HSBC BANK (SINGAPORE) LIMITED

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

Pillar 3 Disclosure

For the financial year ended 31 December 2017

Contents

1. Introduction

HSBC Bank (Singapore) Limited (the "Bank") is incorporated in the Republic of Singapore and has its registered office at 21 Collyer Quay, #13-02 HSBC Building, Singapore 049320. The Bank operates in Singapore under a full banking license with an Asian Currency Unit and Qualifying Full Bank privileges granted by the Monetary Authority of Singapore.

The immediate holding company is The Hongkong and Shanghai Banking Corporation Limited, incorporated in Hong Kong Special Administrative Region.

The ultimate holding company is HSBC Holdings plc ("HSBC"), incorporated in England. HSBC Holdings plc shares are listed on the stock exchanges of Hong Kong, London, New York, Bermuda and Paris.

On 9 May 2016, The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch transferred the assets and liabilities of the Retail Banking and Wealth Management business in Singapore to the Bank via a scheme of transfer under Sections 55B and 55C of Part VIIA, Division 1 of the Banking Act.

The following disclosures are made pursuant to Notice 637 "Notice on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore" ("MAS Notice 637") issued by the Monetary Authority of Singapore ("MAS").

This public disclosure should be read in conjunction with the Bank's Financial Statement for the year ended 31 December 2017.

2. Capital Structure and Capital Adequacy

2.1 Capital Management

The Bank's approach to capital management is driven by its strategic and organisational requirements, taking into account the regulatory, economic and commercial environment in which it operates. This is articulated through its annual capital plan which is approved by the Board.

The Bank aims to maintain a strong capital base to support its planned business growth and meet its regulatory capital requirements at all times. In accordance with the HSBC Group's capital management process, capital generated in excess of planned requirements is returned to the immediate holding company, normally by way of dividends.

As part of the capital management process, the Bank conducts an Internal Capital Adequacy Assessment Process ("ICAAP") to determine a forward-looking assessment of its capital requirements incorporating its business strategy, risk profile, risk appetite and capital plan. The ICAAP subjects the base capital plan to stress tests to assess the internal capital adequacy requirements and internal capital planning buffer. The ICAAP is formally approved by the Board.

Further details on the Bank's capital management framework can be found in Note 32 of the Bank's Financial Statements.

2.2 Capital Adequacy Ratio

The below table discloses the Bank's Regulatory Capital, Capital Adequacy Ratio ("CAR") and Leverage Ratio. The CAR ratios are above the stipulated regulatory requirements set out in MAS Notice 637.

	At 31 Dec 2017 S$ million	At 31 Dec 2016 S$ million
Ordinary Shares Capital	1,530	1,530
Disclosed Reserves [1]	135	24
Regulatory Adjustments	(6)	(2)
Common Equity Tier 1 Capital	**1,659**	**1,552**
Tier 1 Capital	**1,659**	**1,552**
Portfolio Impairment Provisions	22	24
Tier 2 Capital	**22**	**24**
Total Eligible Capital	**1,681**	**1,576**
Risk Weighted Assets (RWA)		
Credit Risk	5,456	6,084
Market Risk	7	7
Operational Risk	643	620
Total RWA	**6,106**	**6,711**
Capital Adequacy Ratios [2]		
Common Equity Tier 1	27.16%	23.12%
Tier 1	27.16%	23.12%
Total	27.53%	23.48%
Leverage Ratios	**6.83%**	**5.76%**

Note:

[1] Disclosed reserves mainly comprises of retained earnings, property revaluation reserve and other reserves.

[2] In addition to these minimum capital requirements, capital conservation buffer ("CCB") of 2.5% and countercyclical buffer of up to 2.5% will be phased in from 2016 to 2019. The CCB was 0.625% on 1 January 2016 and increases by 0.625% each year to reach 2.5% on 1 January 2019. The countercyclical buffer is not an on-going requirement and the applicable magnitude will be the weighted average of the country-specific countercyclical buffer requirements that are being applied by national authorities in jurisdictions to which the bank has private sector credit exposures.

Pursuant to section 9 of the Banking Act of Singapore, the Bank is required to maintain a paid-up capital and capital funds of not less than S$1,500,000,000.

The Bank's capital is the aggregate of its paid-up share capital and disclosed reserves which comprises mainly of retained earnings, property revaluation reserve and other reserves.

The Bank's capital requirements are based on the Standardised Approach and the Bank's CAR for 31 December 2017 are computed on this basis, which is in accordance with MAS Notice 637.

As at 31 December 2017, the CAR ratios are above the stipulated regulatory requirements for CET 1 CAR, Tier 1 CAR and Total CAR of 6.5%, 8% and 10% respectively.

2.3 Geographical Distribution of Credit Exposures Used in the Countercyclical Capital Buffer

S$ million	(a)	(b)	(c)	(d)
Geographical Breakdown	**Country-Specific Countercyclical Buffer Requirement**	**RWA for Private Sector Credit Exposures Used in the Computation of the Countercyclical Buffer**	**Bank-Specific Countercyclical Buffer Requirement**	**Countercyclical Buffer Amount**
Hong Kong	1.25%	3		
Others		4,439		
Total		**4,442**	**0.0009%**	*

** Represents amounts less than S$0.5 million.*

2.4 Risk Management

HSBC Group formulates high-level risk management policies for HSBC Group entities worldwide. HSBC's risk management policy is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date administrative and information systems. HSBC continually modifies and enhances its risk management policies and systems to reflect changes in markets and products.

Further details on risk management can be found in Note 32 of the Bank's Financial Statements.

3. Composition of Regulatory Capital

The following disclosures are pursuant to the requirements of MAS Notice 637.

3.1 Reconciliation of Balance Sheet to Regulatory Capital as at 31 December 2017

	Balance Sheet as per Financial Statement S$ million	Under Regulatory Scope of Consolidation S$ million	Reference to Section 3.2
Assets			
Cash and balances with central banks	481		
Singapore government treasury bills and securities	3,911		
Other government treasury bills and securities	576		
Derivative assets	*		
Balance and placements with, and loans to, banks	123		
Loans and advances to customers	9,917		
of which: Provisions eligible for inclusion in T2 Capital	-	22	A
Amount due from intermediate holding company	30		
Amount due from related corporation	8,273		
Other assets	79		
Property, plant and equipment	89		
Intangible assets	7	(5)	B
Deferred taxation	1		
Total Assets	**23,487**		
Liabilities			
Derivative liabilities	*		
Deposits and balances of banks	33		
Deposits of non-bank customers	18,101		
Amounts due to intermediate holding company	63		
Amounts due to related corporations	3,443		
Other liabilities	134		
Current tax liabilities	19		
Total Liabilities	**21,793**		
NET ASSETS	**1,694**		
Equity			
Share capital	1,530	1,530	C
Reserves	45	17	D
Accumulated profits	118	118	E
Valuation adjustments	-	(1)	F
Total Equity	**1,693**		

** Represents amounts less than S$0.5 million.*

3.2 Capital Adequacy and Reconciliation of Regulatory Capital to the Balance Sheet

The following disclosure is made in accordance with the template prescribed in MAS Notice 637 Annexure 11E. The column "Amount" shows the amounts used in the computation of regulatory capital and capital adequacy ratios. The column "Amount subject to Pre-Basel III Treatment" shows the amount of each regulatory adjustment that is subject to the treatment set out for Basel III transition.

The alphabetic cross-references in the column "Cross Reference to Section 3.1" relate to reconciliation of balance sheet to Regulatory Capital disclosed on page 4.

MAS Notice 637 specifies the computation of provisions that may be recognised under Tier 2 capital. Under the standardised approach for credit risk, general allowances are eligible, subject to a cap of 1.25% of credit risk-weighted assets.

		Amount S$ million	**Amount Subject to Pre-Basel III Treatment**	**Cross Reference to Section 3.1**
Common Equity Tier 1 Capital: Instruments and Reserves				
1	Paid-up ordinary shares and share premium (if applicable)	1,530		C
2	Retained earnings	118		E
3#	Accumulated other comprehensive income and other disclosed reserves	17		D
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		
5	Minority interest that meets criteria for inclusion	-		
6	**Common Equity Tier 1 capital before regulatory adjustments**	1,665		
Common Equity Tier 1 Capital: Regulatory Adjustments				
7	Valuation adjustment pursuant to Part VIII of MAS Notice 637	(1)		F
8	Goodwill, net of associated deferred tax liability	-		
9#	Intangible assets, net of associated deferred tax liability	(5)		B
10#	Deferred tax assets that rely on future profitability	-		
11	Cash flow hedge reserve	-		
12	Shortfall of TEP relative to EL under IRBA	-		
13	Increase in equity capital resulting from securitisation transactions	-		
14	Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	-		
15	Defined benefit pension fund assets, net of associated deferred tax liability	-		
16	Investments in own shares	-		
17	Reciprocal cross-holdings in ordinary shares of financial institutions	-		

		Amount S$ million	Amount Subject to Pre-Basel III Treatment	Cross Reference to Section 3.1
18	Investments in ordinary shares of unconsolidated financial institutions in which Reporting Bank does not hold a major stake	-		
19	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries) (amount above 10% threshold)	-		
20#	Mortgage servicing rights (amount above 10% threshold)	-		
21#	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
22	Amount exceeding the 15% threshold	-		
23	of which: investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-		
24#	of which: mortgage servicing rights	-		
25#	of which: deferred tax assets arising from temporary differences	-		
26	National specific regulatory adjustments	-		
26A	PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-		
26B	Capital deficits in subsidiaries and associates that are regulated financial institutions	-		
26C	Any other items which the Authority may specify	-		
27	Regulatory adjustments applied in calculation of CET1 Capital due to insufficient AT1 Capital to satisfy required deductions	-		
28	**Total regulatory adjustments to CET1 Capital**	(6)		
29	**Common Equity Tier 1 capital (CET1)**	1,659		
Additional Tier 1 Capital: Instruments				
30	AT1 capital instruments and share premium (if applicable)	-		
31	of which: classified as equity under the Accounting Standards	-		
32	of which: classified as liabilities under the Accounting Standards	-		
33	*Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)*	-		
34	AT1 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	-		
35	*of which: instruments issued by subsidiaries subject to phase out*	-		
36	**Additional Tier 1 capital before regulatory adjustments**	-		

		Amount S$ million	Amount Subject to Pre-Basel III Treatment	Cross Reference to Section 3.1
Additional Tier 1 Capital: Regulatory Adjustments				
37	Investments in own AT1 capital instruments	-		
38	Reciprocal cross-holdings in AT1 capital instruments of financial institutions	-		
39	Investments in AT1 capital instruments of unconsolidated financial institutions in which Reporting Bank does not hold a major stake	-		
40	Investments in AT1 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (including insurance subsidiaries)	-		
41	National specific regulatory adjustments	-		
41A	Regulatory adjustments applied to AT1 Capital in respect of amounts subject to pre-Basel III treatment	-		
	of which: Goodwill, net of associated deferred tax liability	-		
	of which: Intangible assets, net of associated deferred tax liability	-		
	of which: Deferred tax assets that rely on future profitability	-		
	of which: Cash flow hedge reserve	-		
	of which: Increase in equity capital resulting from securitisation transactions	-		
	of which: Unrealised fair value gains/losses on financial liabilities and derivative liabilities arising from changes in own credit risk	-		
	of which: Shortfall of TEP relative to EL under IRBA	-		
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-		
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	-		
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
	of which: Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
41B	Any other items which the Authority may specify			

		Amount S$ million	Amount Subject to Pre-Basel III Treatment	Cross Reference to Section 3.1
42	Regulatory adjustments applied in calculation of AT1 Capital due to insufficient Tier 2 Capital to satisfy required deductions	-		
43	**Total regulatory adjustments to Additional Tier 1 capital**	-		
44	**Additional Tier 1 capital (AT1)**	-		
45	**Tier 1 capital (T1 = CET1 + AT1)**	1,659		
Tier 2 Capital: Instruments and Provisions				
46	Tier 2 capital instruments and share premium (if applicable)	-		
47	*Transitional: Ineligible capital instruments (pursuant to paragraphs 6.5.3 and 6.5.4)*	-		
48	Tier 2 capital instruments issued by fully-consolidated subsidiaries that meet criteria for inclusion	-		
49	of which: instruments issued by subsidiaries subject to phase out	-		
50	Provisions	22		A
51	**Tier 2 capital before regulator adjustments**	22		
Tier 2 Capital: Regulatory Adjustments				
52	Investments in own Tier 2 instruments	-		
53	Reciprocal cross-holdings in Tier 2 capital instruments of financial institutions	-		
54	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which Reporting Bank does not hold a major stake	-		
55	Investments in Tier 2 capital instruments of unconsolidated financial institutions in which the Reporting bank holds a major stake (including insurance subsidiaries)	-		
56	National specific regulatory adjustments	-		
56A	Any other items which the Authority may specify	-		
56B	Regulatory adjustments applied to Tier 2 Capital in respect of amounts subject to pre-Basel III treatment	-		
	of which: Shortfall of TEP relative to EL under IRBA	-		
	of which: PE/VC investments held beyond the relevant holding periods set out in MAS Notice 630	-		

		Amount S$ million	Amount Subject to Pre-Basel III Treatment	Cross Reference to Section 3.1
	of which: Capital deficits in subsidiaries and associates that are regulated financial institutions	-		
	of which: Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank holds a major stake (incl insurance subsidiaries)	-		
	of which: Investments in AT1 capital instruments of unconsolidated major stake companies approved under s32 of Banking Act (incl insurance subsidiaries)	-		
57	**Total regulatory adjustments to Tier 2 capital**	-		
58	**Tier 2 capital (T2)**	22		
59	**Total capital (TC = T1 + T2)**	1,681		
60	**Total risk weighted assets**	6,106		
Capital Ratios (As a Percentage of Risk Weighted Assets)				
61	**Common Equity Tier 1 CAR**	27.16%		
62	**Tier 1 CAR**	27.16%		
63	**Total CAR**	27.53%		
64	Bank-specific buffer requirement	7.75%		
65	of which: capital conservation buffer requirement	1.25%		
66	of which: bank specific countercyclical buffer requirement	0.0009%		
67	of which: G-SIB buffer requirement (if applicable)	-		
68	Common Equity Tier 1 available to meet buffers	17.53%		
National Minima				
69	Minimum CET1 CAR	6.50%		
70	Minimum Tier 1 CAR	8.00%		
71	Minimum Total CAR	10.00%		
Amounts Below the Thresholds for Deduction (Before Risk Weighting)				
72	Investments in ordinary shares, AT1 capital and Tier 2 capital of unconsolidated financial institutions in which the bank does not hold a major stake	-		
73	Investments in ordinary shares of unconsolidated financial institutions in which the Reporting Bank hold a major stake (including insurance subsidiaries)	-		
74	Mortgage servicing rights (net of related tax liability)	-		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-		
Applicable Caps on the Inclusion of Provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	22		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	68		
78	Provision eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		

		Amount S$ million	Amount Subject to Pre-Basel III Treatment	Cross Reference to Section 3.1
Capital Instruments Subject to Phase-Out Arrangements (Only Applicable Between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
82	Current cap on AT1 instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on T2 instruments subject to phase out arrangements	-		
85	Amount excluded from T2 due to cap (excess over cap after redemption and maturities)	-		

Items marked with a hash [#] are elements where a more conservative definition has been applied relative to those set out under the Basel III capital standards.

3.3. Main Features of Capital Instruments

The following disclosure is based on the prescribed template set out in MAS Notice 637 Table 11D-1. This disclosure shall be updated whenever there is an issuance, redemption, conversion/write-down, or other material changes in the nature of an existing capital instrument.

Ordinary Shares

No		
1	Issuer	HSBC Bank (Singapore) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Singapore
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	S$1,530 mil
9	Par value of instrument	NA
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / Dividends	
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	NA
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Represents the most subordinated claim in the event of liquidation of the Bank
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

4. Leverage Ratio

Leverage Ratio Summary Comparison Table

	Item	31 Dec 17 S$ million
1	Total consolidated assets as per published financial statements	23,487
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	*
5	Adjustment for SFTs	
6	Adjustment for off-balance sheet items	831
7	Other adjustments	(24)
8	**Exposure Measure**	**24,294**

Leverage Ratio Common Disclosure Template

	Item	31 Dec 17 S$ million	30 Sep 17 S$ million
Exposure Measure of On-Balance Sheet Items			
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	20,136	19,553
2	Asset amounts deducted in determining Tier 1 Capital	-	-
3	**Total exposure measures of on-balance sheet items** (excluding derivative transactions and SFTs)	20,136	19,553
Derivative Exposure Measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	*	*
5	Potential future exposure associated with all derivative transactions	*	*
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**	*	*
SFT Exposure Measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	3,327	3,059
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**	3,327	3,059

Leverage Ratio Common Disclosure Template (continued)

	Item	**31 Dec 17 S$ million**	**30 Sep 17 S$ million**
Exposure Measures of Off-Balance Sheet Items			
17	Off-balance sheet items at notional amount	7,809	7,480
18	Adjustments for calculation of exposure measures of off-balance sheet items	(6,978)	(6,696)
19	**Total exposure measures of off-balance sheet items**	831	784
Capital and Total Exposures			
20	**Tier 1 capital**	1,659	1,572
21	**Total exposures**	24,294	23,396
Leverage Ratio			
22	**Leverage ratio**	6.83%	6.72%

** Represents amounts less than S$0.5 million.*

5. Overview of Risk Weighted Assets

The table provides an overview of the Bank's Risk Weighted Assets ("RWA"), with the stipulated breakdown for disclosure as required under MAS Notice 637.

The reduction in RWA between December 2017 and September 2017 is attributed to:

a) Lower Residential Mortgages
b) Lower Interbank Placements

	S$ million	RWA		Minimum Capital Requirement[1]
		31 Dec 2017 (S$'m)	30 Sep 2017 (S$'m)	31 Dec 2017 (S$'m)
1	**Credit Risk (excluding Counterparty Credit Risk)**	5,456	5,650	546
2	of which: SA(CR) and SA(EQ)	5,456	5,650	546
3	of which: IRBA and IRBA(EQ) for Equity exposures under the PD/LGD Method	-	-	
4	**Counterparty Credit Risk**	*	*	*
5	of which: Current Exposure Method	*	*	*
6	of which: CCR Internal Models Method	-	-	-
7	**IRBA(EQ) for Equity exposures under the Simple Risk Weight Method or the IMM**	-	-	-
8	Equity investments in funds – Look Through Approach	-	-	-
9	Equity investments in funds – Mandate-Based Approach	-	-	-
10	Equity investments in funds – Fall Back Approach	-	-	-
10a	Equity investment in funds –Partial Use of an Approach	-	-	-
11	**Unsettled Transactions**	-	-	-
12	**Securitisation Exposures in the Banking Book**	-	-	-
13	of which: IRBA(SE) - RBM and IAM	-	-	-
14	of which: IRBA(SE) – SF	-	-	-
15	of which: SA(SE)	-	-	-
16	**Market Risk**	7	5	1
17	of which: SA(MR)	7	5	1
18	of which: IMA	-	-	-
19	**Operational Risk**	643	630	64
20	of which: BIA	-	-	-
21	of which: SA(OR)	643	630	64
22	of which: AMA	-	-	-
23	**Amounts Below the Thresholds for Deduction (Subject to 250% Risk Weight)**	-	-	-
24	**Floor Adjustment**	-	-	-
25	**Total**	**6,106**	**6,285**	**611**

[1] *Minimum capital requirements are calculated at 10% of RWA.*

** Represents amounts less than S$0.5 million.*

6. Credit Risk

6.1 Overview and Responsibilities

Credit risk is the risk arising from the uncertainty of an obligor's ability to repay its contractual obligations. Credit risk could stem from both on- and off-balance sheet transactions. An institution is exposed to credit risk from diverse financial instruments such as loans and advances, trade finance products and acceptances, foreign exchange, financial futures, swaps, bonds, options, commitments and guarantees.

Credit Risk is managed by the Bank through a framework to adequately identify measure, evaluate, monitor, report and control or mitigate credit risk on a timely basis. The framework is outlined in the form of credit policies, procedures, lending guidelines and credit approval authority delegations. These are consistent with HSBC Group's global guidelines, and incorporates country-specific risk environment and portfolio characteristics of the Bank. Credit risk represents the Bank's largest regulatory capital requirement.

Stress Testing

Stress testing is a key risk management tool used to assess a variety of risks to which the Bank is exposed, including credit risk, market risk, interest rate risk and other material risk.

A key objective of stress testing is to estimate the potential losses on the Bank's exposures and impact on the capital adequacy ratio, capital requirements and profit and loss under abnormal conditions.

Within HSBC's framework, stress testing is considered as the collective quantitative and qualitative technique used to assess all facets to the risks faced by the HSBC Group and its operations.

Further details on credit risk management can be found in Note 32 of the Bank's Financial Statements.

6.2 Qualitative Disclosures Related to Credit Risk Mitigation

Risk Mitigation

In the Credit Risk Framework, the mitigation of credit risk is a key aspect of effective risk management. In a diversified financial services organization like HSBC, credit risk mitigation takes many forms. Collateral and guarantees, among other instruments, may be utilized to help mitigate credit risks. However, credit risk mitigation are not exercised as a substitute, either for comprehensive assessment of the obligor or for complete obligor information. The Bank's approach when granting credit facilities is on the basis of capacity to repay rather than placing reliance on the credit risk mitigants.

6.2 Qualitative Disclosures Related to Credit Risk Mitigation (continued)

In general, the Bank's policies promote the utilization of credit risk mitigation whenever possible, justified by commercial prudence and good practices as well as capital efficiency. Policies on credit risk mitigation cover the governance and the acceptability, as well as the structuring and the terms of various types of credit risk mitigation. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

Collateral

The most common method of mitigating credit risk is collateral. In the retail residential and commercial real estate ("CRE") businesses, a mortgage over the property is usually taken to help secure claims. In the financial market, counterparties' facilities are supported by charges over financial instruments, such as cash and debt securities. Financial collateral in the form of marketable securities is used in the Bank's derivatives activities and in securities financing transactions ("SFT"), such as repos and reverse repos. Netting is used and is a prominent feature of market standard documentation.

Policy and Procedures

Policies and procedures govern the protection of the Bank's position from the outset of a customer relationship; for instance, in requiring standard terms and conditions or specifically agreed documentation permitting the offset of credit balances against debt obligations and through controls over integrity, current valuation and, if necessary, realisation of collateral security.

Collateral Valuation

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. Where collateral is subject to high volatility, valuation is frequent; where stable, less so. For market trading activities such as collateralised over-the-counter ("OTC") derivatives and SFTs, the Bank typically carries out daily valuations.

For the residential mortgage and CRE portfolios, collateral values of property are determined through a combination of professional appraisals, house price indices or statistical property analysis. The Bank's policy prescribes revaluation at intervals of up to three years and more frequently if the need arises; for example, where market conditions are subject to significant changes. Revaluations are also sought where, for example, material concerns arise in relation to the performance of the collateral or in circumstances where an obligor's credit quality has declined sufficiently that the obligor may not fully meet its obligation.

6.3 Qualitative Disclosures on the Use of External Credit Ratings Under Standardised Approach (Credit Risk)

The Bank uses external ratings for credit exposures under the Standardised Approach (Credit Risk) ("SA(CR)"), where relevant and only accepts ratings from Standard & Poor's Rating Services, Moody's Investor Services and Fitch Ratings. The Bank follows the processes prescribed in MAS Notice 637 to map the ratings to the relevant risk weights across the various asset classes under the Standardised Approach.

Where the SA(CR) exposure has an issuer-specific external credit assessment ("ECA"), the Bank uses such an assessment for calculating the applicable risk weights. Where the SA(CR) exposure does not have an issuer-specific ECA, a process is in place to use the available external credit ratings of comparable assets as prescribed in MAS Notice 637.

ECA risk assessments are used by the Bank as part of the determination of risk weights for the following classes of exposure:

- Central Government and Central Banks
- Institutions
- Corporates

6.4 Additional Disclosures Related to the Credit Quality of Assets

The Bank's credit facilities are classified according to the MAS Notice No. 612 "Credit Files, Grading and Provisioning" ("MAS Notice 612").

These guidelines require credit portfolios to be categorised into one of the following five categories, according to the Bank's assessment of a borrower's ability to repay a credit facility from its normal sources of income.

Classification Grade	Description
Performing Assets	
Pass	Indicates that the timely repayment of the outstanding credit facilities is not in doubt.
Special Mention	Indicates that the borrower exhibits potential weakness that, if not corrected in a timely manner, may adversely affect future repayments and warrant close attention by the Bank.
Classified or NPA	
Substandard	Indicates that the borrower exhibits definable weakness in its business, cash flow or financial position that may jeopardise repayment on existing terms. These credit facilities may be non-defaulting.
Doubtful	Indicates that the borrower exhibits severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.
Loss	Indicates that the amount of recovery is assessed to be insignificant.

6.4 Additional Disclosures Related to the Credit Quality of Assets (continued)

A default is considered to have occurred with regard to a particular non-retail borrower when either or both of the following events have taken place:

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without the Bank taking action such as realizing security (if held)
- Technical default: Borrower is more than 60 days past due on any credit obligation to the Bank

Loans on which concessions have been granted under conditions of credit distress are classified as 'renegotiated loans' when their contractual payment terms have been modified due to significant concern about the borrowers' ability to meet contractual payments when due.

Such credit facilities are not returned to the performing status until there are reasonable grounds to conclude that the borrower will be able to service all future principal and interest payments on the credit facility in accordance with the restructured terms.

6.4.1 Credit Quality of Assets

		(a)	(b)	(c)	(d)
		Gross Carrying Amount of [1]			
	S$ million	Defaulted Exposures	Non-Defaulted Exposures	Impairment Allowances	Net Values (a+b-c)
1	Loans	132	9,807	(22)	9,917
2	Debt securities	-	4,487	-	4,487
3	Off-balance sheet exposures	-	543	-	543
4	**Total**	**132**	**14,837**	**(22)**	**14,947**

[1] Refers to the accounting value of the assets before any impairment allowances but after write-offs.

6.4.2 Changes in Stock of Defaulted Loans and Debt Securities

	S$ million	(a)
1	**Defaulted Loans and Debt Securities as at 30 June 2017**	82
2	Loans and debt securities that have defaulted in second half of 2017	42
3	Returned to non-defaulted status	(7)
4	Amounts written-off	(24)
5	Other changes	39
6	**Defaulted Loans and Debt Securities as at 31 December 2017 (1+2-3-4±5)**	**132**

6.4.3 Additional Quantitative Disclosures related to Credit Quality of Assets

The following tables show the breakdown of credit risk exposures by geographical areas, industry and residual maturity.

Breakdown by Geographical Areas

	31 Dec 17 S$ million
Singapore	13,201
South East Asia	456
Greater China	462
Rest of the World	850
Total	**14,969**

Breakdown by Industry

	31 Dec 17 S$ million
Housing loans	8,579
Professional and private individuals	1,800
Government	4,487
Financial institutions, investment and holding companies	103
Total	**14,969**

Breakdown by Residual Maturity

	31 Dec 17 S$ million
Up to 1 year	5,122
More than 1 year	9,847
Total	**14,969**

6.4.3 Additional Quantitative Disclosures Related to Credit Quality of Assets (continued)

The following tables show the breakdown of non-performing exposures, specific allowances and write-offs (during the year 2017) by geographical areas and industry.

Breakdown by Geographical Areas

	S$ million	31 Dec 2017		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2017)
1	Singapore	128	*	48
2	South East Asia	*	-	0
3	Greater China	2	-	0
4	Rest of the World	2	-	0
	Total	**132**	*	**48**

** Represents amounts less than S$0.5 million.*

Breakdown by Industry

	S$ million	31 Dec 2017		
		Non-Performing Loans	Specific Allowances	Write-off (During Year 2017)
1	Housing	48	*	-
2	Professionals and individuals	84	-	48
	Total	**132**	*	**48**

** Represents amounts less than S$0.5 million.*

Breakdown of Ageing Analysis of Past Due Exposures:

S$ million	31 Dec 2017
Past due Up to 30 days	209
Past due 31 to 90 days	45
Past due more than 90 days	71
Total	**325**

6.4.4 Disclosure on Restructured Exposures

Credit facilities are classified as restructured assets when the Group grants non-commercial concessions to a borrower because it is in a worse financial position or is unable to meet the original repayment schedule. A restructured credit facility is classified into the appropriate non-performing grade based on the assessment of the borrower's financial condition and its ability to repay according to the restructured terms.

Impaired restructured credit exposures as at 31 December 2017 is S$45 million.

6.5 SA(CR) and SA(EQ) – Credit Risk Exposure and CRM Effects

S$ million		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures Before CCF and CRM		Exposure Post-CCF and Post-CRM		RWA and RWA Density	
	Asset Classes and Others	On-Balance Sheet Amount	Off-Balance Sheet Amount	On-Balance Sheet Amount	Off-Balance Sheet Amount	RWA	RWA Density (1)
1	Cash items	51	-	51	-	*	0%
2	Central government and central bank	4,997	-	4,997	-	-	0%
3	PSE	-	-	-	-	-	-
4	MDB	-	-	-	-	-	-
5	Bank	8,369	14	5,066	*	1,013	20%
6	Corporate	2	3	2	*	2	100%
7	Regulatory retail	1,736	22	1,730	7	1,303	75%
8	Residential Mortgage	8,163	417	8,158	87	2,989	36%
9	CRE	36	*	36	*	36	100%
10	Equity – SA(EQ)	-	-	-	-	-	-
11	Past due exposures	16	-	16	-	20	125%
12	Higher-risk categories	-	-	-	-	-	-
13	Other exposures	93	-	93	-	93	100%
14	**Total**	**23,463**	**456**	**20,149**	**94**	**5,456**	**27%**

** Represents amounts less than S$0.5 million.*

(1) Total RWA divided by the exposures post-CCF and post-CRM.

6.6 SA(CR) and SA(EQ) – Exposure by Asset Class and Risk Weights

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	S$ million	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposure Amount (Post-CCF and Post CRM)** [1]
	Asset Classes										
1	Cash items	50	-	1	-	-	-	-	-	-	51
2	Central government and central bank	4,997	-	-	-	-	-	-	-	-	4,997
3	PSE	-	-	-	-	-	-	-	-	-	-
4	MDB	-	-	-	-	-	-	-	-	-	-
5	Bank	-	-	5,066	-	-	-	-	-	-	5,066
6	Corporate	-	-	-	-	-	-	2	-	-	2
7	Regulatory retail						1,737	-	-	-	1,737
8	Residential Mortgage	-	-	-	8,015	-	186	44	-	-	8,245
9	CRE	-	-	-	-	-	-	36	-	-	36
10	Equity – SA(EQ)	-	-	-	-	-	-	-	-	-	-
11	Past due exposures	-	-	-	-	-	-	8	8	-	16
12	Higher-risk categories	-	-	-	-	-	-	-	-	-	-
13	Other exposures	-	-	-	-	-	-	93	-	-	93
14	**Total**	**5,047**	**-**	**5,067**	**8,015**	**-**	**1,923**	**183**	**8**	**-**	**20,243**

[1] *Total EAD refers to both on and off-balance sheet amounts that are used for computing capital requirements, net of impairment allowances and write-offs and application of CRM and CCF.*

7. Counterparty Credit Risk (CCR)

7.1 Overview

CCR risk arises for derivatives and SFT. It is calculated for both trading and non-trading portfolio, and is the risk that a counterparty may default before settlement of the transaction.

The gross credit exposure for OTC derivative transaction is calculated under the current exposure method. This comprises both replacement cost and potential future exposure after taking a Credit Conversion Factor ("CCF") on the derivative contract's notional principal.

7.2 Analysis of Counterparty Credit Risk Exposure by Approach

		(a)	(b)	(c)	(d)	(e)	(f)
	S$ million	**Replacement Cost**	**Potential Future Exposure**	**Effective EPE**	**α Used for Computing Regulatory EAD**	**EAD (Post-CRM)**	**RWA**
1	Current Exposure Method (for Derivatives)	*	*			*	*
2	CCR Internal Models Method (for Derivatives and SFTs)			-	-	-	-
3	FC(SA) (for SFTs)					-	-
4	FC(CA) (for SFTs)					24	5
5	VaR for SFTs					-	-
6	**Total**						**5**

** Represents amounts less than S$0.5 million.*

CVA Risk Capital Requirements

There is no Credit Valuation Adjustment ("CVA") for the Bank as at 31 December 2017.

7.3 Standardised Approach – Counterparty Credit Risk Exposures by Portfolio and Risk Weights

S$ million	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Asset Classes and Others	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposure**
Central government and central bank	-	-	-	-	-	-	-	-	-	-
PSE	-	-	-	-	-	-	-	-	-	-
MDB	-	-	-	-	-	-	-	-	-	-
Bank	-	-	24	-	-	-	-	-	-	24
Corporate	-	-	-	-	-	-	*	-	-	*
Regulatory retail	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**24**	**-**	**-**	**-**	*****	**-**	**-**	**24**

** Represents amounts less than S$0.5 million.*

8. Market Risk

8.1 Overview

Market risk is the risk that movements in market risk factors including foreign exchange rates, commodity prices, credit spreads, interest rates and equity prices will reduce the Bank's income or the value of its portfolios.

The Bank employs a range of tools to monitor and limit market risk exposures. These include sensitivity analysis, value at risk ("VaR") and stress testing.

The Bank manages market risk through risk limits approved by its Board of Directors. The Bank has adopted HSBC Group's market risk management framework and policies. HSBC's Group Risk function develops the market risk management policies and measurement techniques. An independent market risk management and control function, which is responsible for measuring market risk exposures in accordance with the policies defined by HSBC Group Risk, monitors and reports these exposures against the prescribed limits on a daily basis.

Risk limits are determined for each HSBC location and within location, for each portfolio. Limits are set for portfolios, by products and risks types. Market liquidity, risk appetite and business needs are the primary factors in determining the level of limits set. HSBC Group authorizes only those offices with sufficient derivatives product expertise and appropriate control systems to trade derivative products. The Bank is one of such authorised offices.

8. Market Risk (continued)

The Bank uses Standardised Approach to calculate its Market Risk RWA.

Further details on Market Risk management can be found in Note 32 of the Bank's Financial Statements

The Bank's market risk RWA as at 31 December 2017 is summarized below:

8.2 Market Risk under Standardised Approach

	S$ million	31 Dec 17 RWA
	Products Excluding Options	
1	Interest rate risk (general and specific)	*
2	Equity risk (general and specific)	-
3	Foreign exchange risk	7
4	Commodity risk	-
	Options	
5	Simplified approach	*
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	**Total**	7

9. Operational Risk

9.1 Overview and Objectives

Operational risk is defined as: "The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk." The objective of operational risk management is to provide support to the HSBC's Global Businesses so that they are able to effectively manage their risks within their defined risk appetites.

The Bank uses the Standardised Approach in determining its operational risk capital requirements.

Further details on the Bank's operational risk management framework can be found in Note 32 of the Bank's Financial Statements.

10. Other Risk

10.1 Interest Rate Risk in Banking Book

Interest rate risk in the banking book is the risk of an adverse impact to earnings or capital due to changes in market interest rates.

A principal part of HSBC's management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income under varying interest rate scenarios (simulation modelling). HSBC applies a combination of scenarios and assumptions relevant to its business, and standard scenarios which are required throughout the HSBC Group. The latter are consolidated to illustrate the combined pro forma effect on a hypothetical base case of HSBC Group's consolidated net interest income.

The table below sets out the assessed impact to a hypothetical base case projection of the Bank's net interest income ("NII") under the scenario of a series of four quarterly parallel shocks of 25 basis points ("bps") to the current market-implied interest rates across all currencies at the beginning of each quarter from 1 January 2018 (effect over 1 year). The sensitivities represent the Bank's assessment of the change to a hypothetical base case NII, assuming a static balance sheet and no management actions from its Balance Sheet Management desk.

	Singapore Dollar S$ million	**US Dollar S$ million**	**Other Currency S$ million**	**Total S$ million**
Change in 2018 Net Interest Income Arising from a Shift in Yield Curves of				
+ 25 bps at the beginning of each quarter	33	3	3	39
- 25 bps at the beginning of each quarter	(34)	(3)	(2)	(39)

11. Remuneration

11.1 Governance Framework and Oversight of Remuneration Practices

The Remuneration Committee (the "Committee") of HSBC Group is comprised of independent non-executive directors. The Committee is responsible for approving the terms of HSBC Group's long-term incentive plans, pension plans, severance policies and agreeing individual remuneration packages (including variable pay awards) for executive Directors, Group Managing Directors and other senior HSBC Group employees, including the heads of control functions. No executive Director or member of the HSBC Group Management Board is involved in deciding their own remuneration. In addition, no executive or line manager in the HSBC Group can approve the remuneration for a direct report. The terms of reference for the Committee can be found on the Group's website. Further information on the activities of the Committee can be found in HSBC Group's Annual Report and Accounts.

HSBC is not required to set up a subsidiary remuneration committee, on the basis that the employees of the Bank, including the Bank's directors and executive officers, are subject to the remuneration framework and processes of the HSBC's Group. In addition, the Bank annually reviews the remuneration framework to ensure that it aligns with the Corporate Governance regulation and guidance issued by the MAS.

11.2 Remuneration Strategy

HSBC's remuneration strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the very best people who are committed to maintaining a long-term career with the Group and performing their role in the long-term interests of our shareholders.

Group reward package consist of five key elements:

Key Elements	Purpose
Fixed Pay	• Attract and retain employees by paying market competitive pay for the roles, skills and experience required for the business. • This may include salary, fixed pay allowance, cash in lieu of pension and other cash allowances in accordance with local market practices. • These payments are fixed and do not vary with performance.
Benefits	• Ensure market competitiveness and provide benefits in accordance with local market practices. • This may include, but not limited to, the provision of pensions, medical insurance, life insurance, health assessment and relocation allowances.
Annual Incentives	• Drive and reward performance based on annual financial and non-financial measures consistent with the medium to long-term strategy, shareholder interests and adherence to HSBC's values. • Awards vary with performance achievement and includes discretion to assess the extent to which performance has been achieved. • Awards can be in the form of cash and/or shares. A portion of the annual incentive award may be deferred and vests over a period of three years, five years or seven years. For purposes of

	transparency, the seven year deferral only applies to Group Senior Managers as identified by the Prudential Regulation Authority ("PRA") Remuneration Rules.
Long-term Incentive Awards (Group Policy) No Employees of this Company is Eligible for this Award.	• Incentivize sustainable long-term performance through the use of both pre- and post-grant measurement measures. • Awards are subject to malus and claw back and includes discretion to assess the extent to which performance has been achieved. • Awards will be in shares and subject to a three year performance period. At the end of the performance period, the awards that vest will be dependent on the outcome of the performance condition. The first vesting will be in five equal annual installments with the first vesting occurring on the third anniversary of the grant date and the final vesting occurring on the seventh anniversary of the grant.
Shareholding requirement	• Align with shareholders' interests through a shareholding requirement during their employment with HSBC. • All members of the senior management team of the HSBC's Group are subject to this requirement.

11.3 Performance and Risk Management on Remuneration Structure

Under the remuneration framework, remuneration decisions are made based on a combination of business results, performance against objectives set out in performance scorecards, general individual performance of the role and adherence to the HSBC's values, business principles, HSBC Group's risk-related policies and procedures and Global Standards.

Alignment of the remuneration framework and risk management framework is fundamental to ensuring that the remuneration practices promote sound and effective risk management. The Group have set out below a brief overview of its remuneration and risk management framework and how the remuneration practices are operated and implemented within these framework to promote sound and effective risk management.

Key features of HSBC's remuneration framework include:

- Assessment of performance with reference to clear and relevant objectives set within a performance scorecard framework;
- A focus on total compensation (fixed plus variable pay) with variable pay (namely annual incentive and the value of long term incentives) differentiated by performance and adherence to HSBC's values;
- The use of discretion to assess the extent to which performance has been achieved; and
- Deferral of a significant proportion of variable pay into HSBC's shares to tie recipients to the future performance of HSBC's Group and align the relationship between risk and reward.

Within this framework, risk alignment of our remuneration structure is achieved through the following measures:

- Risk and compliance is a critical part of the assessment process in determining the performance of all employees, especially senior executives and identified staff and Material Risk Takers ("MRTs"). All employees are required to have risk measures in their performance scorecards, which ensure that their individual remuneration has been appropriately assessed with regard to risk.

- Adherence to HSBC's values is a pre-requisite for any employee to be considered for variable pay. HSBC values are key to the running of a sound, sustainable bank. Employees have a separate HSBC values-aligned behaviour rating which directly influences their overall performance rating considered by the Committee for their variable pay determinations.
- For most senior employees, the greater part of their reward is deferred and thereby subject to malus, which allows the awards to be reduced or cancelled if warranted.
- HSBC's Group also carries out regular reviews to assess instances of non-compliance with risk procedures and expected behaviour. Instances of non-compliance are escalated for consideration in variable pay decisions, including adjustments and malus of unvested awards granted in prior years. For identified staff and MRTs, the Committee has oversight of such decisions.
- All variable pay awards made to identified staff and MRTs for the performance year in which they have been identified as MRTs are also subject to HSBC Group's Clawback Policy in accordance with the requirements in the PRA's Remuneration Rules.
- Executive Directors, Group Managing Directors and Group General Managers are also subject to minimum shareholding requirements.

11.4 MAS Notice 637 Pillar 3 Remuneration Disclosures

The following tables show the remuneration awards made by the Bank to its Identified Staff and MRTs for 2017. Individuals have been identified as MRTs based on the qualitative and quantitative criteria set out in the Regulatory Technical Standard EY 604/2014 and additional criteria determined by the Committee.

Table 1: Guaranteed Bonuses, Sign-on Awards and Severance Payments

Category	Senior Management (Executive Board of the Bank) (Exclude MRT)		Material Risk Takers	
	Number	Amount (S$'000)	Number	Amount (S$'000)
MRTs	0	0	4*	0
Guaranteed bonus awards	0	0	0	0
Sign-on awards	0	0	0	0
Severance payments	0	0	0	0

** The MRTs are part of Senior Management but their remuneration are not included under Senior Management*

Table 2: Breakdown of Remuneration Awarded in Current Financial Year (FY2017)

			(a) Senior Management	(b) Other Material Risk Takers
1	Fixed Remuneration	Number of Employees	13	4
2		**Total Fixed Remuneration (3+5+7)**	**65%**	**54%**
3		Of which: Cash-based	65%	54%
4		Of which: Deferred	-	-
5		Of which: Shares or Other Share-linked Instruments	-	-
6		Of which: Deferred	-	-
7		Of which: Other Forms	-	-
8		Of which: Deferred	-	-
9	Variable Remuneration	Number of employees	13	4
10		**Total variable remuneration (11+13+15)**	**35%**	**46%**
11		Of which: Cash-based	29%	22%
12		Of which: Deferred	-	12%
13		Of which: Shares or Other Share-linked Instruments [1]	6%	24%
14		Of which: Deferred	6%	9%
15		Of which: Other Forms	-	-
16		Of which: Deferred	-	-
17	**Total remuneration (2+10)**		**100%**	**100%**

Note:
[1] Shares upon vesting are subject to a six-month retention period.

Table 3: Analysis of Deferred Remuneration

		(a)	(b)	(c)	(d)	(e)
	Deferred[1] and Retained Remuneration	**Total Outstanding Deferred Remuneration**	**Of which: Total Outstanding Deferred and Retained Remuneration Exposed to Ex post Explicit and/or Implicit Adjustments[5]**	**Total Amendment During the Year Due to Ex post Explicit Adjustments**	**Total Amendment During the Year Due to Ex post Implicit Adjustments**	**Total Deferred Remuneration Paid Out in the Financial Year**
1	Senior Management	100%	100%	-	-	100%
2	Cash[2][3]	1%	1%	-	-	2%
3	Shares[2][3][4]	99%	99%	-	-	98%
4	Share-linked Instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Other Material Risk Takers	100%	100%	-	-	100%
7	Cash[2][3]	32%	32%	-	-	22%
8	Shares[2][3][4]	68%	68%	-	-	78%
9	Share-linked Instruments	-	-	-	-	-
10	Other	-	-	-	-	-

Note:

1 *The forms of variable remuneration and the proportion deferred are based on the seniority, role and responsibilities of employees and their level of total variable compensation.*

2 *Outstanding, unvested, deferred remuneration is exposed to ex post explicit adjustments.*

3 *There is no reduction of deferred remuneration and retained remuneration due to ex post explicit adjustments during 2017 via the application of malus and/or clawback.*

4 *Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares in 2017 are calculated based on the closing market share price of HSBC Holdings plc*

5 *Outstanding, unvested, deferred shares are exposed to ex post implicit adjustments. The total value of these shares in 2017 are calculated based on the closing market share price of HSBC Holdings plc as at 31 December of the respective financial years.*

12. Attestation

The Pillar 3 disclosures as at 31 December 2017 have been prepared in accordance with the internal control processes approved by the Bank's Board of Directors.

Anthony William Cripps
Group General Manager and Chief Executive Officer

25 April 2018
Singapore