



HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 31 March 2021

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1. Overview of Key Prudential Regulatory Metrics

The following table provides an overview of key prudential regulatory metrics of HSBC Bank (Singapore) Limited ("the Bank") except Liquidity Coverage Ratio and Net Stable Funding Ratio which are at the HSBC Singapore Country level. 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 Mar 21 [^]	31 Dec 20 [*]	30 Sep 20 [^]	30 Jun 20 [^]	31 Mar 20 [^]
Available Capital (Amounts)						
1	CET1 Capital	1,674	1,678	1,652	1,657	1,657
2	Tier 1 Capital	1,674	1,678	1,652	1,657	1,657
3	Total Capital	1,713	1,723	1,715	1,734	1,721
Risk Weighted Assets (Amounts)						
4	Total RWA	10,477	10,575	10,288	10,254	10,359
Risk-based Capital Ratios as a Percentage of RWA						
5	CET 1 Ratio (%)	15.98%	15.87%	16.06%	16.16%	16.00%
6	Tier 1 Ratio (%)	15.98%	15.87%	16.06%	16.16%	16.00%
7	Total Capital Ratio (%)	16.35%	16.29%	16.67%	16.91%	16.61%
Additional CET 1 Buffer Requirements as a percentage of RWA						
8	Capital Conservation Buffer Requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical Buffer Requirement (%)	0.01%	0.01%	0.01%	0.01%	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%	2.51%	2.52%
12	CET 1 Available after Meeting the Reporting Bank's Minimum Capital Requirements (%)	6.35%	6.29%	6.67%	6.91%	6.62%
Leverage Ratio						
13	Total Leverage Ratio Exposure Measure	29,323	28,846	28,949	31,067	28,312
14	Leverage Ratio (%) (row 2/row 13)	5.71%	5.82%	5.71%	5.33%	5.85%
Liquidity Coverage Ratio [#]						
15	Total High Quality Liquid Assets	25,758	25,482	24,972	25,598	26,689
16	Total Net Cash Outflow	10,831	9,471	8,932	9,590	11,876
17	Liquidity Coverage Ratio (%)	241%	283%	283%	276%	230%
Net Stable Funding Ratio [#]						
18	Total Available Stable Funding	52,348	52,199	54,090	53,862	51,237
19	Total Required Stable Funding	29,150	28,177	29,256	29,567	34,756
20	Net Stable Funding Ratio (%)	180%	185%	185%	182%	147%

The increase in CET1 and Total Capital Ratios in March 2021 is due to a decrease in Total Risk Weighted Assets ("RWAs") by \$98m mainly due to a reduction in Credit Risk RWAs (\$78m).

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 0.95%.

2. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		31 Mar 21	31 Dec 20
Exposure Measure of On-Balance Sheet Items			
1	On-balance sheet items (excluding derivative transactions and Securities Financing Transactions ("SFTs"), but including on-balance sheet collateral for derivative transactions or SFTs)	26,251	26,471
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)	26,250	26,470
Derivative Exposure Measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	11	2
5	Potential future exposure associated with all derivative transactions	40	36
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with Accounting Standards	—	—
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	—	—
8	CCP leg of trade exposures excluded	—	—
9	Adjusted effective notional amount of written credit derivatives	—	—
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	—	—
11	Total derivative exposure measures	51	38
SFT Exposure Measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	2,301	1,621
13	Eligible netting of cash payables and cash receivables	—	—
14	SFT counterparty exposures	—	—
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	—	—
16	Total SFT exposure measures	2,301	1,621
Exposure Measures of Off-Balance Sheet Items			
17	Off-balance sheet items at notional amount	6,131	6,107
18	Adjustments for calculation of exposure measures of off-balance sheet items	(5,410)	(5,390)
19	Total exposure measures of off-balance sheet items	721	717
Capital and Total Exposures			
20	Tier 1 capital	1,674	1,678
21	Total exposures	29,323	28,846
Leverage Ratio			
22	Leverage ratio	5.71%	5.82%

The leverage ratio as at 31 March 2021 decreased by 11bps as compared to 31 December 2020 mainly due to an increase in exposures to securities financing transactions.

Leverage Ratio Summary Comparison Table

In SGD million		31 Mar 21	31 Dec 20
1	Total consolidated assets as per published financial statements	28,609	28,092
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	40	36
5	Adjustment for SFTs	—	—
6	Adjustment for off-balance sheet items	721	717
7	Other adjustments	(47)	1
8	Exposure Measure	29,323	28,846

3. Overview of Risk Weighted Assets

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

In SGD million		RWA		Minimum Capital Requirement ¹
		Mar 21	Dec 20	Mar 21
1	Credit Risk (excluding Counterparty Credit Risk)	9,457	9,541	946
2	of which: Standardised Approach	9,457	9,541	946
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	Counterparty Credit Risk	17	11	2
7	of which: Current Exposure Method	10	8	1
8	of which: CCR Internal Models Method	—	—	—
9	of which: other CCR	7	3	1
9a	of which: CCP	—	—	—
10	Credit Valuation Adjustment (CVA)	—	—	—
11	Equity exposures under the simple risk weight method	—	—	—
11a	Equity exposures under the IMM	—	—	—
12	Equity investments in funds – Look Through Approach	—	—	—
13	Equity investments in funds – Mandate-Based Approach	—	—	—
14	Equity investments in funds – Fall Back Approach	—	—	—
14a	Equity investments in funds – Partial Use of an Approach	—	—	—
15	Unsettled Transactions	—	—	—
16	Securitisation exposures in the Banking Book	—	—	—
17	of which: SEC -IRBA	—	—	—
18	of which: SEC-ERBA, including IAA	—	—	—
19	of which: SEC-SA	—	—	—
20	Market Risk	17	31	2
21	of which: SA(MR)	17	31	2
22	of which: IMA	—	—	—
23	Operational Risk	986	992	99
24	Amounts below the thresholds for deduction (subject to 250% Risk Weight)	—	—	—
25	Floor Adjustment	—	—	—
26	Total	10,477	10,575	1,049

The decrease in RWAs in March 2021 was largely due to a decrease in Credit Risk RWAs (\$78m), primarily due to a decrease in Corporate RWAs (\$180m) partially offset by an increase in Bank RWAs (\$62m) and Retail RWAs (\$46m).

Note:

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

3. Liquidity Coverage Ratio

3.1 Liquidity Coverage Ratio (“LCR”) Disclosure for 1Q 2021

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 have obtained MAS approval 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%.

3.1.1 Average Country-level Group All-Currency LCR for 1Q 2021

(Number of data points: 90 for 1Q 2021)

In SGD million		1Q 2021	
		Average Unweighted Value	Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		25,758
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	31,702	3,020
3	Stable deposits	3,001	150
4	Less stable deposits	28,701	2,870
5	Unsecured wholesale funding, of which:	46,968	22,923
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,920	2,194
7	Non-operational deposits (all counterparties)	38,048	20,729
8	Unsecured debt	—	—
9	Secured wholesale funding		45
10	Additional requirements, of which:	7,956	4,537
11	Outflows related to derivative exposures and other collateral requirements	3,826	3,777
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	4,130	760
14	Other contractual funding obligations	1,035	1,035
15	Other contingent funding obligations	3,358	128
16	Total Cash Outflows		31,688
Cash Inflows			
17	Secured lending (e.g. reverse repos)	5,652	45
18	Inflows from fully performing exposures	20,739	17,083
19	Other cash inflows	3,807	3,730
20	Total Cash Inflows	30,198	20,858
Total Adjusted Value			
21	Total HQLA		25,758
22	Total Net Cash Outflows		10,831
23	Liquidity Coverage Ratio (%)		241%

3.1.2 Average Country-level Group SGD LCR for 1Q 2021

(Number of data points: 90 for 1Q 2021)

In SGD million		1Q 2021	
		Average Unweighted Value	Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		19,282
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	14,459	1,296
3	Stable deposits	3,001	150
4	Less stable deposits	11,458	1,146
5	Unsecured wholesale funding, of which:	14,718	6,813
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,587	861
7	Non-operational deposits (all counterparties)	11,131	5,952
8	Unsecured debt	—	—
9	Secured wholesale funding		45
10	Additional requirements, of which:	34,382	32,609
11	Outflows related to derivative exposures and other collateral requirements	32,271	32,252
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,110	358
14	Other contractual funding obligations	474	474
15	Other contingent funding obligations	257	35
16	Total Cash Outflows		41,272
Cash Inflows			
17	Secured lending (e.g. reverse repos)	5,608	—
18	Inflows from fully performing exposures	11,843	11,370
19	Other cash inflows	19,567	19,546
20	Total Cash Inflows	37,019	30,916
Total Adjusted Value			
21	Total HQLA		19,282
22	Total Net Cash Outflows		10,817
23	Liquidity Coverage Ratio (%)		179%

3.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the 1Q 2021 average All-Currency LCR and SGD LCR at 241% and 179% (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).

3.1.4 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);
- annual Internal Liquidity Adequacy Assessment;
- intraday liquidity monitoring and limits;
- liquidity funds transfer pricing;
- Liquidity Contingency Plan ("LCP"); and
- forward looking funding assessments.

The LCR and NSFR metrics are supplemented with an internal liquidity metric in 2021.

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.

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

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

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

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.