

HSBC Bank Australia Limited

Pillar 3 Disclosures at 30 June 2018
Consolidated Basis

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Introduction

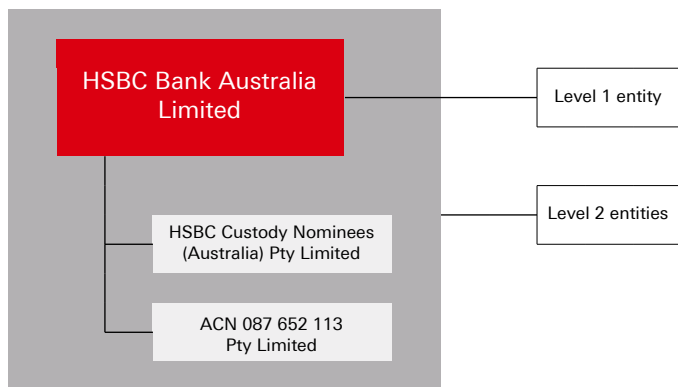
Purpose

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. It has been prepared using 30 June 2018 data.

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 have been appropriately verified internally and are consistent with information that has been subject to review by an external auditor and that is lodged or published elsewhere or that has been already supplied to APRA.

HBAU 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 ('HBAP'), 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) and Credit Risk and Securitisation Exposures (Tables 4 and 5), is released on a quarterly basis.

The Regulatory Capital Composition and Reconciliation (Table 1), Liquidity Coverage Ratio (Table 20) 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 'Regulatory disclosures' tab using the following link:

<http://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.

Enquiries

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Capital

Table 3: Capital adequacy (consolidated)

	At	
	30 Jun 2018 AUDm	31 Mar 2018 AUDm
Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio		
Corporate	6,431.3	6,900.8
Government	—	—
Bank	587.5	588.1
Residential mortgage	7,226.5	6,559.4
Other retail	962.1	980.3
All other	92.3	74.3
Risk-weighted assets – credit risk excluding securitisation	15,299.7	15,102.9
Securitisation	—	—
Total credit risk-weighted assets	15,299.7	15,102.9
Capital requirements (in terms of risk-weighted assets) for market risk	39.8	37.9
Capital requirements (in terms of risk-weighted assets) for operational risk	2,036.1	1,923.7
Total risk-weighted assets	17,375.6	17,064.5
Capital ratios (for the consolidated banking group)		
Common equity tier 1 capital ratio	10.3%	10.2%
Tier 1 capital ratio	11.7%	11.7%
Total capital ratio	13.7%	13.7%

Credit risk

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

Exposure type	At 30 Jun 2018		At 31 Mar 2018	
	Total gross credit risk exposures	Average gross exposure over the period	Total gross credit risk exposures	Average gross exposure over the period
Cash and liquid assets	83.6	168.0	252.3	153.3
Debt securities	8,722.9	8,413.9	8,104.9	7,691.7
Due from other financial institutions	2,055.1	1,994.6	1,934.0	1,782.0
Loans and advances	23,989.0	23,310.7	22,632.3	22,552.8
Derivatives	278.5	237.7	196.8	206.0
Contingent liabilities, commitments and other off-balance sheet exposures	7,405.4	7,221.8	7,038.1	7,010.2
Other assets	215.3	201.2	187.1	187.0
Total exposures	42,749.8	41,547.9	40,345.5	39,583.0
Portfolio type				
Corporate	8,374.8	8,492.3	8,609.8	8,712.1
Government	6,860.7	6,447.1	6,033.5	5,619.0
Bank	6,301.3	6,238.5	6,175.7	6,072.9
Residential mortgage	20,141.0	19,300.4	18,459.8	18,096.0
Other retail	982.5	991.7	1,000.8	1,015.6
All other	89.5	77.9	65.9	67.4
Total exposures	42,749.8	41,547.9	40,345.5	39,583.0

Note: Total exposures are based on local APRA definitions.

Table 4(B): Credit risk (consolidated)

	At 30 Jun 2018			3 months ended 30 Jun 2018		
	Impaired Loans AUDm	Restructured Loans AUDm	Past due loans >90 days ¹ AUDm	Specific provisions AUDm	Charges for specific provisions AUDm	Net write-offs ² AUDm
Financial position						
Portfolios subject to standardised approach						
- corporate	78.0	28.2	—	57.2	(0.3)	—
- government	—	—	—	—	—	—
- bank	19.2	—	—	17.2	—	—
- residential mortgage	44.5	1.6	53.3	6.5	(0.1)	—
- other retail	0.2	13.2	34.1	56.0	3.4	9.3
- all other	—	—	—	—	—	—
Total	141.9	43.0	87.4	136.9	3.0	9.3

	At 31 Mar 2018			3 months ended 31 Mar 2018		
Portfolios subject to standardised approach						
- corporate	83.9	27.5	—	56.1	0.8	—
- government	—	—	—	—	—	—
- bank	18.5	—	—	16.3	—	—
- residential mortgage	35.3	2.6	50.5	6.8	0.7	—
- other retail	0.1	12.0	34.6	51.2	4.2	8.7
- all other	—	—	—	—	—	—
Total	137.8	42.1	85.1	130.4	5.7	8.7

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 3 months.

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 HSBC Bank Australia Ltd.

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

	30 Jun 2018 AUDm	31 Mar 2018 AUDm
General reserve for credit losses	98.2	96.4

Securitisation

Securitisation exposures

No new securitisation or re-securitisation activity was undertaken during the June 2018 or March 2018 quarters relating to SPEs where the notes and receivables are owned by external parties.

There were no new on-balance sheet securitisation exposures retained or purchased during June 2018 or March 2018 quarters. This excludes originated securitisation exposures for contingent liquidity purposes where no capital relief is sought. In such instance loans are retained for regulatory capital and risk weighted in accordance to APS 112. HSBC Bank Australia Limited has no re-securitisation exposure currently or in the prior quarter.

Table 5: Securitisation exposures

	30 Jun 2018 Exposure amount AUDm	31 Mar 2018 Exposure amount AUDm
Off-balance sheet ¹		
- derivatives	—	—
- other	—	—
Total off balance sheet	—	—

¹ Credit equivalent value.

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