

# HSBC Bank plc – Johannesburg Branch

Pillar 3 Quarterly Disclosure

September 2018

## Table of contents

<b>Key Prudential metrics and overview of RWA</b> .....	<b>2</b>
Key metrics .....	2
Overview of risk management (OV1).....	3
<b>Leverage Ratio</b> .....	<b>4</b>
Summary comparison of accounting assets vs leverage ratio exposure (LR1).....	4
Leverage ratio (LR2).....	5
<b>Liquidity Risk</b> .....	<b>6</b>
Liquidity coverage ratio (LIQ1).....	6

## Key Prudential metrics and overview of RWA

Table 1: Key Metrics (KM1)

		At				
		30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017	30 Sep 2017
		R'm	R'm	R'm	R'm	R'm
<b>Available Capital (Amounts)</b>						
1	Common Equity Tier 1 (CET1)	4,919	4,919	4,941	4,991	5,015
1a	Fully loaded ECL accounting model	4,919	4,919	4,941	4,991	5,015
2	Tier 1	4,919	4,919	4,941	4,991	5,015
2a	Fully loaded accounting model Tier 1	4,919	4,919	4,941	4,991	5,015
3	Total capital	5,067	5,045	5,045	5,005	5,029
3a	Fully loaded ECL accounting model total capital	5,067	5,045	5,045	5,005	5,029
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	27,597	25,363	23,228	23,586	22,923
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	17.82%	19.39%	21.27%	21.27%	21.16%
5a	Fully loaded ECL accounting model CET1 (%)	17.82%	19.39%	21.27%	21.27%	21.16%
6	Tier 1 ratio (%)	17.82%	19.39%	21.27%	21.27%	21.16%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.82%	19.39%	21.27%	21.27%	21.16%
7	Total capital ratio (%)	18.36%	19.89%	21.72%	21.72%	21.22%
7a	Fully loaded ECL accounting model total capital ratio (%)	18.36%	19.89%	21.72%	21.72%	21.22%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.88%	1.88%	1.88%	1.25%	1.25%
9	Countercyclical bugger requirement (%)	0.03%	0.04%	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)	1.91%	1.91%	1.88%	1.25%	1.25%
12	CET1 available after meeting the bank's minimum capital requirements (%)	7.24%	8.77%	10.60%	10.97%	10.47%
<b>Basel III Leverage Ratio</b>						
13	Total Basel III leverage ratio measure	55,106	56,495	50,465	52,094	56,581
14	Basel III leverage ratio (%) (row 2/row 13)	8.93%	8.71%	9.79%	9.48%	8.82%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	8.93%	8.71%	9.79%	9.48%	8.82%
<b>Liquidity Coverage Ratio</b>						
15	Total HQLA	22,176	24,606	17,981	21,948	21,278
16	Total net cash outflow	22,881	22,021	13,964	17,808	14,234
17	LCR ratio (%)	97%	112%	129%	123%	149%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	19,325	17,259	17,688	18,020	19,465
19	Total required stable funding	16,259	15,332	14,138	15,333	14,708
20	NSFR ratio (%)	119%	113%	125%	118%	132%

## Key Prudential metrics and overview of RWA (continued)

Given the strong capital adequacy position of HSBC Bank plc - Johannesburg Branch, the local EXCO have approved that the Transitional arrangements detailed in D5 of 2018 will not be utilised and that full IFRS 9 impact be taken into account on 1 January 2018.

**Table 2: Overview of risk management (OV1)**

	RWA		Minimum Capital Requirements
	30 Sep 2018	30 Jun 2018	30 Sep 2018
	R'm	R'm	R'm
1 <b>Credit risk (excluding counterparty credit risk)</b>	21,344	19,004	2,382
2 Of which: standardised approach (SA)	21,344	19,004	2,382
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 <b>Counterparty credit risk (CCR)</b>	2,506	2,630	280
7 Of which: standardised approach for counterparty credit risk	2,506	2,630	280
8 Of which: Internal Model Method (IMM)	-	-	-
9 Of which: other CCR	-	-	-
10 <b>Credit valuation adjustment (CVA)</b>	-	-	-
11 <b>Equity positions under the simple risk weight approach</b>	-	-	-
12 <b>Equity investments in funds - look-through approach</b>	-	-	-
13 <b>Equity investments in funds - mandate-based approach</b>	-	-	-
14 <b>Equity investments in funds - fall-back approach</b>	-	-	-
15 <b>Settlement risk</b>	-	-	-
16 <b>Securitisation exposures in the banking book</b>	-	-	-
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 <b>Market risk</b>	510	513	57
21 Of which: standardised approach (SA)	510	513	57
22 Of which: internal model approaches (IMA)	-	-	-
23 <b>Capital charge for switch between trading book and banking book</b>	-	-	-
24 <b>Operational risk</b>	3,012	3,012	336
25 <b>Amounts below thresholds for deduction (subject to 250% risk weight)</b>	226	205	23
26 <b>Floor adjustment</b>	-	-	-
27 <b>Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)</b>	<b>27,597</b>	<b>25,363</b>	<b>3,080</b>

## Leverage Ratio

Table 4: Summary comparison of accounting assets vs leverage ratio exposure (LR1)

	30 Sep 2018
	R'm
1 Total consolidated assets as per the BA 900	50,999
2 Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory	-
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	2,171
5 Adjustment for securities financing transactions (ie repos and similar secured lending)	4,910
6 Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	3,394
7 Other adjustments	-6,369
8 <b>Leverage ratio exposure measure</b>	55,106

## Leverage Ratio (continued)

Table 5: Leverage ratio (LR2)

	30 Sep 2018	31 Jun 2018
	R'm	R'm
<b>On-Balance sheet exposures</b>		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	44,631	42,333
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)	44,631	42,333
<b>Derivative exposures</b>		
4 Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	1,456	1,645
5 Add-on amounts for PFE associated with all derivatives transactions	715	743
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)	2,171	2,388
<b>Securities financing transactions</b>		
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	4,910	8,401
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)	4,910	8,401
<b>Other off-balance sheet exposures</b>		
17 Off-balance sheet exposure at gross notional amount	16,925	14,989
18 (Adjustments for conversion to credit equivalent amounts)	-13,531	-11,616
19 Off-balance sheet items (sum of rows 17 and 18)	3,394	3,373
<b>Capital and total exposures</b>		
20 Tier 1 capital	4,918	4,918
21 Total exposures (sum of rows 3, 11, 16 and 19)	55,106	56,495
<b>Leverage ratio</b>		
22 Basel III leverage ratio	8.92	8.71

**Table 6: Liquidity coverage ratio (LIQ1)**

		Total unweighted value (average)	Total weighted value (average)
		R'm	R'm
<b>High quality liquid assets</b>			
1	Total HQLA		23,651
<b>Cash outflows</b>			
2	Retail deposits and deposits from small business customers, of which:	-	-
3	Stable deposits	-	-
4	Less stable deposits	-	-
5	Unsecured wholesale funding, of which:	34,696	26,447
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	3,266	817
7	Non-operational deposits (all counterparties)	31,429	25,630
8	Unsecured debt	-	-
9	Secured wholesale funding		-
10	Additional requirements, of which:	13,094	11,190
11	Outflows related to derivative exposures and other collateral requirements	10,905	10,905
12	Outflows related to loss of funding of debt products	-	-
13	Credit and liquidity facilities	2,190	286
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	13,273	657
16	<b>TOTAL CASH OUTFLOWS</b>		<b>37,637</b>
<b>Cash inflows</b>			
17	Secured lending (eg reverse repo)	2,735	-
18	Inflows from fully performing exposures	8,601	7,039
19	Other cash inflows	10,832	10,832
20	<b>TOTAL CASH INFLOWS</b>	<b>22,168</b>	<b>17,871</b>
<b>Total adjusted value</b>			
21	Total HQLA		23,651
22	Total net cash outflows		20,423
23	Liquidity coverage ratio (%)		116%