

HSBC Bank Australia Limited

Pillar 3 Disclosures at 31 March 2024
Consolidated Basis

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Introduction

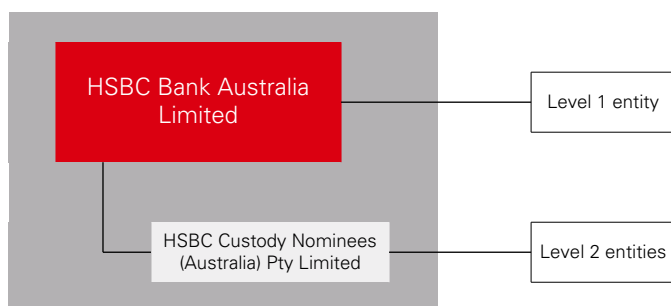
Purpose

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. Figures contained within this report relate to quarter ended 31 March 2024 (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.

Enquiries

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Capital

Table 3: Capital adequacy (consolidated)

	At 31 Mar 2024 \$m	At 31 Dec 2023 \$m
Capital requirements (in terms of risk-weighted assets) for credit risk by portfolio		
Corporate	6,048.7	6,011.7
Government	—	—
Bank	403.1	380.1
Residential mortgage	11,876.6	11,791.9
Other retail	846.9	885.0
All other	281.6	270.6
Total Credit risk weighted assets (excluding securitisation)	19,456.9	19,339.3
Capital requirements (in terms of risk-weighted assets) for securitisation	12.7	13.5
Capital requirements (in terms of risk-weighted assets) for market risk	131.5	47.8
Capital requirements (in terms of risk-weighted assets) for operational risk	1,940.8	1,756.4
Total risk-weighted assets	21,541.9	21,157.0
Capital ratios (for the consolidated banking group)		
Common equity tier 1 capital ratio (%)	12.2	12.1
Tier 1 capital ratio (%)	14.1	14.0
Total capital ratio (%)	15.8	15.9

Securitisation

Table 5: Securitisation exposure

Exposure type	31 Mar 2024		31 Dec 2023	
	Securitisation activity	Gain or loss on sale	Securitisation activity	Gain or loss on sale
	\$m	\$m	\$m	\$m
Residential mortgages – ADI originated	—	—	—	—
Credit cards – third party originated	—	—	—	—
Total	—	—	—	—

Securitisation exposure	At 31 Mar 2024		At 31 Dec 2023	
	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	—	22.8	—	24.2
Funding facilities	5.1	—	5.6	—
Swaps	—	56.5	—	60
Other	2.5	—	2.5	—
Total	7.5	79.3	8.1	84.2

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 158.8% in the quarter ended 31 March 2024.

HBAU maintains a well-diversified and high quality liquid asset portfolio to support regulatory and internal requirements. Average liquid assets for the quarter were \$16.8bn. HBAU's mix of liquid assets consist of cash, deposits with Central Bank, Australian Semi Government and Commonwealth Government Securities.

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 December 2023 to March 2024, the average LCR ratio has decreased by 2% from 160.8% to 158.8%. This was mainly driven by decrease in high-quality liquid assets of \$0.5bn. The impact has partially offset by decrease in net cash outflow of \$0.2bn driven by decreased unsecured wholesale funding of \$0.29bn.

HBAU monitors LCR for material currencies. Limits are set to ensure that outflows can be met. This continuous monitoring helps with overall management of currency exposures, in line with our internal framework.

Table 20: Liquidity coverage ratio disclosure

	At 31 Mar 2024		At 31 Dec 2023	
	Total unweighted value (average) \$m	Total weighted value (average) \$m	Total unweighted value (average) \$m	Total weighted value (average) \$m
Liquid assets		16,793.0		17,328.4
1 – of which:				
<i>high-quality liquid assets ('HQLA')</i>		16,793.0		17,328.4
2 <i>alternative liquid assets ('ALA')</i>		–		–
3 <i>Reserve Bank of New Zealand ('RBNZ') securities</i>		–		–
Cash outflows				
4 Retail deposits and deposits from small business customers	22,848.4	2,090.9	22,833.5	2,107.0
5 – of which:				
<i>stable deposits</i>	10,220.9	511.0	10,179.3	509.0
6 <i>less stable deposits</i>	12,627.5	1,579.9	12,654.2	1,598.0
7 Unsecured wholesale funding	18,601.8	7,557.6	18,643.1	7,845.0
8 – of which:				
<i>operational deposits (all counterparties) and deposits in networks for cooperative banks</i>	9,537.0	2,287.3	9,564.6	2,294.5
9 <i>non-operational deposits (all counterparties)</i>	9,064.8	5,270.3	9,078.5	5,550.5
10 <i>unsecured debt</i>	–	–	–	–
11 Secured wholesale funding		–		–
12 Additional requirements	8,651.7	1,079.3	8,328.8	955.2
13 – of which:				
<i>outflows related to derivatives exposures and other collateral requirements</i>	337.7	337.7	226.6	226.6
<i>outflows related to loss of funding on debt products</i>	0.4	0.4	0.6	0.6
<i>credit and liquidity facilities</i>	8,313.6	741.2	8,101.6	728.0
16 Other contractual funding obligations	93.6	88.0	94.8	90.6
17 Other contingent funding obligations	4,853.4	399.2	4,850.2	393.5
18 Total cash outflows		11,215.0		11,391.3
Cash inflows				
19 Secured lending (e.g. reverse repos)	2,997.6	–	3,966.6	–
20 Inflows from fully performing exposures	936.6	551.5	940.7	550.1
21 Other cash inflows	90.9	90.9	66.4	66.4
22 Total cash inflows	4,025.1	642.4	4,973.7	616.5
23 Total liquid assets		16,793.0		17,328.4
24 Total net cash outflows		10,572.6		10,774.8
25 Liquidity coverage ratio (%)		158.8		160.8
Data points		62		62

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.

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