HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 30 September 2022

HSBC Bank (Singapore) Ltd

10 Marina Boulevard #48-01 Marina Bay Financial Centre Singapore 018983

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 as explained in section 4.1. 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 Sep 2022	**30 Jun 2022**	**31 Mar 2022**	**31 Dec 2021**	**30 Sep 2021**
	Available capital (amounts)					
1	CET1 capital	1,605	1,616	1,620	1,637	1,671
2	Tier 1 capital	1,605	1,616	1,620	1,637	1,671
3	Total capital	1,644	1,656	1,659	1,673	1,709
	Risk weighted assets (amounts)					
4	Total RWA	10,125	10,340	10,319	9,948	9,904
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	15.85%	15.63%	15.70%	16.46%	16.87%
6	Tier 1 ratio (%)	15.85%	15.63%	15.70%	16.46%	16.87%
7	Total capital ratio (%)	16.24%	16.02%	16.08%	16.82%	17.26%
	Additional CET1 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	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	6.23%	6.02%	6.08%	6.82%	7.25%
	Leverage Ratio					
13	Total Leverage Ratio exposure measure	30,785	31,200	30,951	28,614	29,087
14	Leverage Ratio (%) (row 2/row 13)	5.21%	5.18%	5.23%	5.72%	5.74%
	Liquidity Coverage Ratio #					
15	Total High Quality Liquid Assets	28,532	25,699	28,402	27,587	24,942
16	Total net cash outflow	11,109	9,463	11,125	9,799	7,633
17	Liquidity Coverage Ratio (%)	268%	275%	260%	292%	328%
	Net Stable Funding Ratio #					
18	Total available stable funding	56,559	56,362	54,596	54,843	55,267
19	Total required stable funding	35,714	33,420	30,814	28,619	27,772
20	Net Stable Funding Ratio (%)	158%	169%	177%	192%	199%

The increase in CET1, Tier 1 and Total Capital Ratios between Sep 2022 and Jun 2022 is attributed to the decrease in Total Risk Weighted Assets ("RWAs") by SGD215m partially offset by a reduction in capital by SGD12m due to the impact of rising interest rates on debt securities whose fair value movements are reported under other comprehensive income.

Note:
 # This refers to country level ratio for all currency. Comparatives are restated, where necessary, to conform with the current quarter's presentation.

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 0.99%.

2. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		30 Sep 22	30 Jun 22
	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)	24,859	24,629
2	Asset amounts deducted in determining Tier 1 capital	0	0
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**24,859**	**24,629**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	7	2
5	Potential future exposure associated with all derivative transactions	5	54
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**	**12**	**56**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	4,827	5,190
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**	**4,827**	**5,190**
	Exposure measures of off-balance sheet Items		
17	Off-balance sheet items at notional amount	7,379	7,417
18	Adjustments for calculation of exposure measures of off-balance sheet items	(6,292)	(6,092)
19	**Total exposure measures of off-balance sheet items**	**1,087**	**1,325**
	Capital and Total exposures		
20	**Tier 1 capital**	**1,605**	**1,616**
21	**Total exposures**	**30,785**	**31,200**
	Leverage ratio		
22	**Leverage ratio**	**5.21%**	**5.18%**

Leverage Ratio Summary Comparison Table

	In SGD million	30 Sep 22
1	Total consolidated assets as per published financial statements	29,888
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	5
5	Adjustment for SFTs	–
6	Adjustment for off-balance sheet items	1,087
7	Other adjustments	(195)
8	**Exposure Measure**	30,785

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 22**	**Jun 22**	**Sep 22**
1	**Credit risk (excluding CCR)**	**9,278**	**9,411**	**928**
2	of which: Standardised Approach	9,278	9,411	928
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	**CCR**	**—**	**16**	**0**
7	of which : SA-CCR	—	16	0
8	of which: CCR internal models method	—	—	—
9	of which: other CCR	—	—	—
9a	of which: CCP	—	—	—
10	**CVA**	**—**	**16**	**—**
11	**Equity exposures under the simple risk weight method**	**3**	—	—
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**	**4**	**39**	**0**
21	of which: SA(MR)	4	39	0
22	of which: IMA	—	—	—
23	**Operational risk**	**840**	**858**	**84**
24	**Amounts below the thresholds for deduction (subject to 250% Risk Weight)**	—	—	—
25	**Floor adjustment**	—	—	—
26	**Total**	**10,125**	**10,340**	**1,012**

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 Sep 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 of 50% and Singapore dollar ("SGD") LCR of 100%.

4.1.1 Average Country-level Group All-Currency LCR for the Quarter ended 30 Sep 2022
(Number of data points: 92)

		30 Sep 2022	
In SGD million		**Average Unweighted Value**	**Average Weighted Value**
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		28,532
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	34,967	3,341
3	Stable deposits	3,116	156
4	Less stable deposits	31,851	3,185
5	Unsecured wholesale funding, of which:	51,640	25,127
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	13,503	3,332
7	Non-operational deposits (all counterparties)	38,137	21,795
8	Unsecured debt	0	0
9	Secured wholesale funding		2
10	Additional requirements, of which:	9,895	4,910
11	Outflows related to derivative exposures and other collateral requirements	3,802	3,541
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	6,093	1,369
14	Other contractual funding obligations	1,182	1,182
15	Other contingent funding obligations	7,496	963
16	**Total Cash Outflows**		35,525
Cash Inflows			
17	Secured lending (e.g. reverse repos)	4,868	6
18	Inflows from fully performing exposures	24,610	20,748
19	Other cash inflows	4,071	4,053
20	**Total Cash Inflows**	33,549	24,807
			Total Adjusted Value
21	**Total HQLA**		**28,532**
22	**Total Net Cash Outflows**		**11,109**
23	**Liquidity Coverage Ratio (%)**		**268 %**

4.1.2 Average Country-level Group SGD LCR for the Quarter ended 30 Sep 2022

(Number of data points: 92)

In SGD million		30 Sep 2022 Average Unweighted Value	30 Sep 2022 Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		22,692
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	14,446	1,289
3	Stable deposits	3,116	156
4	Less stable deposits	11,330	1,133
5	Unsecured wholesale funding, of which:	14,327	7,069
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,745	1,143
7	Non-operational deposits (all counterparties)	9,582	5,926
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	35,958	33,606
11	Outflows related to derivative exposures and other collateral requirements	33,177	33,173
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	2,781	433
14	Other contractual funding obligations	801	801
15	Other contingent funding obligations	537	197
16	Total Cash Outflows		42,962
Cash Inflows			
17	Secured lending (e.g. reverse repos)	4,679	0
18	Inflows from fully performing exposures	14,725	14,125
19	Other cash inflows	17,272	17,263
20	Total Cash Inflows	36,676	31,388
			Total Adjusted Value
21	**Total HQLA**		**22,692**
22	**Total Net Cash Outflows**		**12,457**
23	**Liquidity Coverage Ratio (%)**		**187 %**

4.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with average All-Currency LCR and SGD LCR at 268% and 187% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 30 Sep 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).

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.

The 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.