

HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)



**Quarterly Public Disclosures
in terms of Banks Act, Regulation 43
September 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.hbzbk.co.za). Amounts included in this report are in R'000 unless otherwise noted.

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 30 September 2019 are disclosed below:

Key Metrics		30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
		T	T	T	T	T
Available capital (amounts) R'000						
1	Common Equity Tier 1 (CET1)	416,617	416,617	416,617	416,617	380,214
1a	Fully loaded ECL accounting model	416,617	416,617	416,617	416,617	380,214
2	Tier 1	415,320	415,221	415,107	414,936	378,973
2a	Fully loaded accounting model Tier 1	415,320	415,221	415,107	414,936	378,973
3	Total capital	436,260	436,317	427,371	427,687	411,705
3a	Fully loaded ECL accounting model total capital	436,260	436,317	427,371	427,687	411,705
Risk-weighted assets (amounts) R'000						
4	Total risk-weighted assets (RWA)	3,078,814	3,097,227	3,048,634	2,967,872	3,111,784
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	13.49%	13.41%	13.62%	13.98%	12.18%
5a	Fully loaded ECL accounting model CET1 (%)	13.49%	13.41%	13.62%	13.98%	12.18%
6	Tier 1 ratio (%)	13.49%	13.41%	13.62%	13.98%	12.18%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.49%	13.41%	13.62%	13.98%	12.18%
7	Total capital ratio (%)	14.17%	14.09%	14.02%	14.41%	13.23%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.17%	14.09%	14.02%	14.41%	13.23%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	1.88%	1.88%
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%	1.88%	1.88%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.99%	8.91%	9.12%	9.48%	7.68%
Basel III Leverage Ratio						
13	Total Basel III leverage ratio measure	6,094,102	6,806,986	6,339,200	6,124,231	5,343,716
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	1,664,915	1,370,834	1,229,169	1,204,236	926,651
16	Total net cash outflow	185,427	181,325	166,310	165,668	151,678
17	LCR ratio (%)	898%	756%	739%	727%	611%
Net Stable Funding Ratio						
18	Total available stable funding	4,196,469	4,154,023	4,013,783	4,372,441	4,111,597
19	Total required stable funding	1,199,612	1,206,802	1,128,625	1,513,715	1,666,749
20	NSFR ratio (%)	350%	344%	356%	289%	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, as at 30 September 2019. These are set out below:

Summarised comparison of accounting assets and leverage ratio exposure measure

	Item	30-Sep-19	30-Sep-18
1	Total consolidated assets as per published financial statements	6,483,606	5,624,796
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	(11,745)	(10,403)
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)	(376,462)	(269,436)
7	Other adjustments	(1,297)	(1,241)
8	Leverage ratio exposure	6,094,102	5,343,716

Leverage ratio

	Item	30-Sep-19	30-Sep-18
On-balance sheet exposures			
1	On-balance sheet exposures(excluding derivatives and securities financing transactions (SFTs), but including collateral)	5,825,242	4,987,467
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1,297)	(1,241)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	5,823,945	4,986,226

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)	(2,997)	(26)
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	(8,748)	(10,377)
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)	(11,745)	(10,403)
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	658,364	637,329
18	(Adjustments for conversion to credit equivalent amounts)	376,462	269,436
19	Off-balance sheet items (sum of lines 17 and 18)	281,902	367,893
Capital and total exposures			
20	Tier 1 capital	415,320	378,973
21	Total exposures (sum of lines 3, 11, 16 and 19)	6,094,102	5,343,716
Leverage ratio			
22	Basel III leverage ratio	6.82%	7.09%

Liquidity risk

Liquidity Coverage Ratio

In terms of Regulation 43(1)(e)(iii)(F), the Bank's Liquidity Coverage Ratio ("LCR") positions, as at 30 September 2019, are set out below.

		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total HQLA	1,664,915	1,664,915
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	1,525,870	152,587
3	Stable deposits	-	-
4	Less stable deposits	1,525,870	152,587
5	Unsecured wholesale funding, of which:	2,307,759	546,810
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	2,307,759	546,810
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	657,339	42,311
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	657,339	42,311
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	4,490,968	741,708
Cash inflows			
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	1,919,506	1,607,589
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1,919,506	1,607,589
			Total adjusted value
21	Total HQLA		1,664,915
22	Total net cash outflows		185,427
23	Liquidity Coverage Ratio (%)		898%

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	Sep-19	Sep-18	Sep-19
1	Credit risk (excluding counterparty credit risk) (CCR)	2,507,208	2,618,522	294,597
2	- Of which standardised approach (SA)	2,507,208	2,618,522	294,597
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	8,748	10,377	1,028
7	- Of which standardised approach for counterparty credit risk (SA-CCR)	8,748	10,377	1,028
8	- Of which internal model method (IMM)	-	-	-
9	- Of which other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	1,612	1,263	189
11	Equity positions under the simple risk weight approach	-	-	-
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	6,599	6,312	775
21	- Of which standardised approach (SA)	6,599	6,312	775
22	- Of which internal model approaches (IMM)	-	-	-
23	Capital Charge for switch between trading book and banking book	-	-	-
24	Operational risk - Basic Indicator Approach	484,465	441,436	56,925
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	11,000	3,198	1,293
26	Other risks	59,182	30,676	6,954
	Total	3,078,814	3,111,784	361,761

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