



Liquidity Coverage Ratio (“LCR”) Disclosure for 3Q 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 3Q 2018

(Number of data points: 92 for 3Q 2018)

(in SGD millions)		3Q 2018	
		Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		19,301
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	22,916	2,189
3	Stable deposits	2,059	103
4	Less stable deposits	20,856	2,086
5	Unsecured wholesale funding, of which:	35,386	17,036
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,882	1,945
7	Non-operational deposits (all counterparties)	27,504	15,091
8	Unsecured debt	0	0
9	Secured wholesale funding		3
10	Additional requirements, of which:	7,088	3,412
11	Outflows related to derivative exposures and other collateral requirements	2,647	2,630
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	4,442	782
14	Other contractual funding obligations	840	840
15	Other contingent funding obligations	3,848	120
16	TOTAL CASH OUTFLOWS		23,599
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	2,957	0
18	Inflows from fully performing exposures	17,720	12,319
19	Other cash inflows	2,772	2,727
20	TOTAL CASH INFLOWS	23,449	15,046
21	TOTAL HQLA		19,301
22	TOTAL NET CASH OUTFLOWS		8,555
23	LIQUIDITY COVERAGE RATIO		230%



2) Average Country-level Group SGD LCR for 3Q 2018

(Number of data points: 92 for 3Q 2018)

(in SGD millions)		3Q 2018	
		Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		12,559
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	11,992	1,096
3	Stable deposits	2,059	103
4	Less stable deposits	9,933	993
5	Unsecured wholesale funding, of which:	12,092	5,725
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,301	800
7	Non-operational deposits (all counterparties)	8,791	4,925
8	Unsecured debt	0	0
9	Secured wholesale funding		0
10	Additional requirements, of which:	16,955	15,447
11	Outflows related to derivative exposures and other collateral requirements	15,193	15,192
12	Outflows related to loss of funding on debt products	0	0
13	Credit and liquidity facilities	1,762	255
14	Other contractual funding obligations	656	656
15	Other contingent funding obligations	138	9
16	TOTAL CASH OUTFLOWS		22,933
CASH INFLOWS			
17	Secured lending (e.g. reverse repos)	2,951	0
18	Inflows from fully performing exposures	3,908	3,373
19	Other cash inflows	14,261	14,253
20	TOTAL CASH INFLOWS	21,121	17,626
21	TOTAL HQLA		12,559
22	TOTAL NET CASH OUTFLOWS		5,950
23	LIQUIDITY COVERAGE RATIO		213%



3) Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the 3Q 2018 average All-Currency LCR and SGD LCR at 230% and 213% (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.