

HSBC Bank Plc – Johannesburg Branch

Pillar 3 Disclosure

31 December 2013

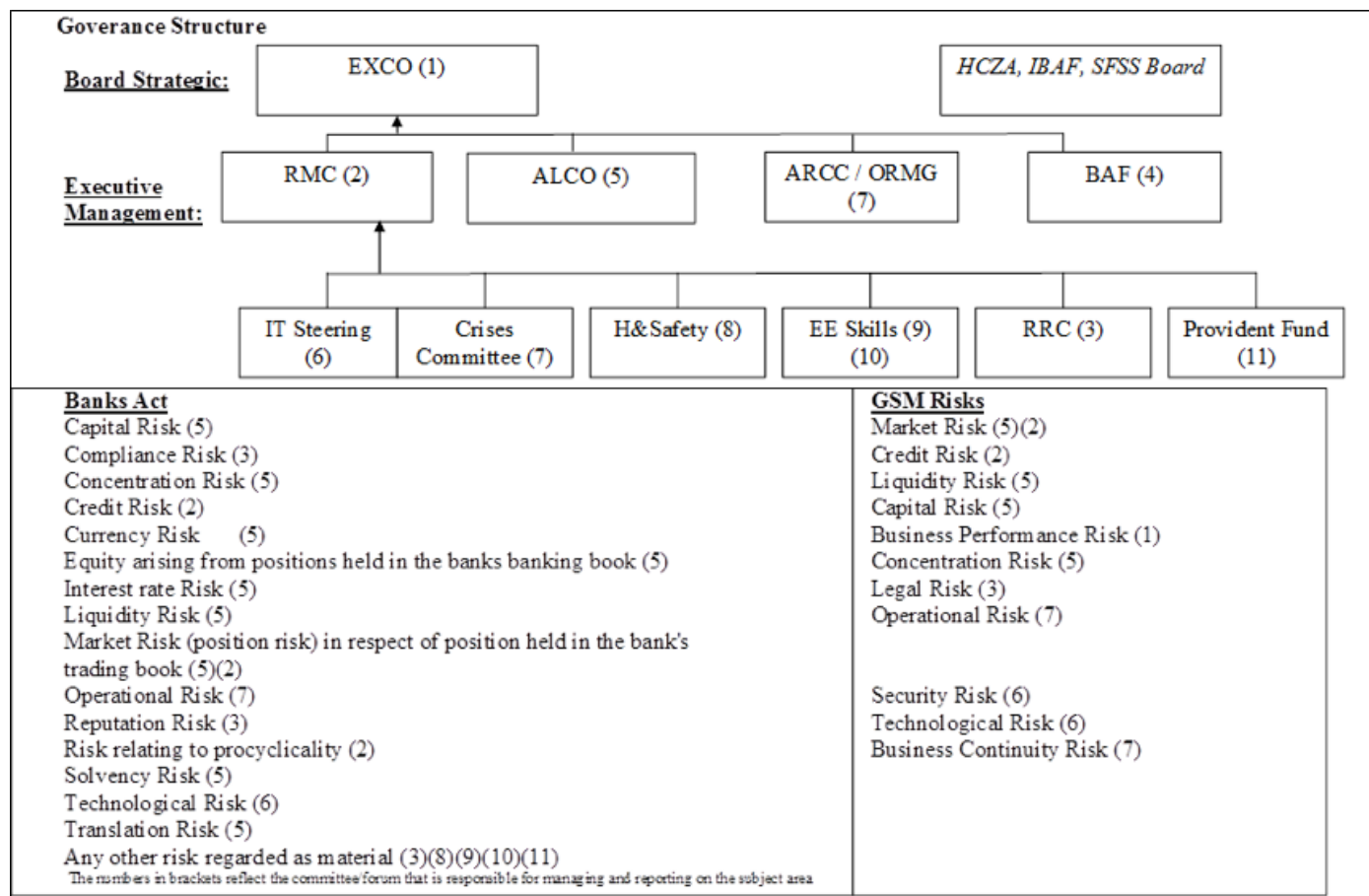
HSBC Bank Plc publishes comprehensive Pillar 3 disclosures annually on the HSBC internet site www.hsbc.com, simultaneously with the release of the Annual Report and Accounts 2013. The interim reports and management statements include relevant summarised regulatory capital information complementing the financial and risk information presented there. The following document should be read in conjunction with the HSBC Bank Plc Pillar 3 Disclosures for the year ended 31 December 2013 and the HSBC Bank Plc – Johannesburg Branch (“branch”) Annual Financial statements for the year ended 31 December 2013.

1. Scope of application

The branch’s immediate holding company is HSBC Bank plc and its ultimate holding company is HSBC Holdings plc, which is incorporated in the United Kingdom with limited liability.

On the 1 April 2013, the branch acquired all assets and liabilities from The Hongkong and Shanghai Banking Corporation Limited Johannesburg Branch.

The following table presents the governance structure of the branch in 2013:



2. Financial position

• Capital adequacy and capital structure

The following represents the capital structure, the risk weighted assets and the capital ratios for the branch:

	ZAR millions	
	Year ended 31 December 2013	Year ended 31 December 2012
Endowment capital	885	885
Retained Earnings	1 238	852
Other Comprehensive Income	-11	17
	2 112	1 753
Regulatory adjustments	0	0
Common Equity Tier 1 Capital	2 112	1 753
Tier 2 capital and provisions	5	3
Total Qualifying Capital and Reserves	2 117	1 756
Credit Risk	12 862	10 027
Operational Risk	1 360	1 133
Market Risk	106	236
Other Risk	879	450
Total Risk Weighted Assets	15 208	11 847
Common Tier 1	13.89%	14.80%
Total Capital Ratio	13.92%	14.82%

2. Financial position (continues)

• Nature and extent of risk exposures

Credit Risk

All credit portfolios are measured on the simplified standardised approach.

The minimum regulatory credit risk capital requirements, the related risk weighted assets, and related exposures as at 31 December 2013 per sector:

	ZAR millions							
	Exposure At Default		Gross Credit Exposure		Risk Weighted Assets		Regulatory Capital Requirement	
	2013	2012	2013	2012	2013	2012	2013	2012
Bank	15 870	19 199	18 949	21 036	6 291 955	5 715 769	503 356	457 262
Corporate	14 376	9 501	17 096	9 720	6 034 832	4 311 294	482 787	344 904
Sovereign	13 605	11 122	13 605	11 122	527 913	0	42 233	-
Total	43 851	39 822	49 650	41 877	12 854 700	10 027 063	1 028 376	802 165

The residual maturity analysis by gross balance sheet exposure by category of exposure class:

	ZAR millions							
	Less than 1 year		1 - 5 years		5-10 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Bank	18 851	16 329	2 537	4 706	-	-	21 389	21 036
Corporate	15 402	5 384	6 346	4 335	-	-	21 748	9 720
Sovereign	4 958	9 362	1 555	1 760	-	-	6 513	11 122
Total	39 211	31 076	10 439	10 801	-	-	49 650	41 877

A breakdown of loans and advances per industry:

Loans and Advances per Industry

Loans and advances per customers

Industry	ZAR millions	
	2013	2012
Agriculture, hunting, forestry and fishing	192	19
Mining and quarrying	1 951	1 040
Manufacturing	3 362	2 009
Electricity, gas and water supply	281	243
Construction	2 815	1 940
Wholesale and retail trade, repair of specified items, hotels and restaurants	3 635	1 866
Transport, storage and communication	292	98
Financial intermediation and insurance	35 367	33 559
Real estate	430	123
Business services	796	534
Community, social and personal services	1	-
Private households	-	-
Other	528	446
Total	49 650	41 877

The following table discloses the allowances for specific and collective impairment losses on loans and advances:

	ZAR millions					
	Impaired Loans		Specific Impairments		Collective Impairments	
	2013	2012	2013	2012	2013	2012
Opening balance	-	-	-	-	3	1
Credit impairments raised	-	-	-	-	3	2
Closing balance	-	-	-	-	6	3

The following table provides a breakdown per industry of the specific and collective impairments for the period ended per industry:

Industry	ZAR millions			
	Specific Impairments		Collective Impairments	
	2013	2012	2013	2012
Manufacturing	-	-	6	3
Total	-	-	6	3

Market Risk

The branch uses the standardised approach to assess its regulatory and internal capital requirements for market risk.

The Market Risk capital requirement for the branch and the related risk weighted assets:

	ZAR millions			
	Regulatory capital requirement		Risk weighted assets	
	2013	2012	2013	2012
Market risk (Banking book)	10	22	106	236
Total	10	22	106	236

Operational Risk

The branch uses the standardised approach to assess its regulatory and internal capital requirements for Operational Risk.

The table below details the Operational Risk capital requirement for the branch:

	ZAR millions			
	Regulatory capital requirement		Risk weighted assets	
	2013	2012	2013	2012
Operational risk	129	108	1 360	1 133
Total	129	108	1 360	1 133

Interest Rate Risk (Banking Book)

The table below details of the information in regards with the increase/decrease in earnings based on the impact of an adverse change in specified key rates and economic value used by management to assess impact of standard upward/downward interest rate shock:

	ZAR millions	
	2013	2012
Change in the economic value of equity		
Interest rate increase	-149	-229
Interest rate decrease	149	220
Impact of adverse change in specified key rates	-39	-

3. Remuneration and Other Supporting Policies

JOH follows the approach adopted by the HSBC Group. The principle purpose of HSBC Group's remuneration strategy is to support and drive sustainable performance over the long term. Remuneration should reward success, but it must also not reward failure and be properly aligned with risk which remains on the balance sheet.

A global reward strategy for the HSBC Group was approved by the Group Remuneration Committee. This strategy provided a reward framework for the HSBC Group which HBEU follows. Key principles of the remuneration strategy are:

- Assess performance with reference to clear and relevant objectives set within a balanced scorecard framework;
- Under this framework, objectives are set under four categories – financial, process (including risk mitigation), customer and people. Significant importance is given to the achievement of efficiency and risk objectives as well as financial objectives; and
- Objectives relating to customer development and the productivity of our human capital are key to sustained financial performance and the development of the Branch and HSBC Group over the short and medium term.