

HSBC Bank plc - Johannesburg Branch

Pillar 3 Quarterly disclosure

December 2018



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Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

		At				
		31-Dec 2018 R'm	30-Sep 2018 R'm	30-Jun 2018 R'm	31-Mar 2018 R'm	31-Dec 2017 R'm
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	5 414	4 919	4 919	4 941	4 991
1a	Fully loaded ECL accounting model	5 414	4 919	4 919	4 941	4 991
2	Tier 1	5 414	4 919	4 919	4 941	4 991
2a	Fully loaded accounting model Tier 1	5 414	4 919	4 919	4 941	4 991
3	Total capital	5 586	5 067	5 045	5 045	5 005
3a	Fully loaded ECL accounting model total capital	5 586	5 067	5 045	5 045	5 005
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	28 017	27 597	25 363	23 228	23 586
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	19.33%	17.82%	19.39%	21.27%	21.27%
5a	Fully loaded ECL accounting model CET1 (%)	19.33%	17.82%	19.39%	21.27%	21.27%
6	Tier 1 ratio (%)	19.33%	17.82%	19.39%	21.27%	21.27%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.33%	17.82%	19.39%	21.27%	21.27%
7	Total capital ratio (%)	19.94%	18.36%	19.89%	21.72%	21.72%
7a	Fully loaded ECL accounting model total capital ratio (%)	19.94%	18.36%	19.89%	21.72%	21.72%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.88%	1.88%	1.88%	1.88%	1.25%
9	Countercyclical bugger requirement (%)	0.06%	0.03%	0.04%	0.00%	0.00%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	1.94%	1.91%	1.91%	1.88%	1.25%
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.51%	10.04%	11.60%	13.52%	13.54%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	63 704	55 106	56 495	50 465	52 094
14	Basel III leverage ratio (%) (row 2/row 13)	8.50%	8.93%	8.71%	9.79%	9.48%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.50%	8.93%	8.71%	9.79%	9.48%
Liquidity Coverage Ratio						
15	Total HQLA	29 098	22 176	24 606	17 981	21 948
16	Total net cash outflow	21 658	22 881	22 021	13 964	17 808
17	LCR ratio (%)	134%	97%	112%	129%	123%
Net Stable Funding Ratio						
18	Total available stable funding	22 579	19 325	17 259	17 688	18 020
19	Total required stable funding	16 707	16 259	15 332	14 138	15 333
20	NSFR ratio (%)	135%	119%	113%	125%	118%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements
	31-Dec 2018 R'm	30-Sep 2018 R'm	31-Dec 2018 R'm
1 Credit risk (excluding counterparty credit risk)	22 572	21 344	2 525
2 Of which: standardised approach (SA)	22 572	21 344	2 525
3 Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4 Of which: supervisory slotting approach	-	-	-
5 Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6 Counterparty credit risk (CCR)	1 660	2 506	186
7 Of which: standardised approach for counterparty credit risk	1 660	2 506	186
8 Of which: Internal Model Method (IMM)	-	-	-
9 Of which: other CCR	-	-	-
10 Credit valuation adjustment (CVA)	-	-	-
11 Equity positions under the simple risk weight approach	-	-	-
12 Equity investments in funds - look-through approach	-	-	-
13 Equity investments in funds - mandate-based approach	-	-	-
14 Equity investments in funds - fall-back approach	-	-	-
15 Settlement risk	-	-	-
16 Securitisation exposures in the banking book	-	-	-
17 Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
18 Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	-	-	-
19 Of which: securitisation standardised approach (SEC-SA)	-	-	-
20 Market risk	322	510	36
21 Of which: standardised approach (SA)	322	510	36
22 Of which: internal model approaches (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	3 181	3 012	356
25 Amounts below thresholds for deduction (subject to 250% risk weight)	281	226	31
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	28 017	27 597	3 134

Given the strong capital adequacy position of HSBC Bank plc - Johannesburg Branch, the local Executive Committee have approved that the Transitional arrangements detailed in D5 of 2018 will not be utilised and that full IFRS 9 impact be taken into account on 1 January 2018.

Leverage ratio

Table 3: Summary comparison of accounting assets vs leverage ratio exposure (LR1)

	31-Dec 2018 R'm
1 Total consolidated assets as per the BA 900	58 913
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
2 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
3 Adjustments for derivative financial instruments	1 372
4 Adjustment for securities financing transactions (ie repos and similar secured lending)	10 179
5 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4 407
6 Other adjustments	-11 167
7 Other adjustments	-11 167
8 Leverage ratio exposure measure	63 704

Table 4: Leverage ratio (LR2)

	31-Dec 2018 R'm	30-Sep 2018 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	47 745	44 631
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)	47 745	44 631
Derivative exposures		
4 Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	876	1 456
5 Add-on amounts for PFE associated with all derivatives transactions	496	715
6 Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7 (Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
8 (Exempted CCP leg of client-cleared trade exposures)	-	-
9 Adjusted effective notional amount of written credit derivatives	-	-
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11 Total derivative exposures (sum of rows 4 to 10)	1 372	2 171
Securities financing transactions		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	10 179	4 910
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14 CCR exposure for SFT assets	-	-
15 Agent transaction exposures	-	-
16 Total securities financing transaction exposures (sum of rows 12 to 15)	10 179	4 910
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	17 607	16 925
18 (Adjustments for conversion to credit equivalent amounts)	-13 200	-13 531
19 Off-balance sheet items (sum of rows 17 and 18)	4 407	3 394
Capital and total exposures		
20 Tier 1 capital	5 414	4 918
21 Total exposures (sum of rows 3, 11, 16 and 19)	63 704	55 106
Leverage ratio		
22 Basel III leverage ratio	8.50	8.92

Liquidity Risk

Table 5: Liquidity coverage ratio (LIQ1)

	Total unweighted value (average) R'm	Total weighted value (average) R'm
High-quality liquid assets		
1 Total HQLA	-	26 224
Cash outflows		
2 Retail deposits and deposits from small business customers, of which:		
3 Stable deposits		
4 Less stable deposits		
5 Unsecured wholesale funding, of which:		
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	3 395	849
7 Non-operational deposits (all counterparties)	38 570	30 482
8 Unsecured debt		
9 Secured wholesale funding		
10 Additional requirements, of which:		
11 Outflows related to derivative exposures and other collateral requirements	7 773	7 773
12 Outflows related to loss of funding of debt products		
13 Credit and liquidity facilities	2 635	380
14 Other contractual funding obligations		
15 Other contingent funding obligations	14 806	735
16 TOTAL CASH OUTFLOWS		40 219
Cash inflows		
17 Secured lending (eg reverse repo)	2 460	-
18 Inflows from fully performing exposures	14 482	12 607
19 Other cash inflows	7 909	7 909
20 TOTAL CASH INFLOWS	24 851	20 516
	Total adjusted value	
21 Total HQLA		26 224
22 Total net cash outflows		19 703
23 Liquidity coverage ratio (%)		133%