



HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 30 June 2021

Contents

1. Overview of Key Prudential Regulatory Metrics	2
2. Capital Structure and Capital Adequacy	3
2.1 Geographical Distribution of Credit Exposures Used in the Countercyclical Capital Buffer	3
3. Leverage Ratio	3
4. Overview of Risk Weighted Assets	6
5. Credit Risk	7
5.1 Additional Disclosures Related to the Credit Quality of Assets	7
5.2 Overview of Credit Risk Mitigation Techniques	8
5.3 SA(CR) and SA(EQ) – Credit Risk Exposure and CRM Effects	9
5.4 SA(CR) and SA(EQ) – Exposure by Asset Class and Risk Weights	10
6. Counterparty Credit Risk (CCR)	12
6.1 Analysis of Counterparty Credit Risk Exposure by Approach	12
6.2 Standardised Approach – Counterparty Credit Risk Exposures by Portfolio and Risk Weights	13
6.3 Composition of Collateral for CCR Exposure	14
6.4 CVA Risk Capital Requirements	15
6.5 Exposures to Central Clearing Counterparties	15
6.6 Credit Derivatives Exposures	15
6.7 Securitisation Exposures	15
7. Market Risk	16
8. Other Risk	17
8.1 Liquidity Coverage Ratio (“LCR”)	17
8.2 Net Stable Funding Ratio (“NSFR”)	20

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 the 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)
		30 Jun 21 [^]	31 Mar 21 [^]	31 Dec 20 [*]	30 Sep 20 [^]	30 Jun 20 [^]
Available Capital (Amounts)						
1	CET1 Capital	1,673	1,674	1,678	1,652	1,657
2	Tier 1 Capital	1,673	1,674	1,678	1,652	1,657
3	Total Capital	1,709	1,713	1,723	1,715	1,734
Risk Weighted Assets (Amounts)						
4	Total RWA	10,477	10,477	10,575	10,288	10,254
Risk-based Capital Ratios as a Percentage of RWA						
5	CET 1 Ratio (%)	15.97%	15.98%	15.87%	16.06%	16.16%
6	Tier 1 Ratio (%)	15.97%	15.98%	15.87%	16.06%	16.16%
7	Total Capital Ratio (%)	16.31%	16.35%	16.29%	16.67%	16.91%
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%	0.01%
10	G-SIB and/or D-SIB additional requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of CET1 Specific Buffer Requirement (%) (row 8 + row 9 + row 10)	2.51%	2.51%	2.51%	2.51%	2.51%
12	CET 1 Available after Meeting the Reporting Bank's Minimum Capital Requirements (%)	6.31%	6.35%	6.29%	6.67%	6.91%
Leverage Ratio						
13	Total Leverage Ratio Exposure Measure	29,094	29,323	28,846	28,949	31,067
14	Leverage Ratio (%) (row 2/row 13)	5.75%	5.71%	5.82%	5.71%	5.33%
Liquidity Coverage Ratio [#]						
15	Total High Quality Liquid Assets	24,522	25,758	25,482	24,972	25,598
16	Total Net Cash Outflow	8,688	10,831	9,471	8,932	9,590
17	Liquidity Coverage Ratio (%)	285%	241%	283%	283%	276%
Net Stable Funding Ratio [#]						
18	Total Available Stable Funding	50,726	52,348	52,199	54,090	53,862
19	Total Required Stable Funding	26,489	29,150	28,177	29,256	29,567
20	Net Stable Funding Ratio (%)	191%	180%	185%	185%	182%

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 0.94%.

2. Capital Structure and Capital Adequacy

2.1 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%	76		
Others		8,008		
Total		8,085	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. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		30 Jun 21	31 Mar 21
Exposure Measure of On-Balance Sheet Items			
1	On-balance sheet items (excluding derivative transactions and Securities Financing Transactions ("SFTs"), but including on-balance sheet collateral for derivative transactions or SFTs)	25,499	26,251
2	Asset amounts deducted in determining Tier 1 Capital	(1)	(1)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	25,498	26,250
Derivative Exposure Measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	11	11
5	Potential future exposure associated with all derivative transactions	36	40
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	47	51
SFT Exposure Measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	2,802	2,301
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	2,802	2,301
Exposure Measures of Off-Balance Sheet Items			
17	Off-balance sheet items at notional amount	6,277	6,131
18	Adjustments for calculation of exposure measures of off-balance sheet items	(5,530)	(5,410)
19	Total exposure measures of off-balance sheet items	747	721
Capital and Total Exposures			
20	Tier 1 capital	1,673	1,674
21	Total exposures	29,094	29,323
Leverage Ratio			
22	Leverage ratio	5.75%	5.71%

The leverage ratio as at 30 June 2021 increased by 4bps as compared to 31 March 2021 mainly due to a SGD697m decrease in debt securities holding offset by a SGD501m increase in SFT.

Leverage Ratio Summary Comparison Table

In SGD million		30 Jun 21	31 Mar 21
1	Total consolidated assets as per published financial statements	28,367	28,609
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	40
5	Adjustment for SFTs	—	—
6	Adjustment for off-balance sheet items	747	721
7	Other adjustments	(56)	(47)
8	Exposure Measure	29,094	29,323

4. 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
		Jun 21	Mar 21	Jun 21
1	Credit Risk (excluding Counterparty Credit Risk)	9,456	9,457	946
2	of which: Standardised Approach	9,456	9,457	946
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	Counterparty Credit Risk	12	17	1
7	of which: Current Exposure Method	6	10	1
8	of which: CCR Internal Models Method	—	—	—
9	of which: other CCR	6	7	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	35	17	4
21	of which: SA(MR)	35	17	4
22	of which: IMA	—	—	—
23	Operational Risk	974	986	97
24	Amounts below the thresholds for deduction (subject to 250% Risk Weight)	—	—	—
25	Floor Adjustment	—	—	—
26	Total	10,477	10,477	1,048

Note:

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

5. Credit Risk

5.1 Additional Disclosures Related to the Credit Quality of Assets

5.1.1 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 ⁽¹⁾		Allowances and impairments	of which: allowances for standardised approach exposures		of which: allowances for IRBA exposure	Net values (a+b-c)
		Defaulted exposures ⁽³⁾	Non-defaulted exposures		of which: specific allowances	of which: general allowances		
1	Loans ⁽²⁾	123	15,008	(63)	(27)	(36)	—	15,068
2	Debt securities	—	3,374	—	—	—	—	3,374
3	Off-balance sheet exposures	—	4,519	—	—	—	—	4,519
4	Total	123	22,901	(63)	(27)	(36)	—	22,961

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

5.1.2 Changes in Stock of Defaulted Loans and Debt Securities

In SGD million		(a)
1	Defaulted loans and debt securities as at 31 Dec 2020	139
2	Loans and debt securities that have defaulted in first half of 2021	28
3	Returned to non-defaulted status	(9)
4	Amounts written-off	(16)
5	Other changes	(19)
6	Defaulted loans and debt securities as at 30 Jun 2021 (1+2-3-4±5)	123

5.2 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		30 Jun 21				
		(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	15,052	16	16	—	—
2	Debt Securities	3,374	—	—	—	—
3	Total	18,426	16	16	—	—
4	Of which: defaulted	123	—	—	—	—

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	Total	19,173	10	10	—	—
4	Of which: defaulted	139	—	—	—	—

The decrease in debt securities in the first half of 2021 is attributed to decrease in holding of government securities.

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

In SGD million		30 Jun 21					
		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures before CCF and CRM		Exposure post-CCF and post-CRM		RWA and RWA density	
Asset classes and others	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density ⁽¹⁾	
1	Cash items	43	—	43	—	—	0%
2	Central government and central bank	3,805	—	3,805	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	9,168	3,553	6,398	28	1,322	21%
6	Corporate	2,985	—	2,985	—	2,940	98%
7	Regulatory retail	1,339	5,528	1,327	1	996	75%
8	Residential Mortgage	10,565	758	10,560	194	3,792	35%
9	CRE	90	1	90	—	91	100%
10	Equity – SA(EQ)	—	—	—	—	—	0%
11	Past due exposures	100	—	100	—	122	122%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	205	—	205	—	205	100%
14	Total	28,300	9,840	25,513	223	9,468	37%

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 ⁽¹⁾	
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	Total	28,092	9,658	26,476	215	9,552	36%

Note

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

5.4 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		30 Jun 2021									
		(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) ⁽¹⁾
Asset classes											
1	Cash items	43	—	—	—	—	—	—	—	—	43
2	Central government and central bank	3,805	—	—	—	—	—	—	—	—	3,805
3	PSE	—	—	—	—	—	—	—	—	—	—
4	MDB	—	—	—	—	—	—	—	—	—	—
5	Bank	—	—	6,304	—	122	—	—	—	—	6,426
6	Corporate	—	—	—	—	90	—	2,895	—	—	2,985
7	Regulatory retail	—	—	—	—	—	1,328	—	—	—	1,328
8	Residential Mortgage	—	—	—	10,700	—	27	27	—	—	10,754
9	CRE	—	—	—	—	—	—	90	—	—	90
10	Equity – SA(EQ)	—	—	—	—	—	—	—	—	—	—
11	Past due exposures	—	—	—	—	—	—	55	45	—	100
12	Higher-risk categories	—	—	—	—	—	—	—	—	—	—
13	Other exposures	—	—	—	—	—	—	205	—	—	205
14	Total	3,848	—	6,304	10,700	212	1,355	3,272	45	—	25,736

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) ⁽¹⁾
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	Total	4,832	—	6,554	10,352	—	1,420	3,493	40	—	26,691

Total exposures reduced in the first half of 2021 mainly due to decrease in exposure to central government and central bank.

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.

6. Counterparty Credit Risk

6.1 Analysis of Counterparty Credit Risk Exposure by Approach

In SGD million		30 Jun 21					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE	α Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	Current Exposure Method (for Derivatives)	11	36	—	—	28	6
2	CCR Internal Models Method (for Derivatives and SFTs)			—	—	—	—
3	FC(SA) (for SFTs)					—	—
4	FC(CA) (for SFTs)					32	6
5	VaR for SFTs					—	—
6	Total						12

In SGD million		31 Dec 20					
		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE	α 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					—	—
6	Total						11

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

	30 Jun 21								
In SGD million	(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Asset Classes and Others	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Exposure
Central government and central bank	–	–	–	–	–	–	–	–	–
PSE	–	–	–	–	–	–	–	–	–
MDB	–	–	–	–	–	–	–	–	–
Bank	–	–	60	–	–	–	–	–	60
Corporate	–	–	–	–	–	–	–	–	–
Regulatory retail	–	–	–	–	–	–	–	–	–
Other exposures	–	–	–	–	–	–	–	–	–
Total	–	–	60	–	–	–	–	–	60

	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	–	–	–	–	–	–	–	–	–
Total	–	–	53	–	–	–	–	–	53

CCR (Post CRM) exposures increased in 30 June 2021 due to an increase in SFTs offset by a decrease in derivatives.

6.3 Composition of Collateral for CCR Exposure

In SGD million		30 Jun 2021					
		(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	19	—	—	—	—	—
3	Domestic sovereign debt	—	—	—	—	2,800	—
4	Other sovereign debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
9	Total	—	—	—	—	2,800	—

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	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
9	Total	—	—	—	16	1,621	—

The increase in collateral used in securities financing transactions during the first half of 2021 was mainly due to increase in volume of such transactions.

6.4 Credit Valuation Adjustments Risk Capital Requirements

The Bank does not have Credit Valuation Adjustments (“CVA”) as at 30 June 2021.

6.5 Exposures to Central Clearing Counterparties

The Bank does not have exposures to central clearing counterparties as at 30 June 2021.

6.6 Credit Derivative Exposures

The Bank does not have any credit derivatives exposures as at 30 June 2021.

6.7 Securitisation Exposures

The Bank does not have any securitisation exposures as at 30 June 2021.

7. Market Risk

7.1 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 Annual Statutory Financial Statements.

The Bank's market risk RWA is summarized below:

7.2 Market Risk RWA under Standardised Approach

In SGD million		30 Jun 21	31 Dec 20
	Products Excluding Options		
1	Interest rate risk (general and specific)	33	30
2	Equity risk (general and specific)	—	—
3	Foreign exchange risk	2	2
4	Commodity risk	—	—
	Options		
5	Simplified approach	—	—
6	Delta-plus method	—	—
7	Scenario approach	—	—
8	Securitisation	—	—
9	Total	35	32

8. Other Risk

8.1 Liquidity Coverage Ratio ("LCR") Disclosure for the Quarter ended 30 June 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 ("Branch") 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%.

8.1.1 Average Country-level Group All-Currency LCR for the Quarter ended 30 June 2021

(Number of data points: 91)

In SGD million		30 June 2021	
		Average Unweighted Value	Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		24,522
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	31,321	2,981
3	Stable deposits	3,015	151
4	Less stable deposits	28,306	2,831
5	Unsecured wholesale funding, of which:	46,589	22,615
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,387	2,559
7	Non-operational deposits (all counterparties)	36,202	20,056
8	Unsecured debt	—	—
9	Secured wholesale funding		25
10	Additional requirements, of which:	7,876	4,218
11	Outflows related to derivative exposures and other collateral requirements	3,370	3,336
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	4,506	882
14	Other contractual funding obligations	960	960
15	Other contingent funding obligations	4,118	144
16	Total Cash Outflows		30,942
Cash Inflows			
17	Secured lending (e.g. reverse repos)	6,064	25
18	Inflows from fully performing exposures	22,914	19,176
19	Other cash inflows	3,218	3,209
20	Total Cash Inflows	32,196	22,409
		Total Adjusted Value	
21	Total HQLA		24,522
22	Total Net Cash Outflows		8,688
23	Liquidity Coverage Ratio (%)		285%

8.1.2 Average Country-level Group SGD LCR for the Quarter ended 30 June 2021

(Number of data points: 91)

In SGD million		30 June 2021	
		Average Unweighted Value	Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		18,535
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	14,086	1,258
3	Stable deposits	3,015	151
4	Less stable deposits	11,071	1,107
5	Unsecured wholesale funding, of which:	13,999	6,461
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,023	968
7	Non-operational deposits (all counterparties)	9,977	5,493
8	Unsecured debt	—	—
9	Secured wholesale funding		25
10	Additional requirements, of which:	33,330	31,431
11	Outflows related to derivative exposures and other collateral requirements	31,023	31,000
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,307	431
14	Other contractual funding obligations	535	535
15	Other contingent funding obligations	224	27
16	Total Cash Outflows		39,737
Cash Inflows			
17	Secured lending (e.g. reverse repos)	6,039	—
18	Inflows from fully performing exposures	13,319	12,886
19	Other cash inflows	17,513	17,510
20	Total Cash Inflows	36,870	30,397
Total Adjusted Value			
21	Total HQLA		18,535
22	Total Net Cash Outflows		10,219
23	Liquidity Coverage Ratio (%)		182%

8.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with average All-Currency LCR and SGD LCR at 285% and 182% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 30 June 2021. 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).

8.1.4 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.

8.2 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.

8.2.1 Country-level Group All-Currency NSFR for 30 June 2021

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:	1,637	—	—	—	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:	25,952	5,762	—	—	28,694
5	<i>Stable deposits</i>	2,692	341	—	—	2,881
6	<i>Less stable deposits</i>	23,260	5,421	—	—	25,813
7	Wholesale funding:	30,024	19,830	427	2,234	19,822
8	<i>Operational deposits</i>	10,778	—	—	—	5,389
9	<i>Other wholesale funding</i>	19,246	19,830	427	2,234	14,433
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	248	13,109			573
12	<i>NSFR derivative liabilities</i>	3,389				
13	<i>All other liabilities and equity not included in the above categories</i>	248	9,126	45	550	573
14	Total ASF					50,726
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					1,141
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	39,828	5,585	21,143	23,635
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	4,659	—	—	466
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	—	4,694	362	533	1,418
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>	—	30,037	4,922	10,629	14,873
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>	—	438	302	9,982	6,878
23	<i>With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637</i>	—	308	279	9,879	6,638
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:	288		14,204		1,446
27	<i>Physical trade commodities, including gold</i>	288				245
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>			—		—
29	<i>NSFR derivative assets</i>			3,369		—
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>			3,393		170
31	<i>All other assets not included in the above categories</i>	—	6,797	16	629	1,031
32	Off-balance sheet items			53,704		267
33	Total RSF					26,489
34	Net Stable Funding Ratio (%)					191%

8.2.2 Country-level Group All-Currency NSFR for 31 March 2021

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:	1,637	—	—	—	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:	25,969	5,966	—	—	28,895
5	<i>Stable deposits</i>	2,723	344	—	—	2,914
6	<i>Less stable deposits</i>	23,246	5,622	—	—	25,981
7	Wholesale funding:	29,733	22,011	373	2,238	20,955
8	<i>Operational deposits</i>	10,160	—	—	—	5,080
9	<i>Other wholesale funding</i>	19,573	22,011	373	2,238	15,876
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	291		12,885		860
12	<i>NSFR derivative liabilities</i>			4,415		
13	<i>All other liabilities and equity not included in the above categories</i>	291	7,316	590	565	860
14	Total ASF					52,348
RSF Item						
15	Total NSFR high-quality liquid assets (HQLA)					1,204
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	38,680	5,688	23,915	26,178
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	5,293	—	—	529

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>	—	5,697	398	672	1,726
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>	—	27,204	5,011	13,397	17,123
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	278	9,845	6,799
23	<i>With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637</i>	—	304	276	9,755	6,554
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:	276	14,782			1,476
27	<i>Physical trade commodities, including gold</i>	276				235
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		—			—
29	<i>NSFR derivative assets</i>		4,376			—
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		4,442			222
31	<i>All other assets not included in the above categories</i>	—	5,319	16	629	1,019
32	Off-balance sheet items		51,367			292
33	Total RSF					29,150
34	Net Stable Funding Ratio (%)					180%

8.2.3 Net Stable Funding Ratio

The Country-level Group maintains a healthy funding profile with both the 31 March 2021 and 30 June 2021 All-Currency NSFR at 180% and 191% respectively (above regulatory requirements of 50%). The Country-level Group has a diversified funding base across retail and wholesale depositors and the funding structure remains stable.

NSFR ratio has increased quarter-on-quarter mainly due to a decrease in RSF from lower customer loans. This is partially offset by a decrease in ASF from lower wholesale deposits.

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