



# HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

## South Africa

Quarterly Public Disclosure  
September 2020

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.

These disclosures have been prepared in compliance with the Bank's disclosure policy.

## 2 SCOPE OF REPORTING

This report covers the annual results of HBZ Bank Limited for the quarter ended 30 September 2020.

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 2020 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 19	30 Sep 19
1	Common Equity Tier 1 (CET1)	498 617	498 617	498 617	416 617	416 617
1a	Fully loaded ECL accounting model	498 617	498 617	498 617	416 617	416 617
2	Tier 1	497 646	497 622	497 443	415 480	415 320
2a	Fully loaded accounting model Tier 1	497 646	497 622	497 443	415 480	415 320
3	Total capital	523 453	521 408	519 164	433 176	436 260
3a	Fully loaded ECL accounting model total capital	523 453	521 408	519 164	433 176	436 260
<b>RISK-WEIGHTED ASSETS (AMOUNTS) R'000</b>						
4	Total risk-weighted assets (RWA)	3 636 341	3 726 810	3 936 993	3 076 879	3 078 814
<b>RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA</b>						
5	Common Equity Tier 1 ratio (%)	13,69%	13,35%	12,64%	13,50%	13,49%
5a	Fully loaded ECL accounting model CET1 (%)	13,69%	13,35%	12,64%	13,50%	13,49%
6	Tier 1 ratio (%)	13,69%	13,35%	12,64%	13,50%	13,49%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13,69%	13,35%	12,64%	13,50%	13,49%
7	Total capital ratio (%)	14,40%	13,99%	13,19%	14,08%	14,17%
7a	Fully loaded ECL accounting model total capital ratio (%)	14,40%	13,99%	13,19%	14,08%	14,17%

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

	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 19	30 Sep 19
<b>ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA</b>					
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 (%)	9,19%	8,85%	8,14%	9,00%
<b>BASEL III LEVERAGE RATIO</b>					
13	Total Basel III leverage ratio measure	6 693 775	6 864 257	6 788 954	6 110 615
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%
<b>LIQUIDITY COVERAGE RATIO</b>					
15	Total HQLA	2 258 195	2 021 943	1 830 852	1 910 745
16	Total net cash outflow	226 185	237 438	212 785	185 017
17	LCR ratio (%)	998%	852%	860%	1 033%
<b>NET STABLE FUNDING RATIO</b>					
18	Total available stable funding	4 658 498	4 641 381	4 548 793	4 197 570
19	Total required stable funding	2 112 339	2 110 163	2 123 517	1 939 218
20	NSFR ratio (%)	221%	220%	214%	216%

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 Weighted Assets (RWA)

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

### Overview of RWA

	RWA		Minimum capital requirements
	Sep 20 R'000	Sep 19 R'000	Sep 20 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 985 754	2 517 600	320 969
- Of which standardised approach (SA)	2 985 754	2 517 600	320 969
- 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	16 330	14 888	1 755
- Of which standardised approach for counterparty credit risk (SA-CCR)	16 330	13 802	1 755
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	1 692	1 086	182
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	2 018	9 234	217
- Of which standardised approach (SA)	2 018	9 234	217
- 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)	14 295	11 000	1 537
Other risks	91 874	60 040	9 876
<b>Total</b>	<b>3 636 341</b>	<b>3 097 227</b>	<b>390 907</b>

## 4 LIQUIDITY RISK

### 4.1 Liquidity Coverage Ratio

LINE NO.		Total unweighted value	Total weighted value
	<b>HIGH-QUALITY LIQUID ASSETS</b>		
1	Total HQLA	2 258 195	2 258 195
	<b>CASH OUTFLOWS</b>		
2	<b>Retail deposits and deposits from small business customers, of which:</b>	1 555 454	155 545
3	Stable deposits	-	-
4	Less stable deposits	1 555 454	155 545
5	<b>Unsecured wholesale funding, of which:</b>	2 819 525	722 779
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	2 819 525	722 779
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	<b>Additional requirements, of which:</b>	593 307	26 415
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	593 307	26 415
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	<b>TOTAL CASH OUTFLOWS</b>	4 968 286	904 739
	<b>CASH INFLOWS</b>		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 408 916	1 112 758
19	Other cash inflows	-	-
20	<b>TOTAL CASH INFLOWS</b>	1 408 916	1 112 758
			<b>Total adjusted value</b>
21	<b>Total HQLA</b>		<b>2 258 195</b>
22	<b>Total net cash outflows</b>		<b>226 185</b>
23	<b>Liquidity Coverage Ratio (%)</b>		<b>998%</b>

## 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	<b>Capital:</b>	498 617	-	-	-	498 617
2	Regulatory capital	498 617	-	-	-	498 617
3	Other capital instruments	-	-	-	-	-
4	<b>Retail deposits and deposits from small business customers:</b>	-	2 824 051	327 505	-	2 886 343
5	Stable deposits	-	671 338	327 505	-	948 901
6	Less stable deposits	-	2 152 713	-	-	1 937 442
7	<b>Wholesale funding:</b>	-	-	-	-	1 273 538
8	Operational deposits	-	-	-	-	1 273 538
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	107 454	-	-	-
12	NSFR derivative liabilities	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	-	107 454	-	-	-
14	<b>Total ASF</b>					<b>4 658 498</b>
	<b>REQUIRED STABLE FUNDING (RSF) ITEM</b>					
15	Total NSFR high-quality liquid assets (HQLA)					4 781
16	Deposits held at other financial institutions for operational purposes	-	1 330 549	660 935	-	530 050
17	<b>Performing loans and securities:</b>	-	<b>1 856 104</b>	<b>1 428 533</b>	<b>924 261</b>	<b>1 372 456</b>
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1 070 495	1 275 026	-	117 276
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
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:	-	772 264	153 507	924 261	1 248 507
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	-	13 345	-	-	6 673
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	<b>Other assets:</b>	-	-	<b>174 610</b>	<b>8 716</b>	<b>175 387</b>

## 4.2 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	-	-	-	8 716	777
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	174 610	-	174 610
32	Off-balance sheet items				593 897	29 665
33	<b>Total RSF</b>					<b>2 112 339</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>221%</b>

## 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 2020. These are set out below:

### 5.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	30 Sep 20	30 Sep 19
1	Total consolidated assets as per published financial statements	7 077 789	5 562 107
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	(8 716)	(8 366)
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)	(394 950)	301 446
7	Other adjustments	(971)	-
8	<b>Leverage ratio exposure</b>	<b>6 673 152</b>	<b>5 855 187</b>

## 5.2 Leverage ratio

LINE NO.	Item	30 Sep 20	30 Sep 19
	<b>On-balance sheet exposures</b>		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	6 475 176	5 553 741
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(971)	(1 396)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6 474 205	5 552 345
	<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	8 716	944 829
5	Add-on amounts for PFE associated with all derivatives transactions	11 907	8 366
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)	20 623	953 195
	<b>Securities financing transaction exposures</b>		
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)	-	-
	<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	593 897	745 361
18	(Adjustments for conversion to credit equivalent amounts)	394 950	(443 915)
19	Off-balance sheet items (sum of lines 17 and 18)	198 947	301 446
	<b>Capital and total exposures</b>		
20	<b>Tier 1 capital</b>	<b>497 646</b>	<b>415 221</b>
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>6 693 775</b>	<b>6 806 986</b>
	<b>Leverage ratio</b>		
22	<b>Basel III leverage ratio</b>	<b>7,43%</b>	<b>6,10%</b>