

# Australian bank capital

November 2022

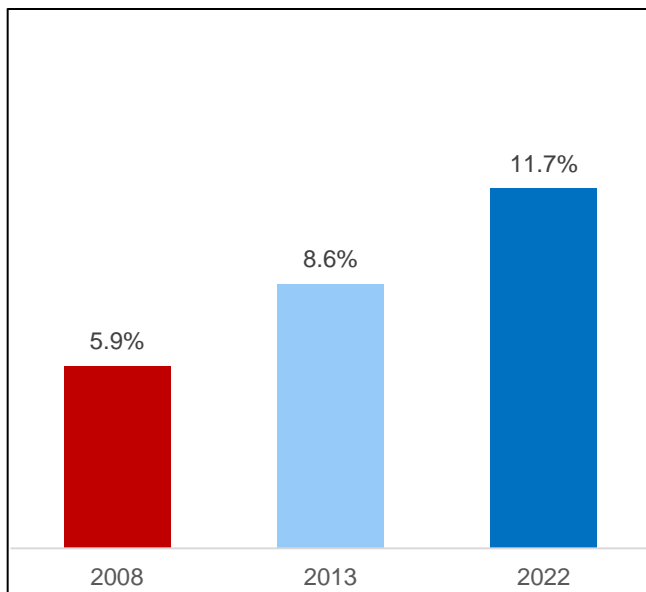
Presented by HSBC:

- Danny Fischer
- Jared Cohen

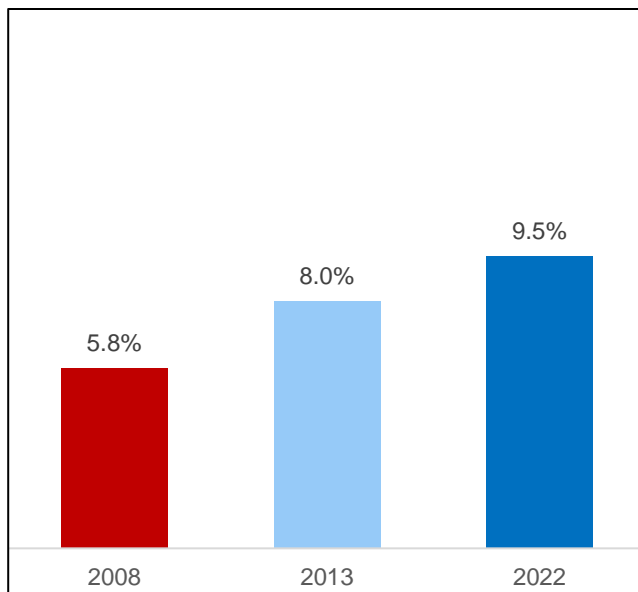


# Australian banks' CET1 ratios (Level 2)

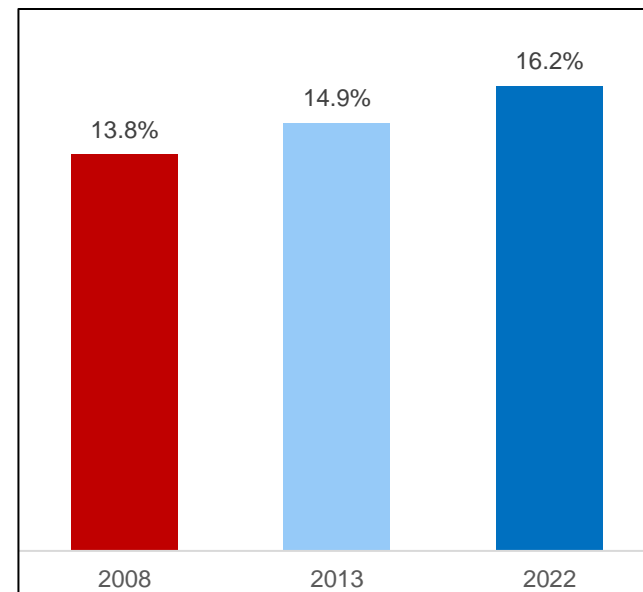
**Major banks**  
(average of four majors)





**Regional banks**  
(average of three listed banks)




**Mutual banks**  
(average of three largest mutuals)



 As per APRA's prevailing Basel II regulations in 2008, calculated as (Fundamental Capital less Tier 1 deductions) divided by RWAs

 As per APRA's prevailing Basel III regulations in 2013

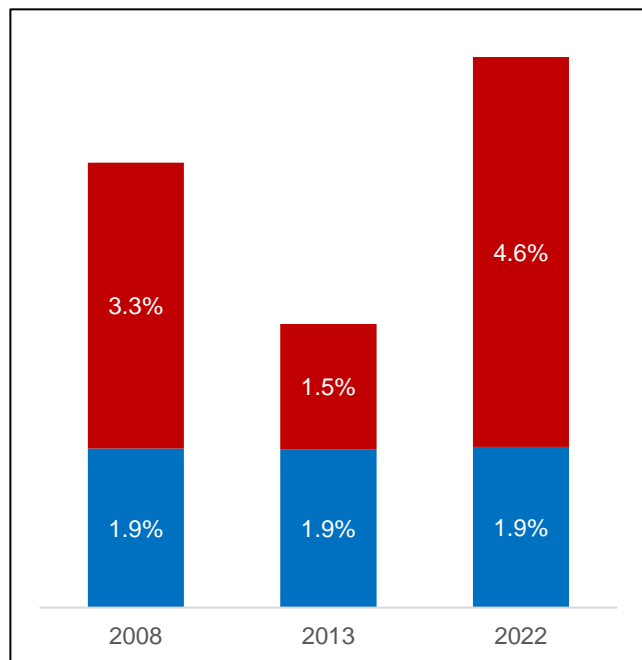
 As per APRA's prevailing Basel III regulations in 2022



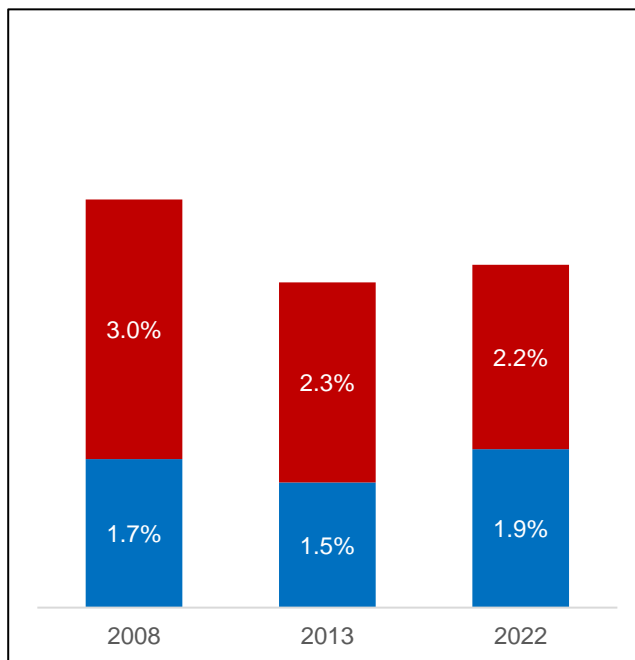
Sources: Company disclosure. Ratios as at each bank's financial year-end.

# Australian banks' hybrid capital (Level 2)

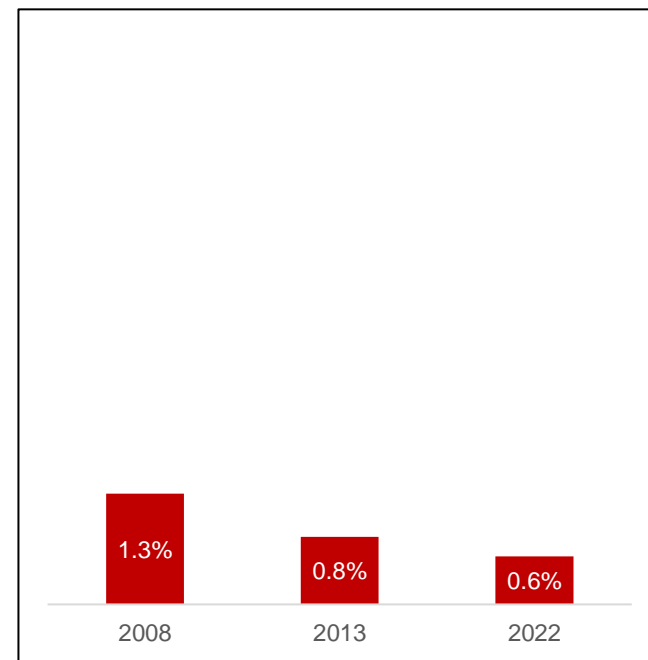
**Major banks**  
(average of four majors)



**Regional banks**  
(average of three listed banks)



**Mutual banks**  
(average of three largest mutuals)



Tier 2 Capital

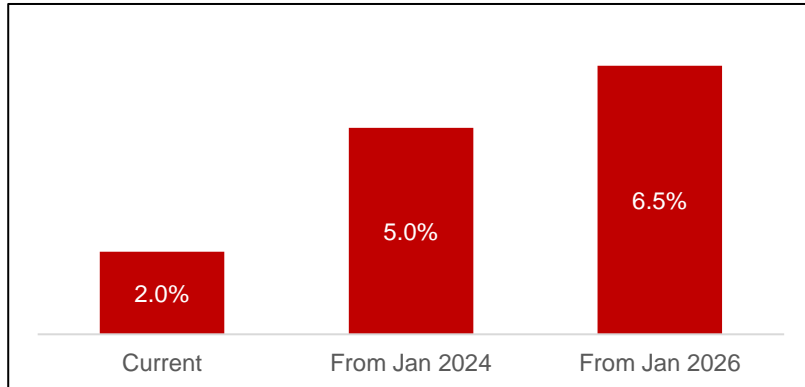


Additional Tier 1 Capital (2013 and 2022) and Residual Tier 1 Capital (2008)

# Tier 2 Capital for the major banks

## Tier 2 requirements for the major banks

(if LAC requirements are exclusively satisfied with Tier 2 capital)



## Potential requirements from 2026

### Current RWAs of the major banks:

- **\$471 billion** (average of the four majors at Sep 2022)

### 6.5% of above amount:

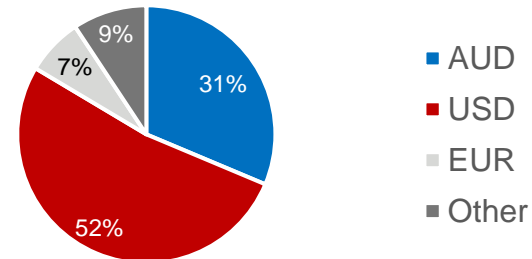
- **\$31 billion per major**
- **\$124 billion across the four majors**

## The major banks' current Tier 2 positions

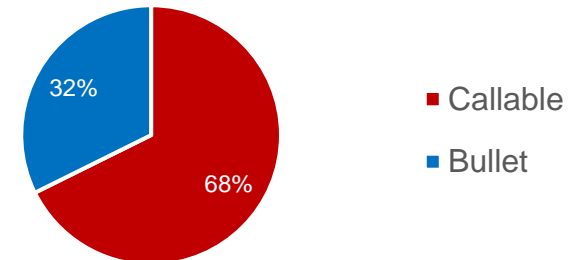
### Current Tier 2 Capital:

- **4.6% of current RWAs** (average of the four majors at Sep 2022)

### Currency breakdown



### Callable vs. bullet



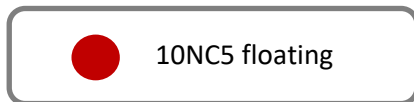
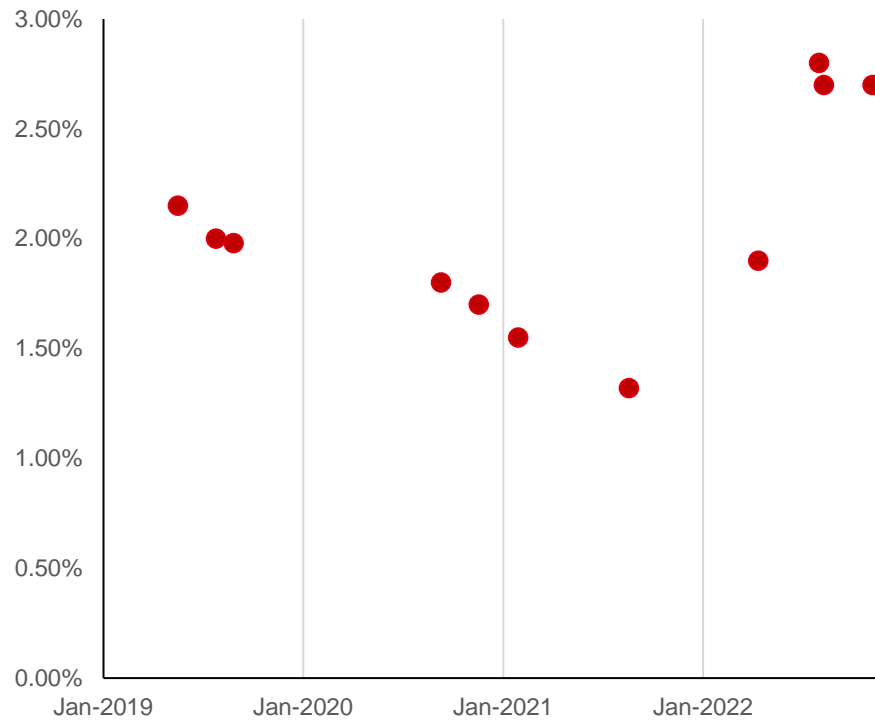
### Weighted average time to first call date, or maturity for bullets:

- **7.3 years**

# Hybrid capital margins: Tier 2 for the major banks

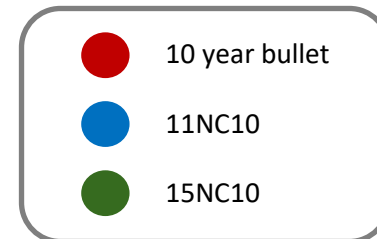
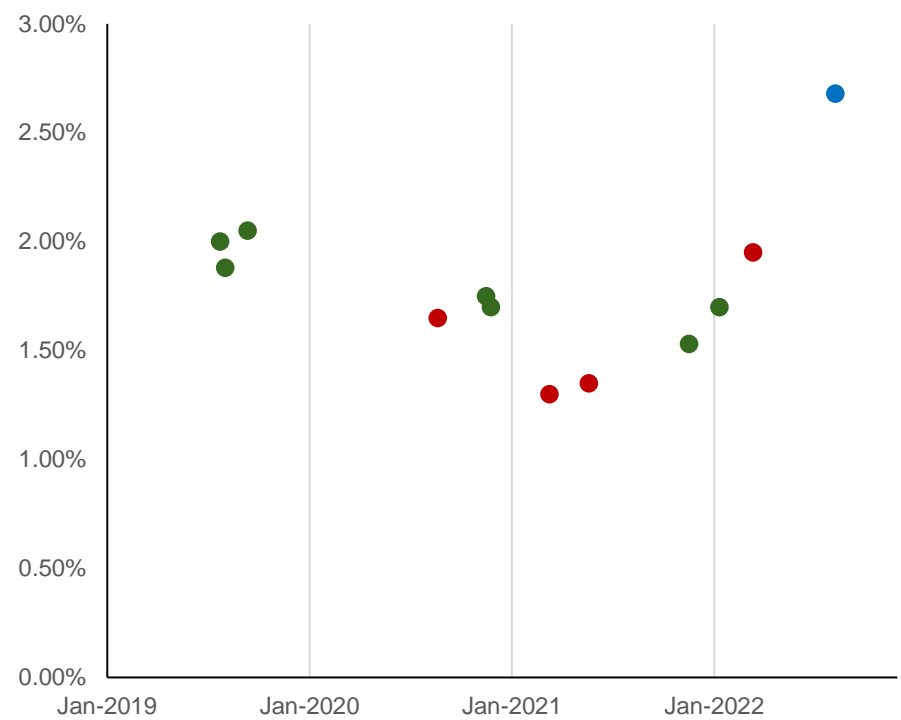
## AUD: Margins for new Tier 2 deals

Margin above BBSW



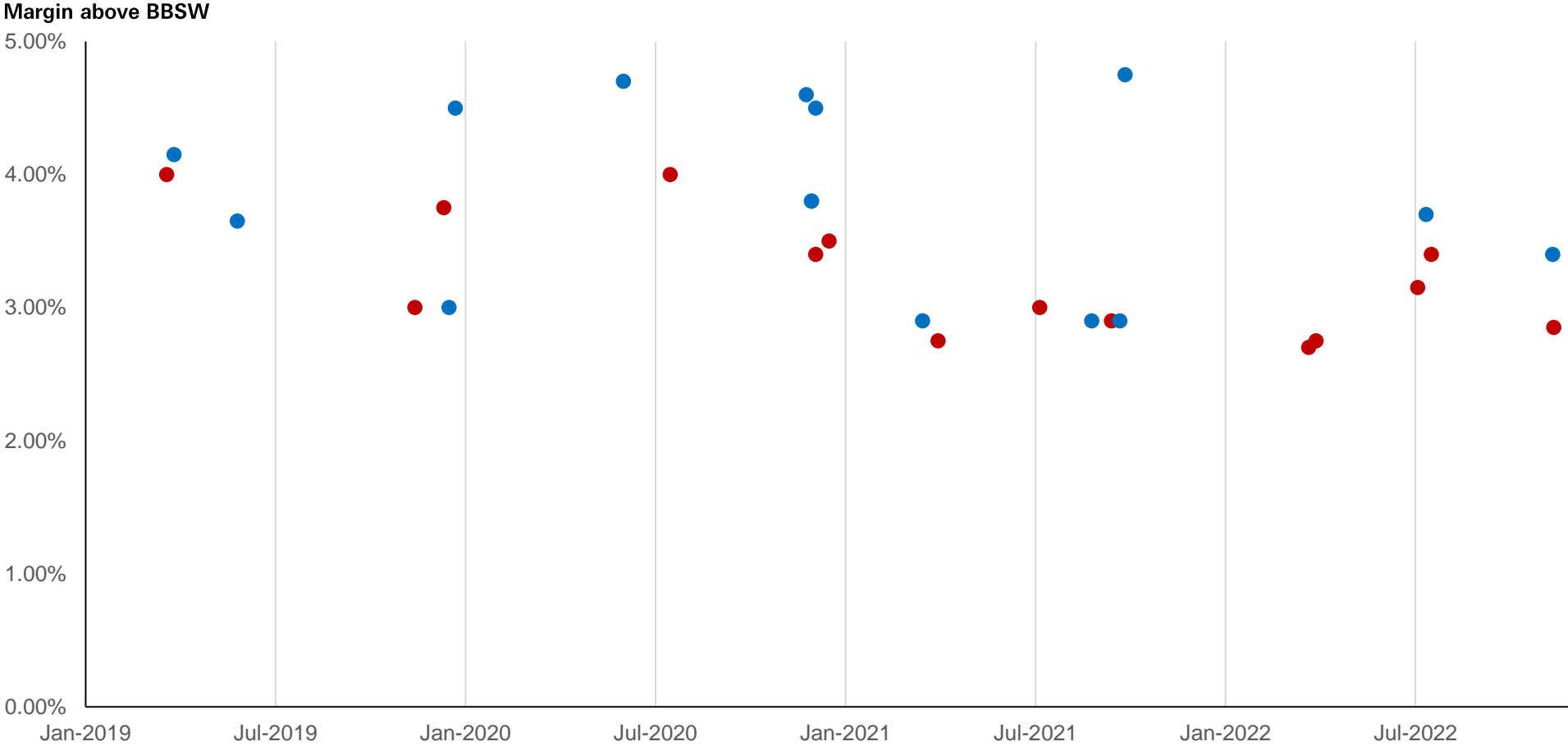
## USD: Margins for new Tier 2 deals

Margin above US Treasuries



Sources: Company disclosure and Bloomberg

# Hybrid capital margins: AUD AT1 deals from Australian financial institutions



- Additional Tier 1 issuances from Australia's major banks
- Additional Tier 1 issuances from other Australian financial institutions



Sources: Company disclosure and Bloomberg

# Global snapshot: Total Loss-Absorbing Capacity (TLAC)

## Global variations of TLAC-eligible securities

<b>A</b> Senior debt issued by a holding company	→	USA, UK, Switzerland, Japan
<b>B</b> Senior non-preferred debt	→	Germany, France, Italy, Spain
<b>C</b> Senior debt subject to bail-in	→	Canada
<b>D</b> No eligible securities other than CET1, AT1, Tier 2	→	Australia

## APRA's decisions for Loss-Absorbing Capacity (LAC)

- In 2019 → Major banks' Total Capital requirements increasing by 3.0% of RWAs from January 2024
- In 2021 → Major banks' Total Capital requirements increasing by 4.5% of RWAs (1.5% incremental vs. the above) from January 2026



Sources: Company disclosure and APRA

# Disclaimer

This document has been prepared by HSBC Bank Australia Limited (ABN 48 006 434 162 AFSL 232 595) ("HSBC") to provide information solely to the persons to whom it is provided.

Information in this document is confidential. You agree to keep confidential at all times the information contained in it or made available by HSBC in connection with it. This document is for your exclusive use and, except with the prior written consent of HSBC, shall not be copied or reproduced, stored in a retrieval system, or distributed, communicated, transmitted or disclosed in whole or in part in any form or by any means electronic, mechanical, photocopying, recording, or otherwise, by you to any other person. This document remains the property of HSBC and on request this document, and all other materials provided by HSBC relating to proposals contained herein, must be returned and any copies destroyed.

The issuance of and details contained in this document does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity or other investment product or investment agreement, or any other contract, agreement or structure whatsoever. The information provided herein has not been tailored to your circumstances; accordingly prior to making an investment or financial decision, you should conduct such investigation and analysis regarding the product(s) described herein as you deem appropriate and to the extent you deem necessary obtain independent advice from competent legal, financial, tax, accounting and other professionals, to enable you to understand and recognise fully the legal, financial, tax and other risks arising in respect of such product(s) and the purchase, holding and sale thereof.

HSBC does not assure, by means of this disclaimer, the accuracy or completeness of any information contained in this document or the suitability of the products or information and is not responsible for any mistake or omission related to any information in the document, which shall not be interpreted by you as inducing you to enter into any agreement or operation in connection with the subject of the document. HSBC gives no undertaking, and is under no obligation, to provide the recipient with access to any additional information or to update this document or any additional information or to correct any inaccuracies in it which may become apparent, and it reserves the right, without giving reasons, at any time and in any respect to amend or terminate discussions relating to the situation(s) described herein. This Presentation should not be regarded as constituting a valuation on, or an opinion on the Transaction, nor relied upon as a basis to proceed, or not to proceed, with the Transaction.

The issue of this document shall not be regarded as creating any form of adviser/client or fiduciary relationship, and HSBC may only be regarded by you as acting on your behalf as financial adviser or otherwise following the execution of an engagement letter on mutually satisfactory terms.

The information in this document has not been independently verified by HSBC. Except in the case of fraudulent misrepresentation, HSBC (and its officers, employees or agents) expressly disclaims any responsibility or liability of any kind for: (i) the accuracy or sufficiency of this document or of any information, statement, assumption or projection herein or any other written or oral information provided in connection therewith; or (ii) any loss or damage (whether direct, indirect, consequential or other) arising out of reliance upon this document. HSBC shall have no responsibility or liability to any third parties for any losses, costs or expenses or other liabilities.

HSBC and its affiliates and/or its or their respective officers, directors and employees may have positions in any securities mentioned in this Document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and/or any of its affiliates may act as market maker or have assumed an underwriting commitment in the securities of any companies discussed in this document (or in related investments), may sell them to or buy them from clients on a principal or discretionary basis and may also perform or seek to perform banking or underwriting services for or relating to those companies. As HSBC is part of a large global financial services organisation, it or one or more of its affiliates may have certain other relationships with the parties relevant to the proposed activities as set out in this Document, and these proposed activities may give rise to a conflict of interest, which the recipient hereby acknowledges upon receipt of this document. "HSBC Bank Australia Limited is not a registered bank in New Zealand."

© Copyright HSBC Bank Australia Limited (ABN 48 006 434 162 AFSL 232 595) 2022 ALL RIGHTS RESERVED.

HSBC Bank Australia Limited, Level 36, International Towers Sydney, 100 Barangaroo Avenue, Sydney NSW 2000 Australia

