

HSBC Bank plc - Johannesburg Branch

Pillar 3 Half-year disclosure

June 2024



Contents

Regulatory framework for disclosure	3
Pillar 3 disclosures	3
Report oversight	3
Key Prudential metrics and overview of RWA	4
Table 1: Key metrics (KM1)	4
Risk management	5
Table 2: Overview of risk management (OV1)	5
Composition of capital	6
Table 3: Composition of regulatory capital (CC1)	6
Macroprudential supervisory measures	9
Table 4 : Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1)	9
Leverage ratio	9
Table 5: Summary comparison of accounting assets vs leverage ratio exposure (LR1)	9
Table 6: Leverage ratio (LR2)	10
Liquidity Risk	11
Table 7: Liquidity coverage ratio (LIQ1)	11
Table 8: Net stable ratio funding (NSFR) (LIQ2)	12
Credit risk	13
Table 9: Credit quality of assets (CR1)	13
Table 10: Changes in stock of defaulted loans and debt securities (CR2)	13
Table 11: Credit risk mitigation techniques – overview (CR3)	13
Table 12: Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)	14
Table 13: Standardised approach - exposures by asset classes and risk weights (CR5)	14
Counterparty credit risk	15
Table 14: Analysis of counterparty credit risk (CCR) exposure by approach (CCR1)	15
Table 15: Credit valuation adjustment (CVA) capital charge (CCR2)	15

Table 16: Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)	16
Market Risk	17
Table 17: Market risk under the standardised approach (SA) (MR1)	17
Abbreviations	18

Regulatory framework for disclosure

HSBC Bank plc – Johannesburg Branch ('HSBC JOH' or 'the branch') is supervised by the Prudential Authority of the South African Reserve Bank, which receives information on the capital adequacy of, and sets capital requirements for South African banks and local branches of foreign banks. The capital requirements are calculated based on the various regulations relating to financial services, including the Basel Capital Accord (Basel) III. The Basel Committee's framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review processes are complemented by Pillar 3 disclosure requirements (to exert 'market discipline' through common and granular risk disclosure). The aim of the Pillar 3 disclosure framework is to require banks to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy. Pillar 3 requires all material risks to be disclosed, enabling a comprehensive view of a bank's risk profile.

Pillar 3 disclosures

HSBC JOH's Pillar 3 disclosures at 30 June 2024 comprise all information required under Pillar 3, both quantitative and qualitative. HSBC Group has implemented the Basel Committee on Banking Supervision ('BCBS') final standards on revised Pillar 3 disclosures issued in January 2015. HSBC Holdings plc & HSBC Bank plc publishes comprehensive Pillar 3 disclosures annually, half-yearly and quarterly on the HSBC website: www.hsbc.com/investors/results-and-announcements. The annual and semi-annual disclosures are simultaneous with the release of the Group's Annual Report and Accounts. Pillar 3 requirements may be met by inclusion in other disclosure sources within the wider Group. Where we adopt this 'sign-posting' approach, references are provided to the relevant pages of the Annual Report and Accounts or other location.

Report oversight

HSBC JOH's Executive committee ('ExCo') has the responsibility for the oversight of risk for the Branch. At 30 June 2024, ExCo is satisfied that:

- HSBC's risk, compliance, treasury and capital management generally operated effectively,
- HSBC's business activities have been managed within the ExCo-approved risk appetite; and
- HSBC is adequately funded and capitalised to support the execution of its strategy.

During 2019, ExCo reviewed and approved the disclosure policy, which incorporates the revised Pillar 3 disclosure requirements set out by the BCBS.

The ExCo is satisfied that this report has been prepared in accordance with the requirements of the disclosure policy and that an appropriate control framework has been applied in the preparation of this report.

All disclosures in this report are unaudited.

Key Prudential matrices and overview of RWA

Table 1: Key metrics (KM1)

		At				
		30-Jun 2024 R'm	31-Mar 2024 R'm	31-Dec 2023 R'm	30-Sep 2023 R'm	30-Jun 2023 R'm
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	4 654	4 695	4 685	4 684	4 661
1a	Fully loaded ECL accounting model CET1	4 654	4 695	4 685	4 684	4 661
2	Tier 1	4 654	4 695	4 685	4 684	4 661
2a	Fully loaded ECL accounting model Tier 1	4 654	4 695	4 685	4 684	4 661
3	Total capital	4 730	4 775	4 738	4 768	4 737
3a	Fully loaded ECL accounting model total capital	4 730	4 775	4 738	4 768	4 737
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	32 573	30 932	28 481	29 319	27 619
4a	Total risk-weighted assets (pre-floor)	32 573	30 932	28 481	29 319	27 619
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	14.29%	15.18%	16.45%	15.98%	16.87%
5a	Fully loaded ECL accounting model CET1 (%)	14.29%	15.18%	16.45%	15.98%	16.87%
5b	CET1 ratio (%) (pre-floor ratio)	14.29%	15.18%	16.45%	15.98%	16.87%
6	Tier 1 ratio (%)	14.29%	15.18%	16.45%	15.98%	16.87%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.29%	15.18%	16.45%	15.98%	16.87%
6b	Tier 1 ratio (%) (pre-floor ratio)	14.29%	15.18%	16.45%	15.98%	16.87%
7	Total capital ratio (%)	14.52%	15.44%	16.64%	16.26%	17.15%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.52%	15.44%	16.64%	16.26%	17.15%
7b	Total capital ratio (%) (pre-floor ratio)	14.52%	15.44%	16.64%	16.26%	17.15%
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 (%)	-	-	-	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50%	2.52%	2.53%	2.53%	2.53%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.39%	7.28%	8.55%	8.07%	8.97%
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	97 686	94 363	76 834	84 611	86 427
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	4.76%	4.98%	6.10%	5.54%	5.39%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	4.76%	4.98%	6.10%	5.54%	5.39%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	4.76%	4.98%	6.10%	5.54%	5.39%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	4.76%	4.98%	6.10%	5.54%	5.39%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	4.76%	4.98%	6.10%	5.54%	5.39%
Liquidity Coverage Ratio (LCR)						
15	Total high-quality liquid assets (HQLA)	52 129	55 737	44 893	51 629	49 995
16	Total net cash outflow	32 871	34 902	34 898	37 714	41 849
17	LCR ratio (%)	159%	160%	129%	137%	119%
Net Stable Funding Ratio (NSFR)						
18	Total available stable funding	29 206	27 788	25 483	26 665	28 281
19	Total required stable funding	19 446	19 103	17 363	18 314	19 229
20	NSFR ratio	150%	145%	147%	146%	147%

Risk management

Table 2: Overview of risk management (OV1)

	a	b	c
	RWA		Minimum capital requirements
	30-Jun 2024 R'm	31-Mar 2024 R'm	30-Jun 2024 R'm
1 Credit risk (excluding counterparty credit risk)	27 458	26 310	3 158
2 Of which: standardised approach (SA)	27 458	26 310	3 158
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)	1 369	952	157
7 Of which: standardised approach for counterparty credit risk	1 369	952	157
8 Of which: IMM	-	-	-
9 Of which: other CCR	-	-	-
10 Credit valuation adjustment (CVA)	189	116	22
11			
Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	-	-	-
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 banking book	-	-	-
17 Of which: securitisation IRB approach (SEC-IRBA)	-	-	-
18 Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
19 Of which: securitisation standardised approach (SEC-SA)	-	-	-
20 Market risk	174	166	14
21 Of which: standardised approach (SA)	174	166	14
22 Of which: internal model approach (IMA)	-	-	-
23 Capital charge for switch between trading book and banking book	-	-	-
24 Operational risk	2 950	2 950	339
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	433	436	50
26 Output floor applied	-	-	-
27 Floor adjustment (before application of transitional cap)	-	-	-
28 Floor adjustment (after application of transitional cap)	-	-	-
29 Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)	32 573	30 932	3 740

¹ This includes the Basel base minimum of 8%, plus Pillar 2A capital requirement, plus any applicable Basel buffers.

Composition of capital

Table 3: Composition of regulatory capital (CC1)

		30-Jun 2024 R'm
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	1 420
2	Retained earnings	3 320
3	Accumulated other comprehensive income (and other reserves)	(26)
4	Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)	-
6	Common Equity Tier 1 capital before regulatory adjustments	4 713
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)	(60)
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	(1)
15	Defined benefit pension fund net assets	-
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
20	MSR (amount above 10% threshold)	-
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
22	Amount exceeding the 15% threshold	-
23	Of which: significant investments in the common stock of financials	-
24	Of which: MSR	-
25	Of which: DTA arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions	-
28	Total regulatory adjustments to Common Equity Tier 1 capital	(61)
29	Common Equity Tier 1 capital (CET1)	4 653

Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus	-
31	Of which: classified as equity under applicable accounting standards	-
32	Of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase-out from additional Tier 1 capital	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group additional Tier 1 capital)	-
35	Of which: instruments issued by subsidiaries subject to phase-out	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	-
38	Reciprocal cross-holdings in additional Tier 1 instruments	-
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
41	National specific regulatory adjustments	-
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions	-
43	Total regulatory adjustments to additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1)	4 653
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	Directly issued capital instruments subject to phase-out from Tier 2 capital	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	Of which: instruments issued by subsidiaries subject to phase-out	-
50	Provisions	-
51	Tier 2 capital before regulatory adjustments	-
Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	-
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific regulatory adjustments	-
57	Total regulatory adjustments to Tier 2 capital	77
58	Tier 2 capital	77
59	Total regulatory capital (= Tier 1 + Tier2)	4 730
60	Total risk-weighted assets	32 573

Capital adequacy ratios and buffers		
61	Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	14,29%
62	Tier 1 capital (as a percentage of risk-weighted assets)	14,29%
63	Total capital (as a percentage of risk-weighted assets)	14,52%
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2,50%
65	Of which: capital conservation buffer requirement	2,50%
66	Of which: bank-specific countercyclical buffer requirement	-
67	Of which: higher loss absorbency requirement	-
68	Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank' National minima (if different from Basel III)	6,39%
69	National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum)	-
70	National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum)	-
71	National minimum Total capital adequacy ratio (if different from Basel III minimum)	-
Amounts below the thresholds for deduction (before risk-weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	-
73	Significant investments in the common stock of financial entities	-
74	MSR (net of related tax liability)	-
75	DTA arising from temporary differences (net of related tax liability)	79
Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)	-
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach	-

Macroprudential supervisory measures

Table 4 : Geographical distribution of credit exposures used in the countercyclical capital buffer (CCyB1)

Exposure values and/or risk weighted assets used in the computation of the countercyclical capital buffer					
	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure value	RWA	Bank-specific countercyclical capital buffer rate	Countercyclical capital buffer amount
United Kingdom	1,00%	819	570	0,0226%	7

Leverage ratio

The leverage ratio calculated in accordance with South African Banks Act, 1990 was 4.76% at 30 June 2024, which is lower than 6.10% at 31 December 2023. The decline was due to a larger asset base with increased exposures.

Table 5: Summary comparison of accounting assets vs leverage ratio exposure (LR1)

		30-Jun 2024 R'm
1	Total consolidated assets as per published financial statements	89 388
2	Adjustment 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 securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	417
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	7 940
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	(60)
13	Leverage ratio exposure measure	97 686

Table 6: Leverage ratio (LR2)

	30-Jun 2024 R'm	31-Mar 2024 R'm
On-balance sheet exposures		
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	55 518	53 505
2 Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3 (Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4 (Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5 (Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6 (Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	-	-
7 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	55 518	53 505
Derivative exposures		
8 Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	453	253
9 Add-on amounts for potential future exposure associated with <i>all</i> derivatives transactions	417	383
10 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11 Adjusted effective notional amount of written credit derivatives	-	-
12 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13 Total derivative exposures (sum of rows 8 to 12)	870	636
Securities financing transaction exposures		
14 Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	33 358	31 387
15 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16 Counterparty credit risk exposure for SFT assets	-	-
17 Agent transaction exposures	-	-
18 Total securities financing transaction exposures (sum of rows 14 to 17)	33 358	31 387
Other off-balance sheet exposures		
19 Off-balance sheet exposure at gross notional amount	34 369	34 671
20 (Adjustments for conversion to credit equivalent amounts)	(26 429)	(25 835)
21 (Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22 Off-balance sheet items (sum of rows 19 to 21)	7 940	8 836
Capital and total exposures		
23 Tier 1 capital	4 654	4 695
24 Total exposures (sum of rows 7, 13, 18 and 22)	97 686	94 363
Leverage ratio		
25 Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	4,76%	4,98%
25a Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	4,76%	4,98%
26 National minimum leverage ratio requirement	4,00%	4,00%
27 Applicable leverage buffers	-	-
Disclosure of mean values		
28 Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	183	344
29 Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	183	344
30 Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	535	586
30a Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	535	586
31 Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,76%	4,98%
31a Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	4,76%	4,98%

Liquidity Risk

Table 7: Liquidity coverage ratio (LIQ1)

		a	b
		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA	55 902	55 902
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	5 758	1 440
7	Non-operational deposits (all counterparties)	59 891	47 194
8	Unsecured debt	-	-
9	Secured wholesale funding		-
10	Additional requirements, of which:		
11	Outflows related to derivative exposures and other collateral requirements	14 104	14 104
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	-	-
14	Other contractual funding obligations	7 320	361
15	Other contingent funding obligations	26 605	1 530
16	TOTAL CASH OUTFLOWS		64 628
Cash inflows			
17	Secured lending (eg reverse repos)	307	-
18	Inflows from fully performing exposures	18 062	13 463
19	Other cash inflows	14 160	14 160
20	TOTAL CASH INFLOWS	32 529	27 623
			Total adjusted value
21	Total HQLA		52 129
22	Total net cash outflows		32 871
23	Liquidity Coverage Ratio (%)		159%

The Branch is reporting a LCR of 159% which is in excess of the Regulatory minimum of 100%. This position is higher than the 129% in December 2023 due to the higher HQLA reported. The net cash outflow from December 2023 has slightly decreased. HSBC has used a simple average of month end averages over the last 6 months in local currency. LIQ1 uses average values but the month end position is shown as the total adjusted value.

The composition of the HQLA is T-bills. As a result of the HQLA all being held in local currency there is a no currency mismatch.

Table 8: Net stable ratio funding (NSFR) (LIQ2)

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:			4 790	4 790	
2	Regulatory capital			4 790	4 790	
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		6 228	-		3 114
9	Other wholesale funding		66 027	490		21 301
10	Liabilities with matching interdependent assets					
11	Other liabilities:					
12	NSFR derivative liabilities				400	
13	All other liabilities and equity not included in the above categories	-	9 579			
14	Total ASF					29 206
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					
16	Deposits held at other financial institutions for operational purposes		3 194			
17	Performing loans and securities:		45 841			5 390
18	Performing loans to financial institutions secured by Level 1 HQLA		33 358	-	-	3 336
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		12 483	-		2 055
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:		11 375	200		
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	-	11 741	-	-	1 260
25	Assets with matching interdependent liabilities					
26	Other assets:					
27	Physical traded commodities, including gold	-				-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties					-
29	NSFR derivative assets		453		482	453
30	NSFR derivative liabilities before deduction of variation margin posted		400			-
31	All other assets not included in the above categories	-			5 690	4 730
32	Off-balance sheet items		34 409			1 759
33	Total RSF					19 446
34	Net Stable Funding Ratio (%)					150%

JOH exceeded the minimum NSFR regulatory requirement of 100% which were effective from 1 January 2018. The Branch is reporting a NSFR of 150%, this has increased from the 147% in 31 December 2023.

The available stable funding has increased since December 2023 as has the required stable funding.

The primary sources of funding are customer current and savings accounts payable on demand or at short notice.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk represents our largest regulatory capital requirement. There have been no material changes to our policies and practices, which are described in the Pillar 3 Disclosures at 31 December 2023.

Table 9: Credit quality of assets (CR1)

	a	b	c	d
	Carrying values of		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
	R'm	R'm	R'm	R'm
1 Loans	-	59 811	84	59 728
2 Debt securities	-	25 633	36	25 597
3 Off-balance sheet exposures	-	34 369	6	34 364
4 Total	-	119 814	125	119 689

Table 10: Changes in stock of defaulted loans and debt securities (CR2)

	30-Jun 2024 R'm
1 Defaulted loans and debt securities at end of the previous reporting period	0
2 Loans and debt securities that have defaulted since the last reporting period	0
3 Returned to non-defaulted status	0
4 Amounts written off	0
5 Other changes	0
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	0

Table 11: Credit risk mitigation techniques – overview (CR3)

	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
1 Loans	26 370	33 358	33 358	-	-	-	-
2 Debt securities	25 597	-	-	-	-	-	-
3 Total	51 967	33 358	33 358	-	-	-	-
4 Of which defaulted	-	-	-	-	-	-	-

Table 12: Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

Asset classes	a	b	c	d	e	f
	Exposures before CCF and CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Sovereign (including central government and central bank)	25 646	19	25 646	0	6	0%
(a) of which : Public Sector Entities	13	19	13	0	6	0%
2 Multilateral development banks						
3 Banks	3 583	5 420	3 583	2 891	2 263	8%
(a) Of which: Securities firms and other financial institutions						
4 Covered bonds						
5 Corporates (excluding corporate real estate as per line 9)	22 404	28 931	22 356	2 554	25 188	92%
(a) Of which: SME Corporate						
(b) Of which: Securities firms and other financial institutions						
(c) Of which: Specialised lending (excluding IPRRE, IPCRE and HVCRE)						
6 Subordinated debt, equity and other capital						
7 Retail						
(a) Of which: Retail residential mortgage advances						
(b) Of which: Retail qualifying revolving (QRRE)						
(c) Of which: SME retail						
(d) Of which: Retail - other						
8 Real estate: Corporate						
(a) Of which: general CRE						
(b) Of which: IPRRE						
(c) Of which: IPCRE						
(e) Of which: HVCRE including land acquisition, development and construction						
9 Defaulted exposures						
10 Other assets						
11 Total	51 633	34 369	51 585	5 445	27 458	100%

Table 13: Standardised approach - exposures by asset classes and risk weights (CR5)

Asset classes	a	b	c	d	e	f	g	h	i	j	
	Risk weight										Total credit exposures amount (post CCF and post-CRM)
	0%	10%	20%	35%	50%	75%	100%	150%	Others		
	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm	R'm
Sovereigns and their central banks	25 633	-	-	-	-	-	-	-	-	-	25 633
Non-central government public sector entities	-	-	-	-	13	-	-	-	-	-	13
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Banks	482	-	3 232	-	2 287	-	473	-	-	-	6 474
Securities firms	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	24 353	557	-	-	24 910
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-
14 Total	26 116	-	3 232	-	2 300	-	24 826	557	-	-	57 031

Counterparty credit risk

Counterparty Credit Risk ('CCR') risk arises from derivatives and Security Financing Transactions ('SFTs'). It is calculated in both the trading and non-trading books and is the risk that a counterparty may default before settlement of the transaction.

HSBC JOH uses the SA CCR which takes the Fair value (Replacement cost) + Add-on which gives us the Exposure at default. Exposure values calculated under these approaches are used to determine RWAs.

Table 14: Analysis of counterparty credit risk (CCR) exposure by approach (CCR1)

	a	b	c	d	e	f
	Replacement cost	Potential future exposure	Effective EPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
	R'm	R'm	R'm	R'm	R'm	R'm
1 SA-CCR (for derivatives)	453	417		1,4	1 219	608
2 Internal Model Method (for derivatives and SFTs)				-	-	-
3 Simple Approach for credit risk mitigation (for SFTs)					-	-
4 Comprehensive Approach for credit risk mitigation (for SFTs)					1 823	761
5 Value-at-risk (VaR) for SFTs					-	-
6 Total						1 369

Table 15: Credit valuation adjustment (CVA) capital charge (CCR2)

	30-Jun-24	
	a	b
	EAD post-CRM	RWA
	R'm	R'm
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3x multiplier)	-	-
2 (ii) Stressed VaR component (including the 3x multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	591	189
4 Total subject to the CVA capital charge	591	189

Table 16: Standardised approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

	a	b	c	d	e	f	g	h	i
	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Regulatory portfolio									
Sovereigns	-	-	-	-	-	37	-	-	37
Non-central government public sector entities	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-
Banks	716	-	1 188	15	-	-	-	-	1 918
Securities firms	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	1 087	-	-	1 087
Regulatory retail portfolios	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	716	-	1 188	15	-	1 124	-	-	3 042

Market Risk

HSBC JOH has adopted the Standardised Approach in respect of positions held in the trading book, and currently calculates capital on the current market value of interest rate and foreign exchange instruments held in the Branch's trading books.

The objective of HSBC JOH's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Group's status as a premier provider of financial products and services.

The main market risk exposures in South Africa are:

- Foreign exchange - arising from sales and trading of foreign exchange products such as spots, forwards, swaps and options; and
- Interest rate - arising from rates trading activity, sale of interest rate products to clients and balance sheet management activity.

There were no material changes to the policies and practices for the management of market risk.

Table 17: Market risk under the standardised approach (SA) (MR1)

		a
		Capital requirement in standardised approach
1	General interest rate risk	13
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	1
5	Credit spread risk – non-securitisations	-
6	Credit spread risk – securitisations (non-correlation trading portfolio)	-
7	Credit spread risk – securitisation (correlation trading portfolio)	-
8	Default risk – non-securitisations	-
9	Default risk – securitisations (non-correlation trading portfolio)	-
10	Default risk – securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	Total	14

Abbreviations

AFS	Annual Financial Statements
ALCO	Asset and Liability Committee
BCBS	Basel Committee and Banking Supervision
CRA	Credit Risk Adjustments
CRM	Credit Risk Mitigation
CCR	Counterparty Credit Risk
CCF	Credit Conversion Factor
CRO	Chief Risk Officer
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
ECAs	Export Credit Agency
ECLs	Expected Credit Losses
ExCo	Executive Committee
HBEU	HSBC Bank plc
HSBC JOH	HSBC Bank plc-Johannesburg Branch
HQLA	Highly Qualifying Liquid Assets
IRB	Internal Rating Based
IRRBB	Interest Rate Risk in the Banking Book
IMM	Internal Model Method
LCR	Liquidity Coverage Ratio
MKTY	Markets Treasury
NSFR	Net Stable Ratio Funding
RMF	Risk Management Framework
RAS	Risk Appetite Statement
RMM	Risk Management Meeting
RWA	Risk Weighted Assets
SA-CCR	Standardised Counterparty Credit Risk
SFT	Securities Funding Transactions
WMR	Wholesale Market Risk