

HSBC Bank Australia Limited

Pillar 3 Disclosures at 31 March 2025
Consolidated Basis

Contents

2	Introduction
2	Purpose
2	Scope of application
2	Basis of preparation
2	Capital management strategy
2	Frequency and availability of disclosures
2	Verification
2	Attestation
3	Overview of Key Prudential Metrics
4	Overview of Risk-Weighted Assets ('RWAs')
5	Liquidity Coverage Ratio

Tables

3	KM1: Key metrics (at consolidated group level)
4	OV1: Overview of risk-weighted assets ('RWAs')
5	LIQ1: Liquidity coverage ratio ('LCR')

Introduction

Purpose

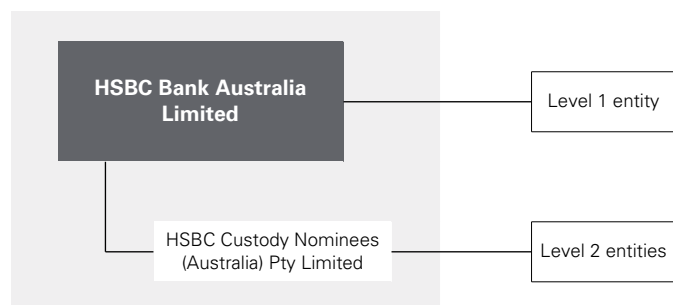
HSBC Bank Australia Limited ('HBAU') is an Authorised Deposit-taking Institution ('ADI') regulated by the Australian Prudential Regulation Authority ('APRA'), under the authority of the Banking Act 1959.

This report has been prepared by HBAU to meet its disclosure requirements under APRA's revised prudential standard APS 330: Public Disclosure ('APS 330') effective 1 January 2025, which integrated APS 330 disclosure requirements with the Basel Committee on Banking Supervision ('BCBS Standard') titled 'Disclosure requirements', with some national specific modifications.

Scope of application

For regulatory reporting purposes, HBAU establishes two levels of reporting; Level 1, which is HBAU on stand-alone basis, and Level 2, which is the consolidation of HBAU and all its subsidiaries ('Consolidated basis').

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



Basis of preparation

This report has been prepared in accordance with the quarterly templates and tables as set out in the BCBS Standard, subject to the modifications specified in APS 330.

The amounts presented in this report are for the quarter ended 31 March 2025. Unless otherwise stated, all amounts are reported in Australian dollars and the abbreviation '\$m' is used to represent millions.

Capital management strategy

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

The Bank's capital management strategy aims to ensure adequate capital levels are maintained and capital is measured and managed in line with Prudential Standards issued by APRA. The Bank's Internal Capital Adequacy Assessment Process ('ICAAP') provides the framework to ensure that the Bank is capitalised to meet internal capital targets and APRA's requirements. The ICAAP is reviewed regularly and the Bank's capital position is monitored on a continuous basis.

Frequency and availability of disclosures

The quarterly, semi-annual and annual Pillar 3 disclosures for HBAU can be viewed under the 'Financial disclosures' tab at <https://www.about.hsbc.com.au/hsbc-in-australia>.

In addition, the Bank's main features of capital instruments are updated on an ongoing basis and are available at the Regulatory Disclosures section of HBAU's website referenced in the paragraph above.

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.

Attestation

As the Chief Financial Officer of HSBC Bank Australia Limited, I attest that the information presented in this Pillar 3 report has been prepared by HSBC Bank Australia Limited to meet its disclosure requirements set out in APRA's prudential standard APS 330 'Public Disclosure' (APS 330) and has been prepared in accordance with our policy and procedure on disclosure controls and prudential disclosures.

Lettina Evans
Chief Financial Officer

29 May 2025

Overview of Key Prudential Metrics

KM1: Key metrics (at consolidated group level)

	31 Mar 2025 \$m	31 Dec 2024 \$m	30 Sep 2024 \$m	30 Jun 2024 \$m	31 Mar 2024 \$m
Available capital (amounts)					
1 Common Equity Tier 1 ('CET1')	2,602.7	2,523.1	2,538.6	2,403.7	2,633.1
2 Tier 1	3,002.7	2,923.1	2,938.6	2,803.7	3,033.1
3 Total capital	3,370.5	3,291.8	3,304.3	3,171.2	3,402.9
Risk-weighted assets (amounts)					
4 Total risk-weighted assets ('RWAs')	21,768.8	21,697.4	21,351.6	21,203.0	21,541.9
Risk-based capital ratios as a percentage of RWAs					
5 CET1 ratio (%)	12.0	11.6	11.9	11.3	12.2
6 Tier 1 ratio (%)	13.8	13.5	13.8	13.2	14.1
7 Total capital ratio (%)	15.5	15.2	15.5	15.0	15.8
Additional CET1 buffer requirements as a percentage of RWAs					
8 Capital conservation buffer requirement (2.5% from 2019) (%) ¹	2.5	2.5	2.5	2.5	2.5
9 Countercyclical buffer requirement (%)	0.98	0.98	0.98	0.98	0.98
10 Bank G-SIB and/or D-SIB additional requirements (%) ²	N/A	N/A	N/A	N/A	N/A
11 Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	3.5	3.5	3.5	3.5	3.5
12 CET1 available after meeting the bank's minimum capital requirements (%) ³	7.5	7.1	7.4	6.8	7.7
Basel III Leverage ratio					
13 Total Basel III leverage ratio exposure measure ⁴	N/A	N/A	N/A	N/A	N/A
14 Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) ⁴	N/A	N/A	N/A	N/A	N/A
Liquidity Coverage Ratio ('LCR')					
15 Total high-quality liquid assets ('HQLA')	20,155.6	18,629.5	17,437.6	16,827.1	16,793.0
16 Total net cash outflow	11,311.5	11,012.5	10,309.4	10,110.9	10,572.6
17 LCR ratio (%)	178.2	169.2	169.1	166.4	158.8
Net Stable Funding Ratio ('NSFR')					
18 Total available stable funding	44,638.4	44,841.2	43,150.7	42,127.4	40,395.6
19 Total required stable funding	30,443.0	30,542.6	30,832.6	30,788.7	29,046.8
20 NSFR ratio (%)	146.6	146.8	140.0	136.8	139.1

1 Total of 2.5% capital conservation buffer requirement for Standardised Approach deposit-taking institutions per APRA Prudential Standard 110 ('APS 110').

2 Not required as HBAU is not Global Systematically Important Bank ('G-SIB') and/or Domestic Systematically Important Bank ('D-SIB').

3 Calculated as the difference between CET1 ratio and the minimum CET1 requirement of 4.5% per APS 110.

4 Not required for Standardised Approach authorised deposit-taking institutions.

Overview of Risk-Weighted Assets ('RWAs')

Table OV1 below presents an overview of RWAs and minimum capital requirements by risk categories and calculation approaches. The minimum capital requirement is calculated as 8% of RWAs. Further details regarding the relevant reporting items are provided in the respective tables or sections within this report.

Total RWAs increased by \$71.4m during the March 2025 quarter and the primary drivers were as follows:

- Operational Risk RWA is calculated based on APRA requirements under APS115 Paragraph 15 to 22, which is based on annual average value over the most recent 3-year profitability on net interest, net fee and commission, and net trading and banking book revenue components. The current year increase is driven by an increase in the 3-year annual average profitability due to higher net interest income.

Partially offset by:

- Credit risk RWAs decreased by \$60.4m as result of lower drawn balances across the wholesale portfolio, offset by an increase in the retail secured lending portfolio from growth in mortgage lending volumes.
- Counterparty credit risk ('CCR') RWAs decreased by \$47.2m driven by lower trading volumes in foreign exchange derivatives and futures.

OV1: Overview of risk-weighted assets ('RWAs')

	RWAs		Minimum capital requirements
	31 Mar 2025 \$m	31 Dec 2024 \$m	31 Mar 2025 \$m
1 Credit risk (excluding counterparty credit risk)	19,393.2	19,453.6	1,551.5
2 – of which: standardised approach ('SA')	19,393.2	19,453.6	1,551.5
6 Counterparty credit risk ('CCR')	102.0	149.2	8.2
7 – of which: standardised approach for counterparty credit risk	102.0	149.2	8.2
10 Credit valuation adjustment ('CVA')	13.7	15.9	1.1
16 Securitisation exposures in banking book	23.6	25.2	1.9
18 – of which: securitisation external ratings-based approach ('SEC-ERBA'), including internal assessment approach ('IAA')	—	0.6	—
19 – of which: securitisation standardised approach ('SEC-SA')	23.6	24.6	1.9
20 Market risk	39.8	112.7	3.2
21 – of which: standardised approach ('SA')	39.8	112.7	3.2
24 Operational risk	2,196.5	1,940.8	175.7
29 Total (1 + 6 + 10 + 16 + 20 + 24)	21,768.8	21,697.4	1,741.6

Liquidity Coverage Ratio

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 178.2% in the quarter ended 31 March 2025.

HBAU maintains a well-diversified and high-quality liquid asset portfolio to support regulatory and internal requirements. Average liquid assets for the quarter were \$20,155.6m. HBAU's mix of liquid assets consist of cash, deposits with the Central Bank, Australian Semi Government and Commonwealth Government Securities.

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

LCR Net Cash Outflows ('NCOs') represent the net cash inflows and outflows 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 retail customers and corporate and financial institutions, which are considered to be operational in nature.

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 2024 to March 2025, the average LCR ratio has increased by 9.0% from 169.2% to 178.2%. This was mainly driven by increase in high-quality liquid assets of \$1,526.1m.

HBAU monitors the LCR for its 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.

LIQ1: Liquidity coverage ratio ('LCR')

		At 31 Mar 2025		At 31 Dec 2024	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
		\$m	\$m	\$m	\$m
Liquid assets					
1	High-quality liquid assets ('HQLA')		20,155.6		18,629.5
AU-1(a)	Alternative liquid assets ('ALA')		—		—
AU-1(b)	Reserve Bank of New Zealand ('RBNZ') securities		—		—
Cash outflows					
2	Retail deposits and deposits from small business customers, of which:	21,722.5	1,876.7	20,946.9	1,802.4
3	Stable deposits	10,410.4	520.5	10,066.1	503.3
4	Less stable deposits	11,312.1	1,356.2	10,880.8	1,299.1
5	Unsecured wholesale funding, of which:	19,732.3	8,180.9	19,302.6	8,010.0
6	Operational deposits (all counterparties) and deposits in networks for cooperative banks	9,991.2	2,397.3	9,636.3	2,310.1
7	Non-operational deposits (all counterparties)	9,741.1	5,783.6	9,666.3	5,699.9
8	Unsecured debt	—	—	—	—
9	Secured wholesale funding		—		31.7
10	Additional requirements, of which:	9,495.1	1,229.6	9,166.0	1,226.5
11	Outflows related to derivatives exposures and other collateral requirements	418.6	418.6	445.5	445.5
12	Outflows related to loss of funding on debt products	0.9	0.9	0.9	0.9
13	Credit and liquidity facilities	9,075.6	810.1	8,719.6	780.1
14	Other contractual funding obligations	154.0	148.6	162.9	157.2
15	Other contingent funding obligations	4,432.7	454.7	4,606.3	429.5
16	Total cash outflows		11,890.5		11,657.3
Cash inflows					
17	Secured lending (e.g. reverse repos)	751.0	—	1,494.6	—
18	Inflows from fully performing exposures	888.5	523.9	900.3	542.2
19	Other cash inflows	55.1	55.1	102.6	102.6
20	Total cash inflows	1,694.6	579.0	2,497.5	644.8
		Total adjusted value		Total adjusted value	
21	Total HQLA		20,155.6		18,629.5
22	Total net cash outflows		11,311.5		11,012.5
23	Liquidity Coverage Ratio (%)		178.2		169.2

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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