



HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Quarterly Public Disclosure
March 2021

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.

During the 2020 financial year the Bank restated its 2019 financial results. The impact of this restatement was not deemed to materially impact these disclosures. Accordingly the Pillar III disclosures have not been restated. For further details on the restatement please refer to Note 1 of the 2020 financial statements at www.hbzbank.co.za.

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 2021.

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 2021 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20
1	Common Equity Tier 1 (CET1)	498 617	498 617	498 617	498 617	498 617
1a	Fully loaded ECL accounting model	498 617	498 617	498 617	498 617	498 617
2	Tier 1	498 064	497 917	497 646	497 622	497 443
2a	Fully loaded accounting model Tier 1	498 064	497 917	497 646	497 622	497 443
3	Total capital	524 112	524 610	523 453	521 408	519 164
3a	Fully loaded ECL accounting model total capital	524 112	524 610	523 453	521 408	519 164
RISK-WEIGHTED ASSETS (AMOUNTS) R'000						
4	Total risk-weighted assets (RWA)	3 354 141	3 509 576	3 636 341	3 726 810	3 936 993
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA						
5	Common Equity Tier 1 ratio (%)	14,85%	14,19%	13,69%	13,35%	12,64%
5a	Fully loaded ECL accounting model CET1 (%)	14,85%	14,19%	13,69%	13,35%	12,64%
6	Tier 1 ratio (%)	14,85%	14,19%	13,69%	13,35%	12,64%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14,85%	14,19%	13,69%	13,35%	12,64%
7	Total capital ratio (%)	15,63%	14,95%	14,40%	13,99%	13,19%
7a	Fully loaded ECL accounting model total capital ratio (%)	15,63%	14,95%	14,40%	13,99%	13,19%

3 KEY PRUDENTIAL INFORMATION (continued)

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

	31 Mar 21	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20	
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 (%)	10,35%	9,69%	9,19%	8,14%	
BASEL III LEVERAGE RATIO						
13	Total Basel III leverage ratio measure	6 993 238	7 041 921	6 693 775	6 864 257	6 788 954
14	Basel III leverage ratio (%) (row 2/row 13)	7%	7%	7%	7%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	7%	7%	7%	7%
LIQUIDITY COVERAGE RATIO						
15	Total HQLA	2 673 763	2 495 825	2 258 195	2 021 943	1 830 852
16	Total net cash outflow	242 852	238 920	226 185	237 438	212 785
17	LCR ratio (%)	1101%	1045%	998%	852%	860%
NET STABLE FUNDING RATIO						
18	Total available stable funding	4 934 375	4 872 966	4 658 498	4 641 381	4 548 793
19	Total required stable funding	1 988 114	2 118 616	2 112 339	2 110 163	2 123 517
20	NSFR ratio (%)	248%	230%	221%	220%	214%

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 KEY PRUDENTIAL INFORMATION (continued)

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.

	RWA		Minimum capital requirements
	Mar 21 R'000	Mar 20 R'000	Mar 21 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 682 064	3 339 207	288 322
- Of which standardised approach (SA)	2 682 064	3 339 207	288 322
- 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	28 812	20 396	3 097
- Of which standardised approach for counterparty credit risk (SA-CCR)	28 812	20 396	3 097
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	19	3 570	2
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	4 375	4 338	470
- Of which standardised approach (SA)	4 375	4 338	470
- Of which internal model approaches (IMM)	-	-	-
Capital Charge for switch between trading book and banking book	-	-	-
Operational risk - Basic Indicator Approach	524 379	484 465	56 371
Amounts below the thresholds for deduction (subject to 250% risk weight)	23 620	14 295	2 539
Other risks	90 872	70 722	9 769
Total	3 354 141	3 936 993	360 570

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 matches expected outflows with inflows and keeps a large proportion of the funds in HQLA 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	2 673 763	2 673 763
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:	1 543 837	154 384
3	Stable deposits	-	-
4	Less stable deposits	1 543 837	154 384
5	Unsecured wholesale funding, of which:	3 244 129	787 826
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	3 244 129	787 826
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	510 918	29 198
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	510 918	29 198
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	5 298 884	971 407
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 485 921	1 194 157
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1 485 921	1 194 157
			Total adjusted value
21	Total HQLA		2 673 763
22	Total net cash outflows		242 852
23	Liquidity Coverage Ratio (%)		1 101%

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:	-	2 956 173	449 959	-	3 112 023
5	Stable deposits	-	480 121	449 959	-	883 576
6	Less stable deposits	-	2 476 052	-	-	2 228 447
7	Wholesale funding:	-	-	-	-	1 323 736
8	Operational deposits	-	-	-	-	1 323 736
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	138 553	-	-	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	138 553	-	-	-
14	Total ASF					4 934 375
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)					5 618
16	Deposits held at other financial institutions for operational purposes	-	1 563 327	200 000	-	334 499
17	Performing loans and securities:	-	1 972 601	1 743 105	1 022 956	1 469 716
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1 229 418	1 565 358	-	139 739
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:	-	721 138	177 747	1 022 956	1 318 955
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	-	22 045	-	-	11 023
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	151 930	18 952	152 735

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	-	-	-	18 952	805
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	151 930	-	151 930
32	Off-balance sheet items	-	-	-	511 247	25 546
33	Total RSF					1 988 114
34	Net Stable Funding Ratio (%)					248%

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 2021. These are set out below:

6.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	31 Mar 21	31 Mar 20
1	Total consolidated assets as per published financial statements	7 300 205	7 198 071
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	(18 952)	(38 706)
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)	(310 359)	(369 237)
7	Other adjustments	(553)	(1 174)
8	Leverage ratio exposure	6 970 341	6 788 954

6 LEVERAGE RATIO (continued)

6.2 Leverage ratio

LINE NO.	Item	31 Mar 21	31 Mar 20
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	6 770 006	6 361 191
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(553)	(1 174)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6 769 453	6 360 017
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	15 752	(18 310)
5	Add-on amounts for PFE associated with all derivatives transactions	7 144	(20 396)
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)	22 896	(38 706)
	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	511 247	836 880
18	(Adjustments for conversion to credit equivalent amounts)	310 359	369 237
19	Off-balance sheet items (sum of lines 17 and 18)	200 888	467 643
	Capital and total exposures		
20	Tier 1 capital	498 064	497 443
21	Total exposures (sum of lines 3, 11, 16 and 19)	6 993 238	6 788 954
	Leverage ratio		
22	Basel III leverage ratio	7,12%	7,33%