



HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Quarterly Public Disclosure March 2022

in terms of Banks Act, Regulation 43

HBZ Bank Limited

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 quarterly results of HBZ Bank Limited for the period ended 31 March 2022.

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 2022 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21
1	Common Equity Tier 1 (CET1)	534 447	498 617	498 617	498 617	498 617
1a	Fully loaded ECL accounting model	534 447	498 617	498 617	498 617	498 617
2	Tier 1	533 990	498 085	497 983	497 939	498 064
2a	Fully loaded accounting model Tier 1	533 990	498 085	497 983	497 939	498 064
3	Total capital	549 777	515 088	519 210	521 565	524 112
3a	Fully loaded ECL accounting model total capital	549 777	515 088	519 210	521 565	524 112
RISK-WEIGHTED ASSETS (AMOUNTS) R'000						
4	Total risk-weighted assets (RWA)	3 378 724	3 362 076	3 300 434	3 367 019	3 354 141
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA						
5	Common Equity Tier 1 ratio (%)	15,82%	14,81%	15,09%	14,79%	14,85%
5a	Fully loaded ECL accounting model CET1 (%)	15,82%	14,81%	15,09%	14,79%	14,85%
6	Tier 1 ratio (%)	15,80%	14,81%	15,09%	14,79%	14,85%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15,80%	14,81%	15,09%	14,79%	14,85%
7	Total capital ratio (%)	16,27%	15,32%	15,73%	15,49%	15,63%
7a	Fully loaded ECL accounting model total capital ratio (%)	16,27%	15,32%	15,73%	15,49%	15,63%

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

	31 Mar 22	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	
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 (%)	11,32%	10,31%	10,59%	10,35%	
BASEL III LEVERAGE RATIO						
13	Total Basel III leverage ratio measure	7 555 288	8 062 421	6 693 775	7 610 705	6 993 238
14	Basel III leverage ratio (%) (row 2/row 13)	7%	6%	7%	7%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	6%	7%	7%	7%
LIQUIDITY COVERAGE RATIO						
15	Total HQLA	3 636 626	3 786 709	3 316 655	3 092 746	2 673 763
16	Total net cash outflow	263 328	338 375	257 065	302 943	242 852
17	LCR ratio (%)	1381%	1119%	1290%	1021%	1101%
NET STABLE FUNDING RATIO						
18	Total available stable funding	5 344 571	5 583 105	5 282 024	5 184 403	4 934 375
19	Total required stable funding	1 949 816	2 190 876	2 077 544	2 034 660	1 988 114
20	NSFR ratio (%)	274%	255%	254%	255%	248%

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.

HBZ Bank Limited

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 22 R'000	Mar 21 R'000	Mar 22 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 631 408	2 682 064	282 876
- Of which standardised approach (SA)	2 631 408	2 682 064	282 876
- 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	25 849	28 812	2 779
- Of which standardised approach for counterparty credit risk (SA-CCR)	25 849	28 812	2 779
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	36 833	19	3 960
Equity positions under the simple risk weight approach	-	-	-
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	8 410	4 375	904
- Of which standardised approach (SA)	8 410	4 375	904
- Of which internal model approaches (IMM)	-	-	-
Capital Charge for switch between trading book and banking book	-	-	-
Operational risk - Basic Indicator Approach	549 410	524 379	59 062
Amounts below the thresholds for deduction (subject to 250% risk weight)	23 893	23 620	2 568
Other risks	102 921	90 872	11 064
Total	3 378 724	3 354 141	363 213

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

LINE NO.		Total unweighted value	Total weighted value
	HIGH-QUALITY LIQUID ASSETS		
1	Total HQLA	3 636 626	3 636 626
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:	1 801 345	180 135
3	Stable deposits	-	-
4	Less stable deposits	1 801 345	180 315
5	Unsecured wholesale funding, of which:	3 540 282	849 349
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	3 540 282	849 349
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	485 781	23 829
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	485 781	23 829
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	5 827 408	1053 312
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 141 110	836 681
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1 141 110	836 681
			Total adjusted value
21	Total HQLA		3 636 626
22	Total net cash outflows		263 328
23	Liquidity Coverage Ratio (%)		1 381%

4.2 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:	534 447	-	-	-	534 447
2	Regulatory capital	534 447	-	-	-	534 447
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	3 745 553	-	-	3 370 998
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 745 553	-	-	3 370 998
7	Wholesale funding:	-	2 299 804	578 449	-	1 439 127
8	Operational deposits	-	-	-	-	-
9	Non-operational deposits and funding - Corporates	-	2 299 804	578 449	-	1 439 127
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	157 529	-	34 270	-
12	Funding from other legal entities	-	27 497	-	-	-
13	NSFR derivative liabilities	-	-	-	34 270	-
14	All other liabilities and equity not included in the above categories	-	130 032	-	-	-
15	Total ASF	534 447	6 202 886	578 449	34 270	5 344 571
	REQUIRED STABLE FUNDING (RSF) ITEM					
16	Total NSFR high-quality liquid assets (HQLA)		170 657			7 057
17	Deposits held at other financial institutions for operational purposes	-	1 007 251	370 000	-	336 088
18	Performing loans and securities:	-	3 039 222	1 684 379	829 014	673 480
19	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
20	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2 257 605	1 494 218	-	187 591
21	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	781 617	190 161	-	485 889
22	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
23	Performing residential mortgages, of which:	-	-	-	-	-
24	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	829 014	704 662
25	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
26	Assets with matching interdependent liabilities	-	-	-	-	-

27	Other assets:	-	22 039	-	227 490	204 240
28	Physical traded commodities, including gold	-	22 039	-	-	11 020
29	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
30	NSFR derivative assets	-	-	-	35 438	1 168
31	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
32	All other assets not included in the above categories	-	-	-	192 052	192 052
33	Off-balance sheet items	-	-	-	487 315	24 289
34	Total RSF					1 949 816
35	Net Stable Funding Ratio (%)					274%

5 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 2022. These are set out below:

5.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	31 Mar 22	31 Mar 21
1	Total consolidated assets as per published financial statements	7 837 367	7 300 205
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	(35 438)	(18 952)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	(303 095)	(310 359)
7	Other adjustments	(457)	(553)
8	Leverage ratio exposure	<u>7 498 378</u>	<u>6 970 341</u>

5.2 Leverage ratio

LINE NO.	Item	31 Mar 22	31 Mar 21
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	7 314 614	6 770 006
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(457)	(553)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	7 314 157	6 769 453
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	34 264	15 752
5	Add-on amounts for PFE associated with all derivatives transactions	22 646	7 144
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)	56 910	22 896
	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	487 315	511 247
18	(Adjustments for conversion to credit equivalent amounts)	303 095	310 359
19	Off-balance sheet items (sum of lines 17 and 18)	184 221	200 888
	Capital and total exposures		
20	Tier 1 capital	533 990	498 064
21	Total exposures (sum of lines 3, 11, 16 and 19)	7 555 288	6 993 238
	Leverage ratio		
22	Basel III leverage ratio	7,07%	7,12%