



## **HSBC BANK (SINGAPORE) LIMITED**

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

### **Pillar 3 Disclosures as at 31 December 2020**

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## **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 with an Asian Currency Unit 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 pursuant to 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. The policy has been approved by the Board.

The public disclosure document should be read in conjunction with the Bank’s Financial Statements for the year ended 31 December 2020.

## 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 20*	30 Sep 20^	30 Jun 20^	31 Mar 20^	31 Dec 19*
<b>Available Capital (Amounts)</b>						
1	CET1 Capital	1,678	1,652	1,657	1,657	1,637
2	Tier 1 Capital	1,678	1,652	1,657	1,657	1,637
3	Total Capital	1,723	1,715	1,734	1,721	1,694
<b>Risk Weighted Assets (Amounts)</b>						
4	Total RWA	10,575	10,288	10,254	10,359	10,360
<b>Risk-based Capital Ratios as a Percentage of RWA</b>						
5	CET 1 Ratio (%)	15.87%	16.06%	16.16%	16.00%	15.80%
6	Tier 1 Ratio (%)	15.87%	16.06%	16.16%	16.00%	15.80%
7	Total Capital Ratio (%)	16.29%	16.67%	16.91%	16.61%	16.35%
<b>Additional CET 1 Buffer Requirements as a percentage of RWA</b>						
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%	0.02%	0.02%
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%	2.51%	2.52%	2.52%
12	CET 1 Available after Meeting the Reporting Bank's Minimum Capital Requirements (%)	6.29%	6.67%	6.91%	6.62%	6.35%
<b>Leverage Ratio</b>						
13	Total Leverage Ratio Exposure Measure	28,846	28,949	31,067	28,312	27,193
14	Leverage Ratio (%) (row 2/row 13)	5.82%	5.71%	5.33%	5.85%	6.02%
<b>Liquidity Coverage Ratio #</b>						
15	Total High Quality Liquid Assets	25,482	24,972	25,598	26,689	23,629
16	Total Net Cash Outflow	9,471	8,932	9,590	11,876	10,922
17	Liquidity Coverage Ratio (%)	283%	283%	276%	230%	226%
<b>Net Stable Funding Ratio #</b>						
18	Total Available Stable Funding	52,199	54,090	53,862	51,237	48,101
19	Total Required Stable Funding	28,177	29,256	29,567	34,756	33,569
20	Net Stable Funding Ratio (%)	185%	185%	182%	147%	143%

The decrease in CET1 and Total Capital Ratios in December 2020 compared to September 2020 is due to an increase in Credit Risk RWAs by SGD284m, primarily driven by an increase in interbank exposures.

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 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 weight is 0.92%.

## 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 its planned business growth 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 Bank's capital management process culminates in the annual capital plan, which is approved by the Board of Directors. The plan is drawn up with an objective of maintaining both an appropriate amount of capital and an optimal mix between the different components of capital. In accordance with the Capital Management Framework, capital generated in excess of planned requirements is returned to the immediate holding company, normally by way of dividends.

The Bank conducts an internal capital adequacy assessment process to determine a forward-looking assessment of its capital requirements incorporating its business strategy, risk profile, risk appetite and capital plan. Stress testing is used to assess the internal capital adequacy requirements and the internal capital planning buffers. The ICAAP is approved by the Board of Directors.

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 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 32 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%	75		
Others		8,102		
Total		8,177	0.01%	—

The countercyclical capital buffer 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 32 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 Balance Sheet

In SGD millions	31 Dec 20 Balance Sheet as per Financial Statements	Under Regulatory Scope of Consolidation	Reference to Section 4.2
<b>Assets</b>			
Cash and balances with central banks	360		
Singapore government treasury bills and securities	3,627		
Other government treasury bills and securities	640		
Derivative assets	2		
Balance and placements with, and loans to, banks	30		
Loans and advances to customers	14,916		
of which: Provisions eligible for inclusion in T2 Capital	—	(45)	A
Amounts due from immediate holding company	29		
Amounts due from related corporations	8,070		
Other assets	301		
Property, plant and equipment	115		
Intangible assets	2	(1)	B
<b>Total Assets</b>	<b>28,092</b>		
<b>Liabilities</b>			
Derivative liabilities	29		
Deposits and balances of banks	43		
Deposits of non-bank customers	24,696		
Amounts due to immediate holding company	23		
Amounts due to related corporations	1,379		
Other liabilities	188		
Current tax liabilities	19		
Deferred taxation	3		
<b>Total Liabilities</b>	<b>26,380</b>		
<b>NET ASSETS</b>	<b>1,712</b>		
<b>Shareholders' Equity</b>			
Share capital	1,530	1,530	C
Reserves	71	38	D
Accumulated profits	111	111	E
Valuation adjustments	—	0	F
<b>Total Equity</b>	<b>1,712</b>		

**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 20" shows the amounts used in the computation of regulatory capital and Capital Adequacy Ratios.

The alphabetic cross-references in the column "Cross Reference to Section 4.1" relates to the reconciliation of Regulatory Capital to 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.

<b>in SGD millions</b>		<b>31 Dec 20</b>	<b>Cross Reference to Section 4.1</b>
<b>Common Equity Tier 1 Capital: Instruments and Reserves</b>			
1	Paid-up ordinary shares and share premium (if applicable)	1,530	C
2	Retained earnings	111	E
3 <sup>#</sup>	Accumulated other comprehensive income and other disclosed reserves	38	D
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	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>1,679</b>	
<b>Common Equity Tier 1 Capital: Regulatory Adjustments</b>			
7	Valuation adjustment pursuant to Part VIII of MAS Notice 637	—	F
8	Goodwill, net of associated deferred tax liability	—	
9 <sup>#</sup>	Intangible assets, net of associated deferred tax liability	(1)	B
10 <sup>#</sup>	Deferred tax assets that rely on future profitability	—	
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 <sup>#</sup>	Mortgage servicing rights (amount above 10% threshold)	—	
21 <sup>#</sup>	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	
22	Amount exceeding the 15% threshold	—	
23	of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	—	
24 <sup>#</sup>	of which: mortgage servicing rights	—	



<b>in SGD millions</b>		<b>31 Dec 20</b>	<b>Cross Reference to Section 4.1</b>
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	<b>Total regulatory adjustments to CET1 Capital</b>	<b>(1)</b>	
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>1,678</b>	
<b>Additional Tier 1 Capital: Instruments</b>			
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	<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>—</b>	
<b>Additional Tier 1 Capital: Regulatory Adjustments</b>			
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	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>—</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	<b>—</b>	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1,678</b>	
<b>Tier 2 Capital: Instruments and Provisions</b>			
46	Tier 2 capital instruments and share premium (if applicable)	—	
47	<i>Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)</i>	—	
48	Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	—	
49	of which: instruments issued by subsidiaries subject to phase out	—	
50	Provisions	45	A

<b>in SGD millions</b>		<b>31 Dec 20</b>	<b>Cross Reference to Section 4.1</b>
51	<b>Tier 2 capital before regulator adjustments</b>	<b>45</b>	
<b>Tier 2 Capital: Regulatory Adjustments</b>			
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 <sup>#</sup>	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	<b>Total regulatory adjustments to Tier 2 capital</b>	<b>—</b>	
58	<b>Tier 2 capital (T2)</b>	<b>45</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>1,723</b>	
60	<b>Floor adjusted total risk weighted assets</b>	<b>10,575</b>	
<b>Capital ratios (as a percentage of floor-adjusted risk weighted assets)</b>			
61	<b>Common Equity Tier 1 CAR</b>	<b>15.87%</b>	
62	<b>Tier 1 CAR</b>	<b>15.87%</b>	
63	<b>Total CAR</b>	<b>16.29%</b>	
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	6.29%	
<b>National Minima</b>			
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)	—	
<b>Applicable Caps on the Inclusion of Provisions in Tier 2</b>			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	45	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	119	

<b>in SGD millions</b>		<b>31 Dec 20</b>	<b>Cross Reference to Section 4.1</b>
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	—	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)</b>			
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 <i>redemptions and maturities</i> )	—	
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 with a hash [#] 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, conversion/write-down, or other material changes to the existing capital instruments.

**Ordinary Shares**

No		
1	Issuer	HSBC Bank (Singapore) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Singapore
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	S\$1,530 million
9	Par value of instrument	No par value
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / Dividends	
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NA
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	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
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	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 shows the breakdown of the amount reported in the financial statements by regulatory risk categories.

	31 Dec 20						
	(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 <sup>(1)</sup> requirements	Subject to securitization framework	Subject to market risk requirements		
<b>In SGD million</b>							
<b>Assets</b>							
Cash and balances with central banks	360	360	360	—	—	—	—
Singapore government treasury bills and securities	3,627	3,627	3,627	—	—	—	—
Other government treasury bills and securities	640	640	640	—	—	—	—
Derivative assets	2	2	—	2	—	2	—
Balance and placements with, and loans to, banks	30	30	30	—	—	—	—
Loans & advances to customers	14,916	14,930	14,930	—	—	—	(14)
Amounts due from immediate holding company	29	29	29	—	—	—	—
Amounts due from related corporations	8,070	8,070	6,449	1,621	—	—	—
Other assets	301	276	276	—	—	—	25
Property, plant and equipment	115	83	83	—	—	—	32
Intangible assets	2	2	2	—	—	—	—
<b>Total Assets</b>	<b>28,092</b>	<b>28,049</b>	<b>26,426</b>	<b>1,623</b>	<b>—</b>	<b>2</b>	<b>43</b>

	31 Dec 20						
	(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 requirements <sup>(1)</sup>	Subject to securitization framework	Subject to market risk requirements		
<b>In SGD million</b>							
<b>Liabilities</b>							
Derivatives liabilities	29	—	—	29	—	29	—
Deposits and balances of banks	43	—	—	—	—	—	43
Deposits of non-bank customers	24,696	—	—	—	—	—	24,696
Amounts due to immediate holding company	23	—	—	—	—	—	23
Amounts due to related corporation	1,379	—	—	—	—	—	1,379
Other liabilities	188	—	—	—	—	—	188
Current tax liabilities	19	—	—	—	—	—	19
Deferred taxation	3	—	—	—	—	—	3
<b>Total Liabilities</b>	<b>26,380</b>	<b>—</b>	<b>—</b>	<b>29</b>	<b>—</b>	<b>29</b>	<b>26,351</b>

The sum of amounts disclosed under columns (b) to (f) above can be more than 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 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.

In SGD million	31 Dec 20				
	(a)	(b)	(c)	(d)	(e)
	Total	Items subject to -			
		Credit risk requirements	CCR requirements	Securitisation framework	Market Risk requirements
Assets carrying amount under regulatory scope of consolidation	28,049	26,426	1,623	—	—
Liabilities carrying amount under regulatory scope of consolidation	—	—	—	—	—
Total net amount under regulatory scope of consolidation	28,049	26,426	1,623	—	—
Off-balance sheet amounts	6,107	177	—	—	—
Differences due to derivatives and securities financing transaction	—	—	(1,570)	—	—
Differences due to consideration of allowances	—	45	—	—	—
Other differences	—	(10)	—	—	—
Exposure amounts considered for regulatory purposes	34,156	26,638	53	—	—

Items subject to market risk requirements have not been included in the table above as these are computed based on notional positions in 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 include contingent liabilities and undrawn portions of credit facilities after application of credit conversion factors.
- (ii) Differences due to derivatives and securities financing transactions: Derivatives and securities financing counterparty exposures are netted where an enforceable netting agreement is in place. Derivative exposures also include potential future exposures for counterparty credit risk.
- (iii) Differences due to consideration of provision: The carrying values of assets in the financial statements are net of impairment allowances - specific allowances (Expected Credit Loss Stage 3) and general allowances (Expected Credit Loss Stage 1 and 2). However, regulatory exposures under SA are net of Stage 3 allowances.
- (iv) Other differences: These are mainly due to 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”):-

In SGD million		31 Dec 20							
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	of which: in the trading book	of which: in the banking book
1	Closeout uncertainty	—	0.14	0.02	—	—	0.16	—	0.16
2	of which: Midmarket value	—	—	0.02	—	—	0.02	—	0.02
3	of which: Closeout cost	—	—	—	—	—	—	—	—
4	of which: Concentration	—	0.14	—	—	—	0.14	—	0.14
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 adjustment	—	0.14	0.02	—	—	0.16	—	0.16

The Bank has documented policies and maintains systems and controls for the calculation of PVA. Prudent value represents a conservative estimate with a 90% degree of certainty of a price that 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 20	30 Sep 20
<b>Exposure Measure of On-Balance Sheet Items</b>			
1	On-balance sheet items (excluding derivative transactions and Securities Financing Transactions ("SFTs"), but including on-balance sheet collateral for derivative transactions or SFTs)	26,471	25,453
2	Asset amounts deducted in determining Tier 1 Capital	(1)	(1)
<b>3</b>	<b>Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)</b>	<b>26,470</b>	<b>25,452</b>
<b>Derivative Exposure Measures</b>			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	2	11
5	Potential future exposure associated with all derivative transactions	36	49
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	—	—
<b>11</b>	<b>Total derivative exposure measures</b>	<b>38</b>	<b>60</b>
<b>SFT Exposure Measures</b>			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	1,621	2,712
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	—	—
<b>16</b>	<b>Total SFT exposure measures</b>	<b>1,621</b>	<b>2,712</b>
<b>Exposure Measures of Off-Balance Sheet Items</b>			
17	Off-balance sheet items at notional amount	6,107	6,296
18	Adjustments for calculation of exposure measures of off-balance sheet items	(5,390)	(5,571)
<b>19</b>	<b>Total exposure measures of off-balance sheet items</b>	<b>717</b>	<b>725</b>
<b>Capital and Total Exposures</b>			
<b>20</b>	<b>Tier 1 capital</b>	<b>1,678</b>	<b>1,652</b>
<b>21</b>	<b>Total exposures</b>	<b>28,846</b>	<b>28,949</b>
<b>Leverage Ratio</b>			
<b>22</b>	<b>Leverage ratio</b>	<b>5.82%</b>	<b>5.71%</b>

The leverage ratio as at 31 December 2020 increased by 11bps as compared to 30 September 2020 mainly due to decrease in SFT exposures.

**Leverage Ratio Summary Comparison Table**

<b>In SGD million</b>		<b>31 Dec 20</b>	<b>30 Sep 20</b>
1	Total consolidated assets as per published financial statements	28,092	28,212
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	36	49
5	Adjustment for SFTs	—	—
6	Adjustment for off-balance sheet items	717	725
7	Other adjustments	1	(37)
<b>8</b>	<b>Exposure Measure</b>	<b>28,846</b>	<b>28,949</b>

## 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 <sup>1</sup>
		31 Dec 20	30 Sep 20	31 Dec 20
<b>1</b>	<b>Credit Risk (excluding Counterparty Credit Risk)</b>	<b>9,541</b>	<b>9,257</b>	<b>954</b>
2	of which: Standardised Approach	9,541	9,257	954
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
<b>6</b>	<b>Counterparty Credit Risk</b>	<b>11</b>	<b>22</b>	<b>1</b>
7	of which: Current Exposure Method	8	12	1
8	of which: CCR Internal Models Method	—	—	—
9	of which: other CCR	3	10	—
9a	of which: CCP	—	—	—
10	Credit Valuation Adjustment (CVA)	—	—	—
<b>11</b>	<b>Equity exposures under the simple risk weight method</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>11a</b>	<b>Equity exposures under the IMM</b>	<b>—</b>	<b>—</b>	<b>—</b>
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	—	—	—
<b>15</b>	<b>Unsettled Transactions</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>16</b>	<b>Securitisation exposures in the Banking Book</b>	<b>—</b>	<b>—</b>	<b>—</b>
17	of which: SEC -IRBA	—	—	—
18	of which: SEC-ERBA, including IAA	—	—	—
19	of which: SEC-SA	—	—	—
<b>20</b>	<b>Market Risk</b>	<b>31</b>	<b>12</b>	<b>3</b>
21	of which: SA(MR)	31	12	3
22	of which: IMA	—	—	—
<b>23</b>	<b>Operational Risk</b>	<b>992</b>	<b>997</b>	<b>99</b>
<b>24</b>	<b>Amounts below the thresholds for deduction (subject to 250% Risk Weight)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>25</b>	<b>Floor Adjustment</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>26</b>	<b>Total</b>	<b>10,575</b>	<b>10,288</b>	<b>1,057</b>

The increase in RWA between December 2020 and September 2020 was largely due to an increase in inter-bank exposures.

Note:

(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 RWA.

#### **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 the 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 32 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 in 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
<b>Performing Assets</b>	
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.
<b>Classified or NPA</b>	
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:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without the Bank taking action such as realizing security (if held);
- Technical default: Borrower is more than 90 days past due on any credit obligation to the Bank.

Loans on which concessions have been granted under conditions of credit distress are classified as ‘renegotiated loans’ when their contractual payment terms have been modified due to significant concern about the borrowers’ ability to meet contractual payments when due.

Such credit facilities, except for retail renegotiated loans, are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms. Retail renegotiated loans continue to remain as credit impaired until the amounts are repaid/written off.

**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.

In SGD million		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amount of <sup>(1)</sup>		Allowances and impairments	of which: allowances for standardised approach exposures		of which: allowances for IRBA exposure	Net values (a+b-c)
		Defaulted exposures <sup>(3)</sup>	Non-defaulted exposures		of which: specific allowances	of which: general allowances		
1	Loans <sup>(2)</sup>	139	14,854	(77)	(32)	(45)	—	14,916
2	Debt securities	—	4,267	—	—	—	—	4,267
3	Off-balance sheet exposures	—	4,388	—	—	—	—	4,388
<b>4</b>	<b>Total</b>	<b>139</b>	<b>23,509</b>	<b>(77)</b>	<b>(32)</b>	<b>(45)</b>	<b>—</b>	<b>23,571</b>

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)
<b>1</b>	<b>Defaulted loans and debt securities as at 30 Jun 2020</b>	<b>171</b>
2	Loans and debt securities that have defaulted in second half of 2020	36
3	Returned to non-defaulted status	(33)
4	Amounts written-off	(27)
5	Other changes	(8)
<b>6</b>	<b>Defaulted loans and debt securities as at 31 Dec 2020 (1+2-3-4+5)</b>	<b>139</b>

**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

<b>In SGD million</b>	<b>31 Dec 20</b>	<b>31 Dec 19</b>
Singapore	20,316	19,409
South East Asia	662	982
Greater China	499	486
Rest of the World	2,171	4,901
<b>Total</b>	<b>23,648</b>	<b>25,778</b>

Breakdown by Industry

<b>In SGD million</b>	<b>31 Dec 20</b>	<b>31 Dec 19</b>
Agriculture, forestry and fishing	—	—
Mining and quarrying	46	338
Manufacture	724	404
Electricity, gas, steam and air-conditioning supply	62	83
Water supply, sewerage waste management and remediation	—	2
Wholesale and retail trade, repair of motor vehicles and motorcycles	518	684
Transportation and storage	130	162
Accommodation and food	—	35
Publishing, audiovisual and broadcasting	—	120
Professional, scientific and technical activities	190	197
Real Estate	1,474	1,816
Non-bank financial institutions	68	70
Financial institutions, investment and holding companies	3,676	6,076
Government	4,267	4,187
Housing loans	10,203	9,102
Professional and private individuals	2,290	2,502
<b>Total</b>	<b>23,648</b>	<b>25,778</b>

Breakdown by Residual Maturity

<b>In SGD million</b>	<b>31 Dec 20</b>	<b>31 Dec 19</b>
Up to 1 year	10,384	12,402
More than 1 year	13,264	13,376
<b>Total</b>	<b>23,648</b>	<b>25,778</b>



**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 2020) by geographical areas and industry.

Breakdown by Geographical Areas

In SGD million		31 Dec 20		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2020)
1	Singapore	138	(32)	52
2	South East Asia	7	—	—
3	Greater China	1	—	—
4	Rest of the World	—	—	—
	<b>Total</b>	<b>146</b>	<b>(32)</b>	<b>52</b>

In SGD million		31 Dec 19		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2020)
1	Singapore	135	(27)	52
2	South East Asia	3	—	—
3	Greater China	—	—	—
4	Rest of the World	—	—	—
	<b>Total</b>	<b>138</b>	<b>(27)</b>	<b>52</b>

Breakdown by Industry

In SGD million		31 Dec 20		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2020)
1	Housing	38	—	—
2	Professionals and individuals	108	(32)	52
	<b>Total</b>	<b>146</b>	<b>(32)</b>	<b>52</b>

In SGD million		31 Dec 19		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2019)
1	Housing	19	—	—
2	Professionals and individuals	118	(27)	52
	<b>Total</b>	<b>138</b>	<b>(27)</b>	<b>52</b>

Breakdown of Ageing Analysis of Non-Performing Loans Exposures:

In SGD million	31 Dec 20	31 Dec 19
Less than 29 days	99	103
Within 30 to 89 days	15	17
More than 89 days	32	18
<b>Total</b>	<b>146</b>	<b>138</b>

**8.4.4 Disclosure on Restructured Exposures**

Credit facilities are classified as restructured (also referred to as renegotiated) assets when the Bank grants non-commercial concessions to a borrower because of its financial position or when the borrower is unable to meet the original repayment schedule. A renegotiated credit facility is classified into the appropriate non-performing grade based on the assessment of the borrower's financial condition and its ability to repay according to the restructured terms. Renegotiated retail loans are classified as credit impaired (Doubtful) until fully repaid or written off.

Retail renegotiated credit exposures as at 31 December 2020 is S\$65 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.

In SGD million		31 Dec 20				
		(a)	(b)	(c)	(d)	(e)
		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	14,906	10	10	—	—
2	Debt Securities	4,267	—	—	—	—
3	<b>Total</b>	<b>19,173</b>	<b>10</b>	<b>10</b>	—	—
4	Of which: defaulted	139	—	—	—	—

In SGD million		30 Jun 20				
		(a)	(b)	(c)	(d)	(e)
		Exposures unsecured	Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Loans	14,327	8	8	—	—
2	Debt Securities	3,797	—	—	—	—
3	<b>Total</b>	<b>18,124</b>	<b>8</b>	<b>8</b>	—	—
4	Of which: defaulted	171	—	—	—	—

The increase in debt securities in the second half of 2020 is attributed to increase in holdings of government securities.

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

In SGD million		31 Dec 20					
		(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 <sup>(1)</sup>	
1	Cash items	48	—	48	—	—	0%
2	Central government and central bank	4,784	—	4,784	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	8,123	3,545	6,516	38	1,311	20%
6	Corporate	3,068	3	3,068	2	3,070	100%
7	Regulatory retail	1,392	5,409	1,386	3	1,042	75%
8	Residential Mortgage	10,251	697	10,248	171	3,682	35%
9	CRE	157	4	157	1	158	100%
10	Equity – SA(EQ)	—	—	—	—	—	0%
11	Past due exposures	109	—	109	—	129	118%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	160	—	160	—	160	100%
14	<b>Total</b>	<b>28,092</b>	<b>9,658</b>	<b>26,476</b>	<b>215</b>	<b>9,552</b>	<b>36%</b>

In SGD million		30 Jun 20					
		(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 <sup>(1)</sup>	
1	Cash items	49	—	49	—	—	0%
2	Central government and central bank	4,433	—	4,433	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	11,157	3,102	5,171	34	1,041	20%
6	Corporate	3,202	—	3,202	—	3,202	100%
7	Regulatory retail	1,513	5,624	1,509	2	1,154	76%
8	Residential Mortgage	9,510	871	9,507	203	3,436	35%
9	CRE	166	—	166	—	166	100%
10	Equity – SA(EQ)	—	—	—	—	—	0%
11	Past due exposures	48	—	48	—	57	119%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	188	—	188	—	188	100%
14	<b>Total</b>	<b>30,266</b>	<b>9,597</b>	<b>24,273</b>	<b>239</b>	<b>9,244</b>	<b>38%</b>

The increase in RWA is mainly due to increase in inter-bank and residential mortgage exposures.

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.

In SGD million		31 Dec 20									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post-CCF and post CRM) <sup>(1)</sup>
Asset classes											
1	Cash items	48	—	—	—	—	—	—	—	—	48
2	Central government and central bank	4,784	—	—	—	—	—	—	—	—	4,784
3	PSE	—	—	—	—	—	—	—	—	—	—
4	MDB	—	—	—	—	—	—	—	—	—	—
5	Bank	—	—	6,554	—	—	—	—	—	—	6,554
6	Corporate	—	—	—	—	—	—	3,070	—	—	3,070
7	Regulatory retail	—	—	—	—	—	1,389	—	—	—	1,389
8	Residential Mortgage	—	—	—	10,352	—	31	36	—	—	10,419
9	CRE	—	—	—	—	—	—	158	—	—	158
10	Equity – SA(EQ)	—	—	—	—	—	—	—	—	—	—
11	Past due exposures	—	—	—	—	—	—	69	40	—	109
12	Higher-risk categories	—	—	—	—	—	—	—	—	—	—
13	Other exposures	—	—	—	—	—	—	160	—	—	160
14	<b>Total</b>	<b>4,832</b>	<b>—</b>	<b>6,554</b>	<b>10,352</b>	<b>—</b>	<b>1,420</b>	<b>3,493</b>	<b>40</b>	<b>—</b>	<b>26,691</b>

Total exposures increased in the second half of 2020 mainly due to increase in exposure to Bank and Residential Mortgage asset class.

In SGD million		30 Jun 20									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post-CCF and post CRM) <sup>(1)</sup>
<b>Asset classes</b>											
1	Cash items	49	—	—	—	—	—	—	—	—	49
2	Central government and central bank	4,433	—	—	—	—	—	—	—	—	4,433
3	PSE	—	—	—	—	—	—	—	—	—	—
4	MDB	—	—	—	—	—	—	—	—	—	—
5	Bank	—	—	5,205	—	—	—	—	—	—	5,205
6	Corporate	—	—	—	—	—	—	3,202	—	—	3,202
7	Regulatory retail	—	—	—	—	—	1,460	35	16	—	1,511
8	Residential Mortgage	—	—	—	9,642	—	32	36	—	—	9,710
9	CRE	—	—	—	—	—	—	166	—	—	166
10	Equity – SA(EQ)	—	—	—	—	—	—	—	—	—	—
11	Past due exposures	—	—	—	—	—	—	30	18	—	48
12	Higher-risk categories	—	—	—	—	—	—	—	—	—	—
13	Other exposures	—	—	—	—	—	—	188	—	—	188
14	<b>Total</b>	<b>4,482</b>	<b>—</b>	<b>5,205</b>	<b>9,642</b>	<b>—</b>	<b>1,492</b>	<b>3,657</b>	<b>34</b>	<b>—</b>	<b>24,512</b>

**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 under the current exposure method which comprises both replacement cost and potential future exposure after taking a Credit Conversion Factor ("CCF") on the derivative contract's notional principal.

### 9.2 Analysis of Counterparty Credit Risk Exposure by Approach

In SGD million		31 Dec 20					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE	$\alpha$ Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	Current Exposure Method (for Derivatives)	2	36	—	—	38	8
2	CCR Internal Models Method (for Derivatives and SFTs)			—	—	—	—
3	FC(SA) (for SFTs)					—	—
4	FC(CA) (for SFTs)					15	3
5	VaR for SFTs					—	—
<b>6</b>	<b>Total</b>						<b>11</b>

In SGD million		30 Jun 20					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE	$\alpha$ Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	Current Exposure Method (for Derivatives)	3	31			34	7
2	CCR Internal Models Method (for Derivatives and SFTs)			—	—	—	—
3	FC(SA) (for SFTs)					—	—
4	FC(CA) (for SFTs)					113	23
5	VaR for SFTs					—	—
<b>6</b>	<b>Total</b>						<b>30</b>

CCR exposures decreased in 31 December 20 due to a decrease in securities financing transactions.

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

	31 Dec 20								
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	–	–	53	–	–	–	–	–	53
Corporate	–	–	–	–	–	–	–	–	–
Regulatory retail	–	–	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–	–	–
<b>Total</b>	–	–	<b>53</b>	–	–	–	–	–	<b>53</b>

  

	30 Jun 20								
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	–	–	147	–	–	–	–	–	147
Corporate	–	–	–	–	–	–	–	–	–
Regulatory retail	–	–	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–	–	–
<b>Total</b>	–	–	<b>147</b>	–	–	–	–	–	<b>147</b>

CCR exposures decreased in 31 December 20 mainly due to a decrease in securities financing transactions.

9.4 Composition of Collateral for CCR Exposure

In SGD million		31 Dec 2020					
		(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
Segregated	Unsegregated	Segregated	Unsegregated				
1	Cash - domestic currency	—	—	—	—	—	—
2	Cash - other currencies	—	—	—	16	—	—
3	Domestic sovereign debt	—	—	—	—	1,621	—
4	Other sovereign debt	—	—	—	—	—	—
5	Government agency debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
<b>9</b>	<b>Total</b>	—	—	—	<b>16</b>	<b>1,621</b>	—

  

In SGD million		30 Jun 2020					
		(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
Segregated	Unsegregated	Segregated	Unsegregated				
1	Cash - domestic currency	—	—	—	—	—	—
2	Cash - other currencies	—	—	—	—	—	—
3	Domestic sovereign debt	—	—	—	—	6,100	—
4	Other sovereign debt	—	—	—	—	—	—
5	Government agency debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
<b>9</b>	<b>Total</b>	—	—	—	—	<b>6,100</b>	—

The decrease in collateral used in securities financing transactions during the second half of 2020 was mainly due to decrease in volume of such transactions.



**9.5 CVA Risk Capital Requirements**

The Bank does not have Credit Valuation Adjustments (“CVA”) as at 31 December 2020.

**9.6 Exposures to Central Clearing Counterparties**

The Bank does not have exposures to central clearing counterparties as at 31 December 2020.

**9.7 Credit Derivative Exposures**

The Bank does not have any credit derivatives exposures as at 31 December 2020.

**9.8 Securitisation Exposures**

The Bank does not have any securitisation exposures as at 31 December 2020.

## 10. Market Risk

### 10.1 Overview

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

The Bank employs a range of tools to monitor and limit market risk exposures. These include 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 32 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 20	30 Jun 20
	<b>Products Excluding Options</b>		
1	Interest rate risk (general and specific)	30	23
2	Equity risk (general and specific)	—	—
3	Foreign exchange risk	2	2
4	Commodity risk	—	—
	<b>Options</b>		
5	Simplified approach	—	—
6	Delta-plus method	—	—
7	Scenario approach	—	—
8	Securitisation	—	—
9	Total	32	25

The increase in market RWA was mainly due to an increase in interest rate risk as a result of longer duration of derivatives outstanding as at 31 December 2020.

## **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 32 of the Bank's Financial Statements.

## 12. Other Risk

### 12.1 Interest Rate Risk in the Banking Book

Interest rate risk in the banking book (“IRRBB”) is the potential adverse impact of changes in interest rates on earnings and capital. The component of IRRBB that can be economically neutralized in the market is transferred to Markets Treasury to manage, in accordance with internal transfer pricing rules. In its management of IRRBB, the Bank aims to balance mitigation of the effect of future interest rate movements which could reduce net interest income (“NII”) against the cost of hedging. The monitoring of the projected NII and economic value of equity sensitivity under varying interest rate scenarios is a key part of this approach.

A principal part of HSBC’s management of non-traded interest rate risk is to monitor the sensitivity of expected NII under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant.

The table below sets out the assessed impact to a hypothetical base case projection of the Bank’s NII (NII Sensitivity = Stressed NII - Base NII) over a one-year period, under the following scenarios:

- an immediate parallel up and down shock to the current market-implied path of interest rates across material currencies on 1 Jan 2021, using the specified size of interest rate shock for each material currency (150bps for SGD and 200bps for USD) as per Annex 10C of MAS Notice 637

The sensitivities shown represent the assessment of the change to a hypothetical base case NII, assuming a static balance sheet and no management actions from Markets Treasury. They incorporate the effect of interest rate behaviouralisation, managed rate product pricing assumptions and customer behaviour, including prepayment risk under the specific interest rate scenarios. The scenarios represent interest rate shocks to the current market implied path of rates.

In SGD million	Singapore Dollar	US Dollar	Total
Change in Jan 2021 to Dec 2021 NII (based on balance sheet at 31 Dec 2020)			
Parallel Up	176	68	244
Parallel Down	(34)	41	7

For additional information on the Bank’s governance over IRRBB, please refer to Note 32 of the Bank’s Financial Statements.

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

(Number of data points: 92 for 4Q 2020)

In SGD million		4Q 2020	
		Average Unweighted Value	Average Weighted Value
<b>High-Quality Liquid Assets</b>			
1	Total high-quality liquid assets (HQLA)		25,482
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	31,311	2,983
3	Stable deposits	2,957	148
4	Less stable deposits	28,354	2,835
5	Unsecured wholesale funding, of which:	45,664	22,512
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,226	2,022
7	Non-operational deposits (all counterparties)	37,438	20,490
8	Unsecured debt	—	—
9	Secured wholesale funding		62
10	Additional requirements, of which:	7,836	4,084
11	Outflows related to derivative exposures and other collateral requirements	3,296	3,253
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	4,540	831
14	Other contractual funding obligations	620	620
15	Other contingent funding obligations	3,157	118
16	Total Cash Outflows		30,379
<b>Cash Inflows</b>			
17	Secured lending (e.g. reverse repos)	6,275	109
18	Inflows from fully performing exposures	22,038	18,603
19	Other cash inflows	3,075	3,039
20	Total Cash Inflows	31,388	21,752
		<b>Total Adjusted Value</b>	
21	<b>Total HQLA</b>		<b>25,482</b>
22	<b>Total Net Cash Outflows</b>		<b>9,471</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>283%</b>

**12.2.2 Average Country-level Group SGD LCR for 4Q 2020**

(Number of data points: 92 for 4Q 2020)

In SGD million		4Q 2020	
		Average Unweighted Value	Average Weighted Value
<b>High-Quality Liquid Assets</b>			
1	Total high-quality liquid assets (HQLA)		18,413
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	14,116	1,264
3	Stable deposits	2,957	148
4	Less stable deposits	11,159	1,116
5	Unsecured wholesale funding, of which:	14,361	6,715
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,329	797
7	Non-operational deposits (all counterparties)	11,032	5,918
8	Unsecured debt	—	—
9	Secured wholesale funding		—
10	Additional requirements, of which:	31,950	30,064
11	Outflows related to derivative exposures and other collateral requirements	29,732	29,714
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,218	350
14	Other contractual funding obligations	307	307
15	Other contingent funding obligations	270	31
16	Total Cash Outflows		38,381
<b>Cash Inflows</b>			
17	Secured lending (e.g. reverse repos)	5,294	—
18	Inflows from fully performing exposures	13,091	12,582
19	Other cash inflows	16,609	16,579
20	Total Cash Inflows	34,995	29,161
<b>Total Adjusted Value</b>			
21	<b>Total HQLA</b>		<b>18,413</b>
22	<b>Total Net Cash Outflows</b>		<b>10,467</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>177%</b>

**12.2.3 Liquidity Coverage Ratio**

The Country-level Group maintains a healthy liquidity position with the 4Q 2020 average All-Currency LCR and SGD LCR at 283% and 177% (above the respective regulatory requirements of 50% and 100%). 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 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 risks 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.

**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;
- Liquidity Contingency Plan ("LCP"); and
- forward looking funding assessments.

**ii. Risk Management Teams**

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

Treasury Risk Management carry out independent review and challenge on the appropriateness of risk management activities undertaken by ALCM and Markets Treasury. Their work includes setting control standards and advice on policy implementation, including:

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

Internal Audit provide independent assurance that risk is managed effectively.

### **iii. 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.

### **iv. 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.

### **v. Country-level Liquidity Contingency Plan (“LCP”)**

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**

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 4Q 2020**

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>ASF Item</b>						
1	Capital:	1,637	—	—	—	1,637
2	<i>Regulatory capital</i>	1,637	—	—	—	1,637
3	<i>Other capital instruments</i>	—	—	—	—	—
4	Retail deposits and deposits from small business customers:	25,299	6,349	—	—	28,633
5	<i>Stable deposits</i>	2,648	352	—	—	2,850
6	<i>Less stable deposits</i>	22,651	5,997	—	—	25,783
7	Wholesale funding:	27,729	24,185	194	2,192	21,138
8	<i>Operational deposits</i>	8,346	—	—	—	4,173
9	<i>Other wholesale funding</i>	19,383	24,185	194	2,192	16,965
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	244	9,388			792
12	<i>NSFR derivative liabilities</i>	7,064				
13	<i>All other liabilities and equity not included in the above categories</i>	244	1,317	431	576	792
<b>14</b>	<b>Total ASF</b>					<b>52,199</b>
<b>RSF Item</b>						
15	Total NSFR high-quality liquid assets (HQLA)					1,338
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	36,028	5,453	23,385	25,008
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	4,820	—	—	482
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	—	1,849	540	522	1,070
20	<i>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:</i>	—	28,874	4,635	13,200	16,782
21	<i>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</i>	—	—	—	—	—
22	<i>Performing residential mortgages, of which:</i>	—	485	277	9,663	6,674
23	<i>With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637</i>	—	299	275	9,603	6,454
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	—	—	—	—	—

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	263		14,878		1,598
27	<i>Physical trade commodities, including gold</i>	263				224
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>			—		—
29	<i>NSFR derivative assets</i>			6,560		—
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>			7,115		356
31	<i>All other assets not included in the above categories</i>	—	586	16	601	1,019
32	Off-balance sheet items			49,348		233
<b>33</b>	<b>Total RSF</b>					<b>28,177</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					<b>185%</b>

**12.3.2 Country-level Group All-Currency NSFR for 3Q 2020**

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<b>ASF Item</b>						
1	Capital:	1,637	—	—	—	1,637
2	<i>Regulatory capital</i>	1,637	—	—	—	1,637
3	<i>Other capital instruments</i>	—	—	—	—	—
4	Retail deposits and deposits from small business customers:	23,416	7,945	—	—	28,375
5	<i>Stable deposits</i>	2,595	398	—	—	2,843
6	<i>Less stable deposits</i>	20,821	7,547	—	—	25,532
7	Wholesale funding:	25,910	29,361	283	2,173	23,274
8	<i>Operational deposits</i>	8,259	—	—	—	4,130
9	<i>Other wholesale funding</i>	17,651	29,361	283	2,173	19,144
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	96		13,590		804
12	<i>NSFR derivative liabilities</i>			5,585		
13	<i>All other liabilities and equity not included in the above categories</i>	96	7,010	383	612	804
<b>14</b>	<b>Total ASF</b>					<b>54,090</b>
<b>RSF Item</b>						
15	Total NSFR high-quality liquid assets (HQLA)					1,226
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	38,663	5,752	25,039	26,320
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	3,783	—	—	378

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	—	4,053	491	585	1,438
20	<i>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:</i>	—	30,360	4,975	15,031	17,990
21	<i>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</i>	—	—	—	—	—
22	<i>Performing residential mortgages, of which:</i>	—	467	287	9,423	6,514
23	<i>With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637</i>	—	295	270	9,365	6,296
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	—	—	—	—	—
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	264	17,569			1,452
27	<i>Physical trade commodities, including gold</i>	264				225
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		—			—
29	<i>NSFR derivative assets</i>		5,478			—
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		5,614			281
31	<i>All other assets not included in the above categories</i>	—	5,867	17	593	947
32	Off-balance sheet items		52,580			257
<b>33</b>	<b>Total RSF</b>					<b>29,256</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					<b>185%</b>

### 12.3.3 Net Stable Funding Ratio

The Country-level Group maintains a healthy funding profile with both the 3Q20 and 4Q20 All-Currency NSFR at 185% (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 remained flat quarter-on-quarter as the decrease in ASF (mainly due to lower wholesale deposits) was offset by a decrease in RSF (mainly due to lower RSF density of customer loans for 4Q 2020).

For additional information on the Bank's liquidity and funding risk management, please refer to Note 32 of the bank's Financial Statements.

## 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 policy applicable to all Group employees. 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. All members of the Committee are independent non-executive Directors of HSBC Holdings plc.

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 strategy underpinned by our Group's Remuneration Framework is designed to reward competitively the achievement of long-term sustainable performance, and attract, motivate and retain the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience. We believe that remuneration is an important tool for instilling the right behaviours, and driving and encouraging actions that are aligned to organisational values and the long-term interests of our stakeholders. The strategy supports our people to perform their roles to support our strategic priorities and long-term interests of our stakeholders, which includes the customers and communities we serve, our shareholders and regulators. We maintain key principles that underpin the performance and pay decisions for our workforce, as outlined below. These principles were crucial to the approach we took in response to Covid-19 to adequately support and recognise them and ensure they were treated fairly.

- Ensuring that the assessments completed by the managers are fair, appropriate and free from bias. Managers are encouraged to challenge and communicate with peers, and analytical reviews are undertaken to identify any bias.
- An alignment to performance at all levels (individual, business and Group) taking into account both 'what' has been achieved and 'how' it has been achieved. The 'how' helps ensure that performance is sustainable in the longer term, consistent with HSBC's values and risk and compliance standards.
- Being informed, but not driven by, market position and practice. Market benchmarks are sourced through independent specialists and provide an indication of the range of pay levels and employee benefits provided by our competitors.
- Supporting a culture of continuous feedback through manager and employee empowerment and creating a culture where employees can fulfil their potential, gain new skills and develop their careers for the future.
- Considering the full-market range when making pay decisions for employees, taking into account the individual's and the Group's performance in any given year. An individual's pay will vary depending upon their performance. Compliance with relevant regulation across all of our countries and territories.

Based on these principles, our approach to determining remuneration is based on the following objectives:

- Offering our employees a competitive total reward package. This includes market competitive fixed pay levels, which ensure our employees are able to meet their basic day-to-day needs;
- Maintaining an appropriate balance between fixed pay, variable pay and employee benefits, taking into consideration an employee's seniority, role, individual performance and the market;
- Ensuring variable pay is awarded on a discretionary basis and dependent upon Group, global business and individual performance in line with overall Group affordability;
- Offering employee benefits that support the mental, physical and financial health of a diverse workforce, are appropriate at the local market level and support HSBC's commitment to employee well-being;

- Promoting employee share ownership through variable pay deferral or voluntary enrolment in an all employee share plan;
- Linking reward packages to performance and behaviour with no bias towards an individual's ethnicity, gender, age, or any other characteristic; and
- Providing career planning tools to help employees thinking about future roles and capability they require, and empowering managers to make appropriate decisions at key stages during the pay review process.

### **13.3 Performance and Risk Management on Remuneration Structure**

Please refer to the HSBC remuneration practices and governance at <http://www.hsbc.com/about-hsbc/corporate-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 policy including alignment between risk and reward.

**13.4 MAS Notice 637 Pillar 3 Remuneration Disclosures**

The following tables show the remuneration awards made by the Bank to its Identified Staff and Material Risk Takers ('MRTs') for 2020. 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	—	—	4*	—
Guaranteed bonus awards	—	—	—	—
Sign-on awards	—	—	—	—
Severance payments	1	210	—	—

\* The MRTs are part of Senior Management but their remuneration are not included under Senior Management

**Table 2: Breakdown of Remuneration Awarded in Current Financial Year (FY2020)**

			(a)	(b)
			Senior Management	Other Material Risk Takers
1	<b>Fixed Remuneration</b>	Number of Employees	10	4
2		<b>Total Fixed Remuneration (3+5+7)</b>	78%	67%
3		Of which: Cash-based	78%	67%
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	<b>Variable Remuneration</b>	Number of employees	10	4
10		<b>Total variable remuneration (11+13+15)</b>	22%	33%
11		Of which: Cash-based	20%	17%
12		Of which: Deferred	—	6%
13		Of which: Shares or Other Share-linked Instruments <sup>(1)</sup>	2%	16%
14		Of which: Deferred	2%	7%
15		Of which: Other Forms	—	—
16		Of which: Deferred	—	—
<b>17</b>	<b>Total remuneration (2+10)</b>		100%	100%

Note

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

**Table 3: Analysis of Deferred Remuneration**

		(a)	(b)	(c)	(d)	(e)
	<b>Deferred and Retained Remuneration</b> (1)	<b>Total Outstanding Deferred Remuneration</b>	<b>of which: Total outstanding Deferred and Retained Remuneration Exposed to Ex post Explicit and/or Implicit Adjustments</b> (5)	<b>Total Amendment During the Year Due to Ex post Explicit Adjustments</b>	<b>Total Amendment During the Year Due to Ex post Implicit Adjustments</b>	<b>Total Deferred Remuneration Paid Out in the Financial Year</b>
1	Senior Management	100%	100%	—	—	100%
2	Cash <sup>(2)(3)</sup>	—	—	—	—	—
3	Shares <sup>(2)(3)(4)</sup>	100%	100%	—	—	100%
4	Share-linked Instruments	—	—	—	—	—
5	Other	—	—	—	—	—
6	Other Material Risk Takers	100%	100%	—	—	100%
7	Cash <sup>(2)(3)</sup>	45%	45%	—	—	26%
8	Shares <sup>(2)(3)(4)</sup>	55%	55%	—	—	74%
9	Share-linked Instruments	—	—	—	—	—
10	Other	—	—	—	—	—

**Note**

- (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) Outstanding, unvested, deferred remuneration is exposed to ex post explicit adjustments.
- (3) There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustments during 2020 via the application of malus and/or clawback.
- (4) Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares in 2020 are calculated based on the closing market share price of HSBC Holdings plc.
- (5) Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares in 2020 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 disclosures as at 31 December 2020 have been prepared in accordance with the internal control processes approved by the Bank's Board of Directors.



Anthony William Cripps  
Group General Manager and Chief Executive Officer

16 March 2021  
Singapore