



HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 31 March 2023

Contents

- 1. Overview of Key Prudential Regulatory Metrics** **1**
- 2. Leverage Ratio** **2**
- 3. Overview of Risk Weighted Assets** **4**
- 4. Liquidity Coverage Ratio** **5**

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)
		31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Available capital (amounts)						
1	CET1 capital	1,613	1,611	1,605	1,616	1,620
2	Tier 1 capital	1,613	1,611	1,605	1,616	1,620
3	Total capital	1,801	1,799	1,644	1,656	1,659
Risk weighted assets (amounts)						
4	Total RWA	10,036	9,976	10,125	10,340	10,319
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	16.07%	16.14%	15.85%	15.63%	15.70%
6	Tier 1 ratio (%)	16.07%	16.14%	15.85%	15.63%	15.70%
7	Total capital ratio (%)	17.95%	18.03%	16.24%	16.02%	16.08%
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 (%)	7.94%	8.02%	6.23%	6.02%	6.08%
Leverage Ratio						
13	Total Leverage Ratio exposure measure	32,567	30,284	30,785	31,200	30,951
14	Leverage Ratio (%) (row 2/row 13)	4.95%	5.31%	5.21%	5.18%	5.23%
Liquidity Coverage Ratio #						
15	Total High Quality Liquid Assets	29,226	32,816	28,532	25,699	28,402
16	Total net cash outflow	11,585	13,722	11,109	9,463	11,125
17	Liquidity Coverage Ratio (%)	257%	245%	268%	275%	260%
Net Stable Funding Ratio #						
18	Total available stable funding	60,973	57,778	56,559	56,362	54,596
19	Total required stable funding	34,421	34,516	35,714	33,420	30,814
20	Net Stable Funding Ratio (%)	177%	167%	158%	169%	177%

The decrease in CET1, Tier 1 and Total Capital Ratios between Mar 2023 and Dec 2022 is primarily attributed to an increase in Total Risk Weighted Assets (“RWAs”) by SGD60m partially offset by increase in regulatory capital.

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 0.98%.

2. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		31 Mar 23	31 Dec 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)	26,796	25,038
2	Asset amounts deducted in determining Tier 1 capital	(7)	(5)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	26,789	25,033
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	22	0
5	Potential future exposure associated with all derivative transactions	36	12
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	58	12
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	4,503	4,130
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	4,503	4,130
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	31,369	7,613
18	Adjustments for calculation of exposure measures of off-balance sheet items	(30,152)	(6,504)
19	Total exposure measures of off-balance sheet items	1,217	1,109
Capital and Total exposures			
20	Tier 1 capital	1,613	1,611
21	Total exposures	32,567	30,284
Leverage ratio			
22	Leverage ratio	4.95%	5.31%

Leverage Ratio Summary Comparison Table

In SGD million		31 Mar 23
1	Total consolidated assets as per published financial statements	31,369
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	29
5	Adjustment for SFTs	—
6	Adjustment for off-balance sheet items	1,217
7	Other adjustments	(48)
8	Exposure Measure	32,567

3. Overview of Risk Weighted Assets

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

In SGD million		RWA		Minimum capital requirement ¹
		Mar 23	Dec 22	Mar 23
1	Credit risk (excluding CCR)	8,979	9,033	898
2	of which: Standardised Approach	8,979	9,033	898
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	CCR	26	18	3
7	of which : SA-CCR	11	2	1
8	of which: CCR internal models method	—	—	—
9	of which: other CCR	15	16	2
9a	of which: CCP	—	—	—
10	CVA	11	2	1
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	27	8	3
21	of which: SA(MR)	27	8	3
22	of which: IMA	—	—	—
23	Operational risk	993	915	99
24	Amounts below the thresholds for deduction (subject to 250% Risk Weight)	—	—	—
25	Floor adjustment	—	—	—
26	Total	10,036	9,976	1,004

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 31 Mar 2023

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 31 Mar 2023

(Number of data points: 90)

In SGD million		31 Mar 2023	
		Average Unweighted Value	Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		29,226
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	35,506	3,397
3	Stable deposits	3,076	154
4	Less stable deposits	32,430	3,243
5	Unsecured wholesale funding, of which:	48,404	23,753
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	11,808	2,907
7	Non-operational deposits (all counterparties)	36,596	20,846
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	10,645	5,755
11	Outflows related to derivative exposures and other collateral requirements	4,654	4,496
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	5,991	1,259
14	Other contractual funding obligations	1,516	1,516
15	Other contingent funding obligations	6,512	944
16	Total Cash Outflows		35,365
Cash Inflows			
17	Secured lending (e.g. reverse repos)	4,128	60
18	Inflows from fully performing exposures	22,209	18,614
19	Other cash inflows	5,166	5,108
20	Total Cash Inflows	31,503	23,782
		Total Adjusted Value	
21	Total HQLA		29,226
22	Total Net Cash Outflows		11,585
23	Liquidity Coverage Ratio (%)		257 %

4.1.2 Average Country-level Group SGD LCR for the Quarter ended 31 Mar 2023

(Number of data points: 90)

In SGD million		31 Mar 2023	
		Average Unweighted Value	Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		21,603
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	14,738	1,320
3	Stable deposits	3,076	154
4	Less stable deposits	11,662	1,166
5	Unsecured wholesale funding, of which:	15,247	7,310
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,559	1,095
7	Non-operational deposits (all counterparties)	10,688	6,215
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	30,725	28,445
11	Outflows related to derivative exposures and other collateral requirements	28,043	28,022
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	2,682	423
14	Other contractual funding obligations	748	748
15	Other contingent funding obligations	575	206
16	Total Cash Outflows		38,030
Cash Inflows			
17	Secured lending (e.g. reverse repos)	3,263	0
18	Inflows from fully performing exposures	12,646	12,206
19	Other cash inflows	14,955	14,918
20	Total Cash Inflows	30,864	27,124
Total Adjusted Value			
21	Total HQLA		21,603
22	Total Net Cash Outflows		11,116
23	Liquidity Coverage Ratio (%)		197 %

4.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with average All-Currency LCR and SGD LCR at 257% and 197% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 31 Mar 2023. 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 comprehensive policies, metrics and controls, which aims to allow it to withstand severe but plausible liquidity stresses. The Country-level Group is required to meet internal minimum requirements and any applicable regulatory requirements at all times. These requirements are assessed through the Internal Liquidity Adequacy Assessment Process ('ILAAP'), which ensures that operating entities have robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra-day. The ILAAP informs the validation of risk tolerance and the setting of risk appetite. It also assesses the capability to manage liquidity and funding effectively in each major entity. Liquidity and funding risk metrics are set and managed locally but are subject to robust global review and challenge to ensure consistency of approach and application of the HSBC Group's policies and controls.

The elements of liquidity and funding risk management framework are underpinned by a robust governance framework, with the two major elements being:

- Asset and Liability Management Committee ("ALCO"); and
- annual ILAAP used to validate risk tolerance and set risk appetite.

An appropriate funding and liquidity profile is maintained by the Country-level Group through a wider set of measures:

- a minimum LCR requirement;
- a minimum Net Stable Funding Ratio ("NSFR") requirement or other appropriate metric;
- an internal liquidity metric ("ILM") requirement;
- a legal entity depositor concentration limit;
- cumulative term funding maturity concentrations limit;
- liquidity metrics to monitor minimum requirement by currency;
- intra-day liquidity;
- the application of liquidity funds transfer pricing;
- forward-looking funding assessments; and
- maintaining Liquidity Contingency Plan ("LCP").

i. 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.

ii. 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.

iii. 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.

iv. 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.