



HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 30 September 2020

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1. Overview of Prudential Regulatory Metrics

The table below discloses HSBC Bank (Singapore) Limited's regulatory capital, Capital Adequacy Ratios ("CAR") and Leverage Ratio. The CAR ratios are above the stipulated regulatory requirements set out in the MAS Notice 637.

HSBC Bank (Singapore) Limited's Capital Adequacy Ratio Disclosure

in SGD millions		(a)	(b)	(c)	(d)	(e)
		30 Sep 20 [^]	30 Jun 20 [^]	31 Mar 20 [^]	31 Dec 19 [*]	30 Sep 19 [^]
Available Capital (Amounts)						
1	CET1 Capital	1,652	1,657	1,657	1,637	1,635
2	Tier 1 Capital	1,652	1,657	1,657	1,637	1,635
3	Total Capital	1,715	1,734	1,721	1,694	1,697
Risk Weighted Assets (Amounts)						
4	Total RWA	10,288	10,254	10,359	10,360	10,342
Risk-based Capital Ratios as a Percentage of RWA						
5	CET 1 Ratio (%)	16.06%	16.16%	16.00%	15.80%	15.81%
6	Tier 1 Ratio (%)	16.06%	16.16%	16.00%	15.80%	15.81%
7	Total Capital Ratio (%)	16.67%	16.91%	16.61%	16.35%	16.41%
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%	0.02%	0.02%	0.03%
10	Bank G-SIB and/or D-SIB additional requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of Bank CET1 Specific Buffer Requirement (%) (row 8 + row 9 + row 10)	2.51%	2.51%	2.52%	2.52%	2.53%
12	CET 1 Available after Meeting the Reporting Bank's Minimum Capital	6.67%	6.91%	6.62%	6.35%	6.41%
Leverage Ratio						
13	Total Leverage Ratio Exposure Measure	28,949	31,067	28,312	27,193	26,210
14	Leverage Ratio (%) (row 2/row 13)	5.71%	5.33%	5.85%	6.02%	6.24%
Liquidity Coverage Ratio [#]						
15	Total High Quality Liquid Assets	24,972	25,598	26,689	23,629	22,472
16	Total Net Cash Outflow	8,932	9,590	11,876	10,922	10,650
17	Liquidity Coverage Ratio (%)	283%	276%	230%	226%	215%
Net Stable Funding Ratio [#]						
18	Total Available Stable Funding	54,090	53,862	51,237	48,101	47,158
19	Total Required Stable Funding	29,256	29,567	34,756	33,569	32,598
20	Net Stable Funding Ratio (%)	185%	182%	147%	143%	145%

The decrease in Total Capital Ratio is due to lower reserves on debt securities designated at fair value through other Comprehensive Income (-6m) and lower provisions on the non-credit impaired portfolio (-14m). The increase in leverage ratio is mainly as a result of the decrease in total exposures by 2.1bn due to lower securities financing transactions (-3.4bn) partially offset by increase in government securities (0.6bn) and inter-bank loan (0.4bn).

Note:

[^] Unaudited

^{*} Audited

[#] This refers to country level ratio for all currency

The Countercyclical Capital Buffer (CCyB) is the weighted average of the country-specific CCyB requirements that are being applied by national authorities in jurisdictions to which the bank has private sector credit exposures. The effective country-specific CCyB requirement for Hong Kong is 1%, and the applicable weighting for HK is 0.95%.

2. Leverage Ratio

Leverage Ratio Summary Comparison Table

In SGD millions		30 Sep 20
1	Total consolidated assets as per financial statements	28,212
2	Adjustment for investments in entities that are consolidated for accounting purposes	0
3	Adjustment for fiduciary assets recognized on the balance sheet in accordance with the	0
4	Adjustment for derivative transactions	49
5	Adjustment for SFTs	0
6	Adjustment for off-balance sheet items	725
7	Other adjustments	(37)
8	Exposure Measure	28,949

Leverage Ratio Common Disclosure Template

In SGD millions		30 Sep 20	30 Jun 20
Exposure Measure of On-Balance Sheet Items			
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	25,453	24,168
2	Asset amounts deducted in determining Tier 1 Capital	(1)	(1)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	25,452	24,167
Derivative Exposure Measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	11	3
5	Potential future exposure associated with all derivative transactions	49	31
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with Accounting Standards	0	0
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	0	0
8	CCP leg of trade exposure excluded	0	0
9	Adjusted effective notional amount of written credit derivatives	0	0
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	0	0
11	Total derivative exposure measures	60	34
SFT Exposure Measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	2,712	6,099
13	Eligible netting of cash payables and cash receivables	0	0
14	SFT counterparty exposures	0	0
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	0	0
16	Total SFT exposure measures	2,712	6,099
Exposure Measures of Off-Balance Sheet Items			
17	Off-balance sheet items at notional amount	6,296	6,493
18	Adjustments for calculation of exposure measures of off-balance sheet items	(5,571)	(5,726)
19	Total exposure measures of off-balance sheet items	725	767
Capital and Total Exposures			
20	Tier 1 capital	1,652	1,657
21	Total exposures	28,949	31,067
Leverage Ratio			
22	Leverage ratio	5.71%	5.33%

3. Overview of Risk Weighted Assets

The table below provides an overview of HSBC Bank (Singapore) Limited's Risk Weighted Assets ("RWA"), with breakdown as required under MAS Notice 637.

The RWA between Sep 2020 and Jun 2020 increased by 34m, due to an increase in Credit Risk RWA (+43m), Operational Risk RWA (+12m) and offset by decrease in Market Risk RWA (-13m) and Counterparty Credit Risk (-8m).

In SGD millions		RWA		Minimum Capital Requirement ¹
		30 Sep 20	30 Jun 20	30 Sep 20
1	Credit Risk (excluding Counterparty Credit Risk)	9,257	9,214	926
2	of which: Standardised Approach	9,257	9,214	926
3	of which: F-IRBA	0	0	0
4	of which: supervisory slotting approach	0	0	0
5	of which: A-IRBA	0	0	0
6	Counterparty Credit Risk	22	30	2
7	of which: Current Exposure Method	12	7	2
8	of which: CCR Internal Models Method	0	0	0
9	of which: other CCR	0	0	0
9a	of which: CCP	0	0	0
10	Credit Valuation Adjustment (CVA)	0	0	0
11	Equity exposures under the simple risk weight method	0	0	0
11a	Equity exposures under the IMM	0	0	0
12	Equity investments in funds – Look Through Approach	0	0	0
13	Equity investments in funds – Mandate-Based Approach	0	0	0
14	Equity investments in funds – Fall Back Approach	0	0	0
14a	Equity investments in funds – Partial Use of an Approach	0	0	0
15	Unsettled Transactions	0	0	0
16	Securitisation exposures in the Banking Book	0	0	0
17	of which: SEC -IRBA	0	0	0
18	of which: SEC-ERBA, including IAA	0	0	0
19	of which: SEC-SA	0	0	0
20	Market Risk	12	25	1
21	of which: SA(MR)	12	25	1
22	of which: IMA	0	0	0
23	Operational Risk	997	985	100
24	Amounts below the thresholds for deduction (subject to 250% Risk Weight)	0	0	0
25	Floor Adjustment	0	0	0
26	Total	10,288	10,254	1,029

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

4. Liquidity Coverage Ratio (“LCR”) Disclosure for 3Q 2020

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. HSBC Bank (Singapore) Limited and Singapore Branch of The Hongkong and Shanghai Banking Corporation Limited have obtained the approval from the Monetary Authority of Singapore (“MAS”) to comply with the requirements set out in MAS Notice 649 “Minimum Liquid Assets and Liquidity Coverage Ratio” at the 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 the Country-level Group basis. The Country-level Group is required to maintain on a daily basis an All-Currency LCR of 50% and Singapore dollar (“SGD”) LCR of 100%.

1) Average Country-level Group All-Currency LCR for 3Q 2020

(Number of data points: 92 for 3Q 2020)

In SGD millions		3Q 2020	
		Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		24,972
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	31,393	2,991
3	Stable deposits	2,975	149
4	Less stable deposits	28,418	2,842
5	Unsecured wholesale funding, of which:	42,477	20,970
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,162	2,006
7	Non-operational deposits (all counterparties)	34,315	18,964
8	Unsecured debt	0	0
9	Secured wholesale funding		375
10	Additional requirements, of which:	8,358	4,660
11	Outflows related to derivative exposures and other collateral	3,880	3,836
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	4,479	824
14	Other contractual funding obligations	990	990
15	Other contingent funding obligations	3,491	150
16	TOTAL CASH OUTFLOWS		30,135
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	7,600	425
18	Inflows from fully performing exposures	20,780	17,315
19	Other cash inflows	3,958	3,930
20	TOTAL CASH INFLOWS	32,338	21,670
		TOTAL ADJUSTED VALUE	
21	TOTAL HQLA		24,972
22	TOTAL NET CASH OUTFLOWS		8,932
23	LIQUIDITY COVERAGE RATIO		283%

2) Average Country-level Group SGD LCR for Q3 2020
(Number of data points: 92 for 3Q 2020)

In SGD millions		Q3 2020	
		Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		16,698
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	14,685	1,320
3	Stable deposits	2,975	149
4	Less stable deposits	11,710	1,171
5	Unsecured wholesale funding, of which:	13,944	6,608
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,201	766
7	Non-operational deposits (all counterparties)	10,743	5,842
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	30,781	28,902
11	Outflows related to derivative exposures and other collateral	28,598	28,579
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	2,183	324
14	Other contractual funding obligations	549	549
15	Other contingent funding obligations	312	55
16	TOTAL CASH OUTFLOWS		37,435
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	5,150	308
18	Inflows from fully performing exposures	11,135	10,701
19	Other cash inflows	17,857	17,834
20	TOTAL CASH INFLOWS	34,142	28,843
		TOTAL ADJUSTED VALUE	
21	TOTAL HQLA		16,698
22	TOTAL NET CASH OUTFLOWS		9,679
23	LIQUIDITY COVERAGE RATIO		173%

3) Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the 3Q 2020 average All-Currency LCR and SGD LCR at 283% and 173% (above regulatory requirements of 50% and 100% respectively). 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 Balance Sheet Management ("BSM") for surplus deployment and managing liquidity risks (i.e. swap foreign currency surplus funds into SGD HQLA).

4) Liquidity and Funding Risk Management

HSBC has an internal liquidity and funding risk management framework ("LFRF") which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. Asset, Liability and Capital Management ("ALCM") is responsible for the application of the LFRF for the Country-level Group.

The elements of the LFRF are underpinned by a robust governance framework, the two major elements of which are:

- Asset and Liability management committee ("ALCO"); and
- annual Internal Liquidity Adequacy Assessment process ("ILAAP") to ensure that all significant liquidity and funding risks are identified and assessed, and that an appropriate risk management framework and risk appetite is implemented to mitigate these risks.

i. Overall Adequacy of Liquidity Risk Management

The Internal Liquidity Adequacy Assessment ("ILAA") document sets out the Country-level Group's approach to liquidity and funding risk management and covers the following components:

- review of the appropriateness of the liquidity risk management framework;
- identification of all liquidity and funding risk by specific risk drivers commensurate with the balance sheet;
- liquidity stress testing to assess adequacy of liquidity risk buffers;
- calibration of risk tolerance and appetite levels; and
- assessment of the Basel Principles of Sound Liquidity Management.

The final conclusion of the ILAAP is that the Country-level Group:

- maintains liquidity resources, which are adequate in both amount and quality at all times, and ensures that there is no significant risk that its liabilities cannot be met as they fall due; and
- ensures its liquidity resources contain an adequate amount of HQLA and maintains a prudent funding profile.

ii. Liquidity and Funding Risk Management Framework

The key aspects of the internal LFRF implemented by the Country-level Group to ensure an appropriate overall liquidity risk profile are:

- minimum LCR requirement (including individual currency LCR requirement);
- minimum Net Stable Funding Ratio (“NSFR”) requirement;
- legal entity depositor concentration limit;
- 3-month and 12-month cumulative rolling term contractual maturity limits (covering deposits from banks, non-bank financial institutions and securities issued);
- analysis of off-balance sheet commitments;
- wholesale stress mismatches;
- annual Internal Liquidity Adequacy Assessment;
- intraday liquidity monitoring and limits;
- liquidity funds transfer pricing;
- Contingency Funding Plan (“CFP”); and
- forward looking funding assessments.

iii. Risk Management Teams

Whilst overall liquidity and funding management is an ALCO responsibility, the day-to-day management and monitoring rests with BSM and 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.

The BSM team 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.

Liquidity risk assurance is provided by the Risk team for the Country-level Group. The second line liquidity risk assurance 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:

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

iv. 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.

v. 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.

vi. Country-level Contingency Funding Plan ("CFP")

The CFP 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 CFP is reviewed and approved by ALCO annually.