

HSBC Bank plc - Johannesburg Branch

Pillar 3 Quarterly disclosure

March 2021



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Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

		At				
		31 Mar 2021 R'm	31 Dec 2020 R'm	30 Sep 2020 R'm	30 Jun 2020 R'm	31 Mar 2020 R'm
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4 691	4 747	5 455	5 455	5 502
1a	Fully loaded ECL accounting model	4 691	4 747	5 455	5 455	5 502
2	Tier 1	4 691	4 747	5 455	5 455	5 502
2a	Fully loaded accounting model Tier 1	4 691	4 747	5 455	5 455	5 502
3	Total capital	4 781	4 852	5 577	5 577	5 632
3a	Fully loaded ECL accounting model total capital	4 781	4 852	5 577	5 577	5 632
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	20 179	21 613	23 722	23 035	26 654
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	23.25%	21.96%	23.00%	23.89%	19.98%
5a	Fully loaded ECL accounting model CET1 (%)	23.25%	21.96%	23.00%	23.89%	19.98%
6	Tier 1 ratio (%)	23.25%	21.96%	23.00%	23.89%	19.98%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	23.25%	21.96%	23.00%	23.89%	19.98%
7	Total capital ratio (%)	23.70%	22.45%	23.51%	24.45%	20.19%
7a	Fully loaded ECL accounting model total capital ratio (%)	23.70%	22.45%	23.51%	24.45%	20.19%
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 (%)	15.37%	14.09%	15.12%	16.01%	12.11%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	58 305	64 199	59 279	59 321	65 781
14	Basel III leverage ratio (%) (row 2/row 13)	8.05%	7.39%	9.20%	9.27%	8.10%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.05%	7.39%	9.20%	9.27%	8.10%
Liquidity Coverage Ratio						
15	Total HQLA	38 276	36 450	32 121	36 845	25 852
16	Total net cash outflow	27 811	25 349	22 911	27 951	19 991
17	LCR ratio (%)	138%	144%	140%	132%	129%
Net Stable Funding Ratio						
18	Total available stable funding	21 356	24 117	19 547	21 215	21 778
19	Total required stable funding	13 545	14 814	14 794	15 689	17 328
20	NSFR ratio (%)	158%	163%	132%	135%	126%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements ¹
	31 Mar 2021 R'm	31 Dec 2020 R'm	31 Mar 2020 R'm
1 Credit risk (excluding counterparty credit risk)	14 274	15 896	19 505
2 Of which: standardised approach (SA)	14 274	15 896	1 641
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)	1 454	1 270	167
7 Of which: standardised approach for counterparty credit risk	1 454	1 270	167
8 Of which: Internal Model Method (IMM)	-	-	-
9 Of which: other CCR	-	-	-
10 Credit valuation adjustment (CVA)	438	379	50
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	226	266	26
21 Of which: standardised approach (SA)	226	266	26
22 Of which: internal model approaches (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	3 273	3 273	376
25 Amounts below thresholds for deduction (subject to 250% risk weight)	514	529	59
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	20 179	21 613	20 184

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 2021 R'm
1 Total consolidated assets as per the BA 900	55 613
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	403
5 Adjustment for securities financing transactions (ie repos and similar secured lending)	-
6 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 510
7 Other adjustments	(220)
8 Leverage ratio exposure measure	58 305

Table 4: Leverage ratio (LR2)

	31 Mar 2021 R'm	31 Dec 2020 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	37 914	49 765
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)	37 914	49 765
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)	755	995
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	398	339
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)	1 153	1 334
Securities financing transactions		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	16 729	10 448
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)	16 729	10 448
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	13 768	14 302
18 (Adjustments for conversion to credit equivalent amounts)	(11 259)	(11 650)
19 Off-balance sheet items (sum of rows 17 and 18)	2 510	2 652
Capital and total exposures		
20 Tier 1 capital	4 691	4 747
21 Total exposures (sum of rows 3, 11, 16 and 19)	58 305	64 199
Leverage ratio		
22 Basel III leverage ratio	8.05%	7.39%

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		38 070
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	2 991	748
7 Non-operational deposits (all counterparties)	40 126	31 700
8 Unsecured debt	-	-
9 Secured wholesale funding		-
10 Additional requirements, of which:		
11 Outflows related to derivative exposures and other collateral requirements	8 044	8 044
12 Outflows related to loss of funding of debt products	-	-
13 Credit and liquidity facilities	353	54
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	13 733	679
16 TOTAL CASH OUTFLOWS		41 225
Cash inflows		
17 Secured lending (eg reverse repo)	3 944	-
18 Inflows from fully performing exposures	8 947	6 139
19 Other cash inflows	8 032	8 032
20 TOTAL CASH INFLOWS	20 923	14 172
		Total adjusted value
21 Total HQLA		38 276
22 Total net cash outflows		27 811
23 Liquidity coverage ratio (%)		138%



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:				4 781	4 781
2	Regulatory capital	-	-	-	4 781	4 781
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	-	2 581	-	-	1 290
9	Other wholesale funding	-	45 468	1 162	-	15 284
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	-	475	-	-	-
14	Total ASF					21 356
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:		17 898			2 819
18	Performing loans to financial institutions secured by Level 1 HQLA	-	16 729	-	-	1 673
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1 170	148	897	1 146
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:	-	6 007	1 420	-	3 760
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	-	13 088	9 977	-	1 153
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				-	4
30	NSFR derivative liabilities before deduction of variation margin posted				-	-
31	All other assets not included in the above categories	-			4 374	4 374
32	Off-balance sheet items		14 515			1 435
33	Total RSF					13 545
34	Net Stable Funding Ratio (%)					158%