



HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Quarterly Public Disclosure September 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. The main differences between IFRS and information disclosed in terms of the Regulations, pertains 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 30 September 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 30 September 2022 are disclosed below.

| LINE NO. | AVAILABLE CAPITAL (AMOUNTS) R'000 | 30 Sep 22 | 30 Jun 22 | 31 Mar 22 | 31 Dec 21 | 30 Sep 21 |
|---|---|-----------|-----------|-----------|-----------|-----------|
| 1 | Common Equity Tier 1 (CET1) | 534 447 | 534 447 | 534 447 | 498 617 | 498 617 |
| 1a | Fully loaded ECL accounting model | 534 447 | 534 447 | 534 447 | 498 617 | 498 617 |
| 2 | Tier 1 | 534 122 | 534 044 | 533 990 | 498 085 | 497 983 |
| 2a | Fully loaded accounting model Tier 1 | 534 122 | 534 044 | 533 990 | 498 085 | 497 983 |
| 3 | Total capital | 551 789 | 548 324 | 549 777 | 515 088 | 519 210 |
| 3a | Fully loaded ECL accounting model total capital | 551 789 | 548 324 | 549 777 | 515 088 | 519 210 |
| RISK-WEIGHTED ASSETS (AMOUNTS) R'000 | | | | | | |
| 4 | Total risk-weighted assets (RWA) | 3 580 091 | 3 413 565 | 3 378 724 | 3 362 076 | 3 300 434 |
| RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA | | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 14,93% | 15,66% | 15,80% | 14,81% | 15,09% |
| 5a | Fully loaded ECL accounting model CET1 (%) | 14,93% | 15,66% | 15,80% | 14,81% | 15,09% |
| 6 | Tier 1 ratio (%) | 14,92% | 15,64% | 15,80% | 14,81% | 15,09% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | 14,92% | 15,64% | 15,80% | 14,81% | 15,09% |
| 7 | Total capital ratio (%) | 15,41% | 16,06% | 16,27% | 15,32% | 15,73% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | 15,41% | 16,06% | 16,27% | 15,32% | 15,73% |

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

| | 30 Sep 22 | 30 Jun 22 | 31 Mar 22 | 31 Dec 21 | 30 Sep 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% | 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% | 2,50% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 9,93% | 10,66% | 11,30% | 10,31% | 10,59% |
| BASEL III LEVERAGE RATIO | | | | | | |
| 13 | Total Basel III leverage ratio measure | 8 185 298 | 7 749 019 | 7 555 288 | 8 062 421 | 6 693 775 |
| 14 | Basel III leverage ratio (%) (row 2/row 13) | 6,53% | 6,89% | 7,07% | 6,18% | 7,44% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13) | 6,53% | 6,89% | 7,07% | 6,18% | 7,44% |
| LIQUIDITY COVERAGE RATIO | | | | | | |
| 15 | Total HQLA | 3 484 407 | 3 569 868 | 3 636 626 | 3 786 709 | 3 316 655 |
| 16 | Total net cash outflow | 332 801 | 283 136 | 263 328 | 338 375 | 257 065 |
| 17 | LCR ratio (%) | 1047% | 1261% | 1381% | 1119% | 1290% |
| NET STABLE FUNDING RATIO | | | | | | |
| 18 | Total available stable funding | 5 726 112 | 5 533 369 | 5 344 571 | 5 583 105 | 5 282 024 |
| 19 | Total required stable funding | 2 256 204 | 2 028 003 | 1 949 816 | 2 190 876 | 2 077 544 |
| 20 | NSFR ratio (%) | 254% | 273% | 274% | 255% | 254% |

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.

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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 |
|---|------------------|------------------|------------------------------|
| | Sep 22 R'000 | Sep 21 R'000 | Sep 22 R'000 |
| Credit risk (excluding counterparty credit risk) (CCR) | 2 887 600 | 2 616 832 | 339 293 |
| - Of which standardised approach (SA) | 2 887 600 | 2 616 832 | 339 293 |
| - 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 | 7 122 | 2 444 | 837 |
| - Of which standardised approach for counterparty credit risk (SA-CCR) | 7 122 | 2 444 | 837 |
| - Of which internal model method (IMM) | - | - | - |
| - Of which other CCR | - | - | - |
| Credit Valuation Adjustment (CVA) | 7 202 | 2 167 | 846 |
| 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 | 4 001 | 4 723 | 470 |
| - Of which standardised approach (SA) | 4 001 | 4 723 | 470 |
| - Of which internal model approaches (IMM) | - | - | - |
| Capital Charge for switch between trading book and banking book | - | - | - |
| Operational risk - Basic Indicator Approach | 544 054 | 549 410 | 63 926 |
| Amounts below the thresholds for deduction (subject to 250% risk weight) | 26 963 | 22 520 | 3 168 |
| Other risks | 103 150 | 102 338 | 12 120 |
| Total | 3 580 091 | 3 300 434 | 420 661 |

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 | 3 484 407 | 3 484 407 |
| CASH OUTFLOWS | | |
| 2 Retail deposits and deposits from small business customers, of which: | 1 859 687 | 185 969 |
| 3 Stable deposits | - | - |
| 4 Less stable deposits | 1 859 687 | 185 969 |
| 5 Unsecured wholesale funding, of which: | 4 168 894 | 1 124 107 |
| 6 Operational deposits (all counterparties) and deposits in networks of cooperative banks | - | - |
| 7 Non-operational deposits (all counterparties) | 4 168 894 | 1 124 107 |
| 8 Unsecured debt | - | - |
| 9 Secured wholesale funding | - | - |
| 10 Additional requirements, of which: | 445 475 | 21 127 |
| 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 | 445 475 | 21 127 |
| 14 Other contractual funding obligations | - | - |
| 15 Other contingent funding obligations | - | - |
| 16 TOTAL CASH OUTFLOWS | 6 474 056 | 1 331 203 |
| CASH INFLOWS | | |
| 17 Secured lending (e.g. reverse repos) | - | - |
| 18 Inflows from fully performing exposures | 1 499 831 | 1 104 618 |
| 19 Other cash inflows | - | - |
| 20 TOTAL CASH INFLOWS | 1 499 831 | 1 104 618 |
| | | Total adjusted value |
| 21 Total HQLA | | 3 484 407 |
| 22 Total net cash outflows | | 332 801 |
| 23 Liquidity Coverage Ratio (%) | | 1047% |

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: | - | 3 927 644 | - | - | 3 534 880 |
| 5 | Stable deposits | - | - | - | - | - |
| 6 | Less stable deposits | - | 3 927 644 | - | - | 3 534 880 |
| 7 | Wholesale funding: | - | 2 633 631 | 666 275 | 6 832 | 1 656 785 |
| 8 | Operational deposits | - | - | - | - | - |
| 9 | Non-operational deposits and funding - Corporates | - | 2 633 631 | 666 275 | 6 832 | 1 656 785 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - |
| 11 | Other liabilities: | - | 267 634 | - | 11 902 | - |
| 12 | Funding from other legal entities | - | 128 227 | - | - | - |
| 13 | NSFR derivative liabilities | - | - | - | 11 902 | - |
| 14 | All other liabilities and equity not included in the above categories | - | 139 407 | - | - | - |
| 15 | Total ASF | 534 447 | 6 828 909 | 666 275 | 18 734 | 5 726 112 |
| | REQUIRED STABLE FUNDING (RSF) ITEM | | | | | |
| 16 | Total NSFR high-quality liquid assets (HQLA) | | 384 973 | | | 7 066 |
| 17 | Deposits held at other financial institutions for operational purposes | - | 1 055 932 | 715 000 | - | 515 890 |
| 18 | Performing loans and securities: | - | 3 409 686 | 1 379 855 | 859 174 | 760 284 |
| 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 | - | 2 413 712 | 1 218 480 | - | 181 610 |
| 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: | - | 995 974 | 161 375 | - | 578 675 |
| 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 | - | - | - | 859 174 | 730 298 |
| 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: | - | 22 900 | - | 220 845 | 220 393 |
| 28 | Physical traded commodities, including gold | - | 22 900 | - | - | 11 450 |
| 29 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | - | - | - | - | - |
| 30 | NSFR derivative assets | - | - | - | 12 502 | 600 |
| 31 | NSFR derivative liabilities before deduction of variation margin posted | - | - | - | - | - |
| 32 | All other assets not included in the above categories | - | - | - | 208 343 | 208 343 |
| 33 | Off-balance sheet items | - | - | - | 446 435 | 22 274 |
| 34 | Total RSF | | | | | 2 256 204 |
| 35 | Net Stable Funding Ratio (%) | | | | | 254% |

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 30 September 2022. These are set out below:

5.1 Summarised comparison of accounting assets and leverage ratio exposure measure

| LINE NO. | Item | 30 Sep 22 | 30 Jun 22 | 31 Mar 22 |
|----------|--|-----------|-----------|-----------|
| 1 | Total consolidated assets as per published financial statements | 8 494 800 | 8 095 581 | 7 837 367 |
| 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 | (12 502) | (16 638) | (35 438) |
| 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) | (272 584) | (295 298) | 303 095 |
| 7 | Other adjustments | (42 291) | (39 682) | (33 279) |
| 8 | Leverage ratio exposure | 8 167 423 | 7 743 963 | 8 071 745 |

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5.2 Leverage ratio

| LINE NO. | Item | 30 Sep 22 | 30 Jun 22 | 31 Mar 22 |
|----------|--|-----------|-----------|-----------|
| | On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 8 035 863 | 7 595 629 | 7 314 614 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | (42 291) | (39 682) | (33 279) |
| 3 | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2) | 7 993 572 | 7 555 947 | 7 281 335 |
| | Derivative exposures | | | |
| 4 | Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | 5 920 | 7 | 34 264 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | 11 956 | 5 049 | 22 646 |
| 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) | 17 876 | 5 056 | 56 910 |
| | 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 | 446 435 | 483 314 | 487 315 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (272 584) | (295 298) | (303 095) |
| 19 | Off-balance sheet items (sum of lines 17 and 18) | 173 850 | 188 016 | 184 221 |
| | Capital and total exposures | | | |
| 20 | Tier 1 capital | 534 122 | 534 044 | 533 990 |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19) | 8 185 298 | 7 749 019 | 7 522 466 |
| | Leverage ratio | | | |
| 22 | Basel III leverage ratio | 6,53% | 6,89% | 7,10% |