111)	(4)
Resulting from an immediate 100 basis point decrease in the yield curve	40	2	94	4

The projections do not take into consideration possible complicating factors such as the effect of changes in interest rates on the credit quality, size and composition of the balance sheet. Therefore, although this provides a reasonable estimate of interest rate sensitivity, actual results will differ from these estimates, possibly by significant amounts.

Non-trading value at risk ("VaR") Non-trading VaR estimates potential valuation changes that could arise from market movements impacting the behavioralized interest rate risk of non-trading financial assets and liabilities held by the global businesses and transfer priced into and managed by Markets Treasury, and the associated hedging activity performed by Markets Treasury (including our investment portfolio of available-for-sale and held-to-maturity securities). Our investment portfolio holdings comprise mainly U.S. Treasury, U.S. Government agency mortgage-backed and U.S. Government sponsored mortgage-backed securities. Our non-trading VaR exposure is driven by interest rates and mortgage-backed security spread volatility. Refer to "Market Risk Management" below for further discussion regarding VaR and the management of market risk in our non-trading portfolios.

The following table summarizes our non-trading VaR for the three months ended March 31, 2025 and at December 31, 2024:

	Credit Spread	Interest Rate	Portfolio Diversification ⁽¹⁾	Total ⁽¹⁾
(in millions)				
At March 31, 2025	\$ 143	\$ 168	\$ (125)	\$ 186
Three Months Ended March 31, 2025				
Average	163	150	(115)	198
Maximum	199	171		224
Minimum	142	126		185
At December 31, 2024	\$ 202	\$ 161	\$ (137)	\$ 226

⁽¹⁾ Refer to the Trading VaR table in "Market Risk Management" below for additional information.

Market Risk Management Exposure to market risk is separated into two portfolios:

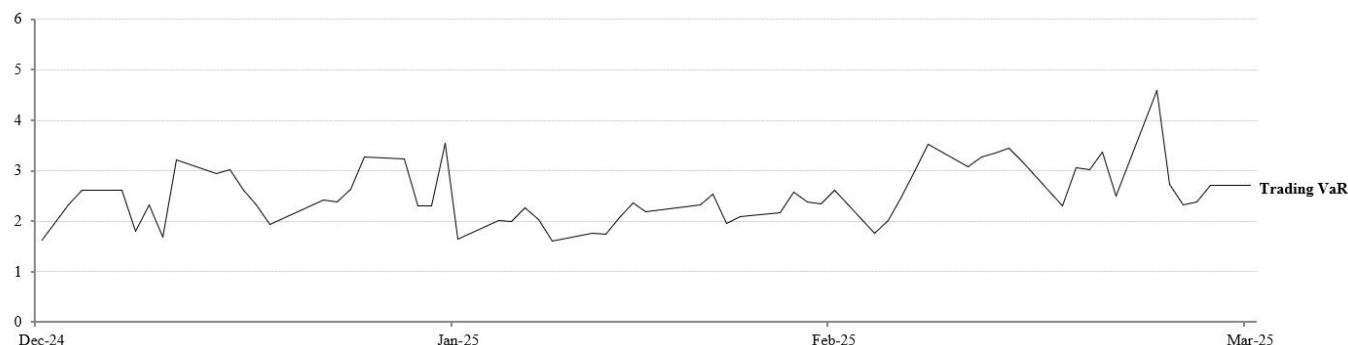
- Trading portfolios comprise positions held for client servicing and market-making, with the intention of short-term resale and/or to hedge risks resulting from such positions.
- Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities as well as financial investments classified as available-for-sale and held-to-maturity.

We apply similar risk management policies and measurement techniques to both trading and non-trading portfolios. Our objective is to manage and control market risk exposures to optimize return on risk while maintaining a market profile consistent with our established risk appetite. See "Risk Management" in MD&A in our 2024 Form 10-K for a more complete discussion of our approach to market risk.

Value at risk ("VaR") VaR is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and calculated for all trading positions regardless of how we capitalize them. In addition, we calculate VaR for non-trading portfolios to have a complete picture of risk. VaR measures are calculated to a 99 percent confidence level and use a one-day holding period for trading VaR and a 10-day holding period for non-trading VaR.

Trading VaR Trading VaR is generated principally from trading activities within the CIB business segment. These primarily include positions in various products across rates, foreign exchange and credit asset classes.

The following graph summarizes daily VaR for our trading portfolios at a 99 percent confidence level (in millions):



The following table summarizes our trading VaR for the three months ended March 31, 2025 and at December 31, 2024:

	Credit Spread	Foreign Exchange and Commodity	Interest Rate	Portfolio Diversification ⁽¹⁾	Total ⁽²⁾
	(in millions)				
At March 31, 2025	\$ 1	\$ 2	\$ 2	\$ (2)	\$ 3
Three Months Ended March 31, 2025					
Average	1	2	2	(2)	3
Maximum	1	4	3		5
Minimum	1	1	1		2
At December 31, 2024	\$ 1	\$ 1	\$ 1	\$ (1)	\$ 2

⁽¹⁾ Portfolio diversification is the market risk dispersion effect of holding a portfolio containing different risk types. It represents the reduction in unsystematic market risk that occurs when combining a number of different risk types, for example, foreign exchange, interest rate and credit spread, together in one portfolio. It is measured as the difference between the sum of the VaR by individual risk type and the combined total VaR. A negative number represents the benefit of portfolio diversification. As the maximum and minimum occur on different days for different risk types, it is not meaningful to calculate a portfolio diversification benefit for these measures.

⁽²⁾ The total VaR is non-additive across risk types due to diversification effects. For presentation purposes, portfolio diversification of the VaR for trading portfolios includes VaR-based risk-not-in-VaR.

Refer to "Treasury Risk Management" above for disclosure of our non-trading VaR.

Back-testing We routinely validate the accuracy of our VaR models by back-testing them against hypothetical profit and loss that excludes non-modeled items such as fees, commissions and revenues of intra-day transactions from the actual reported profit and loss. We would expect, under stable market conditions, to experience two or three losses in excess of VaR at the 99 percent confidence level over a one-year period. However, in periods of unstable market conditions, we could see an increase in the number of back-testing exceptions.

During the first quarter of 2025, we experienced no loss back-testing exceptions.

CONSOLIDATED AVERAGE BALANCES AND INTEREST RATES

The following table summarizes the quarter-to-date average daily balances of the principal components of assets, liabilities and equity together with their respective interest amounts and rates earned or paid. Net interest margin is calculated by dividing net interest income by the average interest earning assets from which interest income is earned. Loan interest for the three months ended March 31, 2025 and 2024 included fees of \$7 million and \$6 million, respectively.

Three Months Ended March 31,	2025			2024		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	(dollars are in millions)					
Assets:						
Interest bearing deposits with banks	\$ 31,140	\$ 313	4.08 %	\$ 30,112	\$ 321	4.29 %
Federal funds sold and securities purchased under resale agreements ⁽¹⁾	7,242	121	6.78	5,502	127	9.28
Trading securities	18,447	91	2.00	18,688	85	1.83
Securities	42,991	460	4.34	40,553	445	4.41
Loans:						
Commercial	42,034	640	6.17	40,421	711	7.07
Consumer:						
Residential mortgages	21,215	225	4.30	18,562	174	3.77
Home equity mortgages	393	6	6.19	384	7	7.33
Credit cards	181	4	8.96	188	5	10.70
Other consumer	78	1	5.20	89	2	9.04
Total consumer	21,867	236	4.38	19,223	188	3.93
Total loans	63,901	876	5.56	59,644	899	6.06
Other	1,808	19	4.26	1,456	16	4.42
Total interest earning assets	\$ 165,529	\$ 1,880	4.61 %	\$ 155,955	\$ 1,893	4.88 %
Allowance for credit losses	(550)			(584)		
Cash and due from banks	656			767		
Other assets	8,030			9,158		
Total assets	\$ 173,665			\$ 165,296		
Liabilities and Equity:						
Domestic deposits:						
Savings deposits	\$ 44,669	\$ 280	2.54 %	\$ 43,889	\$ 329	3.01 %
Time deposits	21,657	281	5.26	21,316	311	5.87
Other interest bearing deposits	32,547	320	3.99	26,275	317	4.85
Foreign deposits	6,501	53	3.31	5,609	55	3.94
Total interest bearing deposits	105,374	934	3.59	97,089	1,012	4.19
Short-term borrowings:						
Securities sold under repurchase agreements ⁽¹⁾	1,382	53	15.55	721	59	32.91
Commercial paper	5,494	71	5.24	5,540	84	6.10
Other short-term borrowings	419	2	1.94	1,009	11	4.38
Total short-term borrowings	7,295	126	7.00	7,270	154	8.52
Long-term debt	20,929	280	5.43	18,561	285	6.18
Total interest bearing debt	133,598	1,340	4.07	122,920	1,451	4.75
Tax liabilities and other	1,426	14	3.98	1,342	16	4.80
Total interest bearing liabilities	\$ 135,024	\$ 1,354	4.07 %	\$ 124,262	\$ 1,467	4.75 %
Net interest income/Interest rate spread		\$ 526	.54 %		\$ 426	.13 %
Noninterest bearing deposits	20,346			22,956		
Other liabilities	5,613			6,365		
Total equity	12,682			11,713		
Total liabilities and equity	\$ 173,665			\$ 165,296		
Net interest margin on average earning assets			1.29 %			1.10 %

⁽¹⁾ The denominators used in the calculation of the rates on federal funds sold and securities purchased under resale agreements and securities sold under repurchase agreements reflect the net amounts presented in the balance sheet.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Information required by this Item is included within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations in the Risk Management section under the captions "Treasury Risk Management - Interest Rate Risk" and "Market Risk Management."

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures We maintain a system of disclosure controls and procedures designed to ensure that information required to be disclosed by HSBC USA in the reports we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported on a timely basis. Our Board of Directors, operating through its Audit Committee, which is composed entirely of independent non-executive directors, provides oversight to our financial reporting process.

We conducted an evaluation, with the participation of the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report so as to alert them in a timely fashion to material information required to be disclosed in reports we file under the Exchange Act.

Changes in Internal Control over Financial Reporting There has been no change in HSBC USA's internal control over financial reporting that occurred during the quarter ended March 31, 2025 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

See Note 18, "Litigation and Regulatory Matters," in the accompanying consolidated financial statements for our legal proceedings disclosure, which is incorporated herein by reference.

Item 5. Other Information

Disclosures pursuant to Section 13(r) of the Securities Exchange Act Section 13(r) of the Securities Exchange Act requires each issuer registered with the SEC to disclose in its annual or quarterly reports whether it or any of its affiliates have knowingly engaged in specified activities or transactions with persons or entities targeted by U.S. sanctions programs relating to Iran, terrorism, or the proliferation of weapons of mass destruction, even if those activities are not prohibited by U.S. law and are conducted outside the U.S. by non-U.S. affiliates in compliance with local laws and regulations, and are not material to the business of the issuer or any of its affiliates.

To comply with this requirement, HSBC has requested relevant information from its affiliates globally. The following activities conducted by HUSI and our affiliates during the period covered by this Form 10-Q are disclosed in response to Section 13(r) and are not material to the business of HUSI or the HSBC Group:

Legacy contractual obligations related to guarantees Between 1996 and 2007, the HSBC Group provided guarantees to a number of its non-Iranian customers in Europe and the Middle East for various business activities in Iran. In a number of cases, the HSBC Group issued counter indemnities involving Iranian banks as the Iranian beneficiaries of the guarantees required that they be backed directly by Iranian banks. The Iranian banks to which the HSBC Group provided counter indemnities included Bank Tejarat, Bank Melli, and the Bank of Industry and Mine.

There was no measurable gross revenue in the first quarter of 2025 under those guarantees and counter indemnities. The HSBC Group does not allocate direct costs to fees and commissions and, therefore, has not disclosed a separate net profit measure. The HSBC Group is seeking to cancel all relevant guarantees and counter indemnities, and does not currently intend to provide any new guarantees or counter indemnities involving Iran. No guarantees were cancelled in the first quarter of 2025, and approximately 14 remain outstanding.

Other relationships with Iranian banks Activity related to U.S.-sanctioned Iranian banks not covered elsewhere in this disclosure includes the following:

The HSBC Group acts as the trustee and administrator for a pension scheme involving employees of a U.S.-sanctioned Iranian bank in Asia. Under the rules of this scheme, the HSBC Group accepts local currency contributions from the Iranian bank each

month and allocates the funds into the pension accounts of the Iranian bank's employees. The HSBC Group runs and operates this pension scheme in accordance with applicable laws and regulations. During the first quarter of 2025, the HSBC Group transferred funds from the Iranian bank's pension account to a personal pension account under the name of a former employee. Estimated gross revenue, which includes fees and/or commissions, generated by this pension scheme during the first quarter of 2025, was approximately \$570.

For the Iranian bank related-activity discussed above, the HSBC Group does not allocate direct costs to fees and commissions and, therefore, has not disclosed a separate net profit measure.

The HSBC Group currently intends to continue to wind down the above activities, to the extent legally permissible, and not enter into any new such activity.

Activity related to U.S. Executive Order 13224

The HSBC Group has individual and corporate customers in the Middle East that, during the first quarter of 2025, made local currency check payments for the rental of property to a corporate entity designated under Executive Order 13224. The HSBC Group processed these checks on behalf of its customers.

The HSBC Group has an individual customer in the Middle East that was designated under Executive Order 13224 in the third quarter of 2021. The customer's accounts were restricted at the time of designation and the relationship is being exited. During the first quarter of 2025, the HSBC Group processed two local currency domestic payments from the individual's account in connection with winding down the relationship.

The HSBC Group had an individual customer in Latin America that was designated under Executive Order 13224 in the first quarter of 2025. Shortly following the designation and before the account was restricted, the HSBC Group processed three small local currency domestic payments for its customer.

During the first quarter of 2025, pursuant to an Office of Foreign Assets Control general license, HUSI processed two low value U.S. dollar payments to the account of a non-designated non-governmental organization held at a financial institution designated under Executive Order 13224.

For this activity, there was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2025.

Other activity

The HSBC Group has a non-Iranian insurance company customer in the Middle East that, during the first quarter of 2025, made local currency domestic payments for the reimbursement of medical treatment to a hospital located outside Iran that is owned by the Government of Iran. The HSBC Group processed these payments from its customer to the hospital.

The HSBC Group has a corporate customer in the Middle East that received a local currency check from a hospital located outside Iran that is owned by the Government of Iran during the first quarter of 2025. The HSBC Group processed the check from the hospital to its customer.

The HSBC Group has an individual customer in the Middle East that received a local currency check from an insurance company that is owned by the Government of Iran during the first quarter of 2025. The HSBC Group processed the check from the insurance company to its customer.

The HSBC Group has individual and corporate customers in Europe that, during the first quarter of 2025, made local currency domestic payments to, or received such payments from, an Iranian embassy. Generally, these customers appear to receive consular or other services provided by the embassy or provide goods and services that support the conduct of the official business of the embassy. The HSBC Group processed these payments between its customers and the Iranian embassy.

For these activities, there was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2025.

Frozen accounts and transactions The HSBC Group and HSBC Bank USA (a subsidiary of HUSI) maintain several accounts that are frozen as a result of relevant sanctions programs, and safekeeping boxes and other similar custodial relationships, for which no activity, except as licensed or authorized, or otherwise related to the maintenance of such accounts as consistent with applicable law, took place during the first quarter of 2025. There was no measurable gross revenue or net profit to the HSBC Group during the first quarter of 2025 relating to these frozen accounts.

Item 6. Exhibits

- 3(i) [Articles of Incorporation and amendments and supplements thereto \(incorporated by reference to Exhibit 3\(a\) to HSBC USA Inc.'s Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 3 to HSBC USA Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed April 4, 2005, Exhibit 3.3 to HSBC USA Inc.'s Current Report on Form 8-K filed April 4, 2005, Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed October 14, 2005, Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed May 22, 2006 and Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed on May 31, 2016\).](#)
- 3(ii) [Bylaws of HSBC USA Inc., as Amended and Restated effective April 24, 2025 \(incorporated by reference to Exhibit 3.2 to HSBC USA Inc.'s Current Report on Form 8-K filed April 25, 2025\).](#)
- 31 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document⁽¹⁾
- 101.SCH Inline XBRL Taxonomy Extension Schema Document⁽¹⁾
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document⁽¹⁾
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document⁽¹⁾
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document⁽¹⁾
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document⁽¹⁾
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

⁽¹⁾ Pursuant to Rule 405 of Regulation S-T, includes the following financial information included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2025, formatted in Inline eXtensible Business Reporting Language ("Inline XBRL"): (i) the Consolidated Statement of Income for the three months ended March 31, 2025 and 2024, (ii) the Consolidated Statement of Comprehensive Income for the three months ended March 31, 2025 and 2024, (iii) the Consolidated Balance Sheet at March 31, 2025 and December 31, 2024, (iv) the Consolidated Statement of Changes in Equity for the three months ended March 31, 2025 and 2024, (v) the Consolidated Statement of Cash Flows for the three months ended March 31, 2025 and 2024, and (vi) the Notes to Consolidated Financial Statements.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, HSBC USA Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 29, 2025

HSBC USA INC.

By: /s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

Certification of Chief Executive Officer

I, Lisa McGeough, certify that:

1. I have reviewed this report on Form 10-Q of HSBC USA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2025

/s/ LISA MCGEOUGH

Lisa McGeough

Chair of the Board, President
and Chief Executive Officer

Certification of Chief Financial Officer

I, Andrew Fullam, certify that:

1. I have reviewed this report on Form 10-Q of HSBC USA Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 29, 2025

/s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

The certification set forth below is being submitted in connection with the HSBC USA Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ending March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Lisa McGeough, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSBC USA Inc.

Date: April 29, 2025

/s/ LISA MCGEOUGH

Lisa McGeough

Chair of the Board, President
and Chief Executive Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by HSBC USA Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

The signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to HSBC USA Inc. and will be retained by HSBC USA Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

The certification set forth below is being submitted in connection with the HSBC USA Inc. (the “Company”) Quarterly Report on Form 10-Q for the period ending March 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Andrew Fullam, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSBC USA Inc.

Date: April 29, 2025

/s/ ANDREW FULLAM

Andrew Fullam

Chief Financial Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by HSBC USA Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

The signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to HSBC USA Inc. and will be retained by HSBC USA Inc. and furnished to the Securities and Exchange Commission or its staff upon request.