

HSBC Bank Australia Limited

Pillar 3 Disclosures at 31 December 2021 Consolidated Basis

Contents

	Page
Introduction	2
Purpose	2
Scope of application	2
Verification	2
HSBC Bank Australia Limited context	2
Frequency	2
Enquiries	2
Capital	3
Credit risk	6
COVID-19 support packages	6
General reserve for credit losses ('GRCL')	7
Securitisation	8
Liquidity coverage ratio disclosure	9
Net stable funding ratio disclosure	10

Appendices

	Page
I Reconciliation between detailed capital template and regulatory balance sheet	12
II Regulatory capital reconciliation	13

Tables

	Page
1 Capital disclosure template	3
3 Capital adequacy (consolidated)	5
4(A) Credit risk by gross credit exposure (consolidated)	6
4(B) Credit risk (consolidated)	6
4(C) General reserve for credit losses	7
5 Securitisation exposure	8
20 Liquidity coverage ratio disclosure	9
21 Net stable funding ratio disclosure	10

Introduction

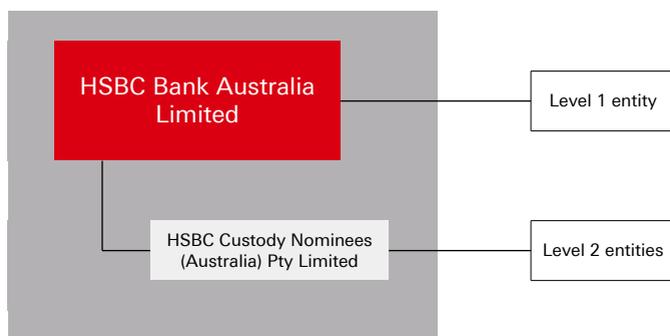
Purpose

This report has been prepared by HSBC Bank Australia Limited to meet its disclosure requirements under the Australian Prudential Regulation Authority's ('APRA') Prudential Standard APS 330: Public Disclosure. Figures contained within this report relate to quarter ended 31 December 2021 (unless otherwise stated).

Scope of application

For regulatory ('APRA') reporting purposes, HSBC Bank Australia Limited ('HBAU') establishes two levels of reporting; Level 1, which is HSBC Bank Australia Limited only, and Level 2, which is the consolidation of HSBC Bank Australia Limited and all its financial subsidiaries.

The Pillar 3 disclosures are based on Level 2 – Consolidated basis.



Verification

The Pillar 3 disclosures are not required to be audited by an external auditor. However, the disclosures have been appropriately verified internally and are consistent with information that is lodged or published elsewhere or that has been already supplied to APRA.

HSBC Bank Australia Limited context

HSBC is one of the world's largest banking and financial services organisations and therefore deals with multiple regulators in multiple jurisdictions around the world. HSBC Holdings plc, regulated by the Prudential Regulation Authority ('PRA') in the UK, operates under the Advanced Internal Ratings Based Approach ('IRB-A') for the majority of its Credit Risk, the Standardised Approach for Operational Risk and a mix of the Internal Models Approach and the Standardised Approach for Market Risk (since 1 January 2008).

The Hongkong and Shanghai Banking Corporation Limited regulated by the Hong Kong Monetary Authority ('HKMA') in Hong Kong, has adopted the IRB-A approach for Credit Risk, the Standardised approach for Operational Risk and both the Internal Models and Standardised approach for Market Risk as of 1 January 2009.

HBAU has adopted the APRA Standardised approach for Credit, Market and Operational Risks as of 1 January 2008.

Regulator	Institution	Credit risk	Operational risk	Market risk
APRA	HBAU	STD	STD (ASA)	STD
HKMA	HBAP	IRB-A	STD	IMA/STD
PRA	HSBC Holdings plc	IRB-A	STD	IMA/STD

IRB-A	= Internal Ratings Based – Advanced Approach for Credit Risk
IMA	= Internal Models Approach for Market Risk
STD	= Standardised Approach for either Credit, Market or Operational Risk
STD (ASA)	= Standardised Approach (Alternative Standardised Approach) for Operational Risk

Frequency

This report, comprising Capital Adequacy disclosures (Table 3), Credit Risk (Table 4), Securitisation Exposures (Table 5) and Liquidity Coverage Ratio Disclosure (Table 20) is released on a quarterly basis.

The Regulatory Capital Composition and Reconciliation (Table 1), Net Stable Funding Ratio (Table 21) and Remuneration disclosures (Table 18) are published annually as at 31 December balance sheet date and can be viewed on the HSBC website under the 'Financial disclosures' tab using the following link:

<https://www.about.hsbc.com.au/hsbc-in-australia>

The Bank's main features of capital instruments (Table 2) are updated on an ongoing basis and are available at the Regulatory Disclosures section of the Bank's website at the above address.

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Basel III Pillar 3 Disclosures at 31 December 2021

Capital

Capital disclosures detailed in the template below represent the post 1 January 2018 Basel III common disclosure requirements. HSBC Bank Australia Limited is applying the Basel III regulatory adjustments in full as implemented by APRA.

Table 1: Capital disclosure template

Ref		\$m	Reference to Appendix I	Reference to Appendix II
	Common equity tier 1 ('CET1') capital: instruments and reserves			
1	Directly issued qualifying ordinary shares (and equivalent for mutually owned entities) capital	811.0		E1
2	Retained earnings	1,723.5	Table A	
3	Accumulated other comprehensive income (and other reserves)	6.4	Table B	
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually owned companies)	–		
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	–		
6	Common equity tier 1 capital before regulatory adjustments	2,540.9		
	Common equity tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	–		
8	Goodwill (net of related tax liability)	58.7	Table C	
9	Other Intangibles other than mortgage servicing rights (net of related tax liability)	5.8	Table C	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–		
11	Cash flow hedge reserve	10.0		
12	Shortfall of provisions to expected losses	–		
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	–		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–		
15	Defined benefit superannuation fund net assets	–		
16	Investments in own shares (if not already netted off 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, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	–		
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–		
20	Mortgage service rights (amount above 10% threshold)	–		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–		
22	Amount exceeding the 15% threshold:	–		
23	– of which:			
	<i>significant investments in the ordinary shares of financial entities</i>	–		
24	<i>mortgage servicing rights</i>	–		
25	<i>deferred tax assets arising from temporary differences</i>	–		
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j):	183.6		
26a	– of which:			
	<i>treasury shares</i>	–		
26b	<i>offset to dividends declared due to a dividend reinvestment plan ('DRP'), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI</i>	–		
26c	<i>deferred fee income</i>	–		
26d	<i>equity investments in financial institutions not reported in rows 18, 19 and 23</i>	3.4		
26e	<i>deferred tax assets not reported in rows 10, 21 and 25</i>	116.7		A13
26f	<i>capitalised expenses</i>	63.5		
26g	<i>investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	–		
26h	<i>covered bonds in excess of asset cover in pools</i>	–		
26i	<i>undercapitalisation of a non-consolidated subsidiary</i>	–		
26j	<i>other national specific regulatory adjustments not reported in rows 26a to 26i</i>	–		
27	Regulatory adjustments applied to CET1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–		
28	Total regulatory adjustments to common equity tier 1	258.1		
29	Common equity tier 1 capital ('CET1')	2,282.8		
	Additional tier 1 ('AT1') capital: instruments			
30	Directly issued qualifying additional tier 1 instruments	400.0		
31	– of which:			
	<i>classified as equity under applicable accounting standards</i>	400.0		
32	<i>classified as liabilities under applicable accounting standards</i>	–		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	–		
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 AT1)	–		
35	– of which: <i>instruments issued by subsidiaries subject to phase out</i>	–		
36	Additional tier 1 capital before regulatory adjustments	400.0		

Table 1: Capital disclosure template (continued)

Ref		\$m	Reference to Appendix I	Reference to Appendix II
	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, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	–		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–		
41	National specific regulatory adjustments (rows 41a, 41b, 41c)	–		
41a	– of which:			
	<i>holdings of capital instruments in group members by other group members on behalf of third parties</i>	–		
41b	<i>investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40</i>	–		
41c	<i>other national specific regulatory adjustments not reported in rows 41a and 41b</i>	–		
42	Regulatory adjustments applied to additional tier 1 due to insufficient tier 2 to cover deductions	–		
43	Total regulatory adjustments to additional tier 1 capital	–		
44	Additional tier 1 capital	400.0		
45	Tier 1 capital (T1=CET1+AT1)	2,682.8		
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying tier 2 instruments	350.0		
47	Directly issued capital instruments subject to phase out from tier 2	–		
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: <i>instruments issued by subsidiaries subject to phase out</i>	–		
50	Provisions	77.8	Table D	
51	Tier 2 capital before regulatory adjustments	427.8		
	Tier 2 capital: regulatory adjustments			
52	Investments in own tier 2 instruments	–		
53	Reciprocal cross-holdings in tier 2 instruments	–		
54	Investments in the tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	–		
55	Significant investments in the tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	–		
56	National specific regulatory adjustments (rows 56a, 56b, 56c)	–		
56a	– of which:			
	<i>holdings of capital instruments in group members by other group members on behalf of third parties</i>	–		
56b	<i>investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	–		
56c	<i>other national specific regulatory adjustments not reported in rows 56a and 56b</i>	–		
57	Total regulatory adjustments to tier 2 capital	–		
58	Tier 2 capital (T2)	427.8		
59	Total capital (TC=T1+T2)	3,110.6		
60	Total risk-weighted assets based on APRA standards	21,350.1		
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	10.7%		
62	Tier 1 (as a percentage of risk-weighted assets)	12.6%		
63	Total Capital (as a percentage of risk-weighted assets)	14.6%		
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements, expressed as a percentage of risk-weighted assets)	7.0%		
65	– of which:			
	<i>capital conservation buffer requirement</i>	2.5%		
66	<i>ADI-specific countercyclical buffer requirements</i>	–		
67	<i>G-SIB buffer requirement (not applicable)</i>	–		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	10.7%		
	National minima (if different from Basel III)			
69	National common equity tier 1 minimum ratio (if different from Basel III minimum)	–		
70	National tier 1 minimum ratio (if different from Basel III minimum)	–		
71	National total capital minimum ratio (if different from Basel III minimum)	–		
	Amount below thresholds for deductions (not risk-weighted)			
72	Non-significant investments in the capital of other financial entities	3.4		
73	Significant investments in the ordinary shares of financial entities	–		
74	Mortgage servicing rights (net of related tax liability)	–		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	116.7		A13

Basel III Pillar 3 Disclosures at 31 December 2021

Table 1: Capital disclosure template (continued)

Ref		\$m	Reference to Appendix I	Reference to Appendix II
Applicable caps on the inclusion of provisions in tier 2				
76	Provisions eligible for inclusion in tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	77.8		
77	Cap on inclusion of provisions in tier 2 under standardised approach	227.6		
78	Provisions eligible for inclusion in tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–		
79	Cap for inclusion of provisions in tier 2 under internal ratings-based approach	–		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	–		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–		
82	Current cap on AT1 instruments subject to phase out arrangements	–		
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	–		
84	Current cap on T2 instruments subject to phase out arrangements	–		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–		

Table 3: Capital adequacy (consolidated)

	At 31 Dec 2021 \$m	At 30 Sep 2021 \$m
Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio		
Corporate	5,266.8	5,003.5
Government	–	–
Bank	485.1	570.5
Residential mortgage	11,578.7	11,172.2
Other retail	599.6	579.0
All other	261.9	305.6
Total Credit risk weighted assets (excluding securitisation)	18,192.1	17,630.8
Capital requirements (in terms of risk weighted assets) for securitisation	12.8	26.2
Capital requirements (in terms of risk-weighted assets) for market risk	174.2	120.3
Capital requirements (in terms of risk-weighted assets) for operational risk	2,971.0	2,864.7
Total risk-weighted assets	21,350.1	20,642.0
Capital ratios (for the consolidated banking group)		
Common equity tier 1 capital ratio (%)	10.7	11.1
Tier 1 capital ratio (%)	12.6	13.0
Total capital ratio (%)	14.6	15.0

Credit risk

Table 4(A): Credit risk by gross credit exposure (consolidated)

Exposure type	At 31 Dec 2021		At 30 Sep 2021	
	Total gross credit risk exposures	Average gross exposure over the period	Total gross credit risk exposures	Average gross exposure over the period
	\$m	\$m	\$m	\$m
Cash and liquid assets	307.5	236.0	164.4	174.5
Debt securities	10,453.3	10,934.9	11,416.5	10,792.2
Due from other financial institutions	5,367.8	4,676.1	3,984.4	4,028.4
Loans and advances	32,479.1	31,718.5	30,957.8	30,376.3
Derivatives	346.5	359.5	372.4	340.8
Contingent liabilities, commitments and other off-balance sheet exposures	8,691.0	9,507.5	10,323.9	9,836.2
Other assets	396.4	393.7	391.2	413.0
Total exposures	58,041.6	57,826.2	57,610.6	55,961.4
Portfolio type	At 31 Dec 2021		At 30 Sep 2021	
Corporate	6,571.4	6,360.5	6,149.5	5,862.9
Government	8,889.1	9,094.0	9,298.9	8,728.4
Bank	9,801.3	10,183.8	10,566.2	10,225.2
Residential mortgage	31,873.5	31,275.3	30,677.1	30,178.3
Other retail	632.4	619.5	606.7	636.2
All other	273.9	293.1	312.2	330.4
Total exposures	58,041.6	57,826.2	57,610.6	55,961.4

Note: Total exposures are based on local APRA definitions.

Table 4(B): Credit risk (consolidated)

Financial position	At 31 Dec 2021				3 months ended 31 Dec 2021	
	Impaired loans	Restructured loans	Past due loans >90 days ¹	Specific provisions	Net charges for specific provisions	Net write-offs ²
	\$m	\$m	\$m	\$m	\$m	\$m
Portfolios subject to standardised approach						
- corporate	62.4	—	2.6	65.6	(4.0)	—
- government	—	—	—	—	—	—
- bank	19.6	—	—	16.5	0.3	—
- residential mortgage	203.2	47.7	237.7	6.1	(3.8)	—
- other retail	—	8.3	13.6	32.1	1.1	3.3
- all other	—	—	—	—	—	—
Total	285.2	56.0	253.9	120.3	(6.4)	3.3
	At 30 Sep 2021				3 months ended 30 Sep 2021	
Portfolios subject to standardised approach						
- corporate	63.6	—	2.6	69.6	0.4	—
- government	—	—	—	—	—	—
- bank	19.7	—	—	16.2	0.8	—
- residential mortgage	210.5	22.0	251.1	9.9	0.8	—
- other retail	—	8.6	15.3	27.7	(5.5)	3.2
- all other	—	—	—	—	—	—
Total	293.8	30.6	269.0	123.4	(3.5)	3.2

¹ Includes individually and portfolio managed facilities.

² Net write-offs equal write-offs from individual provisions, write-offs direct from collective provisions less recoveries of amounts previously written off, for the three months.

COVID-19 support packages

HBAU is supporting customers during the COVID-19 pandemic with support packages that include repayment deferrals for a period of up to three months. As at 31 December 2021, there were 32 loans with a total value of \$0.99m that had been granted a repayment deferral and eligible for capital relief. Consistent with guidance issued by APRA, where a borrower who has been meeting their repayment obligations until recently chooses to take up the offer not to make repayments as part of a COVID-19 support package,

HBAU does not treat the period of the repayment holiday as a period of arrears. Similarly, loans that have been granted a repayment deferral as part of a COVID-19 support package are not regarded as restructured.

The temporary capital treatment, not to treat either the repayment holiday period as a period of arrears or the loan as restructured, is allowed by APRA until 31 December 2021. The normal capital treatment resumes from 1 January 2022.

General reserve for credit losses ('GRCL')

The GRCL represents a reserve created against the possibility of future credit losses (currently unidentified) prudently estimated but not certain to arise over the full life of all the individual facilities making up the business of HBAU.

For regulatory capital purposes, the difference between the GRCL and any accounting provisions deemed not to be regulatory specific provisions (the GRCL Shortfall) (net of tax) is deducted from Common Equity Tier 1 capital.

The General Reserve for Credit Losses is included in Tier 2 Capital.

Table 4(C): General reserve for credit losses

	At 31 Dec 2021 \$m	At 30 Sep 2021 \$m
General reserve for credit losses	77.8	58.9

Securitisation

Table 5: Securitisation exposure

Exposure type	31 Dec 2021		30 Sep 2021	
	Securitisation activity	Gain or loss on sale	Securitisation activity	Gain or loss on sale
	\$m	\$m	\$m	\$m
Residential Mortgage – third party originated	–	–	61.0	–
Credit cards – third party originated	–	–	35.6	–
Total	–	–	96.6	–

Securitisation exposure	At 31 Dec 2021		At 30 Sep 2021	
	On-balance sheet securitisation exposures retained or purchased	Off-balance sheet securitisation exposures	On-balance sheet securitisation exposures retained or purchased	Off-balance sheet securitisation exposures
	\$m	\$m	\$m	\$m
Securities held in the banking book	–	–	–	–
Liquidity facilities	–	9.5	–	10.3
Funding facilities	26.4	–	96.6	–
Swaps	–	40.3	–	44.4
Other	0.2	–	0.2	–
Total	26.6	49.8	96.8	54.7

Liquidity coverage ratio disclosure

The Liquidity Coverage Ratio ('LCR') aims to ensure that a bank has sufficient High Quality Liquid Assets ('HQLA') to meet its liquidity needs in a 30 calendar day severe liquidity stress scenario. HBAU follows guidelines set by APRA and is compliant with the minimum coverage ratio requirement of 100%. HBAU reported a weighted average LCR of 155.7% in the quarter ended 31 December 2021.

HBAU maintains a well-diversified and high quality liquid asset portfolio to support regulatory and internal requirements. Average liquid assets for the quarter were \$15.9bn, of which HQLA was \$13.1bn. HBAU's mix of liquid assets consists of HQLA, being cash, deposits with Central Bank, Australian Semi Government and Commonwealth Government Securities. Liquid assets also include repo-eligible securities with the Reserve Bank of Australia under the Committed Liquidity Facility ('CLF').

Funding sources to support business growth are primarily from customer deposits.

LCR Net Cash Outflows ('NCOs') represent the net cash flows that could potentially occur from on and off balance sheet activities within a 30-day severe liquidity stress scenario. The cash flows are calculated by applying APRA prescribed run-off factors to maturing debt, deposits and off balance sheet exposures offset by inflows from assets based on prescribed run-off factors.

Higher run-off factors are applied to sophisticated investors and depositors including long term and short term debt holders, financial institution and corporate depositors. Lower run-off factors are applied to deposits less likely to be withdrawn in a period of severe stress. These include deposits from people and from small and medium enterprises. Deposits from corporate and financial institutions, which are considered to be operational in nature, also attract a lower run-off.

Cash outflows arising from business activities that create contingent funding and collateral requirements, such as repo funding and derivatives and the extension of credit and liquidity facilities to customers, are also captured within the LCR calculation along with an allowance for debt buyback requests.

HBAU manages its LCR position on a daily basis, ensuring a buffer is maintained over the minimum regulatory requirement and the Board's risk appetite.

During the period of September 2021 to December 2021, the average LCR ratio has decreased by 16.4% from 172.1% to 155.7%. This was mainly attributable to increased net cash outflows of \$0.7bn driven by increased unsecured wholesale funding of \$0.7bn and decreased liquid assets of \$0.5bn driven by decreased alternative liquid assets of \$0.6bn partly offset by increased high-quality liquid assets of \$0.2bn.

Table 20: Liquidity coverage ratio disclosure

	At 31 Dec 2021		At 30 Sep 2021*	
	Total unweighted value (average) \$m	Total weighted value (average) \$m	Total unweighted value (average) \$m	Total weighted value (average) \$m
Liquid assets		15,927.1		16,383.5
1 – of which:				
high-quality liquid assets ('HQLA')		13,073.6		12,901.9
2 alternative liquid assets ('ALA')		2,853.5		3,481.6
3 Reserve Bank of New Zealand ('RBNZ') securities		–		–
Cash outflows		–		–
4 Retail deposits and deposits from small business customers	21,137.5	1,649.4	20,589.1	1,597.7
5 – of which:				
stable deposits	10,469.3	523.5	10,232.9	511.7
6 less stable deposits	10,668.2	1,125.9	10,356.2	1,086.0
7 Unsecured wholesale funding	17,488.6	7,636.0	16,651.0	6,955.9
8 – of which:				
operational deposits (all counterparties) and deposits in networks for cooperative banks	8,375.9	1,999.5	8,225.1	1,963.0
9 non-operational deposits (all counterparties)	9,112.7	5,636.5	8,425.9	4,992.9
10 unsecured debt	–	–	–	–
11 Secured wholesale funding	–	–	–	–
12 Additional requirements	7,249.1	729.7	7,010.5	682.3
13 – of which:				
outflows related to derivatives exposures and other collateral requirements	27.7	27.7	23.5	23.5
14 outflows related to loss of funding on debt products	0.3	0.3	–	–
15 credit and liquidity facilities	7,221.1	701.7	6,987.0	658.8
16 Other contractual funding obligations	342.2	338.4	400.3	397.1
17 Other contingent funding obligations	5,287.3	276.2	5,441.3	283.5
18 Total cash outflows		10,629.7		9,916.5
Cash inflows		–		–
19 Secured lending (e.g. reverse repos)	1,108.3	–	1,054.6	–
20 Inflows from fully performing exposures	633.2	379.8	596.1	358.3
21 Other cash inflows	22.5	22.5	38.1	38.1
22 Total cash inflows	1,764.0	402.3	1,688.8	396.4
23 Total liquid assets		15,927.1		16,383.5
24 Total net cash outflows		10,227.4		9,520.1
25 Liquidity coverage ratio (%)		155.7		172.1
Data points		63		65

* 30 Sep 2021 disclosure for LCR is restated to include an amount that is not material to the published Pillar 3 Disclosures for Sep 2021. The LCR Disclosure Template reflects the Basel standards and is calculated based on simple averages of daily observations over the previous quarter excluding weekends and public holidays.

Net stable funding ratio disclosure

The net stable funding ratio ('NSFR') is a regulatory metric that requires that Available Stable Funding ('ASF') be sufficient to cover Required Stable Funding ('RSF'). The NSFR seeks to encourage Authorised Deposit-Taking Institutions ('ADIs') to fund their business activities with more stable sources of funding on an ongoing basis, and thereby promote greater balance sheet resilience.

HBAU actively manages its NSFR position ensuring a buffer is maintained over the minimum regulatory requirement and the Board's risk appetite.

At 31 December 2021, HBAU's NSFR was 140.3%, down by 3.9% from September 2021.

The main sources of ASF at December 2021 were deposits from Retail and SME customers at 59%, wholesale funding at 31% and capital at 9% of the total ASF.

The majority of HBAU's RSF at December 2021 was driven by mortgages at 74% and lending to non-financial customers at 15% of the total RSF.

The tables below display the NSFR for HBAU as at 31 December 2021 and 30 September 2021.

Table 21: Net stable funding ratio disclosure

	At 31 Dec 2021					Weighted value \$m
	Un-weighted value by residual maturity					
	No maturity \$m	<6 months \$m	6 months to <1yr \$m	>=1yr \$m		
Available Stable Funding ('ASF') Item						
1 Capital	3,110.6	—	—	—		3,110.6
2 Regulatory capital	3,110.6	—	—	—		3,110.6
3 Other capital instruments	—	—	—	—		—
4 Retail deposits and deposits from small business customers	—	21,525.8	—	—		19,905.9
5 Stable deposits	—	10,655.4	—	—		10,122.5
6 Less stable deposits	—	10,870.4	—	—		9,783.4
7 Wholesale funding	—	21,272.0	1,111.5	1,889.6		10,275.0
8 Operational deposits	—	8,650.6	—	—		4,325.3
9 Other wholesale funding	—	12,621.4	1,111.5	1,889.6		5,949.7
10 Liabilities with matching interdependent assets	—	—	—	—		—
11 Other liabilities	432.5	272.6	—	—		183.3
12 NSFR derivative liabilities	—	—	—	—		—
13 All other liabilities and equity not included in the above categories	432.5	272.6	—	—		183.3
14 Total ASF						33,474.8
Required Stable Funding ('RSF') Item						
15(a) Total NSFR ('HQLA')	—	7,854.9	1,941.3	4,164.9		447.5
15(b) ALA	—	1,457.8	200.8	1,341.4		300.0
15(c) RBNZ securities	—	—	—	—		—
16 Deposits held at other financial institutions for operational purposes	—	—	—	—		—
17 Performing loans and securities	869.5	1,792.4	379.2	28,521.9		21,616.1
18 Performing loans to financial institutions secured by Level 1 HQLA	—	—	—	—		—
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	30.7	399.2	—	422.8		513.4
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities ('PSEs'), of which:	838.8	1,366.5	367.0	2,303.4		3,537.6
21 With a risk weight of less than or equal to 35% under APS 112	—	—	—	—		—
22 Performing residential mortgages, of which:	—	26.7	12.2	25,795.7		17,565.1
23 With a risk weight equal to 35% under APS 112	—	26.7	12.2	25,795.7		17,565.1
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	—	—	—	—		—
25 Assets with matching interdependent liabilities	—	—	—	—		—
26 Other assets:	369.0	—	—	722.7		1,091.3
27 Physical traded commodities, including gold	—	—	—	—		—
28 Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties ('CCPs')	—	—	—	3.3		2.8
29 NSFR derivative assets	—	—	—	32.0		32.0
30 NSFR derivative liabilities before deduction of variation margin posted	—	—	—	14.4		14.4
31 All other assets not included in the above categories	369.0	—	—	673.0		1,042.1
32 Off-balance sheet items	—	11,809.8	—	—		406.1
33 Total RSF						23,861.0
34 Net Stable Funding Ratio (%)						140.3

Basel III Pillar 3 Disclosures at 31 December 2021

Table 21: Net stable funding ratio disclosure (continued)

		At 30 Sep 2021				
		Un-weighted value by residual maturity				
		No maturity	<6 months	6 months to <1yr	>=1yr	Weighted value
		\$m	\$m	\$m	\$m	\$m
Available Stable Funding ('ASF') Item						
1	Capital	3,095.2	—	—	—	3,095.2
2	Regulatory capital	3,095.2	—	—	—	3,095.2
3	Other capital instruments	—	—	—	—	—
4	Retail deposits and deposits from small business customers	—	20,972.0	—	—	19,395.9
5	Stable deposits	—	10,422.2	—	—	9,901.1
6	Less stable deposits	—	10,549.8	—	—	9,494.8
7	Wholesale funding	—	21,965.5	53.1	1,942.0	9,889.1
8	Operational deposits	—	9,191.6	—	—	4,595.8
9	Other wholesale funding	—	12,773.9	53.1	1,942.0	5,293.3
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	436.8	341.0	—	—	189.5
12	NSFR derivative liabilities	—	—	—	—	—
13	All other liabilities and equity not included in the above categories	436.8	341.0	—	—	189.5
14	Total ASF					32,569.8
Required Stable Funding ('RSF') Item						
15(a)	Total NSFR ('HQLA')	—	7,540.0	1,359.8	4,199.6	457.8
15(b)	ALA	—	1,619.3	307.6	2,748.1	467.5
15(c)	RBNZ securities	—	—	—	—	—
16	Deposits held at other financial institutions for operational purposes	—	—	—	—	—
17	Performing loans and securities	824.8	2,446.0	325.0	26,247.9	20,011.4
18	Performing loans to financial institutions secured by Level 1 HQLA	—	1,182.7	—	—	118.4
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	26.0	63.6	—	444.6	480.1
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities ('PSEs'), of which:	798.8	1,186.0	311.3	2,017.5	3,142.5
21	With a risk weight of less than or equal to 35% under APS 112	—	—	—	—	—
22	Performing residential mortgages, of which:	—	13.7	13.7	23,785.8	16,270.4
23	With a risk weight equal to 35% under APS 112	—	13.7	13.7	23,785.8	16,270.4
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	—	—	—	—	—
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets:	339.3	—	—	911.9	1,235.8
27	Physical traded commodities, including gold	—	—	—	—	—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties ('CCPs')	—	—	—	102.5	87.1
29	NSFR derivative assets	—	—	—	—	—
30	NSFR derivative liabilities before deduction of variation margin posted	—	—	—	34.7	34.8
31	All other assets not included in the above categories	339.3	—	—	774.7	1,113.9
32	Off-balance sheet items	—	11,921.2	—	—	410.4
33	Total RSF					22,582.9
34	Net Stable Funding Ratio (%)					144.2

Appendix I

Reconciliation between detailed capital template and regulatory balance sheet

	\$m	Template reference
Table A		
Retained earnings		
Total per balance sheet	1,764.6	
Less increments in general reserve for credit losses deducted from retained earnings	(53.8)	
Add eligible deferred fee income recognised in regulatory capital	12.7	
Total common disclosure template – retained earnings	1,723.5	row 2
Table B		
Reserves		
Total per balance sheet	409.5	
Less additional tier 1 capital loan	(400.0)	
Less share-based payment reserve	(3.1)	
Total common disclosure template – other comprehensive income	6.4	row 3
Table C		
Goodwill & other intangibles		
Total per balance sheet	64.5	
Less capitalised software and other intangibles separately disclosed in template	(5.8)	
Total common disclosure template – goodwill	58.7	row 8
Other intangibles including capitalised software	5.8	
Less deferred tax liability associated with other intangibles	–	
Total common disclosure template – other intangibles	5.8	row 9
Table D		
Tier 2 eligible provisions		
Total included in balance sheet	24.0	
Exclude non-eligible provision per APS 220	–	
Add increments in general reserve for credit losses deducted from retained earnings	53.8	
Total common disclosure template – tier 2 eligible provisions	77.8	row 50

Appendix II

Regulatory capital reconciliation

The following table disclosure relates to the consolidated balance sheet of HSBC Bank Australia Limited and its subsidiaries, as published in its audited 31 December 2021 financial statements, and the balance sheet under level 2 regulatory scope of consolidation per APS 111.

	Statutory balance sheet		Level 2 regulatory balance sheet	
	\$m	Adjustments	\$m	Reconciliation table, common disclosure reference
Assets				
A1	5,012.0	–	5,012.0	
A2	14.8	–	14.8	
A3	–	–	–	
A4	171.2	–	171.2	
A5	10,045.8	–	10,045.8	
A6	33,572.4	–	33,572.4	
A8	–	–	–	
A10	54.3	–	54.3	
A11	–	–	–	
A12	64.5	–	64.5	Table C
A13	116.7	–	116.7	row 26e
A14	1,000.2	–	1,000.2	
	<i>– of which: other intangibles</i>	–	<i>5.8</i>	<i>row 9, Table C</i>
	Total assets	–	50,051.9	
Liabilities				
L1	41,954.3	–	41,954.3	
L2	706.8	–	706.8	
L3	139.3	–	139.3	
L6	–	–	–	
L7	118.7	–	118.7	
L9	3,747.7	–	3,747.7	
L10	400.0	–	400.0	
	<i>– of which:</i>			
	<i>qualifying additional tier 1 instruments</i>	–	<i>400.0</i>	<i>row 30</i>
	<i>qualifying tier 2 instruments</i>	–	–	
	Total liabilities	–	47,066.8	
	Net assets	–	2,985.1	
Equity				
Share capital				
E1	811.0	–	811.0	row 1
E2	–	–	–	
E3	409.5	–	409.5	Table B
	<i>– of which:</i>			
	<i>share based payment reserve</i>	–	<i>3.1</i>	
	<i>available for sale reserve – gain/(loss)</i>	–	<i>(3.3)</i>	<i>row 3</i>
	<i>cash flow hedge reserve – gain/(loss)</i>	–	<i>9.7</i>	<i>row 3</i>
E4	1,764.6	–	1,764.6	Table A
	Total equity	–	2,985.1	

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