

HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)



**Quarterly Public Disclosures
in terms of Banks Act, Regulation 43
March 2019**

UNAUDITED QUARTERLY DISCLOSURE IN TERMS OF REGULATION 43 RELATING TO BANKS, ISSUED UNDER SECTION 90 OF THE BANKS ACT, NO. 94 OF 1990, AS AMENDED ("REGULATION 43")

In terms of Regulation 43(1)(e)(ii), the Bank is required to publicly report on its regulatory capital, risk weighted assets, leverage and liquidity ratios. Detailed qualitative information regarding the Bank's risk and capital management plan can be found under Risk management and control on page 7 of the 2018 annual financial statements (available at www.hbzbank.co.za).

Key prudential information

Overview of risk management, key prudential metrics

The Bank's key prudential metrics related to regulatory capital, leverage ratio, liquidity ratios and risk weighted assets as at 31 March 2019 are disclosed below:

Key Metrics		31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
		T	T	T	T	T
Available capital (amounts) R'000						
1	Common Equity Tier 1 (CET1)	416 617	416 617	380 214	360 214	335 214
1a	Fully loaded ECL accounting model	416 617	416 617	380 214	360 214	335 214
2	Tier 1	415 107	414 936	378 973	358 835	333 705
2a	Fully loaded accounting model Tier 1	415 107	414 936	378 973	358 835	333 705
3	Total capital	427 371	427 687	411 705	390 536	361 079
3a	Fully loaded ECL accounting model total capital	427 371	427 687	411 705	390 536	361 079
Risk-weighted assets (amounts) R'000						
4	Total risk-weighted assets (RWA)	3 048 634	2 967 872	3 111 784	3 028 249	2 648 187
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	13.62%	13.98%	12.18%	11.85%	12.66%
5a	Fully loaded ECL accounting model CET1 (%)	13.62%	13.98%	12.18%	11.85%	12.66%
6	Tier 1 ratio (%)	13.62%	13.98%	12.18%	11.85%	12.66%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.62%	13.98%	12.18%	11.85%	12.66%
7	Total capital ratio (%)	14.02%	14.41%	13.23%	12.90%	13.63%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.02%	14.41%	13.23%	12.90%	13.63%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	1.88%	1.88%	1.88%	1.88%
9	Countercyclical buffer requirement (%) -	-	-	-	-	-
10	Bank D-SIB additional requirements (%) -	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row8 + row 9+ row 10)	2.50%	1.88%	1.88%	1.88%	1.88%
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.12%	9.48%	7.68%	7.35%	8.16%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	6 339 200	6 124 231	5 866 329	5 791 700	4 877 155
14	Basel III leverage ratio (%) (row 2/row 13)	7%	7%	6%	6%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	7%	6%	6%	7%
Liquidity Coverage Ratio						
15	Total HQLA	1 229 169	1 204 236	926 651	954 540	903 146
16	Total net cash outflow	166 310	165 668	151 678	174 710	150 032
17	LCR ratio (%)	739%	727%	611%	546%	602%
Net Stable Funding Ratio						
18	Total available stable funding	4 013 783	4 372 441	4 111 597	4 129 176	3 649 744
19	Total required stable funding	1 128 625	1 513 715	1 666 749	1 750 837	1 479 259
20	NSFR ratio (%)	356%	289%	247%	236%	247%

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.

Leverage ratios

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:

Summarised comparison of accounting assets and leverage ratio exposure measure

	Item	31-Mar-19
1	Total consolidated assets as per published financial statements	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	(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)	264 282
7	Other adjustments	
8	Leverage ratio exposure	5 688 200

Leverage ratio

	Item	31-Mar-19
On-balance sheet exposures		
1	On-balance sheet exposures(excluding derivatives and securities financing transactions (SFTs), but including collateral)	5 423 918
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1 510)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	5 422 408
Derivative exposures		
4	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	644 482
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	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)	652 510

Securities financing transaction exposures		
12	Gross SFT <i>assets</i> (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	616 670
18	(Adjustments for conversion to credit equivalent amounts)	(352 388)
19	Off-balance sheet items (sum of lines 17 and 18)	264 282
Capital and total exposures		
20	Tier 1 capital	414 419
21	Total exposures (sum of lines 3, 11, 16 and 19)	6 339 200
Leverage ratio		
22	Basel III leverage ratio	7%

Liquidity risk

Liquidity Coverage Ratio

In terms of Regulation 43(1)(e)(iii)(F), the Bank's Liquidity Coverage Ratio ("LCR") positions, as at 31 March 2019, are set out below.

		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total HQLA	1 229 169	1 229 169
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	1 437 655	143 766
3	Stable deposits	-	-
4	Less stable deposits	1 437 655	143 766
5	Unsecured wholesale funding, of which:	2 174 299	484 567
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	2 174 299	484 567
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	615 393	36 909
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Outflows related to loss of funding on debt products	-	-
14	Credit and liquidity facilities	615 393	36 909
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	4 227 347	665 241
Cash inflows			
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	1 592 832	1 319 932
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1 592 832	1 319 932
			Total adjusted value
21	Total HQLA		1 229 169
22	Total net cash outflows		166 310
23	Liquidity Coverage Ratio (%)		739%

Overview of Risk Weighted Assets (RWA)

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

Overview of RWA

		HBZ Bank Limited		
		RWA		Minimum capital requirements
Line #	R'000	Mar-19	Mar-18	Mar-19
1	Credit risk (excluding counterparty credit risk) (CCR)	2 510 238	2 189 926	294 953
2	- Of which standardised approach (SA)	2 510 238	2 189 926	294 953
3	- Of which foundation internal-ratings based (F-IRB) approach	-	-	-
4	- Of which supervisory slotting approach	-	-	-
5	- Of which advanced internal-ratings based (A-IRB) approach	-	-	-
6	Counterparty credit risk	9 824	29 451	1 154
7	- Of which standardised approach for counterparty credit risk (SA-CCR)	8 599	26 794	1 010
8	- Of which internal model method (IMM)	-	-	-
9	- Of which other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	1 225	2 657	144
11	Equity positions under the simple risk weight approach	1 225	2 657	144
12	Equity investments in funds - look through approach	-	-	-
13	Equity investments in funds - mandate based approach	-	-	-
14	Equity investments in funds - full back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
17	- Of which Securitisation internal- ratings based approach (SEC-IRBA)	-	-	-
18	- Of which Securitisation external- ratings based approach (SEC-ERBA), including internal assessment approach	-	-	-
19	- Of which Securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	12 860	6 413	1 511
21	- Of which standardised approach (SA)	12 860	6 413	1 511
22	- Of which internal model approaches (IMM)	-	-	-
23	Capital Charge for switch between trading book and banking book	-	-	-
24	Operational risk - Basic Indicator Approach	441 436	389 597	51 869
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	11 000	3 198	1 293
26	Other risks	63 275	29 603	7 435
	Total	3 048 634	2 648 187	358 214

Other risks reflected in the table above relate to property and equipment and other assets as included in the Statement of Financial Position.

The percentage minimum capital requirement consists of the following:

Minimum Capital requirement	8.000%
Add-on: Pillar 2A and other requirements	1.250%
Add-on: conservation buffer	2.500%
Total	11.750%