

Liquidity Coverage Ratio ("LCR") Disclosure for 2017

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%.

1a) Average Country-level Group All-Currency LCR for 1Q 2017 & 2Q 2017

(Number of data points: 90 for 1Q 2017 and 91 for 2Q 2017)

(in SGD millions)		1Q 2017		2Q 2017	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		22,041		20,336
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	25,161	2,405	24,012	2,296
3	Stable deposits	2,213	111	2,101	105
4	Less stable deposits	22,948	2,295	21,911	2,191
5	Unsecured wholesale funding, of which:	33,006	15,717	32,365	15,363
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,886	1,946	7,433	1,832
7	Non-operational deposits (all counterparties)	25,120	13,772	24,933	13,531
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		1		2
10	Additional requirements, of which:	5,199	3,079	5,033	2,741
11	Outflows related to derivative exposures and other collateral requirements	2,619	2,615	2,266	2,249
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	2,580	464	2,767	492
14	Other contractual funding obligations	2,283	2,283	2,119	2,119
15	Other contingent funding obligations	2,972	90	2,666	80
16	TOTAL CASH OUTFLOWS		23,575		22,601
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,605	0	1,368	0
18	Inflows from fully performing exposures	13,502	9,761	14,883	10,594
19	Other cash inflows	4,159	4,155	3,901	3,884
20	TOTAL CASH INFLOWS	19,267	13,916	20,153	14,478
		TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		22,041		20,336
22	TOTAL NET CASH OUTFLOWS		9,660		8,126
23	LIQUIDITY COVERAGE RATIO		233%		258%

1b) Average Country-level Group All-Currency LCR for 3Q 2017 & 4Q 2017

(Number of data points: 92 for both 3Q 2017 and 4Q 2017)

(in SGD millions)		3Q 2017		4Q 2017	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		21,152		19,968
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	23,725	2,268	23,075	2,204
3	Stable deposits	2,097	105	2,075	104
4	Less stable deposits	21,628	2,163	21,000	2,100
5	Unsecured wholesale funding, of which:	33,269	16,103	35,102	16,991
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7,534	1,858	8,386	2,069
7	Non-operational deposits (all counterparties)	25,735	14,245	26,716	14,922
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	5,885	3,304	6,193	2,844
11	Outflows related to derivative exposures and other collateral requirements	2,774	2,751	2,137	2,110
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	3,111	553	4,056	734
14	Other contractual funding obligations	2,161	2,161	2,563	2,563
15	Other contingent funding obligations	2,627	79	2,984	90
16	TOTAL CASH OUTFLOWS		23,915		24,691
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,269	0	1,422	0
18	Inflows from fully performing exposures	15,077	10,808	16,762	12,463
19	Other cash inflows	4,120	4,105	3,753	3,710
20	TOTAL CASH INFLOWS	20,466	14,913	21,937	16,173
		TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		21,152		19,968
22	TOTAL NET CASH OUTFLOWS		9,002		8,550
23	LIQUIDITY COVERAGE RATIO		237%		236%

2a) Average Country-level Group SGD LCR for 1Q 2017 & 2Q 2017

(Number of data points: 90 for 1Q 2017 and 91 for 2Q 2017)

(in SGD millions)		1Q 2017		2Q 2017	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		13,641		13,823
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	13,170	1,206	12,164	1,111
3	Stable deposits	2,213	111	2,101	105
4	Less stable deposits	10,957	1,096	10,063	1,006
5	Unsecured wholesale funding, of which:	11,090	5,605	10,798	5,411
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,026	730	3,066	741
7	Non-operational deposits (all counterparties)	8,065	4,875	7,732	4,670
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	14,945	13,920	16,073	15,024
11	Outflows related to derivative exposures and other collateral requirements	13,728	13,725	14,846	14,834
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	1,217	196	1,228	189
14	Other contractual funding obligations	1,306	1,306	1,364	1,364
15	Other contingent funding obligations	73	3	70	2
16	TOTAL CASH OUTFLOWS		22,041		22,912
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,605	0	1,368	0
18	Inflows from fully performing exposures	2,102	1,767	2,859	2,403
19	Other cash inflows	12,051	12,065	12,178	12,170
20	TOTAL CASH INFLOWS	15,758	13,831	16,405	14,573
		TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		13,641		13,823
22	TOTAL NET CASH OUTFLOWS		8,210		8,339
23	LIQUIDITY COVERAGE RATIO		168%		167%

2b) Average Country-level Group SGD LCR for 3Q 2017 & 4Q 2017

(Number of data points: 92 for both 3Q 2017 and 4Q 2017)

(in SGD millions)		3Q 2017		4Q 2017	
		Average Unweighted Value	Average Weighted Value	Average Unweighted Value	Average Weighted Value
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)		14,744		13,211
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	12,219	1,117	12,038	1,100
3	Stable deposits	2,097	105	2,075	104
4	Less stable deposits	10,122	1,012	9,964	996
5	Unsecured wholesale funding, of which:	11,246	5,723	11,909	6,134
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,030	732	3,157	762
7	Non-operational deposits (all counterparties)	8,215	4,991	8,752	5,372
8	Unsecured debt	0	0	0	0
9	Secured wholesale funding		0		0
10	Additional requirements, of which:	16,717	15,549	18,529	17,131
11	Outflows related to derivative exposures and other collateral requirements	15,341	15,333	16,880	16,868
12	Outflows related to loss of funding on debt products	0	0	0	0
13	Credit and liquidity facilities	1,377	216	1,649	263
14	Other contractual funding obligations	1,430	1,430	1,782	1,782
15	Other contingent funding obligations	70	2	80	2
16	TOTAL CASH OUTFLOWS		23,821		26,150
CASH INFLOWS					
17	Secured lending (e.g. reverse repos)	1,269	0	1,422	0
18	Inflows from fully performing exposures	2,615	2,209	3,402	3,022
19	Other cash inflows	12,246	12,247	15,023	15,007
20	TOTAL CASH INFLOWS	16,130	14,456	19,847	18,029
		TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		14,744		13,211
22	TOTAL NET CASH OUTFLOWS		9,365		8,230
23	LIQUIDITY COVERAGE RATIO		158%		163%

3) Liquidity Coverage Ratio

The Country-level Group maintains a healthy liquidity position with the 4Q 2017 average All-Currency LCR and SGD LCR at 236% and 163% (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. 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).

4) Liquidity and Funding Risk Management

HSBC has an internal liquidity and funding risk management framework ("LFRF") which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The primary responsibility for managing liquidity and funding within the LFRF and risk appetite resides with the Asset and Liability Committee ("ALCO") that has been established at Country-level Group.

i. Liquidity and Funding Risk Management Framework

The LFRF uses the LCR and Net Stable Funding Ratio ("NSFR") regulatory framework as a foundation, with additional metrics, limits and overlays. These include:

- Depositor concentration limits
- 3-month and 12-month cumulative rolling term contractual maturity limits (covering deposits from banks, non-bank financial institutions and securities issued)
- Intraday liquidity monitoring and limits
- Minimum LCR requirement by currency
- Forward-looking funding assessment
- Annual Individual Liquidity Adequacy Assessment ("ILAA"). The ILAA process aims to:
 - a) identify risks that are not reflected in the LFRF, and where required, to assess additional limits required; and
 - b) validate the risk tolerance by demonstrating that reverse stress testing scenarios are acceptably remote and ensuring vulnerabilities have been assessed through the use of severe stress scenarios.

ii. Risk Management Teams

Whilst liquidity and funding management is an ALCO responsibility, the day-to-day management and monitoring rests with Asset, Liability and Capital Management (“ALCM”) and BSM 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.

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.

iii. 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 the Risk Appetite Statement to monitor funding risks.

iv. 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.

v. Country-level Contingency Funding Plan (“CFP”)

The CFP 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 CFP has been tested in 2017 for its operational robustness and approved by ALCO.