

HSBC Bank plc - Johannesburg Branch

Pillar 3 Quarterly disclosure

March 2020



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Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

		At				
		31-Mar 2020 R'm	31-Dec 2019 R'm	30-Sep 2019 R'm	30-Jun 2019 R'm	31-Mar 2019 R'm
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	5,326	5,268	5,432	5,444	5,452
1a	Fully loaded ECL accounting model	5,326	5,268	5,432	5,444	5,452
2	Tier 1	5,326	5,268	5,432	5,444	5,452
2a	Fully loaded accounting model Tier 1	5,326	5,268	5,432	5,444	5,452
3	Total capital	5,383	5,505	5,695	5,700	5,625
3a	Fully loaded ECL accounting model total capital	5,383	5,505	5,695	5,700	5,625
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	26,654	23,344	25,471	24,783	24,613
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	19.98%	22.57%	21.33%	21.97%	22.15%
5a	Fully loaded ECL accounting model CET1 (%)	19.98%	22.57%	21.33%	21.97%	22.15%
6	Tier 1 ratio (%)	19.98%	22.57%	21.33%	21.97%	22.15%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.98%	22.57%	21.33%	21.97%	22.15%
7	Total capital ratio (%)	20.19%	23.58%	22.36%	23.00%	22.85%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.19%	23.58%	22.36%	23.00%	22.85%
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 (%)	12.11%	14.69%	13.45%	13.45%	13.45%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	65,781	53,758	62,824	59,135	60,185
14	Basel III leverage ratio (%) (row 2/row 13)	8.10%	9.80%	8.65%	9.21%	9.06%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.10%	9.80%	8.65%	9.21%	9.06%
Liquidity Coverage Ratio						
15	Total HQLA	25,852	26,262	28,296	22,668	32,082
16	Total net cash outflow	19,991	17,615	23,679	16,823	24,619
17	LCR ratio (%)	129%	149%	119%	135%	130%
Net Stable Funding Ratio						
18	Total available stable funding	21,778	20,645	20,055	20,099	21,059
19	Total required stable funding	17,328	14,420	15,929	15,885	16,400
20	NSFR ratio (%)	126%	126%	127%	128%	135%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements ¹
	31-Mar 2020 R'm	31-Dec 2019 R'm	31-Mar 2020 R'm
1 Credit risk (excluding counterparty credit risk)	21 713	18 439	2 497
2 Of which: standardised approach (SA)	21 713	18 439	2 497
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)	1 148	1 051	132
7 Of which: standardised approach for counterparty credit risk	1 148	1 051	132
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	224	201	18
21 Of which: standardised approach (SA)	224	201	18
22 Of which: internal model approaches (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	3 211	3 211	369
25 Amounts below thresholds for deduction (subject to 250% risk weight)	357	441	41
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	26 654	23 344	3 057

¹ This includes the Basel base minimum of 8%, plus Pillar 2A capital requirement, plus any applicable Basel buffers.

Leverage ratio

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

	31-Mar 2020 R'm
1 Total consolidated assets as per the BA 900	63,371
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	1,686
5 Adjustment for securities financing transactions (ie repos and similar secured lending)	8,404
6 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,761
7 Other adjustments	(10,440)
8 Leverage ratio exposure measure	65,781

Table 4: Leverage ratio (LR2)

	31-Mar 2020 R'm	31-Dec 2019 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	52,931	44,867
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)	52,931	44,867
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)	1,338	746
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	348	305
6 Gross-up for derivatives collateral provided 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)	1,686	1,052
Securities financing transactions		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	8,404	4,253
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)	8,404	4,253
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	14,718	15,696
18 (Adjustments for conversion to credit equivalent amounts)	(11,957)	(12,110)
19 Off-balance sheet items (sum of rows 17 and 18)	2,761	3,587
Capital and total exposures		
20 Tier 1 capital	5,326	5,268
21 Total exposures (sum of rows 3, 11, 16 and 19)	65,781	53,758
Leverage ratio		
22 Basel III leverage ratio	8.10%	9.80%

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		28 257
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	3 234	808
7 Non-operational deposits (all counterparties)	37 721	29 727
8 Unsecured debt	-	-
9 Secured wholesale funding		-
10 Additional requirements, of which:		
11 Outflows related to derivative exposures and other collateral requirements	8 435	8 435
12 Outflows related to loss of funding of debt products	-	-
13 Credit and liquidity facilities	866	143
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	13 792	681
16 TOTAL CASH OUTFLOWS		39 795
Cash inflows		
17 Secured lending (eg reverse repo)	7 545	-
18 Inflows from fully performing exposures	11 271	8 843
19 Other cash inflows	8 275	8 275
20 TOTAL CASH INFLOWS	27 091	17 118
		Total adjusted value
21 Total HQLA		25 852
22 Total net cash outflows		19 991
23 Liquidity coverage ratio (%)		129%

Table 6: Net stable ratio funding (NSFR)

		Unweighted value by residual maturity				Weighted value
		6 months to <1				
		No maturity*	<6 months	year	≥1 year	
		R'm	R'm	R'm	R'm	R'm
Available stable funding (ASF) item						
1	Capital:				5 383	5 383
2	Regulatory capital	-	-	-	5 383	5 383
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	-	3 737	-	-	1 868
9	Other wholesale funding	-	50 747	446	-	14 527
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities				795	
13	All other liabilities and equity not included in the above categories	-	600	-	-	-
14	Total ASF					21 778
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:		17 946			5 756
18	Performing loans to financial institutions secured by Level 1 HQLA	-	8 404	-	-	840
19	Performing loans to <u>financial institutions</u> secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	9 541	-	3 484	4 915
20	Performing loans to <u>non-financial corporate</u> clients, loans to retail and small business customers, and loans to sovereigns, central banks and <u>PSEs</u> , of which:	-	5 729	1 046	-	3 387
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	-	15 105	9 655	-	1 238
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				-	-
30	NSFR derivative liabilities before deduction of variation margin posted				2 112	211
31	All other assets not included in the above categories	-			5 962	5 962
32	Off-balance sheet items		14 718			736
33	Total RSF					17 328
34	Net Stable Funding Ratio (%)					126%