



Liquidity Coverage Ratio (“LCR”) Disclosure for 2Q 2018

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. HSBC Bank (Singapore) Limited (“Subsidiary”) and Singapore Branch of The Hongkong and Shanghai Banking Corporation Limited (“Branch”) have obtained the approval of Monetary Authority of Singapore (“MAS”) 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%.

1) Average Country-level Group All-Currency LCR for 2Q 2018

(Number of data points: 91 for 2Q 2018)

(in SGD millions)		2Q 2018	
		Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		20,329
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	23,138	2,210
3	Stable deposits	2,072	104
4	Less stable deposits	21,066	2,107
5	Unsecured wholesale funding, of which:	34,178	16,244
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,803	1,925
7	Non-operational deposits (all counterparties)	26,375	14,319
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	7,645	4,080
11	Outflows related to derivative exposures and other collateral requirements	3,385	3,359
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	4,260	720
14	Other contractual funding obligations	2,562	2,562
15	Other contingent funding obligations	3,554	113
16	TOTAL CASH OUTFLOWS		25,209
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	3,142	0
18	Inflows from fully performing exposures	16,274	11,693
19	Other cash inflows	5,000	4,979
20	TOTAL CASH INFLOWS	24,416	16,672
21	TOTAL HQLA		20,329
22	TOTAL NET CASH OUTFLOWS		8,537
23	LIQUIDITY COVERAGE RATIO		242%



2) Average Country-level Group SGD LCR for 2Q 2018

(Number of data points: 91 for 2Q 2018)

(in SGD millions)		2Q 2018	
		Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		13,545
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	12,241	1,121
3	Stable deposits	2,072	104
4	Less stable deposits	10,169	1,017
5	Unsecured wholesale funding, of which:	11,716	5,736
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,289	797
7	Non-operational deposits (all counterparties)	8,427	4,939
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	21,623	19,980
11	Outflows related to derivative exposures and other collateral requirements	19,724	19,717
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	1,899	263
14	Other contractual funding obligations	1,873	1,873
15	Other contingent funding obligations	129	10
16	TOTAL CASH OUTFLOWS		28,720
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	3,142	0
18	Inflows from fully performing exposures	4,409	3,918
19	Other cash inflows	18,032	18,023
20	TOTAL CASH INFLOWS	25,583	21,941
21	TOTAL HQLA		13,545
22	TOTAL NET CASH OUTFLOWS		7,426
23	LIQUIDITY COVERAGE RATIO		183%



3) Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the 2Q 2018 average All-Currency LCR and SGD LCR at 242% and 183% (above regulatory requirements of 50% and 100% respectively). 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. Concentration of Sources of funding

The Country-level Group maintains a diversified funding base across retail and wholesale depositors. Balance Sheet and Net Stable Funding Ratio ("NSFR") projections are regularly discussed in monthly Asset and Liability Committee ("ALCO") meetings to ensure that the Country-level Group remains well-funded to support the business strategy. Internal metrics on concentration of wholesale funding have been introduced to monitor funding risks.

iii. 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 ("BAU") activities undertaken by Balance Sheet Management ("BSM") team for surplus deployment and managing liquidity risks (i.e. swap foreign currency surplus funds into SGD HQLA).

iv. HSBC Liquidity and Balance Sheet Management

The Asset, Liability and Capital Management (ALCM) team 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 on a daily basis and reported to ALCO every month.

The BSM team within Global Markets is responsible for managing cash, short-term liquidity and funding for Country-level group. This includes deployment of commercial surplus as well as accessing wholesale senior funding markets if needed.