

HSBC Bank plc - Johannesburg Branch

Pillar 3 Quarterly disclosure

30 September 2021



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Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

		30-Sep 2021 R'm	30-Jun 2021 R'm	31-Mar 2021 R'm	31-Dec 2020 R'm	30-Sep 2020 R'm
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4,732	4,718	4,691	4,747	5,455
1a	Fully loaded ECL accounting model	4,732	4,718	4,691	4,747	5,455
2	Tier 1	4,732	4,718	4,691	4,747	5,455
2a	Fully loaded accounting model Tier 1	4,732	4,718	4,691	4,747	5,455
3	Total capital	4,774	4,766	4,781	4,852	5,577
3a	Fully loaded ECL accounting model total capital	4,774	4,766	4,781	4,852	5,577
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	21,599	20,971	20,179	21,613	23,722
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	21.91%	22.50%	23.25%	21.96%	23.00%
5a	Fully loaded ECL accounting model CET1 (%)	21.91%	22.50%	23.25%	21.96%	23.00%
6	Tier 1 ratio (%)	21.91%	22.50%	23.25%	21.96%	23.00%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	21.91%	22.50%	23.25%	21.96%	23.00%
7	Total capital ratio (%)	22.11%	22.73%	23.70%	22.45%	23.51%
7a	Fully loaded ECL accounting model total capital ratio (%)	22.11%	22.73%	23.70%	22.45%	23.51%
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 (%)	14.53%	14.62%	15.37%	14.09%	15.12%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	72,353	63,803	58,305	64,199	59,279
14	Basel III leverage ratio (%) (row 2/row 13)	6.54%	7.40%	8.05%	7.39%	9.20%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	6.54%	7.40%	8.05%	7.39%	9.20%
Liquidity Coverage Ratio						
15	Total HQLA	42,215	42,407	38,276	36,450	32,121
16	Total net cash outflow	27,807	29,465	27,811	25,349	22,911
17	LCR ratio (%)	152%	144%	138%	144%	140%
Net Stable Funding Ratio						
18	Total available stable funding	25,958	23,663	21,356	24,117	19,547
19	Total required stable funding	12,874	12,497	13,545	14,814	14,794
20	NSFR ratio (%)	202%	189%	158%	163%	132%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements ¹
	30 Sep 2021 R'm	30 Jun 2021 R'm	30 Sep 2021 R'm
1 Credit risk (excluding counterparty credit risk)	16 372	15 064	1 883
2 Of which: standardised approach (SA)	16 372	15 064	1 883
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)	1 043	1 373	120
7 Of which: standardised approach for counterparty credit risk	1 043	1 373	120
8 Of which: Internal Model Method (IMM)	-	-	-
9 Of which: other CCR	-	-	-
10 Credit valuation adjustment (CVA)	208	370	24
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	163	256	19
21 Of which: standardised approach (SA)	163	256	19
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)	539	635	62
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	21 599	20 971	2 484

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)

	30-Sep 2021 R'm
1 Total consolidated assets as per the BA 900	67,375
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	585
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)	4,621
7 Other adjustments	(228)
8 Leverage ratio exposure measure	72,353

Table 4: Leverage ratio (LR2)

	30-Sep 2021 R'm	30-Jun 2021 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	43,241	38,560
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)	43,241	38,560
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)	619	718
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	585	611
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)	1,204	1,329
Securities financing transactions		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	23,288	21,120
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)	23,288	21,120
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	17,742	16,201
18 (Adjustments for conversion to credit equivalent amounts)	(13,121)	(13,407)
19 Off-balance sheet items (sum of rows 17 and 18)	4,621	2,794
Capital and total exposures		
20 Tier 1 capital	4,732	4,718
21 Total exposures (sum of rows 3, 11, 16 and 19)	72,353	63,803
Leverage ratio		
22 Basel III leverage ratio	6.54%	7.40%

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		43 343
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	3 394	848
7 Non-operational deposits (all counterparties)	48 923	39 158
8 Unsecured debt	-	-
9 Secured wholesale funding		-
10 Additional requirements, of which:		
11 Outflows related to derivative exposures and other collateral requirements	7 241	7 241
12 Outflows related to loss of funding of debt products	-	-
13 Credit and liquidity facilities	948	95
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	15 081	742
16 TOTAL CASH OUTFLOWS		48 084
Cash inflows		
17 Secured lending (eg reverse repo)	2 339	-
18 Inflows from fully performing exposures	13 981	11 286
19 Other cash inflows	7 244	7 244
20 TOTAL CASH INFLOWS	23 563	18 530
		Total adjusted value
21 Total HQLA		42 215
22 Total net cash outflows		27 807
23 Liquidity coverage ratio (%)		152%

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:				4 774	4 774
2 <i>Regulatory capital</i>	-	-	-	4 774	4 774
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>	-	3 807	-	-	1 904
9 <i>Other wholesale funding</i>	-	56 547	305	-	19 280
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>	-	600	-	-	-
14 Total ASF					25 958
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:		31 740			4 056
18 <i>Performing loans to financial institutions secured by Level 1 HQLA</i>	-	23 288	-	-	2 329
19 <i>Performing loans to <u>financial institutions</u> secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	8 452	603	158	1 727
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 <u>PSEs</u>, of which:</i>	-	7 526	42	-	3 824
21 <i>With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk</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>	-	20 571	378	-	1 054
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 CCPs</i>				-	-
29 <i>NSFR derivative assets</i>				-	7
30 <i>NSFR derivative liabilities before deduction of variation margin posted</i>				-	-
31 <i>All other assets not included in the above categories</i>	-			2 434	2 434
32 Off-balance sheet items		18 354			1 499
33 Total RSF					12 874
34 Net Stable Funding Ratio (%)					202%