



The objective of Liquidity Coverage Ratio (“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 country-level group basis.

The following disclosures as per MAS Notice 651 “Liquidity Coverage Ratio Disclosure” are consistent with compliance to MAS Notice 649, which is at HSBC Singapore Country-level Group (“Country-level Group”). The Country-level Group is required to maintain daily All-Currency LCR of 50% and Singapore dollar (“SGD”) LCR of 100% from 1 Jan 2016.

1a) Average Country-level Group All-Currency LCR for 1Q 2016 & 2Q 2016

(Number of data points: 91 for both 1Q 2016 and 2Q 2016)

(in SGD millions)		1Q 2016 ¹		2Q 2016	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		18,094		19,675
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	27,714	2,653	27,750	2,655
3	Stable deposits	2,368	118	2,408	120
4	Less stable deposits	25,346	2,535	25,342	2,534
5	Unsecured wholesale funding, of which:	31,995	14,699	30,481	14,343
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,380	2,068	7,634	1,882
7	Non-operational deposits (all counterparties)	23,615	12,631	22,847	12,462
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	6,342	4,005	6,810	3,952
11	Outflows related to derivative exposures and other collateral requirements	3,417	3,393	3,324	3,286
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	2,925	611	3,486	666
14	Other contractual funding obligations	1,875	1,875	2,194	2,194
15	Other contingent funding obligations	2,870	86	2,531	76
16	TOTAL CASH OUTFLOWS		23,318		23,220
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,826	0	2,586	0
18	Inflows from fully performing exposures	14,084	11,044	13,144	10,059
19	Other cash inflows	4,632	4,632	4,819	4,819
20	TOTAL CASH INFLOWS	20,542	15,676	20,549	14,878
TOTAL ADJUSTED VALUE					
21	TOTAL HQLA		18,094		19,675
22	TOTAL NET CASH OUTFLOWS		7,644		8,343
23	LIQUIDITY COVERAGE RATIO		240%		238%

¹ HSBC Bank (Singapore) Limited (“Subsidiary”) was incorporated in May 2016 and 1Q 2016 disclosure consists of only Singapore Branch of The Hongkong and Shanghai Banking Corporation Limited (“Branch”)

1b) Average Country-level Group All-Currency LCR for 3Q 2016 & 4Q 2016

(Number of data points: 92 for both 3Q 2016 and 4Q 2016)

(in SGD millions)		3Q 2016		4Q 2016	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		21,904		22,331
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	27,024	2,584	26,260	2,511
3	Stable deposits	2,366	118	2,309	115
4	Less stable deposits	24,659	2,466	23,951	2,395
5	Unsecured wholesale funding, of which:	32,594	15,896	32,355	15,409
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,417	1,828	7,629	1,881
7	Non-operational deposits (all counterparties)	25,177	14,068	24,726	13,528
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	4,564	2,589	4,855	2,798
11	Outflows related to derivative exposures and other collateral requirements	2,037	1,988	2,287	2,285
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	2,527	601	2,568	513
14	Other contractual funding obligations	2,327	2,327	1,994	1,994
15	Other contingent funding obligations	2,522	76	2,495	75
16	TOTAL CASH OUTFLOWS		23,471		22,787
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	2,521	0	2,004	0
18	Inflows from fully performing exposures	13,578	10,669	13,489	9,955
19	Other cash inflows	3,339	3,339	3,423	3,423
20	TOTAL CASH INFLOWS	19,438	14,008	18,917	13,379
TOTAL ADJUSTED VALUE					
21	TOTAL HQLA		21,904		22,331
22	TOTAL NET CASH OUTFLOWS		9,464		9,409
23	LIQUIDITY COVERAGE RATIO		234%		242%

2a) Average Country-level Group SGD LCR for 1Q 2016 & 2Q 2016

(Number of data points: 91 for both 1Q 2016 and 2Q 2016)

(in SGD millions)		1Q 2016 ¹		2Q 2016	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		12,215		13,326
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	14,237	1,305	14,848	1,335
3	Stable deposits	2,368	118	2,408	120
4	Less stable deposits	11,869	1,187	12,440	1,215
5	Unsecured wholesale funding, of which:	11,282	5,546	11,856	5,651
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,010	726	3,125	728
7	Non-operational deposits (all counterparties)	8,272	4,820	8,731	4,922
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	13,939	12,639	13,198	11,610
11	Outflows related to derivative exposures and other collateral requirements	12,427	12,410	11,207	11,359
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	1,511	229	1,991	251
14	Other contractual funding obligations	1,099	1,099	1,297	1,281
15	Other contingent funding obligations	117	4	156	3
16	TOTAL CASH OUTFLOWS		20,593		19,880
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,826	0	2,586	0
18	Inflows from fully performing exposures	2,077	1,694	2,502	1,888
19	Other cash inflows	10,291	10,291	9,531	9,656
20	TOTAL CASH INFLOWS	14,193	11,985	14,618	11,544
TOTAL ADJUSTED VALUE					
21	TOTAL HQLA		12,215		13,326
22	TOTAL NET CASH OUTFLOWS		8,608		8,336
23	LIQUIDITY COVERAGE RATIO		143%		162%

2b) Average Country-level Group SGD LCR for 3Q 2016 & 4Q 2016

(Number of data points: 92 for both 3Q 2016 and 4Q 2016)

(in SGD millions)		3Q 2016		4Q 2016	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		15,544		13,731
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	14,281	1,310	13,937	1,278
3	Stable deposits	2,366	118	2,309	115
4	Less stable deposits	11,915	1,192	11,628	1,163
5	Unsecured wholesale funding, of which:	13,119	6,711	11,708	5,873
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,010	726	2,946	711
7	Non-operational deposits (all counterparties)	10,109	5,985	8,761	5,163
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	11,827	10,769	10,959	9,816
11	Outflows related to derivative exposures and other collateral requirements	10,590	10,546	9,557	9,556
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	1,237	223	1,402	260
14	Other contractual funding obligations	1,398	1,398	1,199	1,199
15	Other contingent funding obligations	86	3	75	3
16	TOTAL CASH OUTFLOWS		20,190		18,169
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	2,521	0	2,004	0
18	Inflows from fully performing exposures	2,979	2,597	2,157	1,792
19	Other cash inflows	10,335	10,335	9,345	9,345
20	TOTAL CASH INFLOWS	15,835	12,932	13,506	11,137
TOTAL ADJUSTED VALUE					
21	TOTAL HQLA		15,544		13,731
22	TOTAL NET CASH OUTFLOWS		7,258		7,032
23	LIQUIDITY COVERAGE RATIO		219%		199%

3) Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the 4Q 2016 quarterly average All-Currency LCR and SGD LCR comfortably above regulatory requirements at 242% and 199%. The main drivers of the LCR are 1) movements in commercial 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**

HSBC Singapore 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 were also introduced to monitor funding risks.

iii. **Currency Mismatch in the LCR**

HSBC Singapore can, if required, tap onto 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.