HSBC Bank Australia Limited

Pillar 3 Disclosures at 31 December 2020 Consolidated Basis

HSBC

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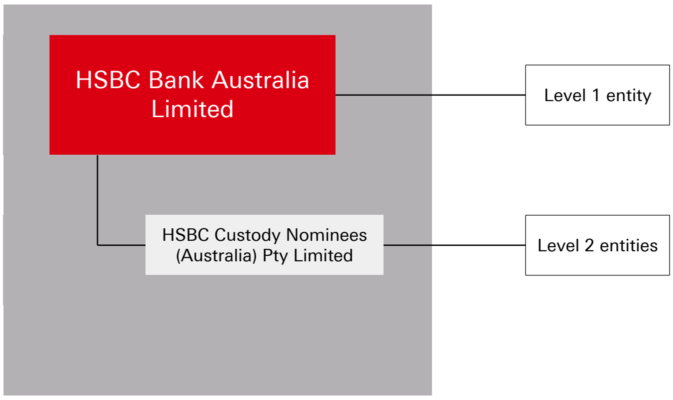
Purpose

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 2020 (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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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	**1,596.3**	Table A	
3	Accumulated other comprehensive income (and other reserves)	**34.4**	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**	**2,441.7**		
	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)	**11.6**	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	**(0.1)**		
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:* *significant investments in the ordinary shares of financial entities*	–		
24	*mortgage servicing rights*	–		
25	*deferred tax assets arising from temporary differences*	–		
26	National specific regulatory adjustments (rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j):	**146.5**		
26a	– *of which:* *treasury shares*	–		
26b	*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*	–		
26c	*deferred fee income*	–		
26d	*equity investments in financial institutions not reported in rows 18, 19 and 23*	***4.0***		
26e	*deferred tax assets not reported in rows 10, 21 and 25*	***101.6***		*A13*
26f	*capitalised expenses*	***40.9***		
26g	*investments in commercial (non-financial) entities that are deducted under APRA prudential requirements*	–		
26h	*covered bonds in excess of asset cover in pools*	–		
26i	*undercapitalisation of a non-consolidated subsidiary*	–		
26j	*other national specific regulatory adjustments not reported in rows 26a to 26i*	–		
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**	**216.7**		
29	**Common equity tier 1 capital ('CET1')**	**2,225.0**		
	Additional tier 1 ('AT1') capital: instruments			
30	Directly issued qualifying additional tier 1 instruments	**400.0**		
31	– *of which:* *classified as equity under applicable accounting standards*	***400.0***		
32	*classified as liabilities under applicable accounting standards*	–		
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: instruments issued by subsidiaries subject to phase out*	–		
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:* *holdings of capital instruments in group members by other group members on behalf of third parties*	–		
41b	*investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40*	–		
41c	*other national specific regulatory adjustments not reported in rows 41a and 41b*	–		
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)**	**2,625.0**		
	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: instruments issued by subsidiaries subject to phase out*	–		
50	Provisions	**68.5**	Table D	
51	**Tier 2 capital before regulatory adjustments**	**418.5**		
	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:* *holdings of capital instruments in group members by other group members on behalf of third parties*	–		
56b	*investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55*	–		
56c	*other national specific regulatory adjustments not reported in rows 56a and 56b*	–		
57	**Total regulatory adjustments to tier 2 capital**	–		
58	**Tier 2 capital (T2)**	**418.5**		
59	**Total capital (TC=T1+T2)**	**3,043.5**		
60	**Total risk-weighted assets based on APRA standards**	**18,869.6**		
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	**11.8%**		
62	Tier 1 (as a percentage of risk-weighted assets)	**13.9%**		
63	Total Capital (as a percentage of risk-weighted assets)	**16.1%**		
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:* *capital conservation buffer requirement*	***2.5%***		
66	*ADI-specific countercyclical buffer requirements*	***–%***		
67	*G-SIB buffer requirement (not applicable)*	–		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	**11.8%**		
	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	**4.0**		
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)	**101.6**		A13

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)	**68.5**		
77	Cap on inclusion of provisions in tier 2 under standardised approach	**200.7**		
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 2020 $m	At 30 Sep 2020 $m
Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio		
Corporate	**4,343.9**	4,587.7
Government	**–**	–
Bank	**485.6**	543.2
Residential mortgage	**10,229.4**	10,019.5
Other retail	**678.0**	666.4
All other	**311.2**	323.2
Total Credit risk weighted assets (excluding securitisation)	**16,048.1**	16,140.0
Capital requirements (in terms of risk weighted assets) for securitisation	**11.1**	37.7
Capital requirements (in terms of risk-weighted assets) for market risk	**35.1**	32.0
Capital requirements (in terms of risk-weighted assets) for operational risk	**2,775.3**	2,630.0
Total risk-weighted assets	**18,869.6**	18,839.7
Capital ratios (for the consolidated banking group)		
Common equity tier 1 capital ratio	**11.8%**	11.5%
Tier 1 capital ratio	**13.9%**	12.8%
Total capital ratio	**16.1%**	14.5%

Credit risk

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

	At 31 Dec 2020		At 30 Sep 2020	
	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
Exposure type				
Cash and liquid assets	**402.9**	**429.9**	456.9	332.7
Debt securities	**12,371.0**	**12,090.0**	11,809.0	12,224.5
Due from other financial institutions	**3,415.8**	**2,792.2**	2,168.5	2,226.4
Loans and advances	**29,136.8**	**29,182.0**	29,227.2	29,811.8
Derivatives	**298.2**	**263.1**	227.9	208.8
Contingent liabilities, commitments and other off-balance sheet exposures	**7,459.5**	**7,130.8**	6,802.0	7,382.5
Other assets	**429.8**	**441.3**	453.5	450.2
Total exposures	**53,514.0**	**52,329.3**	51,145.0	52,636.9
Portfolio type				
Corporate	**6,151.0**	**6,316.2**	6,481.5	6,535.1
Government	**10,603.8**	**10,329.1**	10,054.5	10,407.6
Bank	**7,514.3**	**6,622.0**	5,729.8	6,405.5
Residential mortgage	**28,226.3**	**28,041.3**	27,856.3	28,225.1
Other retail	**700.5**	**695.0**	689.6	711.6
All other	**318.1**	**325.7**	333.3	352.0
Total exposures	**53,514.0**	**52,329.3**	51,145.0	52,636.9

Note: Total exposures are based on local APRA definitions.

Table 4(B): Credit risk (consolidated)

	At 31 Dec 2020				3 months ended 31 Dec 2020	
	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
Financial position						
Portfolios subject to standardised approach						
– corporate	**45.0**	**–**	**3.6**	**53.7**	(7.7)	–
– government	**–**	**–**	**–**	**–**	–	–
– bank	**18.4**	**–**	**–**	**15.9**	(1.0)	–
– residential mortgage	**108.0**	**25.8**	**196.4**	**11.1**	(1.6)	–
– other retail	**–**	**15.6**	**16.2**	**35.7**	(10.3)	7.2
– all other	**–**	**–**	**–**	**–**	–	–
Total	**171.4**	**41.4**	**216.2**	**116.4**	(20.6)	7.2
	At 30 Sep 2020				3 months ended 30 Sep 2020	
Portfolios subject to standardised approach						
– corporate	82.5	28.0	0.7	61.4	(0.1)	–
– government	–	–	–	–	–	–
– bank	20.0	–	–	16.9	(0.3)	–
– residential mortgage	32.2	16.8	91.6	12.7	1.6	–
– other retail	–	5.2	18.2	38.8	(14.8)	(4.0)
– all other	–	–	–	–	–	–
Total	134.7	50.0	110.5	129.8	(13.6)	(4.0)

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 six months, with a review after three months. As at 31 December 2020, there were 2,146 loans with a total value of $350m that had been granted a repayment deferral. 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.

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 2020 $m	At 30 Sep 2020 $m
General reserve for credit losses	**68.5**	73.3

Securitisation

Table 5: Securitisation exposure

	At 31 Dec 2020		At 30 Sep 2020	
	Securitisation activity $m	**Gain or loss on sale $m**	Securitisation activity $m	Gain or loss on sale $m
Exposure type				
Residential Mortgage – ADI originated	**—**	**—**	996.1	—
Auto finance – third party originated	**—**	**—**	—	—
Credit cards	**—**	**—**	—	—
Total	**—**	**—**	996.1	—

	At 31 Dec 2020		At 30 Sep 2020	
	On-balance sheet securitisation exposures retained or purchased $m	**Off-balance sheet securitisation exposures $m**	On-balance sheet securitisation exposures retained or purchased $m	Off-balance sheet securitisation exposures $m
Securitisation exposure				
Securities held in the banking book	**—**	**—**	150.0	—
Liquidity facilities	**—**	**13.4**	—	14.9
Funding facilities	**—**	**—**	—	—
Swaps	**—**	**60.4**	—	69.8
Other	**0.2**	**—**	0.2	—
Total	**0.2**	**73.8**	150.2	84.7

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 206.4% in the quarter ended 31 December 2020.

HBAU maintains a well-diversified and high quality liquid asset portfolio to support regulatory and internal requirements. Average liquid assets for the quarter were $17.6bn, of which HQLA was $12.9bn. 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 and deposits offset by inflows of 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 2020 to December 2020, the average LCR ratio has increased by 26.4% from 180.0% to 206.4%. This was mainly attributable to increased liquid assets of $1.6bn comprised of high quality liquid assets of $1.4bn and alternative liquid assets of $0.2bn.

Table 20: Liquidity Coverage Ratio Disclosure

		At 31 Dec 2020		At 30 Sep 2020	
		Total unweighted value (average)	**Total weighted value (average)**	Total unweighted value (average)	Total weighted value (average)
		$m	**$m**	$m	$m
	Liquid assets		**17,609.0**		16,014.1
1	– *of which:*				
	high-quality liquid assets ('HQLA')		***12,946.3***		*11,581.9*
2	*alternative liquid assets ('ALA')*		***4,662.7***		*4,432.2*
3	Reserve Bank of New Zealand ('RBNZ') securities		**–**		–
	Cash outflows		**–**		–
4	Retail deposits and deposits from small business customers	**21,350.4**	**1,811.3**	21,004.8	1,781.7
5	– *of which:*				
	stable deposits	***10,212.6***	***510.6***	*10,176.7*	*508.8*
6	*less stable deposits*	***11,137.8***	***1,300.7***	*10,828.1*	*1,272.9*
7	Unsecured wholesale funding	**14,799.2**	**5,972.0**	15,310.1	6,423.8
8	– *of which:*				
	operational deposits (all counterparties) and deposits in networks for cooperative banks	***7,196.1***	***1,710.4***	*7,418.1*	*1,766.4*
9	*non-operational deposits (all counterparties)*	***7,603.1***	***4,261.6***	*7,892.0*	*4,657.4*
10	*unsecured debt*	**–**	**–**	–	–
11	Secured wholesale funding		**–**		–
12	Additional requirements	**6,756.0**	**659.3**	6,426.6	632.2
13	– *of which:*				
	outflows related to derivatives exposures and other collateral requirements	***27.9***	***27.9***	*60.1*	*60.1*
14	*outflows related to loss of funding on debt products*	**–**	**–**	–	–
15	*credit and liquidity facilities*	***6,728.1***	***631.4***	*6,366.5*	*572.1*
16	Other contractual funding obligations	**348.9**	**2.7**	343.3	2.8
17	Other contingent funding obligations	**5,909.0**	**445.3**	5,195.9	410.8
18	**Total cash outflows**		**8,890.6**		9,251.4
	Cash inflows				
19	Secured lending (e.g. reverse repos)	**–**	**–**	–	–
20	Inflows from fully performing exposures	**558.1**	**332.5**	566.6	327.4
21	Other cash inflows	**26.7**	**26.7**	26.3	26.3
22	**Total cash inflows**	**584.8**	**359.2**	592.9	353.7
23	**Total liquid assets**		**17,609.0**		16,014.1
24	**Total net cash outflows**		**8,531.4**		8,897.7
25	**Liquidity coverage ratio (%)**		**206.4**		180.0
	Data points		**63**		65

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 2020, HBAU's NSFR was 155.7%, up by 4.0% from September 2020.

The main sources of ASF at December 2020 were deposits from Retail and SME customers, at 62%, with wholesale funding at 28% and capital at 10% of the total ASF.

The majority of HBAU's RSF at December 2020 was driven by mortgages at 69% and lending to non-financial customers at 17% of the total RSF.

The tables below display the NSFR for HBAU as at 31 December 2020 and 30 September 2020.

Table 21: Net Stable Funding Ratio Disclosure

		At 31 Dec 2020				
		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	3,043.5	–	–	–	3,043.5
2	Regulatory capital	3,043.5			–	3,043.5
3	Other capital instruments	–			–	–
4	Retail deposits and deposits from small business customers	–	21,176.4	–	–	19,574.6
5	Stable deposits	–	10,316.4	–	–	9,800.5
6	Less stable deposits	–	10,860.0	–	–	9,774.1
7	Wholesale funding	–	19,671.0	45.6	1,676.1	8,791.2
8	Operational deposits	–	7,352.5	–	–	3,676.3
9	Other wholesale funding	–	12,318.5	45.6	1,676.1	5,114.9
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	447.9	403.4	–	–	224.9
12	NSFR derivative liabilities		181.2			
13	All other liabilities and equity not included in the above categories	447.9	222.2	–	–	224.9
14	**Total ASF**	3,491.4	41,250.8	45.6	1,676.1	31,634.2
Required Stable Funding ('RSF') Item						
15(a)	Total NSFR ('HQLA')	–	7,468.8	1,359.0	4,897.0	519.1
15(b)	ALA	–	1,569.4	433.7	4,010.0	601.3
15(c)	RBNZ securities	–	–	–	–	–
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities	1,214.6	1,226.5	298.6	22,955.8	17,751.1
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	28.3	123.2	–	239.2	286.0
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:	1,186.3	1,098.1	286.5	2,163.4	3,542.2
21	With a risk weight of less than or equal to 35% under APS 112	–	–	–	–	–
22	Performing residential mortgages, of which:	–	5.2	12.1	20,553.2	13,922.9
23	With a risk weight equal to 35% under APS 112	–	5.2	12.1	20,553.2	13,922.9
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:	319.1	–	–	758.1	1,058.2
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties ('CCPs')				127.2	108.1
29	NSFR derivative assets				–	–
30	NSFR derivative liabilities before deduction of variation margin posted				66.4	66.4
31	All other assets not included in the above categories	319.1	–	–	564.5	883.7
32	Off-balance sheet items		11,494.1			393.7
33	**Total RSF**	1,533.7	21,758.8	2,091.3	32,620.9	20,323.4
34	**Net Stable Funding Ratio (%)**					155.7

Table 21: Net Stable Funding Ratio Disclosure (continued)

		At 30 Sep 2020				
		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	2,716.1	—	—	—	2,716.1
2	Regulatory capital	2,716.1			—	2,716.1
3	Other capital instruments	—			—	—
4	Retail deposits and deposits from small business customers	—	21,433.2	—	—	19,802.0
5	Stable deposits	—	10,241.6	—	—	9,729.6
6	Less stable deposits	—	11,191.6	—	—	10,072.4
7	Wholesale funding	—	18,894.5	55.5	1,045.1	7,826.9
8	Operational deposits	—	7,178.0	—	—	3,589.0
9	Other wholesale funding	—	11,716.5	55.5	1,045.1	4,237.9
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	454.0	376.3	—	—	233.9
12	NSFR derivative liabilities		140.2			
13	All other liabilities and equity not included in the above categories	454.0	236.1	—	—	233.9
14	Total ASF	3,170.1	40,704.0	55.5	1,045.1	30,578.9
Required Stable Funding ('RSF') Item						
15(a)	Total NSFR ('HQLA')	—	3,429.0	3,776.1	4,695.0	489.3
15(b)	ALA	—	1,656.2	251.5	4,330.8	623.9
15(c)	RBNZ securities	—	—	—	—	—
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities	1,431.7	1,407.0	352.1	22,745.2	17,736.7
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	301.4	111.4	26.0	283.7	614.8
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:	1,130.3	1,283.1	323.5	2,138.7	3,584.7
21	With a risk weight of less than or equal to 35% under APS 112	—	—	—	—	—
22	Performing residential mortgages, of which:	—	12.5	2.6	20,322.8	13,537.2
23	With a risk weight equal to 35% under APS 112	—	12.5	2.6	20,322.8	13,537.2
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:	325.0	—	—	618.0	922.2
27	Physical traded commodities, including gold					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties ('CCPs')				137.9	117.3
29	NSFR derivative assets				—	—
30	NSFR derivative liabilities before deduction of variation margin posted				58.3	58.3
31	All other assets not included in the above categories	325.0	—	—	421.8	746.6
32	Off-balance sheet items		11,357.6			386.3
33	Total RSF	1,756.7	17,849.8	4,379.7	32,389.0	20,158.4
34	Net Stable Funding Ratio (%)					151.7

Appendix I

Reconciliation between detailed capital template and regulatory balance sheet

	$m	Template reference
Table A		
Retained earnings		
Total per balance sheet	**1,614.2**	
Less increments in general reserve for credit losses deducted from retained earnings	**(27.2)**	
Add eligible deferred fee income recognised in regulatory capital	**9.3**	
Total common disclosure template – retained earnings	**1,596.3**	row 2
Table B		
Reserves		
Total per balance sheet	**439.2**	
Less additional tier 1 capital loan	**(400.0)**	
Less share-based payment reserve	**(4.8)**	
Total common disclosure template – other comprehensive income	**34.4**	row 3
Table C		
Goodwill & other intangibles		
Total per balance sheet	**70.3**	
Less capitalised software and other intangibles separately disclosed in template	**(11.6)**	
Total common disclosure template – goodwill	**58.7**	row 8
Other intangibles including capitalised software	**11.6**	
Less deferred tax liability associated with other intangibles	**–**	
Total common disclosure template – other intangibles	**11.6**	row 9
Table D		
Tier 2 eligible provisions		
Total included in balance sheet	**41.2**	
Exclude non-eligible provision per APS 220	**–**	
Add increments in general reserve for credit losses deducted from retained earnings	**27.3**	
Total common disclosure template – tier 2 eligible provisions	**68.5**	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 2020 financial statements, and the balance sheet under level 2 regulatory scope of consolidation per APS 111.

		Statutory balance sheet	Adjustments	Level 2 regulatory balance sheet	Reconciliation table, common disclosure reference
		$m	$m	$m	
	Assets				
A1	Cash and liquid assets	**3,342.6**	–	**3,342.6**	
A2	Receivables due from other financial institutions	**16.8**	–	**16.8**	
A3	Trading securities	–	–	–	
A4	Derivative assets	**178.7**	–	**178.7**	
A5	Investment securities	**12,060.7**	–	**12,060.7**	
A6	Loans, bills discounted and other receivables	**30,232.2**	–	**30,232.2**	
A8	Investment in regulatory non-consolidated subsidiaries	–	–	–	
A10	Property, plant and equipment	**48.8**	–	**48.8**	
A11	Investment in associates	–	–	–	
A12	Intangible assets	**70.3**	–	**70.3**	Table C
A13	Deferred tax assets	**101.6**	–	**101.6**	row 26e
A14	Other assets	**984.6**	–	**984.6**	
	of which: other intangibles	***11.6***	–	***11.6***	*row 9, Table C*
	Total assets	**47,036.3**	–	**47,036.3**	
	Liabilities				
L1	Deposits and other borrowings	**39,507.4**	–	**39,507.4**	
L2	Payables due to other financial institutions	**632.2**	–	**632.2**	
L3	Derivative liabilities	**359.9**	–	**359.9**	
L6	Income tax liabilities	–	–	–	
L7	Provisions	**121.6**	–	**121.6**	
L9	Payables and other liabilities	**3,150.8**	–	**3,150.8**	
L10	Loan capital	**400.0**	–	**400.0**	
	– *of which:*				
	qualifying additional tier 1 instruments	***400.0***	–	***400.0***	*row 30*
	qualifying tier 2 instruments	–	–	–	
	Total liabilities	**44,171.9**	–	**44,171.9**	
	Net assets	**2,864.4**	–	**2,864.4**	
	Equity				
	Share capital				
E1	Ordinary share capital	**811.0**	–	**811.0**	row 1
E2	Other equity instruments	–	–	–	
E3	Reserves	**439.2**	–	**439.2**	Table B
	– *of which:*				
	share based payment reserve	***4.8***		***4.8***	
	available for sale reserve – gain/(loss)	***34.5***		***34.5***	*row 3*
	cash flow hedge reserve – gain/(loss)	***(0.1)***		***(0.1)***	*row 3*
E4	Retained profits	**1,614.2**	–	**1,614.2**	Table A
	Total equity	**2,864.4**	–	**2,864.4**	

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