HSBC BANK (SINGAPORE) LIMITED

(*Incorporated in Singapore. Company Registration No. 201420624K*)

Pillar 3 Disclosures as at 31 December 2023

HSBC Bank (Singapore) Ltd

10 Marina Boulevard #48-01 Marina Bay Financial Centre Singapore 018983

Contents

1. Introduction

HSBC Bank (Singapore) Limited (the "Bank") is incorporated in the Republic of Singapore and has its registered office at 10 Marina Boulevard #48-01 Marina Bay Financial Centre, Singapore 018983. The Bank operates in Singapore under a full banking license and Qualifying Full Bank privileges granted by the Monetary Authority of Singapore ("MAS").

The immediate holding company is The Hongkong and Shanghai Banking Corporation Limited, incorporated in the Hong Kong Special Administrative Region ("HBAP").

The ultimate holding company is HSBC Holdings plc ("HSBC"), incorporated in England. The shares of HSBC Holdings plc are listed on the stock exchanges of Hong Kong, London, New York, Bermuda and Paris.

The disclosures in this document are made in accordance with the requirements of Notice 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" ("MAS Notice 637"), Notice 651 "Liquidity Coverage Ratio ("LCR")" Disclosure and Notice 653 "Net Stable Funding Ratio ("NSFR")" issued by the MAS.

The disclosures are prepared in accordance with the Bank's Pillar 3 Disclosure Policy which specifies the Bank's Pillar 3 disclosure requirements, frequency of disclosure, medium of disclosure and the roles and responsibilities of various parties involved in the reporting process. The policy has been approved by the Board of Directors of the Bank.

The public disclosure document should be read in conjunction with the Bank's Financial Statements for the year ended 31 December 2023.

2. Overview of Key Prudential Regulatory Metrics

The following table provides an overview of key prudential regulatory metrics of the Bank (except Liquidity Coverage Ratio and Net Stable Funding Ratio which are at Country-level, as explained in Notes 12.2 and 12.3 respectively). The Bank's capital requirements are based on the Standardised Approach in accordance with MAS Notice 637.

in SGD millions		(a)	(b)	(c)	(d)	(e)
		31-Dec-23	**30-Sep-23**	**30 Jun-23**	**31 Mar-23**	**31 Dec-22**
Available Capital (Amounts)						
1	CET1 Capital	1,624	1,613	1,616	1,613	1,611
2	Tier 1 Capital	1,624	1,613	1,616	1,613	1,611
3	Total Capital	1,814	1,803	1,805	1,801	1,799
Risk Weighted Assets (Amounts)						
4	Total RWA	10,094	10,093	10,211	10,036	9,976
Risk-based Capital Ratios as a Percentage of RWA						
5	CET 1 Ratio (%)	16.09%	15.98%	15.83%	16.07%	16.14%
6	Tier 1 Ratio (%)	16.09%	15.98%	15.83%	16.07%	16.14%
7	Total Capital Ratio (%)	17.97%	17.86%	17.68%	17.95%	18.03%
Additional CET 1 Buffer Requirements as a percentage of RWA						
8	Capital Conservation Buffer Requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical Buffer Requirement (%) ##	0.01%	0.01%	—%	0.01%	0.01%
10	G-SIB and/or D-SIB additional requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of CET1 Specific Buffer Requirement (%) (row 8 + row 9 + row 10)	2.51%	2.51%	2.50%	2.51%	2.51%
12	CET 1 Available after Meeting the Reporting Bank's Minimum Capital Requirements (%)	7.97%	7.86%	7.68%	7.94%	8.02%
Leverage Ratio						
13	Total Leverage Ratio Exposure Measure	33,005	32,729	34,817	32,567	30,284
14	Leverage Ratio (%) (row 2/row 13)	4.92%	4.93%	4.64%	4.95%	5.31%
Liquidity Coverage Ratio #						
15	Total High Quality Liquid Assets	37,622	37,946	31,732	29,226	32,816
16	Total Net Cash Outflow	11,928	11,228	11,522	11,585	13,722
17	Liquidity Coverage Ratio (%)	331%	341%	282%	257%	245%
Net Stable Funding Ratio #						
18	Total Available Stable Funding	66,267	62,027	64,196	60,973	57,778
19	Total Required Stable Funding	36,925	35,946	36,348	34,421	34,516
20	Net Stable Funding Ratio (%)	179%	173%	177%	177%	167%

The increase in CET1, Tier 1 and Total Capital Ratios between September 2023 and December 2023 is mainly due to increase in other reserves (SGD11m).

Note:
 # Refers to Country-level ratio for all currencies.

##The Countercyclical Capital Buffer ("CCyB") is the weighted average of the country-specific CCyB requirements that are applied by national authorities in jurisdictions to which the Bank has private sector credit exposures. The effective country-specific CCyB requirement for Hong Kong and Netherlands is 1% and the applicable weight is 0.02% and 0.78% respectively.

3. Capital Structure and Capital Adequacy

3.1 Capital Management

The Bank's approach to capital management is driven by its strategic and organisational requirements, taking into account the regulatory, economic and commercial environment. The Bank aims to maintain a strong capital base to support the risks inherent in its business, to invest in accordance with its strategy and to meet its regulatory capital requirements at all times.

The Bank's policy on capital management is underpinned by a capital management framework and the internal capital adequacy assessment process ("ICAAP"). The framework incorporates key capital risk appetites for CET1, Tier1, Total Capital, Capital Funds and Leverage Ratio, which enables the Bank to manage its capital in a consistent manner.

ICAAP is an assessment of the Bank's capital position, outlining both regulatory and internal capital resources and requirements resulting from its business model, strategy, risk profile and management, performance and planning, risks to capital and stress testing results. The assessment of capital adequacy is driven by an assessment of risks which include credit, market, operational, structural foreign exchange and interest rate risk in the banking book.

The Bank's capital management process is articulated in its annual capital plan which is approved by the Board of Directors. The plan is drawn up with the objective of maintaining both an appropriate amount of capital and an optimal mix between the different components of capital. Capital and Risk-Weighted Assets ('RWAs') are monitored and managed against the plan, with capital forecasts reported to relevant governance committees. In accordance with its capital management objectives, capital generated in excess of planned requirements is returned to the immediate holding company, normally by the way of dividends.

Pursuant to section 9 of the Banking Act of Singapore, the Bank is required to maintain paid-up capital and capital funds of not less than S$1,500,000,000. The Bank's CET1 and Tier 1 capital is the aggregate of its paid-up share capital and eligible reserves which comprises of retained earnings, property revaluation reserve and other reserves.

For additional information on the Bank's capital requirements, please refer to Note 35 of the Bank's Financial Statements.

3.2 Geographical Distribution of Credit Exposures Used in the Countercyclical Capital Buffer

In SGD millions	(a)	(b)	(c)	(d)
Geographical Breakdown	**Country-Specific Countercyclical Buffer Requirement**	**RWA for Private Sector Credit Exposures Used in the Computation of the Countercyclical Buffer**	**Bank-Specific Countercyclical Buffer Requirement**	**Countercyclical Buffer Amount**
Hong Kong	1.00%	2		
United Kingdom	1.00%	59		
Others		7,104		
Total		7,165	0.01%	

The CCyB is calculated as the weighted average of the buffers in effect in the jurisdictions to which the Bank has private sector credit exposures. The Bank attributes its private sector credit exposures to jurisdictions based on the jurisdiction of each obligor or, if applicable, its guarantor. The determination of an obligor's jurisdiction of risk is based on the look-through approach taking into consideration factors such as economic activity and availability of parental support.

3.3 Risk Management

HSBC Group formulates high-level risk management policies for HSBC Group entities worldwide. HSBC's risk management policy is designed to identify and analyse these risks, set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable and up-to-date administrative and information systems. HSBC continually modifies and enhances its risk management policies and systems to reflect changes in markets and products.

Further details on the Bank's risk management processes and policies can be found in Note 35 of the Bank's Financial Statements.

4. Composition of Regulatory Capital

The following disclosures are pursuant to the requirements of MAS Notice 637.

4.1 Reconciliation of Regulatory Capital to the Balance Sheet

In SGD millions	31 Dec 23 Balance Sheet as per Financial Statements	Under Regulatory Scope of Consolidation	Reference to Section 4.2
Assets			
Cash and balances with central banks	225		
Singapore government treasury bills and securities	2,085		
Other government treasury bills and securities	1,818		
Derivatives	16		
Balance and placements with, and loans to, banks	163		
Loans and advances to customers	13,779		
of which: Provisions eligible for inclusion in T2 Capital	–	(35)	A
Amounts due from immediate holding company	14		
Amounts due from related corporations	12,911		
Other assets	718		
Property, plant and equipment	108		
Intangible assets	1	(1)	H
Deferred tax assets	2	(2)	B
Investment in joint venture	6		
Total Assets	**31,846**		
Liabilities			
Derivatives	11		
Deposits and balances of banks	51		
Deposits of non-bank customers	28,645		
Amounts due to immediate holding company	41		
Amounts due to related corporations	784		
of which: Subordinated loan	–	145	C
Other liabilities	348		
Current tax liabilities	85		
Deferred taxation	–		
Total Liabilities	**29,965**		
NET ASSETS	**1,881**		
Shareholders' Equity			
Share capital	1,530	1,530	D
Reserves	71	32	E
Accumulated profits	280	75	F
Valuation adjustments	–	0	G
Total Equity	**1,881**		

4.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet

The following disclosures are made in accordance with the template prescribed in MAS Notice 637 Annex 11B. The column "31 Dec 23" is used to report the amounts used in the computation of regulatory capital and Capital Adequacy Ratios.

The column "Cross Reference to Section 4.1" provides alphabetic cross reference between Regulatory Capital and the balance sheet disclosed in Note 4.1.

MAS Notice 637 specifies the computation of provisions (also referred to as "allowances" in this document") that may be recognised under Tier 2 capital. Under the standardised approach for credit risk, general allowances are eligible, subject to a cap of 1.25% of credit risk-weighted assets.

in SGD millions		31 Dec 23	Cross Reference to Section 4.1
Common Equity Tier 1 Capital: Instruments and Reserves			
1	Paid-up ordinary shares and share premium (if applicable)	1,530	D
2	Retained earnings	75	F
3#	Accumulated other comprehensive income and other disclosed reserves	22	E
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	—	
5	Minority interest that meets criteria for inclusion	—	
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,627**	
Common Equity Tier 1 Capital: Regulatory Adjustments			
7	Valuation adjustment pursuant to Part VIII of MAS Notice 637	—	G
8	Goodwill, net of associated deferred tax liability	—	
9#	Intangible assets, net of associated deferred tax liability	(1)	H
10#	Deferred tax assets that rely on future profitability	(2)	B
11	Cash flow hedge reserve	—	
12	Shortfall of TEP relative to EL under IRBA	—	
13	Increase in equity capital resulting from securitisation transactions	—	
14	Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	—	
15	Defined benefit pension fund assets, net of associated deferred tax liability	—	
16	Investments in own shares	—	
17	Reciprocal cross-holdings in ordinary shares of financial institutions	—	
18	Investments in ordinary shares of unconsolidated financial institutions in which Reporting Bank does not hold a major stake	—	
19	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) (amount above 10% threshold)	—	
20#	Mortgage servicing rights (amount above 10% threshold)	—	
21#	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	
22	Amount exceeding the 15% threshold	—	

in SGD millions		31 Dec 23	Cross Reference to Section 4.1
23	of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	–	
24#	of which: mortgage servicing rights	–	
25#	of which: deferred tax assets arising from temporary differences	–	
26	National specific regulatory adjustments	–	
26A	PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	–	
26B	Capital deficits in subsidiaries and associates that are regulated financial institutions	–	
26C	Any other items which the Authority may specify	–	
27	Regulatory adjustments applied in calculation of CET1 Capital due to insufficient AT1 Capital to satisfy required deductions	–	
28	**Total regulatory adjustments to CET1 Capital**	**(3)**	
29	**Common Equity Tier 1 capital (CET1)**	**1,624**	
Additional Tier 1 Capital: Instruments			
30	AT1 capital instruments and share premium (if applicable)	–	
31	of which: classified as equity under the Accounting Standards	–	
32	of which: classified as liabilities under the Accounting Standards	–	
33	Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)	–	
34	AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	–	
35	of which: instruments issued by subsidiaries subject to phase out	–	
36	**Additional Tier 1 capital before regulatory adjustments**	**–**	
Additional Tier 1 Capital: Regulatory Adjustments			
37	Investments in own AT1 capital instruments	–	
38	Reciprocal cross-holdings in AT1 capital instruments of financial institutions	–	
39	Investments in AT1 capital instruments of unconsolidated financial institutions in which Reporting Bank does not hold a major stake	–	
40	Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	–	
41	National specific regulatory adjustments which the Authority may specify	–	
42	Regulatory adjustments applied in calculation of AT1 Capital due to insufficient Tier 2 Capital to satisfy required deductions	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**–**	
44	**Additional Tier 1 capital (AT1)**	**–**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,624**	
Tier 2 Capital: Instruments and Provisions			
46	Tier 2 capital instruments and share premium (if applicable)	145	C
47	*Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)*	–	
48	Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	–	

in SGD millions		31 Dec 23	Cross Reference to Section 4.1
49	of which: instruments issued by subsidiaries subject to phase out	—	
50	Provisions	45	A, E
51	**Tier 2 capital before regulator adjustments**	**190**	
Tier 2 Capital: Regulatory Adjustments			
52	Investments in own Tier 2 instruments	—	
53	Reciprocal cross-holdings in Tier 2 capital instruments of financial institutions	—	
54	Investments in Tier 2 capital instruments and other TLAC liabilities of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake	—	
54a#	Investments in other TLAC liabilities of unconsolidated financial institutions in which the Reporting Bank does not hold a major stake : amount previously designated for the 5% threshold but that no longer meets the conditions	—	
55	Investments in Tier 2 capital instruments and other TLAC liabilities of unconsolidated financial institutions in which the Reporting bank holds a major stake (including insurance subsidiaries)	—	
56	National specific regulatory adjustments which the Authority may specify	—	
57	**Total regulatory adjustments to Tier 2 capital**	**—**	
58	**Tier 2 capital (T2)**	**190**	
59	**Total capital (TC = T1 + T2)**	**1,814**	
60	**Floor adjusted total risk weighted assets**	**10,094**	
Capital ratios (as a percentage of floor-adjusted risk weighted assets)			
61	**Common Equity Tier 1 CAR**	**16.09%**	
62	**Tier 1 CAR**	**16.09%**	
63	**Total CAR**	**17.97%**	
64	Bank-specific buffer requirement	9.01%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement	0.01%	
67	of which: G-SIB buffer requirement (if applicable)	0.00%	
68	Common Equity Tier 1 available after meeting the Reporting Bank's minimum capital requirements	7.97%	
National Minima			
69	Minimum CET1 CAR	6.50%	
70	Minimum Tier 1 CAR	8.00%	
71	Minimum Total CAR	10.00%	
72	Investments in ordinary shares, AT1 capital and Tier 2 capital of unconsolidated financial institutions in which the bank does not hold a major stake	—	
73	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank hold a major stake (including insurance subsidiaries)	—	
74	Mortgage servicing rights (net of related tax liability)	—	
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liability)		
Applicable Caps on the Inclusion of Provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	45	

in SGD millions		**31 Dec 23**	**Cross Reference to Section 4.1**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	109	
78	Provision eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	–	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	
82	Current cap on AT1 instruments subject to phase out arrangements	–	
83	Amount excluded from AT1 due to cap (excess over cap after *redemptions and maturities)*	–	
84	Current cap on T2 instruments subject to phase out arrangements	–	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	

Note:
Items marked [#] are elements where a more conservative definition has been applied relative to those set out under the Basel III capital standards.

4.3. Main Features of Capital Instruments

The following disclosures are based on the prescribed template set out in MAS Notice 637 Table 11D-1. This disclosure shall be updated whenever there is an issuance, redemption, conversions, write-down, or other material changes to the existing capital instruments.

Ordinary Shares

No			
1	Issuer	HSBC Bank (Singapore) Limited	HSBC Bank (Singapore) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA	NA
3	Governing law(s) of the instrument	Singapore	Singapore
4	Transitional Basel III rules	NA	NA
5	Post-transitional Basel III rules	Common Equity Tier 1	Tier 2
6	Eligible at solo / group / group & solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinated Loan
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	S$1,530 million	S$145 million
9	Par value of instrument	No par value	US$110 million
10	Accounting classification	Shareholder’s Equity	Liability – amortised cost
11	Original date of issuance	Various	12 Dec 2022
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	12 Dec 2032
14	Issuer call subject to prior supervisory approval	NA	Yes
15	Optional call date, contingent call dates and redemption amount	NA	12 Dec 2027 / Tax event at any time / Par
16	Subsequent call dates, if applicable	NA	Callable on any interest payment date after first call date
	Coupons / Dividends		
17	Fixed or floating dividend / coupon	NA	Floating
18	Coupon rate and any related index	NA	USD SOFR + 3.47%
19	Existence of a dividend stopper	NA	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	NA	No
22	Non-cumulative or cumulative	Non-cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible

24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	NA	Contractual write-down, being earlier of: a) MAS notifying the Bank in writing that it is of the opinion that conversion or write-off is necessary, without which the Bank would become non-viable; and b) a decision by MAS to make a public sector injection of capital, or equivalent support, without which the Bank would have become non-viable, as determined by MAS.
32	If write-down, full or partial	NA	Fully or Partially
33	If write-down, permanent or temporary	NA	Permanent
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	Represents the most subordinated claim in the event of liquidation of the Bank	Immediately subordinate to senior creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

5. Linkages between Financial Statements and Regulatory Exposures

5.1. Differences between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories

The following table provides the breakdown of the amount reported in the financial statements by regulatory risk categories :-

	31 Dec 23						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying amount of items				
In SGD million	**Carrying amounts as reported in balance sheet of published financial statements**	**Carrying amounts under regulatory scope of consolidation**	**Subject to credit risk requirements**	**Subject to CCR [(1)] requirements**	**Subject to securitization framework**	**Subject to market risk requirements**	**Not subject to capital requirements or subject to deduction from regulatory capital**
Assets							
Cash and balances with central banks	225	225	225	—	—	—	—
Singapore government treasury bills and securities	2,085	2,085	2,085	—	—	—	—
Other government treasury bills and securities	1,818	1,818	1,818	—	—	—	—
Derivatives	16	16	—	16	—	16	
Balance and placements with, and loans to, banks	163	163	163	—	—		
Loans & advances to customers	13,779	13,779	13,791	—	—	—	(12)
Amounts due from immediate holding company	14	14	14	—	—	—	—
Amounts due from related corporations	12,911	12,911	7,131	5,780	—	—	—
Other assets	718	718	544	—	—	—	174
Property, plant and equipment	108	108	70	—	—	—	38
Intangible assets	1	1	1	—	—	—	—
Deferred tax asset	2	2	—	—	—	—	2
Investment in joint venture	6	6	6	—	—	—	—
Total Assets	**31,846**	**31,846**	**25,848**	**5,796**	**—**	**16**	**202**

In SGD million	31 Dec 23						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying amounts as reported in balance sheet of published financial statements	Carrying amounts under regulatory scope of consolidation	Carrying amount of items				
			Subject to credit risk requirements	Subject to CCR (1) requirements	Subject to securitization framework	Subject to market risk requirements	Not subject to capital requirements or subject to deduction from regulatory capital
Liabilities							
Derivatives	11	11	—	11	—	11	—
Deposits and balances of banks	51	51	—	—	—	—	51
Deposits of non-bank customers	28,645	28,645	—	—	—	—	28,645
Amounts due to immediate holding company	41	41	—	—	—	—	41
Amounts due to related corporation	784	784	—	—	—	—	784
Other liabilities	348	348	—	—	—	—	348
Current tax liabilities	85	85	—	—	—	—	85
Deferred taxation	—	—	—	—	—	—	—
Total Liabilities	**29,965**	**29,965**	**—**	**11**	**—**	**11**	**29,954**

The sum of amounts disclosed under columns (b) to (f) above can exceed the amounts disclosed in column (a) as some of the assets and liabilities, such as derivatives and amounts due to/from banks can be subject to regulatory capital charges for multiple risks such as credit risk, counterparty credit risk and market risk.

Note:
(1) CCR - counterparty credit risk

5.2 Main Sources of Differences between Regulatory Exposure Amounts and Carrying amounts in Financial Statements

The following table provides information on the main sources of differences between regulatory exposure amounts and carrying amounts in the financial statements.

	31 Dec 23				
	(a)	(b)	(c)	(d)	(e)
		Items subject to			
In SGD million	**Total**	**Credit risk requirements**	**CCR requirements**	**Securitisation framework**	**Market Risk requirements**
Assets carrying amount under regulatory scope of consolidation	31,846	25,848	5,796	—	—
Liabilities carrying amount under regulatory scope of consolidation	11	—	11	—	—
Total net amount under regulatory scope of consolidation	31,835	25,848	5,785	—	—
Off-balance sheet amounts	7,794	521	—	—	—
Differences due to derivatives and securities financing transaction	—	—	(5,725)	—	—
Differences due to consideration of provision	—	35	—	—	—
Other differences	—	(16)	—	—	—
Exposure amounts considered for regulatory purposes	39,629	26,388	60	—	—

Items subject to market risk requirements have not been included in the above table as these are computed based on notional positions of the relevant underlying instruments.

5.3 Qualitative Disclosure of Differences between Carrying Amounts in Financial Statements and Regulatory Exposure Amounts

The key differences between carrying values in the financial statement and regulatory exposure amounts are as follows:

(i) Off-balance sheet amounts: Off-balance sheet amounts reported in the financial statements are the notional principals while off balance sheet amounts under regulatory exposure after application of credit conversion factors ranging from 0-100%.

(ii) Differences due to derivatives and securities financing transactions: Derivatives and securities financing counterparty exposures are netted with collaterals where an enforceable netting agreement is in place for regulatory exposure purpose. Derivative exposures is calculated based on replacement cost and potential future exposure taking into account the volatility of the net derivative exposure and effect of collaterals.

(iii) Differences due to consideration of provision: The carrying values of assets in the financial statements are net of impairment allowances - general allowances (Expected Credit Loss Stage 1 and 2) and specific allowances (Expected Credit Loss Stage 3). However, regulatory exposures under SA are netted only for Stage 3 allowances.

(iv) Other differences: These are mainly due to eligible financial collaterals received for credit risk mitigation.

5.4 Prudent Valuation Adjustments

The following table provides a breakdown of the elements of prudent valuation adjustment ("PVA"):-

		31 Dec 23							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
In SGD million		**Equity**	**Interest rates**	**FX**	**Credit**	**Commodities**	**Total**	**of which: in the trading book**	**of which: in the banking book**
1	Closeout uncertainty	–	0.1	0.2	–	–	0.3	–	–
2	of which: Midmarket value	–	0.1	0.2	–	–	0.3	–	–
3	of which: Closeout cost	–	–	–	–	–	–	–	–
4	of which: Concentration	–	–	–	–	–	–	–	–
5	Early termination	–	–	–	–	–	–	–	–
6	Model risk	–	–	–	–	–	–	–	–
7	Operational risk	–	–	–	–	–	–	–	–
8	Investing and funding costs	–	–	–	–	–	–	–	–
9	Unearned credit spreads	–	–	–	–	–	–	–	–
10	Future administrative costs	–	–	–	–	–	–	–	–
11	Other	–	–	–	–	–	–	–	–
12	**Total**	**–**	**0.1**	**0.2**	**–**	**–**	**0.3**	**–**	**–**

The Bank has documented policies and maintains systems and controls for the calculation of PVA. Prudent value represents a conservative estimate at a 90% degree of certainty that the price would be received on sale of an asset or paid to settle a liability in orderly transactions occurring between market participants at the balance sheet date. The Bank's PVA is solely related to close out uncertainty in respect of its securities and derivatives portfolio carried at fair values.

6. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		31 Dec 23	30 Sep 23
Exposure Measure of On-Balance Sheet Items			
1	On-balance sheet items (excluding derivative transactions and Securities Financing Transactions ("SFTs"), but including on-balance sheet collateral for derivative transactions or SFTs)	25,883	27,290
2	Asset amounts deducted in determining Tier 1 Capital	(2)	(3)
3	**Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)**	**25,881**	**27,287**
Derivative Exposure Measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	12	25
5	Potential future exposure associated with all derivative transactions	26	23
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with Accounting Standards	—	—
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	—	—
8	CCP leg of trade exposures excluded	—	—
9	Adjusted effective notional amount of written credit derivatives	—	—
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	—	—
11	**Total derivative exposure measures**	**38**	**48**
SFT Exposure Measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	5,788	4,011
13	Eligible netting of cash payables and cash receivables	—	—
14	SFT counterparty exposures	—	—
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	—	—
16	**Total SFT exposure measures**	**5,788**	**4,011**
Exposure Measures of Off-Balance Sheet Items			
17	Off-balance sheet items at notional amount	9,012	8,934
18	Adjustments for calculation of exposure measures of off-balance sheet items	(7,714)	(7,551)
19	**Total exposure measures of off-balance sheet items**	**1,298**	**1,383**
Capital and Total Exposures			
20	**Tier 1 capital**	**1,624**	**1,613**
21	**Total exposures**	**33,005**	**32,729**
Leverage Ratio			
22	**Leverage ratio**	**4.92%**	**4.93%**

The Leverage ratio as at 31 December 2023 remain comparable with prior quarters.

Leverage Ratio Summary Comparison Table

In SGD million		31 Dec 23	30 Sep 23
1	Total consolidated assets as per published financial statements	31,846	31,485
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	—	—
3	Adjustment for fiduciary assets recognized on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure	—	—
4	Adjustment for derivative transactions	26	23
5	Adjustment for SFTs	—	—
6	Adjustment for off-balance sheet items	1,298	1,383
7	Other adjustments	(165)	(162)
8	**Exposure Measure**	**33,005**	**32,729**

7. Overview of Risk Weighted Assets

The table provides an overview of the Bank's RWA as required under MAS Notice 637.

In SGD million		RWA		Minimum Capital Requirement[1]
		31 Dec 23	30 Sep 23	31 Dec 23
1	**Credit Risk (excluding Counterparty Credit Risk)**	**8,731**	**8,831**	**873**
2	of which: Standardised Approach	8,731	8,831	873
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	**Counterparty Credit Risk**	**12**	**16**	**1**
7	of which: SACCR	7	11	1
8	of which: CCR Internal Models Method	—	—	—
9	of which: other CCR	5	5	—
9a	of which: CCP	—	—	—
10	**Credit Valuation Adjustment (CVA)**	**7**	**10**	**1**
11	**Equity exposures under the simple risk weight method**	**—**	**—**	**—**
11a	**Equity exposures under the IMM**	**—**	**—**	**—**
12	Equity investments in funds – Look Through Approach	—	—	—
13	Equity investments in funds – Mandate-Based Approach	—	—	—
14	Equity investments in funds – Fall Back Approach	—	—	—
14a	Equity investments in funds – Partial Use of an Approach	—	—	—
15	**Unsettled Transactions**	**—**	**—**	**—**
16	**Securitisation exposures in the Banking Book**	**—**	**—**	**—**
17	of which: SEC -IRBA	—	—	—
18	of which: SEC-ERBA, including IAA	—	—	—
19	of which: SEC-SA			—
20	**Market Risk**	**10**	**17**	**1**
21	of which: SA(MR)	10	17	1
22	of which: IMA	—	—	—
23	**Operational Risk**	**1,334**	**1,219**	**133**
24	**Amounts below the thresholds for deduction (subject to 250% Risk Weight)**	**—**	**—**	**—**
25	**Floor Adjustment**	**—**	**—**	**—**
26	**Total**	**10,094**	**10,093**	**1,009**

There are no significant movement in RWA as compared to prior quarter.

(1) Minimum capital requirements are calculated at 10% of RWA.

8. Credit Risk

8.1 Overview and Responsibilities

Credit risk is the risk arising from the uncertainty of an obligor's ability to repay its contractual obligations. Credit risk could stem from both on- and off-balance sheet transactions. An institution is exposed to credit risk from diverse financial instruments such as loans and advances, trade finance products and acceptances, securities, derivatives, undrawn commitments and guarantees.

Credit Risk is managed by the Bank through a framework to adequately identify, measure, evaluate, monitor, report and control or mitigate credit risk on a timely basis. The framework is outlined in the form of credit policies, procedures, lending guidelines and credit approval authority delegations. These are consistent with HSBC Group's global guidelines and incorporates country-specific risk environment and portfolio characteristics of the Bank. Credit risk is the largest component of the Bank's RWAs.

Stress Testing

Stress testing is a key risk management tool used to assess a variety of risks to which the Bank is exposed, including liquidity risk, credit risk, market risk and operational risk.

A key objective of stress testing is to estimate the potential losses on the Bank's exposures and impact on the capital adequacy ratios, capital requirements and profit and loss under stressed conditions.

Within HSBC's framework, stress testing is considered as a collective quantitative and qualitative technique used to assess all facets of the risks faced by the HSBC Group and its operations.

Further details on credit risk management can be found in Note 35 of the Bank's Financial Statements.

8.2 Qualitative Disclosures Related to Credit Risk Mitigation

Risk Mitigation

Within the Credit Risk Framework, the mitigation of credit risk is a key aspect of effective risk management. In a diversified financial services organization like HSBC, credit risk mitigation takes many forms. Collateral and guarantees, among other instruments, may be utilized to mitigate credit risks. However, a comprehensive credit assessment of the obligor, which includes obtaining complete obligor information, is still performed notwithstanding any credit risk mitigants obtained by the Bank. The Bank's approach when granting credit facilities is on the basis of capacity to repay rather than placing reliance on the credit risk mitigants.

In general, the Bank's policies promote the utilization of credit risk mitigation whenever possible, justified by commercial prudence and good practices as well as capital efficiency. Policies on credit risk mitigation cover the governance and the acceptability, as well as the structuring and the terms of various types of credit risk mitigation. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Collateral

The most common method of mitigating credit risk is collateral. In financial markets, counterparties' facilities are supported by charges over financial instruments such as cash and debt securities and non-financial instruments such as tangible assets and properties. Within the residential and commercial real estate ("CRE") portfolios of the Bank, a mortgage over the property is usually taken to help secure claims. Financial collateral in the form of cash and marketable securities is exchanged for the Bank's derivatives portfolio and SFTs, such as repos and reverse repos. Netting is used and is a prominent feature of market standard documentation adopted for derivatives.

Policy and Procedures

Policies and procedures are aimed to protect the Bank's credit risk position from the onset of a customer relationship; for instance, in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and obtaining latest valuation reports.

Collateral Valuation

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. Where collateral is subject to high volatility, valuation is frequent and where stable, less frequent. For traded products such as collateralised over-the-counter ("OTC") derivatives and SFTs, the Bank typically carries out daily valuations.

For the residential mortgage and CRE portfolios, collateral values of property are determined through a combination of professional appraisals, house price indices and statistical property analysis. The Bank's policy prescribes revaluation at intervals of up to three years and more frequently if the need arises, for example, where market conditions are subject to significant changes. Valuations are also sought where, for example, material concerns arise in relation to the performance of the collateral or in circumstances where an obligor's credit quality has declined significantly that the obligor may not fully meet its obligation.

8.3 Qualitative Disclosures on the Use of External Credit Ratings Under Standardised Approach (Credit Risk)

The Bank uses external ratings for credit exposures under the Standardised Approach (Credit Risk) ("SA(CR)"), where relevant, and only accepts ratings from Standard & Poor's Rating Services, Moody's Investor Services and Fitch Ratings. The Bank follows the processes prescribed in MAS Notice 637 to map the ratings to the relevant risk weights across the various asset classes under the Standardised Approach.

Where the SA(CR) exposure has an issuer-specific external credit assessment ("ECA"), the Bank uses it for calculating the applicable risk weights. Where the SA(CR) exposure does not have an issuer-specific ECA, a process is in place to check if an external credit rating of comparable assets as prescribed in MAS Notice 637 is available, else the exposure is treated as unrated.

The above approach is used for determination of risk weights for the following asset classes:

- Central Government and Central Banks
- Financial Institutions
- Corporates

8.4 Additional Disclosures Related to the Credit Quality of Assets

The Bank's credit facilities are classified according to the MAS Notice No. 612 "Credit Files, Grading and Provisioning" ("MAS Notice 612").

These guidelines require credit portfolios to be categorised into one of the following five categories, according to the Bank's assessment of a borrower's ability to repay a credit facility from its normal sources of income.

Classification Grade	Description
Performing Assets	
Pass	Indicates that the timely repayment of the outstanding credit facilities is not in doubt.
Special Mention	Indicates that the borrower exhibits potential weakness that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Bank.
Classified or NPA	
Substandard	Indicates that the borrower exhibits definable weakness in its business, cash flow or financial position that may jeopardise repayment on existing terms. These credit facilities may be non-defaulting.
Doubtful	Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
Loss	Indicates that the amount of recovery is assessed to be insignificant.

A default is considered to have occurred on a particular non-retail borrower when either or both of the following events have taken place:

- The obligor is unlikely to repay its credit obligations in full without recourse to action such as realizing security
- The obligor is more than 90 days past due on its credit obligation

For retail exposures, a default on a single credit obligation does not automatically trigger default on all credit obligations held by the obligor unless default is specified at the obligor level.

Forbone exposures are defined as exposures where the bank had made concessions to a debtor that is experiencing or about to experience difficulties in meeting its financial commitment.
Exposures cease to be reported as forborne if they pass three tests:

- The forbone exposure must have been considered to be performing for a 'probation period' of at least two years
- Regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period, and
- No exposure to the debtor is more than 30 days past due during or at the end of the probation period.

8.4.1 Credit Quality of Assets

The table below provides an overview of the credit quality of the on- and off-balance sheet assets of the Bank.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amount of[1]		**Allowances and impairments**	**of which: allowances for standardised approach exposures**		**of which: allowances for IRBA exposure**	**Net values (a+b-c)**
In SGD million		**Defaulted exposures[3]**	**Non-defaulted exposures**		**of which: specific allowances**	**of which: general allowances**		
1	Loans [2]	85	13,745	(51)	(16)	(35)	—	13,779
2	Debt securities	—	3,903	—	—	—	—	3,903
3	Off-balance sheet exposures	—	7,794	—	—	—	—	7,794
4	**Total**	**85**	**25,442**	**(51)**	**(16)**	**(35)**	**—**	**25,476**

Note:
(1) Refers to the accounting value of the assets before any allowances and impairments but after write-offs.
(2) Excludes inter-bank loans
(3) Refers to loans classified as doubtful

8.4.2 Changes in Stock of Defaulted Loans and Debt Securities

In SGD million		(a)
1	**Defaulted loans and debt securities as at 30 Jun 2023**	**87**
2	Loans and debt securities that have defaulted in second half of 2023	26
3	Returned to non-defaulted status	(6)
4	Amounts written-off	(19)
5	Other changes	(3)
6	**Defaulted loans and debt securities as at 31 Dec 2023 (1+2-3-4±5)**	**85**

8.4.3 Additional Quantitative Disclosures related to Credit Quality of Assets

The following tables show the breakdown of credit risk exposures by geographical areas, industry and residual maturity.

Breakdown by Geographical Areas

In SGD million	**31 Dec 23**	**31 Dec 22**
Singapore	21,941	27,899
South East Asia	485	557
Greater China	376	513
Rest of the World	2,725	1,700
Total	**25,527**	**30,669**

Breakdown by Industry

In SGD million	**31 Dec 23**	**31 Dec 22**
Manufacture	746	399
Electricity, gas, steam and air-conditioning supply	262	113
Wholesale and retail trade, repair of motor vehicles and motorcycles	571	728
Transportation and storage	12	296
Publishing, audiovisual and broadcasting	90	90
Professional, scientific and technical activities	12	33
Real Estate	326	962
Non-bank financial institutions	15	—
Financial institutions, investment and holding companies	6,650	11,200
Construction	215	—
Government	3,903	3,619
Housing loans	11,243	10,911
Professional and private individuals	1,482	2,318
Total	**25,527**	**30,669**

Breakdown by Residual Maturity

In SGD million	**31 Dec 23**	**31 Dec 22**
Up to 1 year	12,109	18,024
More than 1 year	13,418	12,645
Total	**25,527**	**30,669**

8.4.3 Additional Quantitative Disclosures Related to Credit Quality of Assets (continued)

The following tables show the breakdown of non-performing (substandard and doubtful) exposures, specific allowances and write-offs (during the year 2023) by geographical areas and industry.

Breakdown by Geographical Areas

In SGD million		31 Dec 23		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2023)
1	Singapore	88	(16)	33
2	South East Asia	1	—	—
3	Greater China	—	—	—
4	Rest of the World	—	—	—
	Total	**89**	**(16)**	**33**

In SGD million		31 Dec 22		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2022)
1	Singapore	99	(17)	25
2	South East Asia	2	—	—
3	Greater China	—	—	—
4	Rest of the World	2	—	—
	Total	**103**	**(17)**	**25**

Breakdown by Industry

In SGD million		31 Dec 23		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2022)
1	Housing	21	—	—
2	Professionals and individuals	68	(16)	33
	Total	**89**	**(16)**	**33**

In SGD million		31 Dec 22		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2021)
1	Housing	26	—	—
2	Professionals and individuals	77	(17)	25
	Total	**103**	**(17)**	**25**

Breakdown of Ageing Analysis of Non-Performing Loans Exposures:

In SGD million	31 Dec 23	31 Dec 22
Less than 30 days	24	58
Within 30 to 89 days	13	12
More than 90 days	52	33
Total	**89**	**103**

8.4.4 Disclosure on Forborne Exposures

Forborne loans are classified as credit impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one year period, and there are no other indicators of impairment. Any forborne loans not considered credit impaired will remain forborne for a minimum of two years from the date that credit impairment no longer applies.

The Bank's forborne loan and advances to customers as at 31 December 2023 is S$37 million.

8.5 Overview of Credit Risk Mitigation Techniques

The effects of credit risk mitigation ("CRM") techniques are presented in accordance with the requirements of MAS Notice 637 on collateral eligibility and prescribed haircuts. As such, the reported collateral value is a subset of the total collateral value and would have excluded ineligible collateral types such as residential and commercial properties on mortgages, industrial properties located outside of Singapore, plant and machinery and underlying assets financed through specialised lending.

		31 Dec 23				
		(a)	(b)	(c)	(d)	(e)
In SGD million		**Exposures unsecured**	**Exposures secured**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
1	Loans	13,763	16	16	—	—
2	Debt Securities	3,903	—	—	—	—
3	**Total**	**17,666**	**16**	**16**	**—**	**—**
4	Of which: defaulted	85	—	—	—	—

		30 Jun 23				
		(a)	(b)	(c)	(d)	(e)
In SGD million		**Exposures unsecured**	**Exposures secured**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
1	Loans	13,909	16	16	—	—
2	Debt Securities	5,479	—	—	—	—
3	**Total**	**19,388**	**16**	**16**	**—**	**—**
4	Of which: defaulted	87	—	—	—	—

The decrease in unsecured exposures in the second half of 2023 is attributed to lower holdings in debt securities.

8.6 SA(CR) and SA(EQ) – Credit Risk Exposure and CRM Effects

In SGD million		31 Dec 23					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM		Exposure post-CCF and post-CRM		RWA and RWA density	
	Asset classes and others	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density [(1)]
1	Cash items	31	—	31	—	—	0%
2	Central government and central bank	4,505	—	4,505	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	13,087	2,313	7,322	37	1,508	20%
6	Corporate	1,768	586	1,768	354	2,118	100%
7	Regulatory retail	1,420	7,752	1,410	—	1,056	75%
8	Residential Mortgage	10,598	667	10,592	167	3,783	35%
9	CRE	6	—	6	—	6	100%
10	Equity – SA(EQ)	6	—	6	—	6	100%
11	Past due exposures	71	—	71	—	87	123%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	179	6	179	—	179	100%
14	**Total**	**31,671**	**11,324**	**25,890**	**558**	**8,743**	**33%**

In SGD million		30 Jun 23					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM		Exposure post-CCF and post-CRM		RWA and RWA density	
	Asset classes and others	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density [(1)]
1	Cash items	35	—	35	—	—	0%
2	Central government and central bank	6,099	—	6,099	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	12,920	3,783	7,585	43	1,563	20%
6	Corporate	1,774	640	1,774	435	2,116	96%
7	Regulatory retail	1,388	7,041	1,378	1	1,034	75%
8	Residential Mortgage	10,751	811	10,746	204	3,849	35%
9	CRE	7	—	7	—	7	100%
10	Equity – SA(EQ)	6	—	6	—	6	100%
11	Past due exposures	72	—	72	—	90	125%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	391	—	391	—	391	100%
14	**Total**	**33,443**	**12,275**	**28,093**	**683**	**9,056**	**32%**

There are no significant movement in credit exposure in the second half of 2023.

Note (1) Total RWA divided by the exposures post-CCF and post-CRM

8.7 SA(CR) and SA(EQ) – Exposure by Asset Class and Risk Weights

The following table provides the breakdown of the Bank's credit risk exposures under the SA(CR) and SA(EQ) by asset class and risk weight.

		31 Dec 23									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	In SGD million	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post-CCF and post CRM)[(1)]
	Asset classes										
1	Cash items	31	–	–	–	–	–	–	–	–	31
2	Central government and central bank	4,505	–	–	–	–	–	–	–	–	4,505
3	PSE	–	–	–	–	–	–	–	–	–	–
4	MDB	–	–	–	–	–	–	–	–	–	–
5	Bank	–	–	7,359	–	–	–	–	–	–	7,359
6	Corporate	–	–	–	–	9	–	2,113	–	–	2,122
7	Regulatory retail	–	–	–	–	–	1,410	–	–	–	1,410
8	Residential Mortgage	–	–	–	10,725	–	21	13	–	–	10,759
9	CRE	–	–	–	–	–	–	6	–	–	6
10	Equity – SA(EQ)	–	–	–	–	–	–	6	–	–	6
11	Past due exposures	–	–	–	–	–	–	38	33	–	71
12	Higher-risk categories	–	–	–	–	–	–	–	–	–	–
13	Other exposures	–	–	–	–	–	–	179	–	–	179
14	**Total**	**4,536**	**–**	**7,359**	**10,725**	**9**	**1,431**	**2,355**	**33**	**–**	**26,448**

		30 Jun 23									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
In SGD million		**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure amount (post-CCF and post CRM) (1)**
	Asset classes										
1	Cash items	33	–	2	–	–	–	–	–	–	35
2	Central government and central bank	6,099	–	–	–	–	–	–	–	–	6,099
3	PSE	–	–	–	–	–	–	–	–	–	–
4	MDB	–	–	–	–	–	–	–	–	–	–
5	Bank	–	–	7,504	–	124	–	–	–	–	7,628
6	Corporate	–	–	103	–	22	–	2,084	–	–	2,209
7	Regulatory retail	–	–	–	–	–	1,379	–	–	–	1,379
8	Residential Mortgage	–	–	–	10,919	–	16	15	–	–	10,950
9	CRE	–	–	–	–	–	–	7	–	–	7
10	Equity – SA(EQ)	–	–	–	–	–	–	6	–	–	6
11	Past due exposures	–	–	–	–	–	–	36	36	–	72
12	Higher-risk categories	–	–	–	–	–	–	–	–	–	–
13	Other exposures	–	–	–	–	–	–	391	–	–	391
14	**Total**	**6,132**	**–**	**7,609**	**10,919**	**146**	**1,395**	**2,539**	**36**	**–**	**28,776**

Note

(1) Total credit exposure amount refers to both on and off-balance sheet amounts that are used for computing capital requirements, net of impairment allowances and write-offs and application of CRM and CCF.

9. Counterparty Credit Risk

9.1 Overview

Counterparty Credit Risk ("CCR") arises on derivatives and SFT transactions. CCR is calculated for both trading and non-trading portfolios, and represents the risk that a counterparty may default before settlement of the transaction.

The gross credit exposure for Over the Counter ("OTC") derivative transactions is calculated by multiplying the summation of replacement cost and potential future exposure with an 'alpha' factor (1.4).

9.2 Analysis of Counterparty Credit Risk Exposure by Approach

		31 Dec 23						
		(a)	(b)	(c)	(d)	(d.1)	(e)	(f)
In SGD million		Replacement Cost	Potential Future Exposure	Effective EPE	Fixed beta factor, β used for computing regulatory EAD	α Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	SA-CCR (for Derivatives)	1	25		1.4		37	7
2	CCR internal models method (for derivatives and SFTs)							
3	FC(SA) (for SFTs)							
4	FC(CA) (for SFTs)						23	5
5	VaR for SFTs						—	—
6	**Total**							12

In SGD million		30 Jun 23						
		(a)	(b)	(c)	(d)	(d.1)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE	Fixed beta factor, β used for computing regulatory EAD	α Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	SA-CCR (for Derivatives)	—	31		1.4		43	9
2	CCR internal models method (for derivatives and SFTs)							
3	FC(SA) (for SFTs)							
4	FC(CA) (for SFTs)						48	10
5	VaR for SFTs						—	—
6	**Total**							19

CCR exposures decreased in 31 December 23 due to the decrease in reverse repo transactions.

9.3 Standardised Approach – Counterparty Credit Risk Exposures by Portfolio and Risk Weights

	31 Dec 23								
In SGD million	(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Asset Classes and Others	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposure**
Central government and central bank	—	—	—	—	—	—	—	—	—
PSE	—	—	—	—	—	—	—	—	—
MDB	—	—	—	—	—	—	—	—	—
Bank	—	—	60	—	—	—	—	—	60
Corporate	—	—	—	—	—	—	—	—	—
Regulatory retail	—	—	—	—	—	—	—	—	—
Other exposures	—	—	—	—	—	—	—	—	—
Total	**—**	**—**	**60**	**—**	**—**	**—**	**—**	**—**	**60**

	30 Jun 23								
In SGD million	(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Asset Classes and Others	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposure**
Central government and central bank	—	—	—	—	—	—	—	—	—
PSE	—	—	—	—	—	—	—	—	—
MDB	—	—	—	—	—	—	—	—	—
Bank	—	—	91	—	—	—	—	—	91
Corporate	—	—	—	—	—	—	—	—	—
Regulatory retail	—	—	—	—	—	—	—	—	—
Other exposures	—	—	—	—	—	—	—	—	—
Total	**—**	**—**	**91**	**—**	**—**	**—**	**—**	**—**	**91**

CCR exposures decreased in 31 December 23 mainly due to the decrease in reverse repo transactions.

9.4 Composition of Collateral for CCR Exposure

		31 Dec 2023					
		(a)	(b)	(c)	(d)	(e)	(f)
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
In SGD million		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - domestic currency	—	—	—	—	—	—
2	Cash - other currencies	—	12	—	—	—	—
3	Domestic sovereign debt	—	—	—	—	4,967	—
4	Other sovereign debt	—	—	—	—	806	—
5	Government agency debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
9	**Total**	**—**	**12**	**—**	**—**	**5,773**	**—**

		30 Jun 2023					
		(a)	(b)	(c)	(d)	(e)	(f)
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
In SGD million		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - domestic currency	—	—	—	—	—	—
2	Cash - other currencies	—	—	—	2	—	—
3	Domestic sovereign debt	—	—	—	—	4,588	—
4	Other sovereign debt	—	—	—	—	796	—
5	Government agency debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
9	**Total**	**—**	**—**	**—**	**2**	**5,384**	**—**

9.5 Credit Valuation Adjustment Risk Capital Requirements

The Bank adopts the standardized method to compute CVA risk capital requirements. The table below provides the exposure amount and RWA.

		31 Dec 23	
		(a)	(a)
In SGD million		**EAD (post-CRM)**	**RWA**
	Total portfolios subject to the Advanced CVA capital requirement	—	—
1	(i) VaR component (including the three-times multiplier)		—
2	(ii) Stressed VaR component (including the three-times multiplier)		—
3	All portfolios subject to the Standardised CVA capital requirement	37	7
4	**Total portfolios subject to the CVA risk capital requirement**	**37**	**7**

		30 Jun 23	
		(a)	(a)
In SGD million		**EAD (post-CRM)**	**RWA**
	Total portfolios subject to the Advanced CVA capital requirement	—	—
1	(i) VaR component (including the three-times multiplier)		—
2	(ii) Stressed VaR component (including the three-times multiplier)		—
3	All portfolios subject to the Standardised CVA capital requirement	42	8
4	**Total portfolios subject to the CVA risk capital requirement**	**42**	**8**

9.6 Exposures to Central Clearing Counterparties

The Bank does not have exposures to central clearing counterparties as at 31 December 2023.

9.7 Credit Derivative Exposures

The Bank does not have any credit derivatives exposures as at 31 December 2023.

9.8 Securitisation Exposures

The Bank does not have any securitisation exposures as at 31 December 2023.

10. Market Risk

10.1 Overview

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

Exposures to market risk is separated into two portfolio types:
- Trading portfolios: these 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: these comprise positions that primarily arise from the interest rate risk management of our retail and commercial banking assets and liabilities, financial investments measured at fair value through other comprehensive income, debt instruments measured at amortised cost. These portfolios also include non-trading book foreign exchange ('NTBFX') exposures, where risk may arise from the FX revaluation of assets and liabilities, held outside of the trading book.

Where appropriate, 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 optimise return on risk while maintaining a market risk profile consistent with our established risk appetite.

The Bank employs a range of tools to monitor and limit market risk exposures including sensitivity analysis, value at risk ("VaR") and stress testing.

The Bank manages market risk through risk limits approved by its Board of Directors. The Bank has adopted HSBC Group's market risk management framework and policies. HSBC's Group Risk function develops the market risk management policies and measurement techniques. An independent market risk management and control function, which is responsible for measuring market risk exposures in accordance with the policies defined by HSBC Group Risk, monitors and reports these exposures against the prescribed limits on a daily basis.

Risk limits are determined for each HSBC location and within location, for each portfolio. Limits are set for portfolios, products and risks types. Market liquidity, risk appetite and business needs are the primary factors in determining the level of limits set. HSBC Group's control of market risk in the trading and non-trading portfolios is based on a policy of restricting individual locations to trading within a list of permissible instruments authorised for each location by Group Risk, of enforcing new product approval procedures, and of restricting trading in the more complex derivative products only to locations with appropriate levels of product expertise and robust control systems.

The Bank uses the Standardised Approach to calculate its Market Risk RWA.

Further details on Market Risk management can be found in Note 35 of the Bank's Financial Statements.

The Bank's market risk RWA is summarized below:

10.2 Market Risk RWA under Standardised Approach

In SGD million		**31 Dec 23**	**30 Jun 23**
	Products Excluding Options		
1	Interest rate risk (general and specific)	—	26
2	Equity risk (general and specific)	—	—
3	Foreign exchange risk	10	17
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus method	—	—
7	Scenario approach	—	—
8	Securitisation	—	—
9	Total	10	43

11. Operational Risk

Operational risk is defined as: "The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk."

The Bank uses the Standardised Approach in determining its operational risk capital requirements.

Further details on the Bank's operational risk management framework can be found in Note 35 of the Bank's Financial Statements.

12. Other Risks

12.1 Interest Rate Risk in the Banking Book

Interest rate risk in the banking book ("IRRBB") refers to the current or prospective risk of an adverse impact to the Bank's earnings and/or capital due to changes in market interest rates. It is generated by our non-traded assets and liabilities, specifically loans, deposits and financial instruments that are not held for trading intent.

Risk management and governance

The Asset, Liability and Capital Management ('ALCM') function measures, monitors and manages interest rate risk in the banking book. This includes reviewing and challenging the interest rate management impacts of new products and the proposed behavioural assumptions used for hedging activities. ALCM is also responsible for maintaining and updating the transfer pricing framework, informing the Bank's Asset and Liability Committee ('ALCO') of the Bank's overall banking book interest rate risk exposure.

All material interest rate risk must be identified, measured, monitored, managed and controlled by metrics within limits for each local entity. Key metrics used to monitor IRRBB include: projected net interest income ('NII') and economic value of equity ('EVE') sensitivities under varying interest rate scenarios as prescribed by the regulators and internally calibrated scenarios and shocks. A stressed VaR is used for the portfolio of liquid securities held by Markets Treasury that are accounted for at fair value through other comprehensive income.

EVE and NII sensitivities are monitored against thresholds at the Bank level. ALCM is subject to an independent oversight and challenge from Treasury Risk, Internal Audit and model governance.

Stress testing is used to assess how the Bank copes with severe economic scenarios, in particular looking at the Bank's resilience to make sure there is enough capital to withstand extreme shocks.

Stress testing also forms a key part of the Bank's risk management framework. The Bank runs various internal and regulatory stress tests during the year which helps the Bank to identify key economic risks the Bank is exposed to and how they impact on the Bank's financial and capital position in a severe economic shock. Identifying these risks allow the Bank to actively assess and put in place effective risk management strategies to help mitigate before those risks occur. The results of the various stress tests also help to ensure that the Bank has adequate capital and liquidity to withstand extreme hypothetical economic shocks as defined in the stress scenarios and thus to help determine our capital requirements under ICAAP.

Economic value of equity and net interest income sensitivity

EVE sensitivities represent the expected movement in EVE due to pre-specified interest rate shocks, where all other economic variables are held constant representing the present value of the future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This can be used to assess the economic capital required to support interest rate risk in the banking book and provides a comprehensive view of the potential long term effects of the changes in interest rates. The Bank monitors EVE sensitivities as a percentage of capital resources and this is currently calculated on a quarterly basis.

NII sensitivities apply various interest rate scenarios (i.e. simulation modelling) under a static balance sheet whilst all other economic variables are held constant. Sensitivity of net interest income reflects the Bank's sensitivity of earnings due to changes in market interest rates, and is assessed over 1 year horizon. This is currently calculated on a quarterly basis.

Active management of IRRBB

Interest rate risk that can be economically hedged is transferred to the Markets Treasury business. Hedging is generally executed through interest rate derivatives or fixed-rate government bonds. Any interest rate risk that Markets Treasury cannot economically hedge is not transferred and will remain within the global business where the risks originate.

Markets Treasury safeguards the Bank by ensuring risk remains within appetite and seeks to generate sustainable returns through management of those risks within the market risk limits approved by the Risk

Management Meeting ('RMM'). Markets Treasury manages a variety of risks including duration, spread, cross currency basis and convexity utilising products including liquid fixed income securities, interest rate swaps, cross currency swaps and money markets loans and deposits. Treasury Risk measures and monitors (against limits) the Markets Treasury activities using metrics including present value of one basis point, credit spread of one basis point and VaR on a daily basis.

The large majority of Markets Treasury activity is on a banking book basis. The only Markets Treasury activity treated as trading is the use of FX swaps to manage cash. All returns generated by Markets Treasury are transferred into global businesses.

Interest rate shock and stress scenarios applied

The NII sensitivities are indicative and based on scenarios and shocks prescribed by the Monetary Authority of Singapore ('MAS') instructions (Annex 10C of MAS Notice 637).
Calculations are done under the following scenarios:

- Parallel up;
- Parallel down;

The EVE sensitivities are based on six Basel Standard Outlier shocks:

- Parallel up;
- Parallel down;
- Steepener;
- Flattener;
- Short rates shock up; and
- Short rates shock down.

Key modelling assumptions

For EVE sensitivities, commercial margins and other spread components have been excluded from the interest cash flows calculation and all balance sheet items are discounted at the risk free rate. All equity instruments that have no coupon or call dates are excluded.

For NII sensitivities we assume constant balance sheet, and we include commercial margin. All forecasted market rates are based on implied forward rates from the reporting date. Interest rate floors at -100bps on the post-shock interest rates under the standardised interest rate shock scenarios set out in Annex 10C of MAS Notice 637. We apply pass on assumptions to managed rate products. Customer pricing includes flooring where there is contractual obligations and customer optionality including prepayment and early redemption risk is included where present.

Non-maturing deposits ('NMD') are deposits that have no explicit maturity and no explicit repricing dates thus behaviouralisation assumptions are applied.

The average repricing maturity for NMD in the fourth quarter of 2023 was 6.74 months. The longest repricing maturity for NMD in the fourth quarter of 2023 was 60 months or 5 years. As of 31 December 2023, the maximum decline in EVE is the parallel shock down which would lead to a 1.18% maximum EVE compared with tier 1 capital ratio.

The most adverse NII scenario over the next 12 months was the parallel shock down, resulting in a decreased projected NII of $152m.

Changes in EVE and NII under standardised interest rate shock scenarios				
	ΔEVE		**ΔNII**	
In SGD million	**31 Dec 2023**		**31 Dec 2023**	
Parallel up	(23)		(148)	
Parallel down	19		152	
Steepener	1			
Flattener	(7)			
Short rate up	(15)			
Short rate down	13			
Maximum	19			
Tier 1 capital				
In SGD million	**31 Dec 2023**			
Tier 1 Capital	1,624.00			

12.2 Liquidity Coverage Ratio ("LCR") Disclosure for the Quarter ended 31 Dec 2023

The objective of LCR is to promote short-term resilience of the liquidity risk profile of banks by ensuring that banks have an adequate stock of unencumbered High Quality Liquid Assets ("HQLA") to meet their 30 calendar day liquidity stress scenario. The Bank and the Singapore Branch of The Hongkong and Shanghai Banking Corporation Limited ("Branch") have obtained the approval of MAS to comply with requirements set out in MAS Notice 649 "Minimum Liquid Assets and Liquidity Coverage Ratio" at HSBC Singapore Country-level Group basis ("Country-level Group").

The following disclosures as per MAS Notice 651 "Liquidity Coverage Ratio Disclosure" are consistent with compliance to MAS Notice 649, which is at Country-level Group basis. The Country-level Group is required to maintain daily All-Currency LCR of 50% and Singapore dollar ("SGD") LCR of 100%.

12.2.1 Average Country-level Group All-Currency LCR for the Quarter ended 31 Dec 2023
(Number of data points: 92)

		31 Dec 2023	
In SGD million		**Average Unweighted Value**	**Average Weighted Value**
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		37,622
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	39,248	3,760
3	Stable deposits	3,289	164
4	Less stable deposits	35,959	3,596
5	Unsecured wholesale funding, of which:	48,318	23,783
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,923	2,684
7	Non-operational deposits (all counterparties)	37,395	21,099
8	Unsecured debt	—	—
9	Secured wholesale funding		611
10	Additional requirements, of which:	11,678	6,029
11	Outflows related to derivative exposures and other collateral requirements	4,428	4,282
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	7,250	1,747
14	Other contractual funding obligations	1,392	1,392
15	Other contingent funding obligations	7,079	1,085
16	Total Cash Outflows		36,660
Cash Inflows			
17	Secured lending (e.g. reverse repos)	10,978	918
18	Inflows from fully performing exposures	22,723	19,302
19	Other cash inflows	4,935	4,622
20	Total Cash Inflows	38,636	24,842
			Total Adjusted Value
21	**Total HQLA**		**37,622**
22	**Total Net Cash Outflows**		**11,928**
23	**Liquidity Coverage Ratio (%)**		**331%**

12.2.2 Average Country-level Group SGD LCR for the Quarter ended 31 Dec 2023

(Number of data points: 92)

In SGD million		31 Dec 2023 Average Unweighted Value	31 Dec 2023 Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		22,079
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	16,210	1,456
3	Stable deposits	3,289	164
4	Less stable deposits	12,921	1,292
5	Unsecured wholesale funding, of which:	15,541	7,464
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,039	962
7	Non-operational deposits (all counterparties)	11,502	6,502
8	Unsecured debt	—	—
9	Secured wholesale funding		—
10	Additional requirements, of which:	18,716	16,037
11	Outflows related to derivative exposures and other collateral requirements	15,525	15,519
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	3,191	518
14	Other contractual funding obligations	690	690
15	Other contingent funding obligations	654	230
16	Total Cash Outflows		25,877
Cash Inflows			
17	Secured lending (e.g. reverse repos)	2,914	—
18	Inflows from fully performing exposures	9,277	8,940
19	Other cash inflows	10,944	10,760
20	Total Cash Inflows	23,135	19,700
			Total Adjusted Value
21	**Total HQLA**		**22,079**
22	**Total Net Cash Outflows**		**7,372**
23	**Liquidity Coverage Ratio (%)**		**312%**

12.2.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the average All-Currency LCR and SGD LCR at 331% and 312% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 31 Dec 2023. The main drivers of the LCR are 1) movements in customer loans/deposits; 2) wholesale interbank lending/borrowing; 3) movements due to positions falling into or out of the LCR 30-day tenor and 4) derivative cashflows (for SGD LCR).

i. Composition of HQLA

The Country-level Group's pool of HQLA consists mainly of Level 1 HQLA (highly rated unencumbered government and central bank securities). These securities can be readily liquidated through sale or repurchase ("Repo") transactions into cash to meet cash flow obligations under liquidity stress scenarios.

ii. Currency Mismatch in the LCR

The Country-level Group can, if required, access the FX swap markets to manage any currency mismatch. This forms part of the Business-As-Usual activities undertaken by Markets Treasury ("MKTY") for surplus deployment and managing liquidity risks (i.e. swap foreign currency surplus funds into SGD HQLA).

12.2.4 Liquidity and Funding Risk Management

HSBC has comprehensive policies, metrics and controls, which aims to allow it to withstand severe but plausible liquidity stresses. The Country-level Group is required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through the Internal Liquidity Adequacy Assessment Process ("ILAAP"), which ensures that operating entities have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively in each major entity. Liquidity and funding risk metrics are set and managed locally but are subject to robust global review and challenge to ensure consistency of approach and application of the HBSC Group's policies and controls.

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

- Asset and Liability Management Committee ("ALCO"); and
- annual ILAAP used to validate risk tolerance and set risk appetite.

An appropriate funding and liquidity profile is maintained by the Country-level Group through a wider set of measures:

- a minimum LCR requirement;
- a minimum Net Stable Funding Ratio ("NSFR") requirement or other appropriate metric;
- an internal liquidity metric ("ILM") requirement;
- a legal entity depositor concentration limit;
- cumulative term funding maturity concentrations limit;
- liquidity metrics to monitor minimum requirement by currency;
- intra-day liquidity;
- the application of liquidity funds transfer pricing;
- forward-looking funding assessments; and
- maintaining a Liquidity Contingency Plan ("LCP").

i. Risk Management Teams

Whilst overall liquidity and funding management is an ALCO responsibility, the day-to-day management and monitoring rests with MKTY and Asset, Liability and Capital Management ("ALCM") respectively. ALCM manages the balance sheet with a view to achieve efficient allocation and utilization of all resources. It assists senior management to review liquidity and funding risks to ensure their prudent management. Liquidity and funding risks are monitored daily and reported to ALCO regularly.

MKTY, within Global Markets, is responsible for managing cash, short-term liquidity and funding for the Country-level Group. This includes deployment of commercial surplus as well as accessing wholesale senior funding markets if needed.

Treasury Risk Management function ("TRM"), a dedicated second line of defense, provides independent oversight of Treasury risk for the Country-level Group including liquidity and funding risk. TRM is responsible for review and challenge of first line activities, and is responsible for policy and risk appetite/ limit setting. In summary, the high-level responsibilities of the second line are as follows:

- Monitor compliance of first line (i.e. ALCM and MKTY) within the internal/regulatory requirements;
- Provide review and challenge to the first line on ALCO limit requests; and
- Monitor of ALCO risks against approved risk appetite measures.

ii. Concentration of Sources of funding

The Country-level Group maintains a diversified funding base across retail and wholesale depositors. Balance Sheet and NSFR projections are regularly discussed in monthly ALCO meetings to ensure that the Country-level Group remains well-funded to support the business strategy. Internal metrics on concentration of funding are also embedded in ALCO limits to monitor funding risks.

iii. Stress Testing

The Country-level Group conducts various regulatory and internal liquidity stress testing exercises (with different severity/scenarios that include longer time horizons beyond the 30-day LCR period) to strengthen the overall liquidity risk management. The stress tests results validate that the Country-level Group continues to hold sufficient HQLA to withstand a range of liquidity stress scenarios.

iv. Country-level Liquidity Contingency Plan

The LCP ensures that the Country-level Group has an actionable plan in place to cope with a liquidity crisis. It establishes a collection of 1) warning indicators with predetermined triggers to detect any early signs of liquidity stress; and 2) specific mitigating actions that can be applied to address the stress scenario. The Country-level Group LCP is reviewed and approved by ALCO annually.

12.3 Net Stable Funding Ratio ("NSFR") Disclosure for 31 Dec 2023

The objective of NSFR is to ensure that banks maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. It is defined as the amount of Available Stable Funding ("ASF") relative to the amount of Required Stable Funding ("RSF").

In line with the approval by the MAS to comply with MAS Notice 649 "Minimum Liquid Assets and Liquidity Coverage Ratio" requirements at the Country-level Group basis, the Bank and the Branch also comply with MAS Notice 652 "Net Stable Funding Ratio" requirements at the Country-level Group basis.

The following disclosures as per MAS Notice 653 "Net Stable Funding Ratio Disclosure" are consistent with compliance to MAS Notice 652, which is at the Country-level Group basis. The Country-level Group is required to maintain All-Currency NSFR of 50% at all times.

12.3.1 Country-level Group All-Currency NSFR for 31 Dec 2023

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	**< 6 months**	**6 months to < 1 yr**	**≥ 1 yr**	
ASF Item						
1	Capital:	1,730	—	—	—	1,730
2	*Regulatory capital*	*1,730*	—	—	—	*1,730*
3	*Other capital instruments*	—	—	—	—	—
4	Retail deposits and deposits from small business customers:	18,086	22,421	—	—	36,623
5	*Stable deposits*	*2,328*	*1,009*	—	—	*3,170*
6	*Less stable deposits*	*15,758*	*21,412*	—	—	*33,453*
7	Wholesale funding:	28,889	42,877	2,001	1,943	27,437
8	*Operational deposits*	*12,029*	—	—	—	*6,014*
9	*Other wholesale funding*	*16,860*	*42,877*	*2,001*	*1,943*	*21,422*
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	166	15,006			476
12	*NSFR derivative liabilities*		*10,263*			
13	*All other liabilities and equity not included in the above categories*	*166*	*4,261*	*12*	*470*	*476*
14	**Total ASF**					**66,267**
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					1,828
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	59,192	5,103	24,165	31,807
18	*Performing loans to financial institutions secured by Level 1 HQLA*	—	*6,780*	—	—	*678*
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	—	*16,651*	*1,133*	*789*	*3,853*

In SGD million		Unweighted value by residual maturity: No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	Weighted Value
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:*	*—*	*35,162*	*3,722*	*11,887*	*19,080*
21	*With a risk weight of less than or equal to 35% under paragraphs 7.3.13 to 7.3.20 and 7.3.24 to 7.3.26 of MAS Notice 637*	*—*	*—*	*—*	*—*	*—*
22	*Performing residential mortgages, of which:*	*—*	*377*	*204*	*10,102*	*6,884*
23	*With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637*	*—*	*261*	*201*	*9,966*	*6,709*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	*—*	*222*	*43*	*1,388*	*1,312*
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	308	23,454			2,977
27	*Physical trade commodities, including gold*	*308*				*262*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*—*			*—*
29	*NSFR derivative assets*		*10,313*			*51*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*10,356*			*518*
31	*All other assets not included in the above categories*	*—*	*2,218*	*11*	*555*	*2,147*
32	Off-balance sheet items		77,058			314
33	**Total RSF**					**36,925**
34	**Net Stable Funding Ratio (%)**					**179%**

12.3.2 Country-level Group All-Currency NSFR for 30 Sep 2023

In SGD million		Unweighted value by residual maturity: No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	Weighted Value
ASF Item						
1	Capital:	1,730	—	—	—	1,730
2	*Regulatory capital*	*1,730*	*—*	*—*	*—*	*1,730*
3	*Other capital instruments*	*—*	*—*	*—*	*—*	*—*
4	Retail deposits and deposits from small business customers:	18,334	20,315	—	—	34,951
5	*Stable deposits*	*2,396*	*926*	*—*	*—*	*3,156*
6	*Less stable deposits*	*15,938*	*19,389*	*—*	*—*	*31,795*
7	Wholesale funding:	26,609	31,916	1,321	1,934	24,811
8	*Operational deposits*	*10,966*	*—*	*—*	*—*	*5,483*

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
9	*Other wholesale funding*	*15,643*	*31,916*	*1,321*	*1,934*	*19,328*
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	439	18,609			536
12	*NSFR derivative liabilities*		*12,501*			
13	*All other liabilities and equity not included in the above categories*	*439*	*5,429*	*287*	*392*	*536*
14	**Total ASF**					**62,027**
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					2,063
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	38,657	5,607	24,115	30,600
18	*Performing loans to financial institutions secured by Level 1 HQLA*	—	*5,787*	—	—	*579*
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	—	*8,251*	*1,164*	*1,011*	*2,830*
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs), of which:*	—	*24,201*	*4,164*	*11,883*	*19,318*
21	*With a risk weight of less than or equal to 35% under paragraphs 7.3.13 to 7.3.20 and 7.3.24 to 7.3.26 of MAS Notice 637*	—	—	—	—	—
22	*Performing residential mortgages, of which:*	—	*361*	*225*	*10,207*	*6,955*
23	*With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637*	—	*266*	*206*	*10,071*	*6,782*
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	—	*56*	*54*	*1,014*	*917*
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	273	29,202			2,902
27	*Physical trade commodities, including gold*	*273*				*232*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		—			—
29	*NSFR derivative assets*		*13,232*			*731*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*12,675*			*634*

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
31	*All other assets not included in the above categories*	*—*	*2,707*	*17*	*571*	*1,305*
32	Off-balance sheet items		76,382			381
33	**Total RSF**					**35,946**
34	**Net Stable Funding Ratio (%)**					**173%**

12.3.3 Net Stable Funding Ratio

The Country-level Group maintains a healthy funding profile with the 31 Dec 2023 and 30 Sep 2023 All-Currency NSFR at 179% and 173% respectively (above regulatory requirements of 50%). The Country-level Group has a diversified funding base across retail and wholesale depositors and the funding structure remains stable.

NSFR ratio has increased quarter-on-quarter mainly due to increase in commercial surplus arising from higher customer deposits.

13. Remuneration

13.1 Governance Framework and Oversight of Remuneration Practices

The Group Remuneration Committee is responsible for setting the principles, parameters and governance framework for the Group's remuneration strategy applicable to all Group employees, which is adopted by the Bank. With effect from 1 January 2018, a regional Remuneration Committee (HBAP RemCo) was established in line with revisions to Hong Kong Monetary Authority's Supervisory Policy Manual CG-1. The effectiveness and compliance of the Group's reward strategy as adopted is reviewed annually by the HBAP RemCo. The members of the Remuneration Committee are independent non-executive Directors of the Bank Board.

The Bank as an authorised institution under the Banking Ordinance is required by HKMA Supervisory Policy Manual CG-5"Guideline on a Sound Remuneration System" (the Guideline) to assess whether their existing remuneration systems and policy are in line with the principles in the Guideline, independently of management. This review is undertaken annually. For the review completed in April 2023, Deloitte LLP confirmed that the Bank's remuneration strategy as adopted from the Group is consistent with the principles set out in the Guideline. Deloitte has been commissioned to undertake the review for 2023/2024.

The Bank is not required to set up a subsidiary remuneration committee, on the basis that the employees of the Bank, including the Bank's directors and executive officers, are subject to the remuneration framework and processes of the HSBC Group. In addition, the Bank annually reviews the remuneration framework to ensure that it aligns with the Corporate Governance regulation and guidance issued by the MAS.

13.2 Remuneration Strategy

Our performance and pay framework is underpinned by our Group's Remuneration Strategy and principles. Group refreshed the reward strategy and wider employee proposition centered centeredon our purpose and values. The refreshed principles and supporting commitments articulate the experience for employees and provide a clear framework to create a dynamic culture where the best talent is motivated to deliver high performance. These principles are:

- **We will reward you responsibly** through fixed pay security and protection through core benefits, a competitive total compensation opportunity, and pay equity with a more inclusive and sustainable benefits proposition over time.
- **We will recognise your success** through our performance culture and routines, including feedback and recognition, pay for performance, and all employee share ownership opportunities.
- **We will support you to grow** through our proposition beyond pay, with a focus on future skills and development, your mental, physical, social and financial well-being, and flexibility in working practices.

Our aim is to use the framework to deliver an exceptional colleague experience - strengthening our ability to attract, retain and motivate the people we need in competitive labour markets, in the context of evolving employee expectations.

During 2023 we have undertaken significant design work to review our performance approach and pay structures to simplify, improve transparency, and foster an environment focused on growth, learning and motivating colleagues to perform at their best. This will be implemented from 2024.

In addition to performance and pay, work is underway to drive improvements to our proposition beyond pay, aligned to the principles of our reward strategy, building on our strong benefits and well-being programme, including flexible working, and more inclusive and sustainable benefits.

More details of the Bank's remuneration strategy are contained within the Annual Report and Accounts 2023 of HSBC Holdings plc.

13.3 Performance and Risk Management on Remuneration Structure

Please refer to the HSBC remuneration practices and governance at http://www.hsbc.com/who-we-are/leadership-and-governance/remuneration and the Pillar 3 Remuneration Disclosures in the Director's Remuneration Report section of the Annual Report and Accounts of HSBC Holdings plc for details of the major design characteristics of the remuneration strategy including alignment between risk and reward and any potential updates on the reward strategy and principles in 2024.

13.4 Remuneration Disclosures

The following tables show the remuneration awards made by the Bank to its Identified Staff and Material Risk Takers ('MRTs') for 2023. Individuals have been identified as MRTs based on the qualitative and quantitative criteria set out in the Regulatory Technical Standard EU 604/2014 and additional criteria determined by the Committee.

Table 1: Guaranteed Bonuses, Sign-on Awards and Severance Payments

Category	Senior Management (Executive Board of the Bank) (Exclude MRT)		Material Risk Takers	
	Number	In SGD '000s	Number	In SGD '000s
MRTs	—	—	16*	—
Guaranteed bonus awards	—	—	—	—
Sign-on awards	—	—	—	—
Severance payments	3	1,284	—	—

4 Group MRTs are part of Senior Management but their remuneration are not included under Senior Management
** The MRTs include both 5 Group MRT and 11 Local Material Risk Personnel identified under the MAS Individual Accountability & Conduct Guidelines.*

Table 2: Breakdown of Remuneration Awarded in Current Financial Year (FY2023)

			(a) Senior Management	(b) Other Material Risk Takers
1	Fixed Remuneration	Number of Employees	9	16
2		Total Fixed Remuneration (3+5+7)	73%	61%
3		Of which: Cash-based	73%	61%
4		Of which: Deferred	—	—
5		Of which: Shares or Other Share-linked Instruments	—	—
6		Of which: Deferred	—	—
7		Of which: Other Forms	—	—
8		Of which: Deferred	—	—
9	Variable Remuneration	Number of employees	9	16
10		Total variable remuneration (11+13+15)	27%	39%
11		Of which: Cash-based	23%	24%
12		Of which: Deferred	—	7%
13		Of which: Shares or Other Share-linked Instruments (1)	4%	15%
14		Of which: Deferred	4%	8%
15		Of which: Other Forms	—	—
16		Of which: Deferred	—	—
17	Total remuneration (2+10)		100%	100%

Senior Management represent Senior Managers identified under the MAS Individual Accountability & Conduct Guidelines effective 10 September 2021. Other Material Risk Takers comprises 5 Group MRT and 11 Local Material Risk Personnel in FY2023.

Note
(1) Shares upon vesting are subject to a six-month retention period

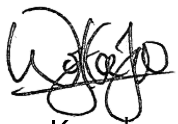
Table 3: Analysis of Deferred Remuneration

	(a)	(b)	(c)	(d)	(e)
Deferred and Retained Remuneration (1)	**Total Outstanding Deferred Remuneration**	**of which: Total outstanding Deferred and Retained Remuneration Exposed to Ex post Explicit and/or Implicit Adjustments (5)**	**Total Amendment During the Year Due to Ex post Explicit Adjustments**	**Total Amendment During the Year Due to Ex post Implicit Adjustments**	**Total Deferred Remuneration Paid Out in the Financial Year**
Senior Management					
Cash(2)(3)	5%	5%	—	—	—%
Shares(2)(3)(4)	95%	95%	—	100%	100%
Share-linked Instruments	—	—	—	—	—
Other	—	—	—	—	—
Other Material Risk Takers					
Cash(2)(3)	35%	35%	—	—	30%
Shares(2)(3)(4)	65%	65%	—	100%	70%
Share-linked Instruments	—	—	—	—	—
Other	—	—	—	—	—

Note
1. *(1) The forms of variable remuneration and the proportion deferred are based on the seniority, role and responsibilities of employees and their level of total variable compensation.*
2. *(2) Outstanding, unvested, deferred remuneration is exposed to ex post explicit adjustments.*
3. *(3) There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustments during 2023 via the application of malus and/or clawback.*
4. *(4) Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares in 2023 are calculated based on the closing market share price of HSBC Holdings plc.*
5. *(5) Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares in 2023 are calculated based on the closing market share price of HSBC Holdings plc as at 31 December of the respective financial years.*

14. Attestation

The Pillar 3 discourses as at 31 December 2023 have been prepared in accordance with the internal control processes approved by the Bank's Board of Directors.



Wong Kee Joo
Chief Executive Officer, Singapore

28 Mar 2024
Singapore