

HSBC Bank plc - Johannesburg Branch

Pillar 4 Quarterly disclosure

December 2019



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Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

	31-Dec 2019 R'm	30-Sep 2019 R'm	30-Jun 2019 R'm	31-Mar 2018 R'm	31-Dec 2018 R'm
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	5 268	5 432	5 444	5 452	5 414
1a Fully loaded ECL accounting model	5 268	5 432	5 444	5 452	5 414
2 Tier 1	5 268	5 432	5 444	5 452	5 414
2a Fully loaded accounting model Tier 1	5 268	5 432	5 444	5 452	5 414
3 Total capital	5 505	5 695	5 700	5 625	5 586
3a Fully loaded ECL accounting model total capital	5 505	5 695	5 700	5 625	5 586
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	23 344	25 471	24 783	24 613	28 017
Risk-based capital ratios as a percentage of RWA					
5 Common Equity Tier 1 ratio (%)	22.57%	21.33%	21.97%	22.15%	19.33%
5a Fully loaded ECL accounting model CET1 (%)	22.57%	21.33%	21.97%	22.15%	19.33%
6 Tier 1 ratio (%)	22.57%	21.33%	21.97%	22.15%	19.33%
6a Fully loaded ECL accounting model Tier 1 ratio (%)	22.57%	21.33%	21.97%	22.15%	19.33%
7 Total capital ratio (%)	23.58%	22.36%	23.00%	22.85%	19.94%
7a Fully loaded ECL accounting model total capital ratio (%)	23.58%	22.36%	23.00%	22.85%	19.94%
Additional CET1 buffer requirements as a percentage of RWA					
8 Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9 Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	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)	2.50%	2.50%	2.50%	2.50%	2.50%
12 CET1 available after meeting the bank's minimum capital requirements (%)	14.69%	13.45%	13.45%	13.45%	13.45%
Basel III Leverage Ratio					
13 Total Basel III leverage ratio measure	53 758	62 824	59 135	60 185	63 704
14 Basel III leverage ratio (%) (row 2/row 13)	9.80%	8.65%	9.21%	9.06%	8.50%
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	9.80%	8.65%	9.21%	9.06%	8.50%
Liquidity Coverage Ratio					
15 Total HQLA	26 262	28 296	22 668	32 082	29 098
16 Total net cash outflow	17 615	23 679	16 823	24 619	21 658
17 LCR ratio (%)	149%	119%	135%	130%	134%
Net Stable Funding Ratio					
18 Total available stable funding	20 645	20 055	20 099	21 059	22 579
19 Total required stable funding	14 420	15 929	15 885	16 400	16 707
20 NSFR ratio (%)	143%	126%	127%	128%	135%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements
	31-Dec 2019 R'm	30-Sep 2019 R'm	31-Dec 2019 R'm
1 Credit risk (excluding counterparty credit risk)	18 439	20 384	2 313
2 Of which: standardised approach (SA)	18 439	20 384	2 313
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)	1 051	1 268	129
7 Of which: standardised approach for counterparty credit risk	1 051	1 268	129
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	201	208	25
21 Of which: standardised approach (SA)	201	208	25
22 Of which: internal model approaches (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	3 211	3 181	393
25 Amounts below thresholds for deduction (subject to 250% risk weight)	441	430	51
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	23 344	25 471	2 910

Leverage ratio

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

	31-Dec 2019 R'm
1 Total consolidated assets as per the BA 900	50 346
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	1 052
5 Adjustment for securities financing transactions (ie repos and similar secured lending)	4 253
6 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3 587
7 Other adjustments	(5 479)
8 Leverage ratio exposure measure	53 758

Table 4: Leverage ratio (LR2)

	31-Dec 2019 R'm	30-Sep 2019 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	44 867	48 934
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)	44 867	48 934
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)	746	781
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	305	456
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)	1 052	1 237
Securities financing transactions		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4 253	7 285
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)	4 253	7 285
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	15 696	15 696
18 (Adjustments for conversion to credit equivalent amounts)	(12 110)	(10 328)
19 Off-balance sheet items (sum of rows 17 and 18)	3 587	5 368
Capital and total exposures		
20 Tier 1 capital	5 268	5 432
21 Total exposures (sum of rows 3, 11, 16 and 19)	53 758	62 824
Leverage ratio		
22 Basel III leverage ratio	9.80%	8.65%

Liquidity Risk

Table 5: Liquidity coverage ratio (LIQ1)

	Total unweighted value (average)	Total weighted value (average)
	R'm	R'm
High-quality liquid assets		
1 Total HQLA		26 542
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	3 901	975
7 Non-operational deposits (all counterparties)	32 824	25 025
8 Unsecured debt	-	-
9 Secured wholesale funding		-
10 Additional requirements, of which:		
11 Outflows related to derivative exposures and other collateral requirements	8 249	8 249
12 Outflows related to loss of funding of debt products	-	-
13 Credit and liquidity facilities	2 471	370
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	13 515	669
16 TOTAL CASH OUTFLOWS		35 287
Cash inflows		
17 Secured lending (eg reverse repo)	2 444	-
18 Inflows from fully performing exposures	9 620	7 273
19 Other cash inflows	8 328	8 328
20 TOTAL CASH INFLOWS	20 392	15 601
		Total adjusted value
21 Total HQLA		26 542
22 Total net cash outflows		19 686
23 Liquidity coverage ratio (%)		135%

Table 6: Net stable ratio funding (NSFR)

	Unweighted value by residual maturity				Weighted value
	No maturity*	6 months to <1 year			
		<6 months	year	≥1 year	
	R'm	R'm	R'm	R'm	R'm
Available stable funding (ASF) item					
1 Capital:				5 505	5 505
2 Regulatory capital	-	-	-	5 505	5 505
3 Other capital instruments	-	-	-	-	-
4 Retail deposits and deposits from small business customers:					
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	-	-	-	-	-
7 Wholesale funding:					
8 Operational deposits	-	4 187	-	-	2 093
9 Other wholesale funding	-	38 956	649	-	13 047
10 Liabilities with matching interdependent assets					
11 Other liabilities:					
12 NSFR derivative liabilities				-	
13 All other liabilities and equity not included in the above categories	-	543	-	-	-
14 Total ASF					20 645
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:		11 897			5 118
18 Performing loans to financial institutions secured by Level 1 HQLA	-	4 253	-	-	425
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	7 645	890	3 101	4 693
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	5 365	498	-	2 931
21 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22 Performing residential mortgages, of which:	-	-	-	-	-
23 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	14 513	8 065	-	1 129
25 Assets with matching interdependent liabilities					
26 Other liabilities:					
27 Physical traded commodities, including gold	-				-
28 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				-	-
29 NSFR derivative assets				-	131
30 NSFR derivative liabilities before deduction of variation margin posted				601	60
31 All other assets not included in the above categories	-			4 224	4 224
32 Off-balance sheet items		15 696			785
33 Total RSF					14 420
34 Net Stable Funding Ratio (%)					143%