



HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Quarterly Public Disclosure
September 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 these 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 30 September 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 30 September 2021 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 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	497 983	497 939	498 064	497 917	497 646
2a	Fully loaded accounting model Tier 1	497 983	497 939	498 064	497 917	497 646
3	Total capital	519 210	521 565	524 112	524 610	523 453
3a	Fully loaded ECL accounting model total capital	519 210	521 565	524 112	524 610	523 453
RISK-WEIGHTED ASSETS (AMOUNTS) R'000						
4	Total risk-weighted assets (RWA)	3 300 434	3 367 019	3 354 141	3 509 576	3 636 341
RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA						
5	Common Equity Tier 1 ratio (%)	15,09%	14,79%	14,85%	14,19%	13,69%
5a	Fully loaded ECL accounting model CET1 (%)	15,09%	14,79%	14,85%	14,19%	13,69%
6	Tier 1 ratio (%)	15,09%	14,79%	14,85%	14,19%	13,69%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15,09%	14,79%	14,85%	14,19%	13,69%
7	Total capital ratio (%)	15,73%	15,49%	15,63%	14,95%	14,40%
7a	Fully loaded ECL accounting model total capital ratio (%)	15,73%	15,49%	15,63%	14,95%	14,40%

3 KEY PRUDENTIAL INFORMATION (continued)

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

	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20	30 Sep 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 (%)	10,59%	10,29%	10,35%	9,19%
BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio measure	7 433 302	7 610 705	6 993 238	7 041 921
14	Basel III leverage ratio (%) (row 2/row 13)	7%	7%	7%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	7%	7%	7%
LIQUIDITY COVERAGE RATIO					
15	Total HQLA	3 316 655	3 092 746	2 673 763	2 495 825
16	Total net cash outflow	257 065	302 943	242 852	238 920
17	LCR ratio (%)	1290%	1021%	1101%	1045%
NET STABLE FUNDING RATIO					
18	Total available stable funding	5 282 024	4 934 375	4 934 375	4 872 966
19	Total required stable funding	2 077 544	1 988 114	1 988 114	2 118 616
20	NSFR ratio (%)	254%	248%	248%	230%

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)

An effective and robust Risk and Control Framework is a prerequisite to the success and stability of a bank. HBZ Bank recognises that effective risk management is fundamental to the ability of the business to generate sustainable profits, safeguard its reputation, create a competitive edge and achieve an optimal risk-reward profile.

The risk philosophy of the Bank is to keep risks to a minimum through a clear policy of broad diversification in terms of geography and product mix, and by spreading the Bank's credit and trade financing activities over a wide range of customers, with the emphasis on secured, short-term, self-liquidating lending.

Risk Assessment

The Board of Directors review the relevant risk areas on an annual basis. The risk assessment is based on exposure data and risk analysis, which are provided by the risk department of the Bank. This covers liquidity risk, market risk, credit risk, concentration risk, operational risk and other risk types as are relevant. For its risk assessment the Board takes into consideration mitigating factors such as the effectiveness of the system of internal controls.

For a more detailed overview of Risk Management, please refer to the Risk Management section included in the annual financial statements available at www.hbzbank.co.za

3 KEY PRUDENTIAL INFORMATION (continued)

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

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

	RWA		Minimum capital requirements
	Sep 21 R'000	Sep 20 R'000	Sep 21 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 616 832	2 985 754	281 309
- Of which standardised approach (SA)	2 616 832	2 985 754	281 309
- 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	2 444	16 330	263
- Of which standardised approach for counterparty credit risk (SA-CCR)	2 444	16 330	263
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	2 167	1 692	233
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	4 723	2 018	508
- Of which standardised approach (SA)	4 723	2 018	508
- 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)	22 520	14 295	2 421
Other risks	102 338	91 874	11 001
Total	3 300 434	3 636 341	354 797

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	3 316 655	3 316 655
CASH OUTFLOWS		
2 Retail deposits and deposits from small business customers, of which:	1 553 963	155 396
3 Stable deposits	-	-
4 Less stable deposits	1 553 963	155 396
5 Unsecured wholesale funding, of which:	3 676 554	839 177
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7 Non-operational deposits (all counterparties)	3 676 554	839 177
8 Unsecured debt	-	-
9 Secured wholesale funding	-	-
10 Additional requirements, of which:	661 358	33 687
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	661 358	33 687
14 Other contractual funding obligations	-	-
15 Other contingent funding obligations	-	-
16 TOTAL CASH OUTFLOWS	5 891 874	1 028 261
CASH INFLOWS		
17 Secured lending (e.g. reverse repos)	-	-
18 Inflows from fully performing exposures	1 322 370	1 047 778
19 Other cash inflows	-	-
20 TOTAL CASH INFLOWS	1 322 370	1 047 778
		Total adjusted value
21 Total HQLA		3 316 655
22 Total net cash outflows		257 065
23 Liquidity Coverage Ratio (%)		1 290%

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:	-	3 425 133	308 723	-	3 407 619
5	Stable deposits	-	634 244	308 723	-	895 819
6	Less stable deposits	-	2 790 889	-	-	2 511 800
7	Wholesale funding:	-	-	-	-	1 375 788
8	Operational deposits	-	-	-	-	1 375 788
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	124 160	-	-	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	124 160	-	-	-
14	Total ASF					5 282 024
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)					6 456
16	Deposits held at other financial institutions for operational purposes	-	973 186	475 000	-	383 478
17	Performing loans and securities:	-	2 653 366	1 742 700	989 321	1 498 531
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	-	1 871 178	1 551 988	-	171 158
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:	-	758 326	190 712	989 321	1 315 442
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	-	23 862	-	-	11 931
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	-	155 415	14 579	156 011

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	-	-	-	14 579	596
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	155 415	-	155 415
32	Off-balance sheet items	-	-	-	661 573	33 068
33	Total RSF					2 077 544
34	Net Stable Funding Ratio (%)					254%

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 30 September 2021. These are set out below:

6.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	30 Sep 21	30 Sep 20
1	Total consolidated assets as per published financial statements	7 820 606	7 077 789
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	(14 579)	(8 716)
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)	(377 131)	(394 950)
7	Other adjustments	(634)	(971)
8	Leverage ratio exposure	7 428 262	6 673 152

6 LEVERAGE RATIO (continued)

6.2 Leverage ratio

LINE NO.	Item	30 Sep 21	30 Sep 20
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	7 144 454	6 475 176
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(634)	(971)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	7 143 820	6 474 205
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	371	8 716
5	Add-on amounts for PFE associated with all derivatives transactions	4 669	11 907
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)	5 040	20 623
	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	661 573	593 897
18	(Adjustments for conversion to credit equivalent amounts)	377 131	394 950
19	Off-balance sheet items (sum of lines 17 and 18)	284 442	198 947
	Capital and total exposures		
20	Tier 1 capital	497 983	497 646
21	Total exposures (sum of lines 3, 11, 16 and 19)	7 433 302	6 693 775
	Leverage ratio		
22	Basel III leverage ratio	6,70%	7,43%