

HSBC Bank plc - Johannesburg Branch

Pillar 3 Quarterly Disclosure

March 2023



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Key Prudential metrics and overview of RWA

Table 1: Key metrics (KM1)

	31-Mar 2023 R'm	31-Dec 2022 R'm	30-Sep 2022 R'm	30-Jun 2022 R'm	31-Mar 2022 R'm
Available capital (amounts)					
1 Common Equity Tier 1 (CET1)	4,678	4,697	4,703	4,709	4,712
1a Fully loaded ECL accounting model	4,678	4,697	4,703	4,709	4,712
2 Tier 1	4,678	4,697	4,703	4,709	4,712
2a Fully loaded accounting model Tier 1	4,678	4,697	4,703	4,709	4,712
3 Total capital	4,772	4,763	4,788	4,758	4,762
3a Fully loaded ECL accounting model total capital	4,772	4,763	4,788	4,758	4,762
Risk-weighted assets (amounts)					
4 Total risk-weighted assets (RWA)	28,975	27,197	29,567	24,728	24,902
Risk-based capital ratios as a percentage of RWA					
5 Common Equity Tier 1 ratio (%)	16.15%	17.27%	15.91%	19.04%	18.92%
5a Fully loaded ECL accounting model CET1 (%)	16.15%	17.27%	15.91%	19.04%	18.92%
6 Tier 1 ratio (%)	16.15%	17.27%	15.91%	19.04%	18.92%
6a Fully loaded ECL accounting model Tier 1 ratio (%)	16.15%	17.27%	15.91%	19.04%	18.92%
7 Total capital ratio (%)	16.47%	17.51%	16.19%	19.24%	19.12%
7a Fully loaded ECL accounting model total capital ratio (%)	16.47%	17.51%	16.19%	19.24%	19.12%
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 (%)	8.27%	9.39%	8.03%	11.17%	11.05%
Basel III Leverage Ratio					
13 Total Basel III leverage ratio measure	77,517	82,987	79,995	76,587	71,379
14 Basel III leverage ratio (%) (row 2/row 13)	6.03%	5.66%	5.88%	6.15%	6.60%
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	6.03%	5.66%	5.88%	6.15%	6.60%
Liquidity Coverage Ratio					
15 Total HQLA	45,159	52,517	52,063	53,915	44,014
16 Total net cash outflow	34,422	41,484	38,452	43,769	31,288
17 LCR ratio (%)	131%	127%	135%	123%	141%
Net Stable Funding Ratio					
18 Total available stable funding	27,488	27,684	27,713	25,022	24,508
19 Total required stable funding	18,949	18,864	17,946	15,584	16,009
20 NSFR ratio (%)	145%	147%	154%	161%	153%

Table 2: Overview of risk management (OV1)

	RWA		Minimum capital requirements ¹
	31-Mar 2023 R'm	31-Dec 2022 R'm	31-Mar 2023 R'm
1 Credit risk (excluding counterparty credit risk)	24,503	22,397	2,818
2 Of which: standardised approach (SA)	24,503	22,397	2,818
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)	963	1,249	111
7 Of which: standardised approach for counterparty credit risk	963	1,249	111
8 Of which: Internal Model Method (IMM)	-	-	-
9 Of which: other CCR	-	-	-
10 Credit valuation adjustment (CVA)	126	199	14
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	181	82	14
21 Of which: standardised approach (SA)	181	82	14
22 Of which: internal model approaches (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	2,819	2,819	324
25 Amounts below thresholds for deduction (subject to 250% risk weight)	383	451	44
26 Floor adjustment	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	28,975	27,197	3,326

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 2023 R'm
1 Total consolidated assets as per the BA 900	69,978
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	327
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)	7,257
7 Other adjustments	(46)
8 Leverage ratio exposure measure	77,517

Table 4: Leverage ratio (LR2)

	31-Mar 2023 R'm	31-Dec 2022 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	40,026	33,725
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)	40,026	33,725
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)	581	760
5 Add-on amounts for PFE associated with <i>all</i> derivatives transactions	327	409
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)	907	1,169
Securities financing transactions		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	29,326	41,755
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)	29,326	41,755
Other off-balance sheet exposures		
17 Off-balance sheet exposure at gross notional amount	26,392	23,771
18 (Adjustments for conversion to credit equivalent amounts)	(19,134)	(17,433)
19 Off-balance sheet items (sum of rows 17 and 18)	7,257	6,338
Capital and total exposures		
20 Tier 1 capital	4,678	4,697
21 Total exposures (sum of rows 3, 11, 16 and 19)	77,517	82,987
Leverage ratio		
22 Basel III leverage ratio	6.03%	5.66%

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		49,062
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	4,762	1,191
7	Non-operational deposits (all counterparties)	58,141	47,715
8	Unsecured debt	-	-
9	Secured wholesale funding	58	-
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	12,308	12,308
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	-	-
14	Other contractual funding obligations	5,266	260
15	Other contingent funding obligations	20,235	1,157
16	TOTAL CASH OUTFLOWS		62,631
Cash inflows			
17	Secured lending (eg reverse repo)	183	-
18	Inflows from fully performing exposures	18,296	13,815
19	Other cash inflows	12,316	12,316
20	TOTAL CASH INFLOWS	30,795	26,132
			Total adjusted value
21	Total HQLA		45,159
22	Total net cash outflows		34,422
23	Liquidity coverage ratio (%)		131%

Table 6: Net stable ratio funding (LIQ2)

		Unweighted value by residual maturity				Weighted value
		6 months to <1 year				
		No maturity*	<6 months	year	≥1 year	
		R'm	R'm	R'm	R'm	R'm
Available stable funding (ASF) item						
1	Capital:				4,772	4,772
2	Regulatory capital	-	-	-	4,772	4,772
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	-	4,633	-	-	2,316
9	Other wholesale funding	-	56,415	107	-	20,400
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities				493	
13	All other liabilities and equity not included in the above categories	-	2,890	-	-	-
14	Total ASF					27,488
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					-
16	Deposits held at other financial institutions for operational purposes		2,303	-	-	43
17	Performing loans and securities:		33,449			5,464
18	Performing loans to financial institutions secured by Level 1 HQLA	-	29,326	-	-	2,933
19	Performing loans to <u>financial institutions</u> secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	4,123	-	1,913	2,532
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:	-	11,265	387	-	5,826
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	-	5,035	9,877	-	759
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				-	581
30	NSFR derivative liabilities before deduction of variation margin posted				493	-
31	All other assets not included in the above categories	-			4,909	4,909
32	Off-balance sheet items		26,441			1,369
33	Total RSF					18,949
34	Net Stable Funding Ratio (%)					145%