HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 30 September 2021

HSBC Bank (Singapore) Ltd

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Contents

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 Group. The Bank's capital requirements are based on the Standardised Approach in accordance with MAS Notice 637.

	in SGD millions	(a) **30 Sep 21^**	(b) **30 Jun 21^**	(c) **31 Mar 21^**	(d) **31 Dec 20***	(e) **30 Sep 20^**
Available Capital (Amounts)						
1	CET1 Capital	1,671	1,673	1,674	1,678	1,652
2	Tier 1 Capital	1,671	1,673	1,674	1,678	1,652
3	Total Capital	1,709	1,709	1,713	1,723	1,715
Risk Weighted Assets (Amounts)						
4	Total RWA	9,904	10,477	10,477	10,575	10,288
Risk-based Capital Ratios as a Percentage of RWA						
5	CET 1 Ratio (%)	16.87%	15.97%	15.98%	15.87%	16.06%
6	Tier 1 Ratio (%)	16.87%	15.97%	15.98%	15.87%	16.06%
7	Total Capital Ratio (%)	17.26%	16.31%	16.35%	16.29%	16.67%
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 (%)	7.25%	6.31%	6.35%	6.29%	6.67%
Leverage Ratio						
13	Total Leverage Ratio Exposure Measure	29,087	29,094	29,323	28,846	28,949
14	Leverage Ratio (%) (row 2/row 13)	5.74%	5.75%	5.71%	5.82%	5.71%
Liquidity Coverage Ratio #						
15	Total High Quality Liquid Assets	24,942	24,522	25,758	25,482	24,972
16	Total Net Cash Outflow	7,633	8,688	10,831	9,471	8,932
17	Liquidity Coverage Ratio (%)	328%	285%	241%	283%	283%
Net Stable Funding Ratio #						
18	Total Available Stable Funding	55,267	50,726	52,348	52,199	54,090
19	Total Required Stable Funding	27,772	26,489	29,150	28,177	29,256
20	Net Stable Funding Ratio (%)	199%	191%	180%	185%	185%

The increase in CET1 and Total Capital Ratios in September 2021 is attributed to a decrease in Total Risk Weighted Assets ("RWAs") by $573m primarily from the reduction in Credit Risk RWAs ($519m) as a result of lower corporate exposures ($532m).

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 1.01%.

2. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		30 Sep 21	30 Jun 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)	25,506	25,499
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)**	**25,505**	**25,498**
Derivative Exposure Measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	24	11
5	Potential future exposure associated with all derivative transactions	42	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**	**66**	**47**
SFT Exposure Measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	2,712	2,802
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**	**2,712**	**2,802**
Exposure Measures of Off-Balance Sheet Items			
17	Off-balance sheet items at notional amount	6,520	6,277
18	Adjustments for calculation of exposure measures of off-balance sheet items	(5,716)	(5,530)
19	**Total exposure measures of off-balance sheet items**	**804**	**747**
Capital and Total Exposures			
20	**Tier 1 capital**	**1,671**	**1,673**
21	**Total exposures**	**29,087**	**29,094**
Leverage Ratio			
22	**Leverage ratio**	**5.74%**	**5.75%**

Leverage Ratio Summary Comparison Table

In SGD million		**30 Sep 21**	**30 Jun 21**
1	Total consolidated assets as per published financial statements	28,277	28,367
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	42	36
5	Adjustment for SFTs	—	—
6	Adjustment for off-balance sheet items	804	747
7	Other adjustments	(36)	(56)
8	**Exposure Measure**	29,087	29,094

3. Overview of Risk Weighted Assets

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

		RWA		Minimum Capital Requirement[1]
In SGD million		**Sep 21**	**Jun 21**	**Sep 21**
1	**Credit Risk (excluding Counterparty Credit Risk)**	8,928	9,456	893
2	of which: Standardised Approach	8,928	9,456	893
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	**Counterparty Credit Risk**	22	12	2
7	of which: Current Exposure Method	10	6	1
8	of which: CCR Internal Models Method	—	—	—
9	of which: other CCR	12	6	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**	2	35	0
21	of which: SA(MR)	2	35	0
22	of which: IMA	—	—	—
23	**Operational Risk**	952	974	95
24	**Amounts below the thresholds for deduction (subject to 250% Risk Weight)**	—	—	—
25	**Floor Adjustment**	—	—	—
26	**Total**	9,904	10,477	990

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

4. Liquidity Coverage Ratio

4.1 Liquidity Coverage Ratio ("LCR") Disclosure for the Quarter ended 30 September 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%.

4.1.1 Average Country-level Group All-Currency LCR for the Quarter ended 30 September 2021 (Number of data points: 92)

		30 Sep 2021	
In SGD million		**Average Unweighted Value**	**Average Weighted Value**
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		24,942
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	31,776	3,026
3	Stable deposits	3,026	151
4	Less stable deposits	28,751	2,875
5	Unsecured wholesale funding, of which:	46,168	21,475
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	11,267	2,778
7	Non-operational deposits (all counterparties)	34,901	18,697
8	Unsecured debt	0	0
9	Secured wholesale funding		45
10	Additional requirements, of which:	7,986	4,343
11	Outflows related to derivative exposures and other collateral requirements	3,458	3,448
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	4,528	894
14	Other contractual funding obligations	1,026	1,026
15	Other contingent funding obligations	4,479	153
16	**Total Cash Outflows**		30,068
Cash Inflows			
17	Secured lending (e.g. reverse repos)	7,446	88
18	Inflows from fully performing exposures	24,759	20,970
19	Other cash inflows	3,550	3,532
20	**Total Cash Inflows**	35,755	24,589
			Total Adjusted Value
21	**Total HQLA**		**24,942**
22	**Total Net Cash Outflows**		**7,633**
23	**Liquidity Coverage Ratio (%)**		**328 %**

4.1.2 Average Country-level Group SGD LCR for the Quarter ended 30 September 2021
(Number of data points: 92)

In SGD million		30 Sep 2021 Average Unweighted Value	30 Sep 2021 Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		19,260
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	13,983	1,247
3	Stable deposits	3,026	151
4	Less stable deposits	10,958	1,096
5	Unsecured wholesale funding, of which:	13,489	6,233
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,185	1,008
7	Non-operational deposits (all counterparties)	9,305	5,225
8	Unsecured debt	0	0
9	Secured wholesale funding		20
10	Additional requirements, of which:	35,359	33,435
11	Outflows related to derivative exposures and other collateral requirements	33,030	33,026
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	2,329	409
14	Other contractual funding obligations	579	579
15	Other contingent funding obligations	229	25
16	Total Cash Outflows		41,539
Cash Inflows			
17	Secured lending (e.g. reverse repos)	6,583	0
18	Inflows from fully performing exposures	15,128	14,753
19	Other cash inflows	17,155	17,146
20	Total Cash Inflows	38,866	31,899
			Total Adjusted Value
21	**Total HQLA**		**19,260**
22	**Total Net Cash Outflows**		**10,571**
23	**Liquidity Coverage Ratio (%)**		**183 %**

4.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with average All-Currency LCR and SGD LCR at 328% and 183% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 30 September 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).

4.1.4 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 defence, 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

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.