

HSBC Bank plc - Johannesburg Branch

Pillar 3 Quarterly disclosure

June 2019



Table of Contents

Key Prudential metrics and overview of RWA	2
Table 1: Key metrics (KM1)	2
Table 2: Overview of risk management (OV1)	3
Leverage ratio	4
Table 3: Summary comparison of accounting assets vs leverage ratio exposure (LR1)	4
Table 4: Leverage ratio (LR2)	5
Liquidity Risk	6
Table 5: Liquidity coverage ratio (LIQ1)	6
Table 6: Net stable ratio funding (NSFR)	7

Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

		At				
		30-Jun 2019 R'm	31-Mar 2019 R'm	31-Dec 2018 R'm	30-Sep 2018 R'm	30-Jun 2018 R'm
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	5 444	5 452	5 414	4 919	4 919
1a	Fully loaded ECL accounting model	5 444	5 452	5 414	4 919	4 919
2	Tier 1	5 444	5 452	5 414	4 919	4 919
2a	Fully loaded accounting model Tier 1	5 444	5 452	5 414	4 919	4 919
3	Total capital	5 700	5 625	5 586	5 067	5 045
3a	Fully loaded ECL accounting model total capital	5 700	5 625	5 586	5 067	5 045
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	24 783	24 613	28 017	27 597	25 363
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	21.97%	22.15%	19.33%	17.82%	19.39%
5a	Fully loaded ECL accounting model CET1 (%)	21.97%	22.15%	19.33%	17.82%	19.39%
6	Tier 1 ratio (%)	21.97%	22.15%	19.33%	17.82%	19.39%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	21.97%	22.15%	19.33%	17.82%	19.39%
7	Total capital ratio (%)	23.00%	22.85%	19.94%	18.36%	19.89%
7a	Fully loaded ECL accounting model total capital ratio (%)	23.00%	22.85%	19.94%	18.36%	19.89%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	1.88%	1.88%	1.88%
9	Countercyclical bugger requirement (%)	0.06%	0.06%	0.06%	0.03%	0.04%
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)	2.56%	2.56%	1.94%	1.91%	1.91%
12	CET1 available after meeting the bank's minimum capital requirements (%)	14.03%	14.21%	11.51%	10.04%	11.60%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	59 135	60 185	63 704	55 106	56 495
14	Basel III leverage ratio (%) (row 2/row 13)	9.21%	9.06%	8.50%	8.93%	8.71%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	9.21%	9.06%	8.50%	8.93%	8.71%
Liquidity Coverage Ratio						
15	Total HQLA	22 668	32 082	29 098	22 176	24 606
16	Total net cash outflow	16 823	24 619	21 658	22 881	22 021
17	LCR ratio (%)	135%	130%	134%	97%	112%
Net Stable Funding Ratio						
18	Total available stable funding	20 099	21 059	22 579	19 325	17 259
19	Total required stable funding	15 885	16 400	16 707	16 259	15 332
20	NSFR ratio (%)	127%	128%	135%	119%	113%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements
	30-Jun 2019 R'm	31-Mar 2019 R'm	30-Jun 2019 R'm
1 Credit risk (excluding counterparty credit risk)	19 547	22 572	2 259
2 Of which: standardised approach (SA)	19 547	22 572	2 259
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)	1 455	1 660	168
7 Of which: standardised approach for counterparty credit risk	1 455	1 660	168
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	266	322	31
21 Of which: standardised approach (SA)	266	322	31
22 Of which: internal model approaches (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	3 181	3 181	368
25 Amounts below thresholds for deduction (subject to 250% risk weight)	334	281	39
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	24 783	28 017	2 865

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)

	30-Jun 2019 R'm
1 Total consolidated assets as per the BA 900	54 050
2 Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3 Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4 Adjustments for derivative financial instruments	1 125
5 Adjustment for securities financing transactions (ie repos and similar secured lending)	8 102
6 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4 846
7 Other adjustments	-8 988
8 Leverage ratio exposure measure	59 135

Table 4: Leverage ratio (LR2)

	30-Jun 2019 R'm	31-Mar 2019 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	45 062	37 631
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)	45 062	37 631
Derivative exposures		
4 Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	730	741
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	395	377
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)	1 125	1 118
Securities financing transactions		
12 Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	8 102	16 204
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)	8 102	16 204
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	18 152	18 777
18 (Adjustments for conversion to credit equivalent amounts)	-13 306	-13 544
19 Off-balance sheet items (sum of rows 17 and 18)	4 846	5 232
Capital and total exposures		
20 Tier 1 capital	5 443	5 452
21 Total exposures (sum of rows 3, 11, 16 and 19)	59 135	60 185
Leverage ratio		
22 Basel III leverage ratio	9.21	9.06

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	-	25 703
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	3 671	918
7 Non-operational deposits (all counterparties)	32 371	23 942
8 Unsecured debt	-	-
9 Secured wholesale funding		
10 Additional requirements, of which:		
11 Outflows related to derivative exposures and other collateral requirements	5 659	5 659
12 Outflows related to loss of funding of debt products	-	-
13 Credit and liquidity facilities	1 950	269
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	16 912	842
16 TOTAL CASH OUTFLOWS		31 630
Cash inflows		
17 Secured lending (eg reverse repo)	7 767	-
18 Inflows from fully performing exposures	9 094	6 857
19 Other cash inflows	5 669	5 669
20 TOTAL CASH INFLOWS	22 531	12 526
		Total adjusted value
21 Total HQLA		25 703
22 Total net cash outflows		19 104
23 Liquidity coverage ratio (%)		135%

Table 6: Net stable ratio funding (NSFR)

	Unweighted value by residual maturity				Weighted value
	No maturity*	<6 months	6 months to <1 year	≥1 year	
	R'm	R'm	R'm	R'm	R'm
Available stable funding (ASF) item					
1 Capital:				5 700	5 700
2 <i>Regulatory capital</i>	-	-	-	5 700	5 700
3 <i>Other capital instruments</i>	-	-	-	-	-
4 Retail deposits and deposits from small business customers:					
5 <i>Stable deposits</i>	-	-	-	-	-
6 <i>Less stable deposits</i>	-	-	-	-	-
7 Wholesale funding:					
8 <i>Operational deposits</i>	-	3 454	-	-	1 727
9 <i>Other wholesale funding</i>	-	42 931	297	-	12 672
10 Liabilities with matching interdependent assets					
11 Other liabilities:					
12 <i>NSFR derivative liabilities</i>				-	
13 <i>All other liabilities and equity not included in the above categories</i>	-	418	-	-	-
14 Total ASF					20 099
Required stable funding (RSF) item					
15 Total NSFR high-quality liquid assets (HQLA)					-
16 Deposits held at other financial institutions for operational purposes		-	-	-	-
17 Performing loans and securities:		16 469			4 780
18 <i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	8 102	-	-	810
19 <i>Performing loans to <u>financial institutions</u> secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	8 366	424	2 503	3 970
20 <i>Performing loans to <u>non-financial corporate</u> clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</i>	-	5 135	295	-	2 715
21 <i>With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit</i>	-	-	-	-	-
22 <i>Performing residential mortgages, of which:</i>	-	-	-	-	-
23 <i>With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk</i>	-	-	-	-	-
24 <i>Securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	8 868	11 812	(0)	1 034
25 Assets with matching interdependent liabilities					
26 Other liabilities:					
27 <i>Physical traded commodities, including gold</i>	-				-
28 <i>Assets posted as initial margin for derivative contracts and contributions to default funds of</i>				-	-
29 <i>NSFR derivative assets</i>				-	76
30 <i>NSFR derivative liabilities before deduction of variation margin posted</i>				557	56
31 <i>All other assets not included in the above categories</i>	-			6 284	6 284
32 Off-balance sheet items		18 143			907
33 Total RSF					15 885
34 Net Stable Funding Ratio (%)					127%