



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

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

### **Pillar 3 Disclosures as at 30 June 2022**

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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 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 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
<b>Available capital (amounts)</b>						
1	CET1 capital	1,616	1,620	1,637	1,671	1,673
2	Tier 1 capital	1,616	1,620	1,637	1,671	1,673
3	Total capital	1,656	1,659	1,673	1,709	1,709
<b>Risk weighted assets (amounts)</b>						
4	Total RWA	10,340	10,319	9,948	9,904	10,477
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	CET 1 ratio (%)	15.63%	15.70%	16.46%	16.87%	15.97%
6	Tier 1 ratio (%)	15.63%	15.70%	16.46%	16.87%	15.97%
7	Total capital ratio (%)	16.02%	16.08%	16.82%	17.26%	16.31%
<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%	0.01%	0.01%
10	G-SIB and/or D-SIB additional requirements (%)	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 (%)	6.02%	6.08%	6.82%	7.25%	6.31%
<b>Leverage Ratio</b>						
13	Total Leverage Ratio exposure measure	31,200	30,951	28,614	29,087	29,094
14	Leverage Ratio (%) (row 2 / row 13)	5.18%	5.23%	5.72%	5.74%	5.75%
<b>Liquidity Coverage Ratio #</b>						
15	Total High Quality Liquid Assets	28,402	28,402	27,587	24,942	24,522
16	Total net cash outflow	11,125	11,125	9,799	7,633	8,688
17	Liquidity Coverage Ratio (%)	260%	260%	292%	328%	285%
<b>Net Stable Funding Ratio #</b>						
18	Total available stable funding	54,596	54,596	54,843	55,267	50,726
19	Total required stable funding	30,814	30,814	28,619	27,772	26,489
20	Net Stable Funding Ratio (%)	177%	177%	192%	199%	191%

The decrease in CET1 and Total Capital Ratios between June 22 and March 22 is due to RWA increase of SGD21m and a reduction in regulatory capital as FVOCI reserves fell by SGD4m due to rise in interest rates that impacted the fair values of debt securities.

Note:

# 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. 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%	77		
Others		8,087		
Total		8,164	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 22	31 Mar 22
<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)	24,629	26,463
2	Asset amounts deducted in determining Tier 1 Capital	—	—
<b>3</b>	<b>Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)</b>	<b>24,629</b>	<b>26,463</b>
<b>Derivative Exposure Measures</b>			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	2	—
5	Potential future exposure associated with all derivative transactions	54	24
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>56</b>	<b>24</b>
<b>SFT Exposure Measures</b>			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	5,190	3,158
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>5,190</b>	<b>3,158</b>
<b>Exposure Measures of Off-Balance Sheet Items</b>			
17	Off-balance sheet items at notional amount	7,417	7,320
18	Adjustments for calculation of exposure measures of off-balance sheet items	(6,092)	(6,014)
<b>19</b>	<b>Total exposure measures of off-balance sheet items</b>	<b>1,325</b>	<b>1,306</b>
<b>Capital and Total Exposures</b>			
<b>20</b>	<b>Tier 1 capital</b>	<b>1,616</b>	<b>1,620</b>
<b>21</b>	<b>Total exposures</b>	<b>31,200</b>	<b>30,951</b>
<b>Leverage Ratio</b>			
<b>22</b>	<b>Leverage ratio</b>	<b>5.18%</b>	<b>5.23%</b>

The leverage ratio as at 30 June 2022 decreased by 5bps as compared to 31 March 2022 mainly due to increase in exposures as a result of increase in SFT balances (SGD2bn) partially offset by reduction in bank exposures (SGD1.8bn).

**Leverage Ratio Summary Comparison Table**

<b>In SGD million</b>		<b>30 Jun 22</b>
1	Total consolidated assets as per published financial statements	29,876
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	54
5	Adjustment for SFTs	—
6	Adjustment for off-balance sheet items	1,325
7	Other adjustments	(55)
<b>8</b>	<b>Exposure Measure</b>	<b>31,200</b>

## 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 <sup>1</sup>
		Jun 22	Mar 22	Jun 22
<b>1</b>	<b>Credit risk (excluding CCR)</b>	<b>9,411</b>	<b>9,402</b>	<b>941</b>
2	of which: Standardised Approach	9,411	9,402	941
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
<b>6</b>	<b>CCR</b>	<b>16</b>	<b>5</b>	<b>2</b>
7	of which: SA-CCR	16	5	2
8	of which: CCR internal models method	—	—	—
9	of which: other CCR	—	—	—
9a	of which: CCP	—	—	—
<b>10</b>	<b>CVA</b>	<b>16</b>	<b>5</b>	<b>1</b>
<b>11</b>	<b>Equity exposures under the simple risk weight method</b>	<b>—</b>	<b>—</b>	<b>—</b>
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	—	—	—
<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>39</b>	<b>17</b>	<b>4</b>
21	of which: SA(MR)	39	17	4
22	of which: IMA	—	—	—
<b>23</b>	<b>Operational Risk</b>	<b>858</b>	<b>890</b>	<b>86</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>10,340</b>	<b>10,319</b>	<b>1,034</b>

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 <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>	116	14,941	(56)	(21)	(35)	—	15,001
2	Debt securities	—	3,560	—	—	—	—	3,560
3	Off-balance sheet exposures	—	11,406	—	—	—	—	11,406
4	<b>Total</b>	<b>116</b>	<b>29,907</b>	<b>(56)</b>	<b>(21)</b>	<b>(35)</b>	<b>—</b>	<b>29,967</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

#### 5.1.2 Changes in Stock of Defaulted Loans and Debt Securities

In SGD million		(a)
1	<b>Defaulted loans and debt securities as at 31 Dec 2021</b>	<b>117</b>
2	Loans and debt securities that have defaulted in first half of 2022	27
3	Returned to non-defaulted status	(19)
4	Amounts written-off	(12)
5	Other changes	3
6	<b>Defaulted loans and debt securities as at 30 Jun 2022 (1+2-3-4±5)</b>	<b>116</b>



## 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 22				
		(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	14,978	23	23	—	—
2	Debt Securities	3,560	—	—	—	—
3	<b>Total</b>	<b>18,538</b>	<b>23</b>	<b>23</b>	<b>—</b>	<b>—</b>
4	Of which: defaulted	116	—	—	—	—

In SGD million		31 Dec 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	14,699	23	23	—	—
2	Debt Securities	3,094	—	—	—	—
3	<b>Total</b>	<b>17,793</b>	<b>23</b>	<b>23</b>	<b>—</b>	<b>—</b>
4	Of which: defaulted	117	—	—	—	—

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

In SGD million		30 Jun 22					
		(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	32	—	32	—	—	0%
2	Central government and central bank	4,003	—	4,003	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	10,373	6,106	5,223	76	1,097	21%
6	Corporate	2,359	593	2,359	494	2,714	95%
7	Regulatory retail	1,403	5,883	1,386	1	1,041	75%
8	Residential Mortgage	11,080	941	11,072	241	3,981	35%
9	CRE	88	—	88	—	88	100%
10	Equity – SA(EQ)	—	—	—	—	—	0%
11	Past due exposures	99	—	99	—	120	121%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	386	—	386	—	386	100%
14	<b>Total</b>	<b>29,823</b>	<b>13,523</b>	<b>24,648</b>	<b>812</b>	<b>9,427</b>	<b>38%</b>

In SGD million		31 Dec 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 <sup>(1)</sup>	
1	Cash items	44	—	44	—	1	2%
2	Central government and central bank	3,584	—	3,584	—	—	0%
3	PSE	—	—	—	—	—	0%
4	MDB	—	—	—	—	—	0%
5	Bank	9,139	6,156	6,894	62	1,428	21%
6	Corporate	2,110	185	2,110	113	2,178	98%
7	Regulatory retail	1,370	5,591	1,352	1	1,015	75%
8	Residential Mortgage	11,054	811	11,048	206	3,961	35%
9	CRE	87	1	87	1	88	100%
10	Equity – SA(EQ)	—	—	—	—	—	0%
11	Past due exposures	100	—	100	—	117	117%
12	Higher-risk categories	—	—	—	—	—	0%
13	Other exposures	184	—	184	—	184	100%
14	<b>Total</b>	<b>27,672</b>	<b>12,744</b>	<b>25,403</b>	<b>383</b>	<b>8,972</b>	<b>35%</b>

Increase in credit exposures (before CCF and CRM) is mainly due to higher SFT exposure to bank counterparties.

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.

		30 Jun 22									
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
In SGD million		0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure amount (post-CCF and post CRM) <sup>(1)</sup>
Asset classes and others											
1	Cash items	32	—	—	—	—	—	—	—	—	32
2	Central government and central bank	4,003	—	—	—	—	—	—	—	—	4,003
3	PSE	—	—	—	—	—	—	—	—	—	—
4	MDB	—	—	—	—	—	—	—	—	—	—
5	Bank	—	—	5,173	—	126	—	—	—	—	5,299
6	Corporate	—	—	148	—	41	—	2,664	—	—	2,853
7	Regulatory retail	—	—	—	—	—	1,387	—	—	—	1,387
8	Residential Mortgage	—	—	—	11,275	—	18	20	—	—	11,313
9	CRE	—	—	—	—	—	—	88	—	—	88
10	Equity – SA(EQ)	—	—	—	—	—	—	—	—	—	—
11	Past due exposures	—	—	—	—	—	—	57	42	—	99
12	Higher-risk categories	—	—	—	—	—	—	—	—	—	—
13	Other exposures	—	—	—	—	—	—	386	—	—	386
14	<b>Total</b>	<b>4,035</b>	<b>—</b>	<b>5,321</b>	<b>11,275</b>	<b>167</b>	<b>1,405</b>	<b>3,215</b>	<b>42</b>	<b>—</b>	<b>25,460</b>

In SGD million		31 Dec 21									
		(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 and others</b>											
1	Cash items	41	—	3	—	—	—	—	—	—	44
2	Central government and central bank	3,584	—	—	—	—	—	—	—	—	3,584
3	PSE	—	—	—	—	—	—	—	—	—	—
4	MDB	—	—	—	—	—	—	—	—	—	—
5	Bank	—	—	6,833	—	123	—	—	—	—	6,956
6	Corporate	—	—	—	—	90	—	2,133	—	—	2,223
7	Regulatory retail	—	—	—	—	—	1,353	—	—	—	1,353
8	Residential Mortgage	—	—	—	11,208	—	24	22	—	—	11,254
9	CRE	—	—	—	—	—	—	88	—	—	88
10	Equity – SA(EQ)	—	—	—	—	—	—	—	—	—	—
11	Past due exposures	—	—	—	—	—	—	67	33	—	100
12	Higher-risk categories	—	—	—	—	—	—	—	—	—	—
13	Other exposures	—	—	—	—	—	—	184	—	—	184
14	<b>Total</b>	<b>3,625</b>	<b>—</b>	<b>6,836</b>	<b>11,208</b>	<b>213</b>	<b>1,377</b>	<b>2,494</b>	<b>33</b>	<b>—</b>	<b>25,786</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.

## 6. Counterparty Credit Risk

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

In SGD million		30 Jun 22						
		(a)	(b)	(c)	(d)	(d.1)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE	Fixed beta factor, $\beta$ used for computing regulatory EAD	<sup>a</sup> Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	SA-CCR (for Derivatives)	2	54		1.4		78	16
2	CCR internal models method (for derivatives and SFTs)			—		—	—	—
3	FC(SA) (for SFTs)						—	—
4	FC(CA) (for SFTs)						40	8
5	VaR for SFTs						—	—
6	<b>Total</b>							<b>24</b>

In SGD million		31 Dec 21						
		(a)	(b)	(c)		(d)	(e)	(f)
		Replacement Cost	Potential Future Exposure	Effective EPE		<sup>a</sup> Used for Computing Regulatory EAD	EAD (Post-CRM)	RWA
1	Current Exposure Method (for Derivatives)	11	62				73	15
2	CCR internal models method (for derivatives and SFTs)			—		—	—	—
3	FC(SA) (for SFTs)						—	—
4	FC(CA) (for SFTs)						41	8
5	VaR for SFTs						—	—
6	<b>Total</b>							<b>23</b>

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

	30 Jun 22								
In SGD million	(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Asset Classes	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Exposure
Central government and central bank	—	—	—	—	—	—	—	—	—
PSE	—	—	—	—	—	—	—	—	—
MDB	—	—	—	—	—	—	—	—	—
Bank	—	—	118	—	—	—	—	—	118
Corporate	—	—	—	—	—	—	—	—	—
Regulatory retail	—	—	—	—	—	—	—	—	—
Other exposures	—	—	—	—	—	—	—	—	—
<b>Total</b>	—	—	<b>118</b>	—	—	—	—	—	<b>118</b>

	31 Dec 21								
In SGD million	(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Asset Classes	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Exposure
Central government and central bank	—	—	—	—	—	—	—	—	—
PSE	—	—	—	—	—	—	—	—	—
MDB	—	—	—	—	—	—	—	—	—
Bank	—	—	114	—	—	—	—	—	114
Corporate	—	—	—	—	—	—	—	—	—
Regulatory retail	—	—	—	—	—	—	—	—	—
Other exposures	—	—	—	—	—	—	—	—	—
<b>Total</b>	—	—	<b>114</b>	—	—	—	—	—	<b>114</b>

### 6.3 Composition of Collateral for CCR Exposure

		30 Jun 22					
		(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
In SGD million		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - domestic currency	—	—	—	—	—	—
2	Cash - other currencies	445	—	—	—	—	—
3	Domestic sovereign debt	—	—	—	—	5,188	—
4	Other sovereign debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
<b>9</b>	<b>Total</b>	<b>445</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,188</b>	<b>—</b>

		31 Dec 21					
		(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
In SGD million		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash - domestic currency	—	—	22	—	—	—
2	Cash - other currencies	—	—	—	—	—	—
3	Domestic sovereign debt	—	—	—	—	2,269	—
4	Other sovereign debt	—	—	—	—	—	—
6	Corporate bonds	—	—	—	—	—	—
7	Equity securities	—	—	—	—	—	—
8	Other collateral	—	—	—	—	—	—
<b>9</b>	<b>Total</b>	<b>—</b>	<b>—</b>	<b>22</b>	<b>—</b>	<b>2,269</b>	<b>—</b>

The increase in collateral used in securities financing transactions during the first half of 2022 was mainly due to increase in volume of such transactions.

#### 6.4 Credit Valuation Adjustment Risk Capital Requirements

In SGD million		30 Jun 22	
		(a)	(a)
		EAD ( post-CRM)	RWA
	Total portfolios subject to the Advanced CVA capital requirement	—	—
1	(i) VaR component (including the three-times multiplier)	—	—
2	(ii) Stressed VaR component (including the three-times multiplier)	—	—
3	All portfolios subject to the Standardised CVA capital requirement	76	15
4	<b>Total portfolios subject to the CVA risk capital requirement</b>	<b>76</b>	<b>15</b>

#### 6.5 Exposures to Central Clearing Counterparties

The Bank does not have exposures to central clearing counterparties as at 30 June 2022.

#### 6.6 Credit Derivative Exposures

The Bank does not have any credit derivatives exposures as at 30 June 2022.

#### 6.7 Securitisation Exposures

The Bank does not have any securitisation exposures as at 30 June 2022.



## 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.

The Bank's market risk RWA is summarized below:

### 7.2 Market Risk RWA under Standardised Approach

In SGD million		30 Jun 22	31 Dec 21
<b>Products Excluding Options</b>			
1	Interest rate risk (general and specific)	37	49
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	39	51

## 8. Other Risk

### 8.1 Liquidity Coverage Ratio (“LCR”) Disclosure for the Quarter ended 30 June 2022

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 at or above 50% and Singapore dollar (“SGD”) LCR at or above 100% at all times.

#### 8.1.1 Average Country-level Group All-Currency LCR for the Quarter ended 30 June 2022

(Number of data points: 91)

In SGD million		30 Jun 22	
		Average Unweighted Value	Average Weighted Value
<b>High-Quality Liquid Assets</b>			
1	Total high-quality liquid assets (HQLA)		25,699
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	35,058	3,348
3	Stable deposits	3,154	158
4	Less stable deposits	31,904	3,190
5	Unsecured wholesale funding, of which:	49,400	23,469
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	14,054	3,471
7	Non-operational deposits (all counterparties)	35,346	19,998
8	Unsecured debt	—	—
9	Secured wholesale funding		—
10	Additional requirements, of which:	9,390	4,646
11	Outflows related to derivative exposures and other collateral requirements	3,661	3,534
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	5,729	1,112
14	Other contractual funding obligations	1,363	1,363
15	Other contingent funding obligations	7,133	870
16	Total Cash Outflows		33,696
<b>Cash Inflows</b>			
17	Secured lending (e.g. reverse repos)	6,634	—
18	Inflows from fully performing exposures	25,398	21,358
19	Other cash inflows	4,110	3,985
20	Total Cash Inflows	36,142	25,343
		<b>Total Adjusted Value</b>	
21	<b>Total HQLA</b>		<b>25,699</b>
22	<b>Total Net Cash Outflows</b>		<b>9,463</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>275%</b>

### 8.1.2 Average Country-level Group SGD LCR for the Quarter ended 30 June 2022

(Number of data points: 91)

In SGD million		30 Jun 22	
		Average Unweighted Value	Average Weighted Value
<b>High-Quality Liquid Assets</b>			
1	Total high-quality liquid assets (HQLA)		20,722
<b>Cash Outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	15,143	1,357
3	Stable deposits	3,154	158
4	Less stable deposits	11,989	1,199
5	Unsecured wholesale funding, of which:	14,466	7,112
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,824	1,164
7	Non-operational deposits (all counterparties)	9,642	5,948
8	Unsecured debt	—	—
9	Secured wholesale funding		—
10	Additional requirements, of which:	34,936	32,536
11	Outflows related to derivative exposures and other collateral requirements	32,109	32,107
12	Outflows related to loss of funding on debt products	—	—
13	Credit and liquidity facilities	2,827	429
14	Other contractual funding obligations	877	877
15	Other contingent funding obligations	537	195
16	Total Cash Outflows		42,077
<b>Cash Inflows</b>			
17	Secured lending (e.g. reverse repos)	6,433	—
18	Inflows from fully performing exposures	14,772	14,216
19	Other cash inflows	16,415	16,356
20	Total Cash Inflows	37,620	30,572
		<b>Total Adjusted Value</b>	
21	<b>Total HQLA</b>		<b>20,722</b>
22	<b>Total Net Cash Outflows</b>		<b>11,952</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>175%</b>

### 8.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with average All-Currency LCR and SGD LCR at 275% and 175% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 30 June 2022. 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 were supplemented with an internal liquidity metric from 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.

The 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 at or above 50% at all times.

### 8.2.1 Country-level Group All-Currency NSFR for 30 June 2022

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:	1,730	—	—	—	1,730
2	<i>Regulatory capital</i>	1,730	—	—	—	1,730
3	<i>Other capital instruments</i>	—	—	—	—	—
4	Retail deposits and deposits from small business customers:	27,223	8,146	—	—	31,991
5	<i>Stable deposits</i>	2,838	353	—	—	3,032
6	<i>Less stable deposits</i>	24,384	7,792	—	—	28,959
7	Wholesale funding:	33,196	21,722	1,223	1,980	22,240
8	<i>Operational deposits</i>	13,758	—	—	—	6,879
9	<i>Other wholesale funding</i>	19,438	21,722	1,223	1,980	15,361
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	568	10,293			400
12	<i>NSFR derivative liabilities</i>	5,833				
13	<i>All other liabilities and equity not included in the above categories</i>	568	4,040	41	380	400
14	<b>Total ASF</b>					<b>56,362</b>
<b>RSF Item</b>						
15	Total NSFR high-quality liquid assets (HQLA)					1,496
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	45,686	5,159	22,648	29,419
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	3,746	—	—	375
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	—	5,825	978	972	2,335
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>	—	35,622	3,905	11,175	19,486

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
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>	—	445	275	10,501	7,200
23	<i>With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637</i>	—	301	273	10,432	7,068
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	—	47	—	—	24
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	291	14,644			2,162
27	<i>Physical trade commodities, including gold</i>	291				248
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>		—			—
29	<i>NSFR derivative assets</i>		6,408			576
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		6,004			300
31	<i>All other assets not included in the above categories</i>	—	1,610	18	603	1,039
32	Off-balance sheet items		62,978			343
33	<b>Total RSF</b>					<b>33,420</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>169%</b>

### 8.2.2 Country-level Group All-Currency NSFR for 31 March 2022

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:	1,730	—	—	—	1,730
2	<i>Regulatory capital</i>	1,730	—	—	—	1,730
3	<i>Other capital instruments</i>	—	—	—	—	—
4	Retail deposits and deposits from small business customers:	28,251	6,517	—	—	31,450
5	<i>Stable deposits</i>	2,819	359	—	—	3,019
6	<i>Less stable deposits</i>	25,432	6,158	—	—	28,431
7	Wholesale funding:	33,061	17,920	909	1,815	20,993
8	<i>Operational deposits</i>	14,101	—	—	—	7,050
9	<i>Other wholesale funding</i>	18,960	17,920	909	1,815	13,943

In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities:	626	13,324			423
12	<i>NSFR derivative liabilities</i>		3,348			
13	<i>All other liabilities and equity not included in the above categories</i>	626	9,543	20	413	423
14	<b>Total ASF</b>					<b>54,596</b>
<b>RSF Item</b>						
15	Total NSFR high-quality liquid assets (HQLA)					1,262
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities:	—	41,178	3,946	22,725	27,801
18	<i>Performing loans to financial institutions secured by Level 1 HQLA</i>	—	4,821	—	—	482
19	<i>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	—	4,492	514	1,199	2,129
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>	—	31,268	3,145	11,140	17,983
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>	—	473	288	10,387	7,145
23	<i>With a risk weight of less than or equal to 35% under paragraph 7.3.29 of MAS Notice 637</i>	—	315	286	10,321	6,993
24	<i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	—	123	—	—	62
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	281	14,827			1,488
27	<i>Physical trade commodities, including gold</i>	281				239
28	<i>Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs</i>			—		—
29	<i>NSFR derivative assets</i>			3,497		148



In SGD million		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
30	<i>NSFR derivative liabilities before deduction of variation margin posted</i>		3,391			170
31	<i>All other assets not included in the above categories</i>	—	7,329	18	593	931
32	Off-balance sheet items		58,015			263
<b>33</b>	<b>Total RSF</b>					<b>30,814</b>
<b>34</b>	<b>Net Stable Funding Ratio (%)</b>					<b>177%</b>

### 8.2.3 Net Stable Funding Ratio

The Country-level Group maintains a healthy funding profile with both the 31 March 2022 and 30 June 2022 All-Currency NSFR at 177% and 169% 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.

The NSFR ratio has decreased quarter-on-quarter mainly due to phasing back of the RSF (from 45% to 50%) on loan portfolios impacted by the amendments made to MAS Notice 652\*.

\* Amendments to MAS Notice 652 issued on 7 April 2020

36A) A Reporting Bank shall assign to all loans to non-financial corporates, retail customers and small business customers, that have a residual maturity of less than six months, the following RSF factors:

- between 8 April 2020 and 30 September 2021 (both dates inclusive), 25%;
- between 1 October 2021 and 31 December 2021 (both dates inclusive), 35%;
- between 1 January 2022 and 31 March 2022 (both dates inclusive), 45%.

### 8.3 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 Jul 2022, 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 Jul 2022 to Jun 2023 NII (based on balance sheet at 30 Jun 2022)			
Parallel Up	191	90	281
Parallel Down	(200)	(90)	(290)