HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosures as at 30 September 2023

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 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) **30 Sep 2023**	(b) **30 Jun 2023**	(c) **31 Mar 2023**	(d) **31 Dec 2022**	(e) **30 Sep 2022**
	Available capital (amounts)					
1	CET1 capital	1,613	1,616	1,613	1,611	1,605
2	Tier 1 capital	1,613	1,616	1,613	1,611	1,605
3	Total capital	1,803	1,805	1,801	1,799	1,644
	Risk weighted assets (amounts)					
4	Total RWA	10,093	10,211	10,036	9,976	10,125
	Risk-based capital ratios as a percentage of RWA					
5	CET1 ratio (%)	15.98%	15.83%	16.07%	16.14%	15.85%
6	Tier 1 ratio (%)	15.98%	15.83%	16.07%	16.14%	15.85%
7	Total capital ratio (%)	17.86%	17.68%	17.95%	18.03%	16.24%
	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%	0.00%	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%	2.50%	2.51%	2.51%	2.51%
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	7.86%	7.68%	7.94%	8.02%	6.23%
	Leverage Ratio					
13	Total Leverage Ratio exposure measure	32,729	34,817	32,567	30,284	30,785
14	Leverage Ratio (%) (row 2/row 13)	4.93%	4.64%	4.95%	5.31%	5.21%
	Liquidity Coverage Ratio #					
15	Total High Quality Liquid Assets	37,946	31,732	29,226	32,816	28,532
16	Total net cash outflow	11,228	11,522	11,585	13,722	11,109
17	Liquidity Coverage Ratio (%)	341%	282%	257%	245%	268%
	Net Stable Funding Ratio #					
18	Total available stable funding	62,027	64,196	60,973	57,778	56,559
19	Total required stable funding	35,946	36,348	34,421	34,516	35,714
20	Net Stable Funding Ratio (%)	173%	177%	177%	167%	158%

The increase in CET1, Tier 1 and Total Capital Ratios between Sep 2023 and Jun 2023 due to decrease in Total Risk Weighted Assets ("RWAs") by SGD118m.

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 and Netherlands is 1% and the applicable weight is 0.03% and 0.84% respectively.

2. Leverage Ratio

Leverage Ratio Common Disclosure Template

In SGD million		30 Sep 23	30 Jun 23
	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)	27,290	28,061
2	Asset amounts deducted in determining Tier 1 capital	(3)	(3)
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	**27,287**	**28,058**
	Derivative exposure measures		
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	25	0
5	Potential future exposure associated with all derivative transactions	23	32
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**	**48**	**32**
	SFT exposure measures		
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	4,011	5,382
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**	**4,011**	**5,382**
	Exposure measures of off-balance sheet Items		
17	Off-balance sheet items at notional amount	8,934	8,492
18	Adjustments for calculation of exposure measures of off-balance sheet items	(7,551)	(7,147)
19	**Total exposure measures of off-balance sheet items**	**1,383**	**1,345**
	Capital and Total exposures		
20	**Tier 1 capital**	**1,613**	**1,616**
21	**Total exposures**	**32,729**	**34,817**
	Leverage ratio		
22	**Leverage ratio**	**4.93%**	**4.64%**

Leverage Ratio Summary Comparison Table

	In SGD million	30 Sep 23
1	Total consolidated assets as per published financial statements	31,485
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	23
5	Adjustment for SFTs	–
6	Adjustment for off-balance sheet items	1,383
7	Other adjustments	(162)
8	**Exposure Measure**	32,729

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 23**	**Jun 23**	**Sep 23**
1	**Credit risk (excluding CCR)**	**8,831**	**9,037**	**883**
2	of which: Standardised Approach	8,831	9,037	883
3	of which: F-IRBA	—	—	—
4	of which: supervisory slotting approach	—	—	—
5	of which: A-IRBA	—	—	—
6	**CCR**	**16**	**19**	**2**
7	of which : SA-CCR	11	9	1
8	of which: CCR internal models method	—	—	—
9	of which: other CCR	5	10	1
9a	of which: CCP	—		—
10	**CVA**	**10**	**8**	**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**	**17**	**43**	**2**
21	of which: SA(MR)	17	43	2
22	of which: IMA	—	—	—
23	**Operational risk**	**1,219**	**1,104**	**122**
24	**Amounts below the thresholds for deduction (subject to 250% Risk Weight)**	—	—	—
25	**Floor adjustment**	—	—	—
26	**Total**	**10,093**	**10,211**	**1,010**

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 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 on a daily basis 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 2023
(Number of data points: 92)

		30 Sep 2023	
In SGD million		**Average Unweighted Value**	**Average Weighted Value**
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		37,946
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	38,936	3,728
3	Stable deposits	3,314	166
4	Less stable deposits	35,622	3,562
5	Unsecured wholesale funding, of which:	47,716	23,216
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	10,471	2,571
7	Non-operational deposits (all counterparties)	37,245	20,645
8	Unsecured debt	0	0
9	Secured wholesale funding		1
10	Additional requirements, of which:	12,336	6,531
11	Outflows related to derivative exposures and other collateral requirements	4,894	4,758
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	7,442	1,773
14	Other contractual funding obligations	1,694	1,694
15	Other contingent funding obligations	6,979	1,031
16	**Total Cash Outflows**		36,200
Cash Inflows			
17	Secured lending (e.g. reverse repos)	5,724	137
18	Inflows from fully performing exposures	23,082	19,626
19	Other cash inflows	5,265	5,210
20	**Total Cash Inflows**	34,071	24,973
			Total Adjusted Value
21	**Total HQLA**		**37,946**
22	**Total Net Cash Outflows**		**11,228**
23	**Liquidity Coverage Ratio (%)**		**341 %**

4.1.2 Average Country-level Group SGD LCR for the Quarter ended 30 Sep 2023

(Number of data points: 92)

In SGD million		30 Sep 2023 Average Unweighted Value	30 Sep 2023 Average Weighted Value
High-Quality Liquid Assets			
1	Total high-quality liquid assets (HQLA)		23,524
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	16,268	1,461
3	Stable deposits	3,314	166
4	Less stable deposits	12,954	1,295
5	Unsecured wholesale funding, of which:	15,294	7,043
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	4,215	1,007
7	Non-operational deposits (all counterparties)	11,079	6,036
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	22,004	19,432
11	Outflows related to derivative exposures and other collateral requirements	18,960	18,957
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	3,044	475
14	Other contractual funding obligations	1,058	1,058
15	Other contingent funding obligations	636	218
16	Total Cash Outflows		29,214
Cash Inflows			
17	Secured lending (e.g. reverse repos)	3,345	0
18	Inflows from fully performing exposures	9,873	9,525
19	Other cash inflows	12,438	12,415
20	Total Cash Inflows	25,656	21,940
			Total Adjusted Value
21	**Total HQLA**		**23,524**
22	**Total Net Cash Outflows**		**8,111**
23	**Liquidity Coverage Ratio (%)**		**295 %**

4.1.3 Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with average All-Currency LCR and SGD LCR at 341% and 295% respectively (above the respective regulatory requirements of 50% and 100%) for the quarter ended 30 Sep 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 HBSC 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 Asset, Liability and Capital Management ("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.