



HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Quarterly Public Disclosure March 2020

in terms of Banks Act, Regulation 43

1 BASIS OF COMPILATION

The following information is compiled in terms of Regulation 43 relating to banks, issued under Section 90 of the Banks Act, No 94 of 1990 (as amended) ("the Regulations"), which incorporates the Basel Pillar III requirements on market discipline.

All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards ("IFRS"), unless otherwise stated. In the main, differences between IFRS and information disclosed in terms of the Regulations relate to the definition of capital and the calculation and measurement thereof.

These disclosures have been prepared in compliance with the Bank's disclosure policy.

2 SCOPE OF REPORTING

This report covers the annual results of HBZ Bank Limited for the quarter ended 31 March 2020.

HBZ Bank Limited is a registered bank that specialises in trade finance and is a wholly owned subsidiary of Habib Bank AG Zurich, which is incorporated in Switzerland. HBZ Bank Limited does not have any subsidiaries or a bank-controlling company in South Africa.

3 KEY PRUDENTIAL INFORMATION

3.1 Overview of risk management, key prudential metrics

The Bank's key prudential metrics relating to regulatory capital, leverage ratio, liquidity ratios and risk weighted assets as at 31 March 2020 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Mar 20	31 Dec 19	30 Sep 19	30 Jun 19	31 Mar 19
1	Common Equity Tier 1 (CET1)	498 617	416 617	416 617	416 617	416 617
1a	Fully loaded ECL accounting model	498 617	416 617	416 617	416 617	416 617
2	Tier 1	497 443	415 480	415 320	415 221	415 107
2a	Fully loaded accounting model Tier 1	497 443	415 480	415 320	415 221	415 107
3	Total capital	519 164	433 176	436 260	436 317	427 371
3a	Fully loaded ECL accounting model total capital	519 164	433 176	436 260	436 317	427 371
RISK-WEIGHTED ASSETS (AMOUNTS) R'000						
4	Total risk-weighted assets (RWA)	3 936 993	3 076 879	3 078 814	3 097 227	3 048 634
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA						
5	Common Equity Tier 1 ratio (%)	12,64%	13,50%	13,49%	13,41%	13,62%
5a	Fully loaded ECL accounting model CET1 (%)	12,64%	13,50%	13,49%	13,41%	13,62%
6	Tier 1 ratio (%)	12,64%	13,50%	13,49%	13,41%	13,62%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	12,64%	13,50%	13,49%	13,41%	13,62%
7	Total capital ratio (%)	13,19%	14,08%	14,17%	14,09%	14,02%
7a	Fully loaded ECL accounting model total capital ratio (%)	13,19%	14,08%	14,17%	14,09%	14,02%

3.1 Overview of risk management, key prudential metrics (continued)

	31 Mar 20	31 Dec 19	30 Sep 19	30 Jun 19	31 Mar 19	
ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2,50%	2,50%	2,50%	2,50%	
9	Countercyclical buffer requirement (%) -	-	-	-	-	
10	Bank D-SIB additional requirements (%) -	-	-	-	-	
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2,50%	2,50%	2,50%	2,50%	
12	CET1 available after meeting the bank's minimum capital requirements (%)	8,14%	9,00%	8,99%	9,12%	
BASEL III LEVERAGE RATIO						
13	Total Basel III leverage ratio measure	6 788 954	6 110 615	6 094 102	6 806 986	6 339 200
14	Basel III leverage ratio (%) (row 2/row 13)	7%	7%	7%	6%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	7%	7%	6%	7%
LIQUIDITY COVERAGE RATIO						
15	Total HQLA	1 830 852	1 910 745	1 664 915	1 370 834	1 229 169
16	Total net cash outflow	212 785	185 017	185 427	181 325	166 310
17	LCR ratio (%)	860%	1 033%	898%	756%	739%
NET STABLE FUNDING RATIO						
18	Total available stable funding	4 548 793	4 197 570	4 196 469	4 154 023	4 013 783
19	Total required stable funding	2 123 517	1 939 218	1 199 612	1 206 802	1 128 625
20	NSFR ratio (%)	214%	216%	350%	344%	356%

HBZ Bank Limited did not apply a transitional arrangement for expected credit losses and thus the fully loaded ECL accounting model will not differ from regulatory capital.

3.2 Overview of Risk Management Approach and Risk Weighted Assets (RWA)

The following table provides an overview of the risk weighted asset requirements at the respective reporting date.

Overview of Risk Weighted Assets (RWA)

	RWA		Minimum capital requirements
	Mar 20 R'000	Mar 19 R'000	Mar 20 R'000
Credit risk (excluding counterparty credit risk) (CCR)	3 339 207	2 510 238	392 357
- Of which standardised approach (SA)	3 339 207	2 510 238	392 357
- Of which foundation internal-ratings based (F-IRB) approach	-	-	-
- Of which supervisory slotting approach	-	-	-
- Of which advanced internal-ratings based (A-IRB) approach	-	-	-
Counterparty credit risk	20 396	9 824	2 397
- Of which standardised approach for counterparty credit risk (SA-CCR)	20 396	8 599	2 397
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	3 570	1 225	420
Equity positions under the simple risk weight approach	-	1 225	-
Equity investments in funds - look through approach	-	-	-
Equity investments in funds - mandate based approach	-	-	-
Equity investments in funds - full back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
- Of which Securitisation internal- ratings based approach (SEC-IRBA)	-	-	-
- Of which Securitisation external- ratings based approach (SEC-ERBA), including internal assessment approach	-	-	-
- Of which Securitisation standardised approach (SEC-SA)	-	-	-
Market risk	4 338	12 860	510
- Of which standardised approach (SA)	4 338	12 860	510
- Of which internal model approaches (IMM)	-	-	-
Capital Charge for switch between trading book and banking book	-	-	-
Operational risk - Basic Indicator Approach	484 465	441 436	56 925
Amounts below the thresholds for deduction (subject to 250% risk weight)	14 295	11 000	1 680
Other risks	70 722	63 275	8 310
Total	3 936 993	3 048 634	462 597

4 LIQUIDITY RISK

Liquidity risk results from being unable to meet commitments, repayments and withdrawals timeously and cost effectively.

The Bank controls liquidity at source, ensuring a wide deposit base, simplifying the product range and centralising the Treasury function. The Bank directly matches all major deposits with inter-bank placements and keeps a large proportion of the funds short-term to buffer against unexpected cash flow requirements. This is enhanced through an ALCO and an Assets and Liabilities Management (ALM) process which addresses liquidity risk pro-actively. The focused range of products offered by the Bank facilitates the management of this risk. There is an effective computerized system in place to monitor the Bank's liquidity on a daily basis.

The liquidity management process includes a Contingency Funding Plan and Recovery Plan which takes into account various stress test scenarios and funding sources.

The Bank complies with Basel III principles relating to liquidity risk management, specifically the liquidity coverage ratio and the net stable funding ratio. As with interest rate risk the focused range of products offered by the Bank facilitates the management of liquidity risk.

In terms of Regulation 43(1)(e)(iii)(F) of the Regulations relating to Banks, minimum disclosure on the Liquidity Coverage Ratio of the Bank is required on a quarterly basis. This announcement meets the on-going reporting requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

4.1 Liquidity Coverage Ratio

	Total unweighted value	Total weighted value
LINE NO. HIGH-QUALITY LIQUID ASSETS		
1 Total HQLA	1 830 852	1 830 852
CASH OUTFLOWS		
2 Retail deposits and deposits from small business customers, of which:	1 630 067	163 007
3 Stable deposits	-	-
4 Less stable deposits	1 630 067	163 007
5 Unsecured wholesale funding, of which:	2 479 416	633 036
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7 Non-operational deposits (all counterparties)	2 479 416	633 036
8 Unsecured debt	-	-
9 Secured wholesale funding	-	-
10 Additional requirements, of which:	835 954	55 096
11 Outflows related to derivative exposures and other collateral requirements	-	-
12 Outflows related to loss of funding on debt products	-	-
13 Credit and liquidity facilities	835 954	55 096
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	-	-
16 TOTAL CASH OUTFLOWS	4 945 437	851 139
CASH INFLOWS		
17 Secured lending (e.g. reverse repos)	-	-
18 Inflows from fully performing exposures	1 477 330	1 181 200
19 Other cash inflows	-	-
20 TOTAL CASH INFLOWS	1 477 330	1 181 200
		Total adjusted value
21 Total HQLA		1 830 852
22 Total net cash outflows		212 785
23 Liquidity Coverage Ratio (%)		860%

5 NET STABLE FUNDING RATIO (NSFR)

LINE NO.	AVAILABLE STABLE FUNDING (ASF) ITEM	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
1	Capital:	498 617	-	-	-	498 617
2	Regulatory capital	498 617	-	-	-	498 617
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	2 712 289	300 954	-	2 765 507
5	Stable deposits	-	770 814	300 954	-	1 018 180
6	Less stable deposits	-	1 941 475	-	-	1 747 328
7	Wholesale funding:	-	-	-	-	1 284 669
8	Operational deposits	-	-	-	-	1 284 669
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	118 279	-	-	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	118 279	-	-	-
14	Total ASF					4 548 793
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)					4 565
16	Deposits held at other financial institutions for operational purposes	-	1 588 720	640 150	-	558 383
17	Performing loans and securities:	-	2 140 310	763 261	985 521	1 413 262
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1 331 725	615 423	-	97 357
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	794 355	147 838	985 521	1 308 789
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	14 230	-	-	7 115
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	105 181	38 706	105 510

5 NET STABLE FUNDING RATIO (NSFR) (continued)

LINE NO.	AVAILABLE STABLE FUNDING (ASF) ITEM	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	38 706	329
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	105 181	-	105 181
32	Off-balance sheet items				836 880	41 798
33	Total RSF					2 123 517
34	Net Stable Funding Ratio (%)					214%

6 LEVERAGE RATIO

In terms of Regulation 43(1)(e)(iii)(G), the Bank is required to provide a summarised comparison of the accounting assets and the regulatory leverage ratio differences, as well as the Leverage Ratio positions of the Bank, as at 31 March 2019. These are set out below:

6.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	31 Mar 20	31 Mar 19
1	Total consolidated assets as per published financial statements	7 198 071	5 431 946
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	(38 706)	(8 028)
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(369 237)	264 282
7	Other adjustments	(1 174)	-
8	Leverage ratio exposure	6 788 954	5 688 200

6.2 Leverage ratio

LINE NO.	Item	31 Mar 20	31 Mar 19
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	6 361 191	5 423 918
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1 174)	(1 510)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6 360 017	5 422 408
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	(18 310)	644 482
5	Add-on amounts for PFE associated with all derivatives transactions	(20 396)	8 028
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	(38 706)	652 510
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	836 880	616 670
18	(Adjustments for conversion to credit equivalent amounts)	369 237	(352 388)
19	Off-balance sheet items (sum of lines 17 and 18)	467 643	264 282
	Capital and total exposures		
20	Tier 1 capital	497 443	414 419
21	Total exposures (sum of lines 3, 11, 16 and 19)	6 788 954	6 339 200
	Leverage ratio		
22	Basel III leverage ratio	7,33%	7,00%