



HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Annual Public Disclosure December 2023

in terms of Banks Act, Regulation 43

HBZ Bank Limited

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 accordance with IFRS Accounting Standards (IFRS Accounting Standards), 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 year ended 31 December 2023.

HBZ Bank Limited is a registered bank that specialises in commercial banking and 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 December 2023 are disclosed below.

	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22
1	Common Equity Tier 1 (CET1)	593 031	592 996	592 961	534 230	534 190
1a	Fully loaded ECL accounting model	593 031	592 996	592 961	534 230	534 190
2	Tier 1	593 031	592 996	592 961	534 230	534 190
2a	Fully loaded accounting model Tier 1	593 031	592 996	592 961	534 230	534 190
3	Total capital	609 732	600 019	598 870	541 774	542 442
3a	Fully loaded ECL accounting model total capital	609 732	600 019	598 870	541 774	542 442
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000					
4	Total risk-weighted assets (RWA)	3 207 659	3 220 194	3 524 308	3 656 868	3 487 356
4a	Total risk-weighted assets (pre-floor)	3 207 659	3 220 194	3 524 308	3 656 868	3 487 356
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA					
5	CET1 ratio (%)	18,49%	18,41%	16,82%	14,61%	15,32%
5a	Fully loaded ECL accounting model CET1 (%)	18,49%	18,41%	16,82%	14,61%	15,32%
5b	CET1 ratio (%) (pre-floor)	18,49%	18,41%	16,82%	14,61%	15,32%
6	Tier 1 ratio (%)	18,49%	18,41%	16,82%	14,61%	15,32%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18,49%	18,41%	16,82%	14,61%	15,32%
6b	Tier 1 ratio (%) (pre-floor)	18,49%	18,41%	16,82%	14,61%	15,32%
7	Total capital ratio (%)	19,01%	18,63%	16,99%	14,82%	15,55%
7a	Fully loaded ECL accounting model total capital ratio (%)	19,01%	18,63%	16,99%	14,82%	15,55%
7b	Total capital ratio (%) (pre-floor)	19,01%	18,63%	16,99%	14,82%	15,55%
	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%	2,50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank G-Sib and/or 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%	2,50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	13,99%	13,91%	12,32%	10,11%	10,82%

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

		31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23	31 Dec 22
BASEL III LEVERAGE RATIO						
13	Total Basel III leverage ratio measure	8 785 193	8 595 769	8 401 900	8 580 627	8 563 429
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	7%	7%	7%	6%	6%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	7%	7%	7%	6%	6%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	7%	7%	7%	6%	6%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	7%	7%	7%	6%	6%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	7%	7%	7%	6%	6%
LIQUIDITY COVERAGE RATIO						
15	Total High Quality Liquid Assets (HQLA)	4 552 469	4 813 321	4 555 882	4 065 779	3 868 219
16	Total net cash outflow	470 743	537 040	401 607	343 713	342 691
17	LCR ratio (%)	967%	896%	1134%	1183%	1 129%
NET STABLE FUNDING RATIO						
18	Total available stable funding	5 995 651	5 723 671	5 641 554	5 844 870	5 942 061
19	Total required stable funding	1 989 044	1 964 008	2 086 786	2 070 206	2 280 800
20	NSFR ratio (%)	301%	291%	270%	282%	261%

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.

Stress testing is conducted for any material risks facing the bank (i.e. credit, liquidity, profitability, solvency risks). Stress tests of these material risks are tied to the assets in the portfolio, as well as to prevailing economic and market conditions and probe for portfolio-specific weaknesses. The frequency of stress testing is conducted at least quarterly. However, a sudden change in the economic outlook may prompt the Bank to revise the parameters of some stress tests, or if the Bank has become exposed to a particular risk area, it may be necessary to carry out more stress tests.

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

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

Overview of RWA

		RWA		Minimum capital requirements
		Dec 23	Sep 23	Dec 23
		R'000	R'000	R'000
1	Credit risk (excluding counterparty credit risk)	2 374 673	2 405 689	279 024
2	Of which: standardised approach (SA)	2 374 673	2 405 689	279 024
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 (CCR)	7 837	3 262	921
7	Of which: standardised approach for counterparty credit risk	7 837	3 262	921
8	Of which: IMM	-	-	-
9	Of which: other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	4 100	2 479	482
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase -in period	-	-	-
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 IRB approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external- ratings based approach (SEC-ERBA), including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	8 454	4 231	993
21	Of which: standardised approach (SA)	8 454	4 231	993
22	Of which: internal model approach (IMA)	-	-	-
23	Capital Charge for switch between trading book and banking book	-	-	-
24	Operational risk	684 821	571 179	80 466
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	127 774	233 354	15 013
26	Aggregate capital floor applied			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)	3 207 659	3 220 194	376 900

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	<u>11,750%</u>

Further disclosure on the Capital Adequacy Ratio is included in Note 32 of the annual financial statements that are available on the Banks website (www.hbzbank.co.za).

4 LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

This section outlines the treatment and the carrying values as published in the annual financial statements and used for the various regulatory risk categories, along with the carrying values of the items for the calculation of regulatory capital. Certain differences arise as a result of differing treatment under regulatory and IFRS rules, as further explained below.

4.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement with regulatory risk categories

31 DEC 23	Carrying values as reported in published financial statements & under scope of regulatory consolidation R'000	Carrying values of items:			
		Subject to credit risk framework R'000	Subject to counterparty credit risk framework R'000	Subject to the market risk framework R'000	Subject to other risk R'000
ASSETS					
Cash and cash equivalents	1 738 708	1 738 708	-	-	-
Investment securities	4 699 586	4 699 586	-	-	-
Other assets	21 591	-	-	-	21 591
Derivative assets held for risk management	5 936	-	5 936	-	-
Loans and advances	2 125 469	2 125 469	-	-	-
Property and equipment	53 662	-	-	-	53 662
Investment property	8 258	-	-	-	8 258
Right-of-use assets	16 937	-	-	-	16 937
Deferred tax asset	10 976	-	-	-	10 976
Total assets	8 681 123	8 563 763	5 936	-	111 424
LIABILITIES AND EQUITY					
Deposits and borrowings	7 841 627	-	-	-	-
Provisions	15 038	-	-	-	-
Other liabilities	20 970	-	-	-	-
Derivative liabilities held for risk management	5 217	-	-	-	-
Lease liabilities	20 362	-	-	-	-
Ordinary shareholder's equity	777 909	-	-	-	-
Total liabilities and equity	8 681 123	-	-	-	-

4.2 Main sources of differences between regulatory amounts and carrying values in financial statements

	Total R'000	Items subject to:			
		Credit risk framework R'000	Counterparty credit risk framework R'000	Market risk framework R'000	Other risk framework R'000
Asset carrying value amount under scope of regulatory consolidation	8 681 123	8 563 763	5 936	-	111 424
Liabilities and equity carrying value amount under scope of regulatory consolidation	8 681 123	-	-	-	-
Total net amount under regulatory scope of consolidation	-	8 563 763	5 936	-	111 424
Off-balance sheet amounts	472 792	472 629	-	-	-
Exposure amounts considered for regulatory purposes	9 153 915	9 036 392	5 936	-	111 424

The differences between the accounting and regulatory exposure amounts are due to the following:

The carrying values of the items subject to the regulatory framework are based on average daily balances (where applicable) as required in terms of the Regulations relating to Banks.

The Off-balance sheet amounts are post application of Credit Conversion Factors (CCF) and Credit Risk Mitigation (CRM) for derivative exposures under counterparty credit risk.

5 CREDIT RISK

This section outlines the regulatory view of the risk associated with advances which are reflected on the Statement of Financial Position of HBZ Bank Limited. The Bank primarily advances funds to customers in the form of corporate loans, mortgage loans, overdraft facilities and trade finance loans.

Credit risk is the risk of financial loss arising from the possibility that commitments by counter-parties are not honoured either in part or totally.

The Board acknowledges that credit risk management is critical to the Bank and have in place board approved committees that ensures both executive and non-executive oversight to approve, monitor and manage credit risk.

For an overview of credit risk management as well as related qualitative information, please refer to the Risk Management section as well as note 29 of the annual financial statements, available at www.hbzbank.co.za.

The Bank has adopted the standardised approach to determine the capital requirement for credit risk on all portfolios.

Qualitative disclosure requirements related to credit risk mitigation techniques

Credit risk mitigation (CRM) relates to the reduction of a bank's credit risk exposure by obtaining, for example, eligible collateral or guarantees or entering into a netting agreement with a client that maintains both debit and credit balances with the bank.

HBZ Bank applies the allowed CRM techniques as a result of the eligible collateral and guarantees that are held as security over certain exposures.

5.1 Credit quality of assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For off-balance sheet exposures, the amounts in the table represent the amounts committed or guaranteed.

	a	b	c	d	e	f	g
	Gross carrying values of:		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a + b - c)
	Defaulted Exposures	Non-defaulted Exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General		
1 Advances	85 746	2 090 621	(50 898)	(45 733)	(5 165)	-	2 125 469
2 Investment Securities	-	4 709 398	(9 811)		(9 811)	-	4 699 587
3 Cash and Cash Equivalents	-	1 740 434	(1 726)		(1 726)	-	1 738 708
4 Off-balance sheet exposures	-	472 792	(130)		(130)	-	472 662
5 Total	85 746	9 013 245	(62 565)	(45 733)	(16 832)	-	9 036 426

Refer to the Risk Management Review as well as Notes 5, 6 and 29 of the annual financial statements for additional disclosure on the credit quality of assets.

Definition of default

A default is considered to have occurred with regard to a particular borrower when either or both of the two following events have taken place:

- The Bank considers that the borrower is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realizing collateral (if held).
- The borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts will be considered as being past due once the client has breached an advised limit or been advised of a limit smaller than current outstanding's.

In assessing whether a borrower is in default, the Bank considers indicators that are both qualitative and quantitative in nature.

5.2 Changes in stock of defaulted advances

1 Defaulted advances at end of the previous reporting period	108 713
2 Loans and debt securities that have defaulted since the last reporting period	-
3 Returned to non-defaulted status	-
4 Amounts written off	(22 967)
5 Other changes	-
6 Defaulted advances at end of the reporting period	85 746

5.3 Breakdown of gross credit exposure by geographic areas

The Bank monitors concentration of credit risk by industry and geographical location. An analysis of concentration of credit risk at the reporting date is shown below:

Concentration by location	Gross credit exposures
America	169 973
Europe	100 914
Asia	2 893
South Africa	8 352 419
Other African countries	-
Total	8 626 199

Refer to Note 29 of the annual financial statements for further disclosure on gross credit exposure.

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5.4 Breakdown of gross customer advances by industry sector

Concentration by industry	Gross credit exposures
Finance & insurance	2 552
Manufacturing	403 230
Transportation	98 800
Commercial real estate	799 889
Retailers & wholesalers	708 162
Other	163 734
Total	2 176 367

5.5 Impaired and past due advances by geographical area

	South Africa Gross amount	Other Gross amount
Individually impaired advances	85 746	-
Impairments for credit losses		
Expected credit loss (Stage 1)	4 286	-
Expected credit loss (Stage 2)	1 009	-
Expected credit loss (Stage 3)	15 465	-
Total	106 506	-

5.6 Credit risk mitigation techniques

	a Exposures Unsecured: carrying amount	b Exposures to be secured	d Exposures secured by collateral	e Exposures secured by financial guarantees	f Exposures secured by credit derivatives
1 Advances	62 111	2 042 598	2 029 962	12 636	-
2 Investment securities	4 699 586	-	-	-	-
3 Cash and cash equivalents	1 738 708	-	-	-	-
4 Total	6 500 405	2 042 598	2 029 962	12 636	-
5 Of which defaulted	-	-	85 746	-	-

5.7 Aggregate credit exposure after set off but before and after credit mitigation techniques

Asset classes	Exposures before CCF and CRM		Exposures post CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Sovereign and their central banks	4 699 587	-	5 020 618	-	-	-
2 Non-central government public sector entities	-	-	-	-	-	-
3 Multilateral development banks	-	-	-	-	-	-
4 Banks	1 076 205	-	1 098 129	-	499 341	45%
Of which: securities firms and other financial institutions	1 076 205	-	1 098 129	-	499 341	45%
5 Covered bonds	-	-	-	-	-	-
6 Corporates	1 515 490	378 274	1 694 665	-	1 375 590	81%
Of which: securities firms and other financial institutions	-	-	-	-	-	-
Of which: specialised lending	1 515 490	378 274	1 694 665	-	1 375 590	81%
7 Subordinated debt, equity and other capital	-	-	-	-	-	-
8 Retail portfolios	570 217	-	529 443	-	421 833	80%
9 Real estate	-	-	-	-	-	-
Of which: general RRE	-	-	-	-	-	-
Of which: IPRRE	-	-	-	-	-	-
Of which: general CRE	-	-	-	-	-	-
Of which: IPCRE	-	-	-	-	-	-
Of which: land acquisition, development and construction	-	-	-	-	-	-
10 Defaulted exposures	85 746	4 123	85 746	-	85 746	100%
11 Other assets	-	-	-	-	-	-
12 Total	7 947 245	382 397	8 428 601	-	2 382 510	

Policies and processes for collateral valuation and management

The Bank holds collateral and other credit enhancements against its credit exposures. The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, charges over all corporate assets and other liens and guarantees. At 31 December 2023, the net carrying amount of advances to customers in default amounted to R85.7 million (2022: R 109 million) and the market value of identifiable collateral (mainly fixed properties) held against those loans and advances amounted to R197 million (2022: R 454 million).

Further disclosure on the collateral valuation and management is included in Note 29 of the annual financial statements that are available on the Banks website (www.hbzbank.co.za).

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5.8 Exposures by asset class and risk weights

Asset classes by Risk weights	0%-5%	15%-20%	50%-75%	100%	150%	Total credit exposures amount (post CCF and post-CRM)
1 Sovereign and their central banks	5 020 618	-	-	-	-	5 020 618
2 Non-central government public sector entities	-	-	-	-	-	-
3 Multilateral development banks	-	-	-	-	-	-
4 Banks	-	737 323	360 806	-	-	1 098 129
Of which: securities firms and other financial institutions	-	737 323	360 806	-	-	1 098 129
5 Covered bonds	-	-	-	-	-	-
6 Corporates	-	-	-	1 694 665	-	1 694 665
Of which: securities firms and other financial institutions	-	-	-	-	-	-
Of which: specialised lending	-	-	-	1 694 665	-	1 694 665
7 Subordinated debt, equity and other capital	-	-	-	-	-	-
8 Retail portfolios	-	-	29 858	499 585	-	529 443
9 Real estate	-	-	-	-	-	-
Of which: general RRE	-	-	-	-	-	-
Of which: IPRRE	-	-	-	-	-	-
Of which: general CRE	-	-	-	-	-	-
Of which: IPCRE	-	-	-	-	-	-
Of which: land acquisition, development and construction	-	-	-	-	-	-
10 Defaulted exposures	-	-	-	85 746	-	85 746
11 Other assets	-	-	-	-	-	-
12 Total	5 020 618	737 323	390 664	2 279 996	-	8 428 601

5.9 Credit risk under standardised approach

The Bank has consistently utilised ratings issued only by Moody's. During the reporting period, Moody's has upgraded the outlook in South Africa from 'negative' to 'stable' with no export credit agencies being utilised. Interbank placements are the only asset class for which Moody's ratings are utilised. The Bank obtains the latest bank credit ratings as issued by Moody's and applies the provisions of Regulation 23 table 8 to arrive at risk weightings. Regulation 23, table 8 is utilised to arrive at the mapping of the alphanumeric scale to the risk weightings.

6 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 Asset and Liability Committee (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.

Stress testing is conducted for any material risks facing the bank (i.e. credit, liquidity, profitability, solvency risks). Stress tests of these material risks are tied to the assets in the portfolio, as well as to prevailing economic and market conditions and probe for portfolio-specific weaknesses. The frequency of stress testing is conducted at least quarterly. However, a sudden change in the economic outlook may prompt the Bank to revise the parameters of some stress tests, or if the Bank has become exposed to a particular risk area, it may be necessary to carry out more stress tests.

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.

6.1 Liquidity Coverage Ratio

LINE NO.	HIGH-QUALITY LIQUID ASSETS	Total unweighted value	Total weighted value
1	Total HQLA	4 552 469	4 552 469
	CASH OUTFLOWS		
2	Retail deposits and deposits from small business customers, of which:	2 271 961	227 196
3	Stable deposits	-	-
4	Less stable deposits	2 271 961	227 196
5	Unsecured wholesale funding, of which:	4 082 047	1 212 841
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	4 082 047	1 212 841
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	472 629	33 486
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	472 629	33 486
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	6 826 637	1 473 523
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 291 655	1 002 780
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1 291 655	1 002 780
			Total adjusted value
21	Total HQLA		4 552 469
22	Total net cash outflows		470 743
23	Liquidity Coverage Ratio (%)		967%

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6.2 Net Stable Funding Ratio (NSFR)

December 2023	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year		
LINE NO. AVAILABLE STABLE FUNDING (ASF) ITEM						
1	Capital:	593 138	-	-	-	593 138
2	Regulatory capital	593 138	-	-	-	593 138
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	3 771 520	-	-	3 394 368
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 771 520	-	-	3 394 368
7	Wholesale funding:	-	3 294 556	721 734	-	2 008 145
8	Operational deposits	-	-	-	-	-
9	Non-operational deposits and funding - Corporates	-	3 294 556	721 734	-	2 008 145
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	294 954	-	5 217	-
12	Funding from other legal entities	-	53 817	-	-	-
13	NSFR derivative liabilities	-	-	-	5 217	-
14	All other liabilities and equity not included in the above categories	-	241 137	-	-	-
15	Total ASF	593 138	7 361 030	721 734	5 217	5 995 651
	REQUIRED STABLE FUNDING (RSF) ITEM					
16	Total NSFR high-quality liquid assets (HQLA)	-	664 230	-	-	8 676
17	Deposits held at other financial institutions for operational purposes	-	1 056 205	20 000	-	168 431
18	Performing loans and securities:	-	1 850 038	3 879 764	1 007 783	750 088
19	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
20	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	995 371	3 704 216	-	234 980
21	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	854 667	175 548	-	515 108
22	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
23	Performing residential mortgages, of which:	-	-	-	-	-
24	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	1 007 783	856 616
25	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
26	Assets with matching interdependent liabilities	-	-	-	-	-

27	Other assets:	-	32 560	-	170 539	181 602
28	Other short-term unsecured instruments and transactions with a residual maturity of less than one year	-	32 560	-	-	16 280
29	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
30	NSFR derivative assets	-	-	-	5 936	719
31	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
32	All other assets not included in the above categories	-	-	-	164 603	164 603
33	Off-balance sheet items	-	-	-	472 792	23 631
34	Total RSF	-	-	-	-	1 989 044
35	Net Stable Funding Ratio (%)	-	-	-	-	301%

September 2023	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	

LINE NO. AVAILABLE STABLE FUNDING (ASF) ITEM

1	Capital:	593 138	-	-	-	593 138
2	Regulatory capital	593 138	-	-	-	593 138
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	3 425 587	-	-	3 083 028
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 425 587	-	-	3 083 028
7	Wholesale funding:	-	3 425 587	636 765	16 395	2 047 505
8	Operational deposits	-	-	-	-	-
9	Non-operational deposits and funding - Corporates	-	3 425 454	636 765	16 395	2 047 505
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	336 726	-	11 871	-
12	Funding from other legal entities	-	107 255	-	-	-
13	NSFR derivative liabilities	-	-	-	11 871	-
14	All other liabilities and equity not included in the above categories	-	229 471	-	-	-
15	Total ASF	593 138	7 187 767	636 765	28 266	5 723 671

REQUIRED STABLE FUNDING (RSF) ITEM

16	Total NSFR high-quality liquid assets (HQLA)	-	577 887	-	-	8 334
17	Deposits held at other financial institutions for operational purposes	-	1 001 408	20 900	-	160 661
18	Performing loans and securities:	-	3 963 196	1 746 293	931 809	800 219
19	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-

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20	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2 983 470	1 582 144	-	228 281
21	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	979 726	164 149	-	571 938
22	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
23	Performing residential mortgages, of which:	-	-	-	-	-
24	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	931 809	792 038
25	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
26	Assets with matching interdependent liabilities	-	-	-	-	-
27	Other assets:	-	27 294	-	177 149	178 925
28	Other short-term unsecured instruments and transactions with a residual maturity of less than one year	-	27 294	-	-	13 647
29	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
30	NSFR derivative assets	-	-	-	12 413	542
31	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
32	All other assets not included in the above categories	-	-	-	164 736	164 736
33	Off-balance sheet items	-	-	-	476 964	23 831
34	Total RSF	-	-	-	-	1 964 008
35	Net Stable Funding Ratio (%)	-	-	-	-	291%

7 CREDIT VALUE ADJUSTMENT (CVA) DISCLOSURE

Risk Management objectives and policies

The Bank has policies in place to detail its processes relating to risk management. The goal is to maximise the Bank's risk-adjusted return by maintaining risk exposures within acceptable parameters.

Major objectives of credit risk management are to put in place sound credit approval processes for informed risk-taking and procedures for effective risk identification, monitoring and measurement.

Derivative financial instruments

Derivatives are classified as financial assets when their fair value is positive, or as financial liabilities when their fair value is negative.

Measurement

There are two bases of measurement, namely amortised cost and fair value.

- Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument.

- Amortised cost and effective interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition.

Collateral

The Bank may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets, entitling the Bank to make a claim for current and future liabilities.

Commitments under derivative instruments

The Bank enters into forward exchange contracts in the normal course of business.

Management of interest rate risk

Derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics.

Management of market risk

Market risk is governed by board-approved policies that cover management, identification, measurement and monitoring.

Market risk limits, including value at risk and stress trigger limits, are approved at board level and reviewed periodically, but at least annually.

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Management/Governance Structures

The Bank has governance structures in place that support risk-based decision making and oversight. The Board has delegated the oversight of risk management to its Board Committees (Capital Adequacy & Risk Committee and Audit Committee).

Management governance structures are in place (Executive committee and Risk management committee) reporting to the Board Committees on a quarterly basis. The lines of responsibilities are clearly defined and supported by the combined assurance model that defines the roles, responsibilities and accountability for the combined assurance process.

Standardized Approach to CVA

HBZ only executes the plain vanilla FX Forward transactions with the market counterparties for the purpose of covering the open exposure against client deals and to manage the excess liquidity. Considering the nature of transactions, the Bank has chosen the prescribed Standardized Approach to calculate the capital charge against CVA.

Calculation Criteria for SA-CVA

- Over the counter (OTC) Derivatives are executed under the International Swaps and Derivatives Association (ISDA) Agreement with the counterparties
- There is no margin call below the agreed minimum transfer amount (MTA) as per Credit Approved Annexure (CSA) being part of ISDA Agreement with counterparties
- No Collateral to be held below the agreed MTA
- No netting agreement is in place with the counterparties
- No Contracts are executed more than 1 year of maturity
- HBZ do not hedge the risk due to low materiality of exposure and higher hedging cost

7.1 The standardised approach for CVA (SA-CVA)

	SA-CVA RWA	Number of counterparties
1 Interest rate risk		
2 Foreign exchange risk		
3 Reference credit spread risk		
4 Equity risk		
5 Commodity risk		
6 Counterparty credit spread risk	4 100	
7 Total (sum of rows 1 to 6)	4 100	

7.2 RWA flow statements of CVA risk exposures under SA-CVA

1 Total RWA for CVA at previous quarter end	3 262
2 Total RWA for CVA at end of reporting period	7 837

8 COUNTERPARTY CREDIT RISK (CCR)

Counterparty risk is the risk that a counterparty will not honour their commitment in a contract.

The Bank pro-actively manages this risk by:

- Ensuring Board approved limits are in place for interbank placements and investments
- Limiting purchase of Forward Exchange Contracts (FEC's) from Board approved banks
- Dealing with banks and sovereigns situated in countries that have a well-regulated banking industry

8.1 Analysis of counterparty credit risk (CCR) exposure by approach

	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1 SA-CCR (for derivatives)	2 712	8 727			-	11 937
2 Internal Model Method (for derivatives and SFTs)			-	-	-	-
3 Simple Approach for credit risk mitigation (for SFTs)					-	-
4 Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
5 VaR for SFTs					-	-
6 Total						11 937

8.2 Credit valuation adjustment (CVA) charge

Credit valuation adjustment is the difference between the risk-free portfolio value and the true portfolio value considering the possibility of counterparty default. CVA is the market value of counterparty credit risk. The RWA of the CVA is added to the risk-weighted amount for counterparty credit exposure.

	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
1 (i) VaR component (including the 3 x multiplier)	-	-
2 (ii) Stressed VaR component (including the 3 x multiplier)	-	-
3 All portfolios subject to the Standardised CVA capital charge	-	11 937
4 Total subject to the CVA capital charge	-	11 937

8.3 CCR exposures by regulatory portfolios and risk weights

Regulatory portfolios by Risk weights	0% – 5%	15% – 20%	50%–75%	100%	150%	Total credit exposures amount
1 Sovereigns	-	-	-	-	-	-
2 Non-central government public sector entities (PSEs)	-	-	-	-	-	-
3 Multilateral development banks (MDBs)	-	-	-	-	-	-
4 Banks	-	-	2 044	5 793	-	7 837
5 Securities firms	-	-	-	-	-	-
6 Corporates	-	-	-	-	-	-
7 Regulatory retail portfolios	-	-	-	-	-	-
13 Other assets	-	-	-	-	-	-
14 Total	-	-	2 044	5 793	-	7 837

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9 CAPITAL MANAGEMENT

In line with the requirements of the Bank Supervision Department of the South African Reserve Bank, and effective from 1 January 2019, the Bank has implemented a countercyclical buffer of 0% and a capital conservation buffer of 2.5%.

The Bank has documented its Internal Capital Adequacy Assessment Process ("ICAAP"), which was reviewed by the Board of Directors. Evaluations were made of the various direct, indirect and associated risks faced by the Bank and the related mitigating controls that are in place.

The disclosures of the composition of capital and main capital features for the Bank, required per Directive 1 of 2019, issued in terms of section 6(6) of the Banks Act of 1990, are set out in CC1 and CC2, respectively.

COMPOSITION OF CAPITAL DISCLOSURE TEMPLATE

LINE NO.	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES		AMOUNTS SUBJECT TO PRE- BASEL III TREATMENT
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	50 000	
2	Retained earnings	184 768	
3	Accumulated other comprehensive income (and other reserves)	543 138	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
	Public sector capital injections grandfathered until 1 January 2018	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	593 138	
	COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(107)	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
11	Cash flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off in paid-in capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	-	-
18	Investments in capital of banking, financial and insurance entities that are outside of the scope of regulatory consolidation, net of eligible short positions, where bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19	Significant investments in common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
20	Mortgage servicing rights (amount above 10% threshold)	-	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-

LINE NO.	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	AMOUNTS SUBJECT TO PRE- BASEL III TREATMENT
22	Amount exceeding the 15% threshold	-
23	of which: significant investments in the common stock of financials	-
24	of which: mortgage servicing rights	-
25	of which: deferred tax assets arising from temporary differences	-
26	National specific regulatory adjustments	-
27	Regulatory adjustments applied to common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
28	Total regulatory adjustments to common equity Tier 1	(107)
29	Common Equity Tier 1 capital (CET1)	593 031
ADDITIONAL TIER 1 CAPITAL : INSTRUMENTS		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-
34	Additional Tier 1 instruments (and CET1 instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	of which: instruments issued by subsidiaries subject to phase out	-
36	Additional Tier 1 capital before regulatory adjustments	-
ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		
37	Investment in own Additional Tier a instruments	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-
39	Investment in capital of banking, financial and insurance entities that are outside the scope of the regulatory consolidation net of eligible short positions, where the bank does not own more than 10 % of the issued common share capital of the entity (amount above 10 % threshold)	-
40	Significant investments in the capital of banking, financial and insurance entities that are outside of the scope of regulatory consolidation (net of eligible short positions)	-
41	National specific regulatory adjustments	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to Additional Tier 1 capital	-
44	Additional Tier 1 (AT1)	-
45	Tier 1 (T1 = CET1 + AT1)	593 031

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LINE NO.	TIER 2 CAPITAL AND PROVISIONS	AMOUNTS SUBJECT TO PRE- BASEL III TREATMENT	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Provisions 5 609m	16 701	
51	Tier 2 capital before regulatory adjustments	16 701	
	TIER 2 CAPITAL : REGULATORY ADJUSTMENTS		
52	Investments in own Tier 2 instruments	-	-
53	Reciprocal cross-holdings in Tier 2 instruments	-	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of the regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments	-	-
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	16 701	
59	Total capital (TC = T1 + T2)	609 732	
60	Total risk weighted assets	<u>3 207 659</u>	

LINE NO. CAPITAL RATIOS

61	Common Equity Tier 1 (as a percentage of risk weighted assets)	18,49%
62	Tier 1 (as a percentage of risk weighted assets)	18,49%
63	Total capital (as a percentage of risk weighted assets)	19,01%
64	Institution specific buffer requirement (minimum CET 1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	-
65	of which: capital conservation buffer requirement	2,50%
66	of which: bank specific countercyclical buffer requirement	-
67	of which: G-SIB buffer requirement	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	13,99%

NATIONAL MINIMA (IF DIFFERENT FROM BASEL 3)

69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5,00%
70	National Tier 1 minimum ratio	6,75%
71	National total capital minimum ratio	9,00%

AMOUNTS BELOW THE THRESHOLD FOR DEDUCTIONS (BEFORE RISK WEIGHTING)

72	Non-significant investments in the capital of other financials	-
73	Significant investments in the common stock of financials	-
74	Mortgage servicing rights (net of related tax liability)	-
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-

APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2

76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	16 701
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-

**CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS
(ONLY APPLICABLE BETWEEN 1 JAN 2018 AND 1 JAN 2022)**

80	Current cap on CET1 instruments subjects to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

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9.2 CC2 - Reconciliation of regulatory capital to balance sheet

	a	b
	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	31 Dec 23	31 Dec 23
	R'000	R'000
ASSETS		
Cash and cash equivalents	1 738 708	1 738 708
Investment securities	4 699 586	4 699 586
Other assets	21 591	21 591
Derivative assets held for risk management	5 936	5 936
Loans and advances	2 125 469	2 125 469
Property and equipment	53 662	53 662
Investment property	8 258	8 258
Right-of-use assets	16 937	16 937
Deferred tax assets	10 976	10 976
Total assets	8 681 123	8 681 123
LIABILITIES		
Deposits and borrowings	7 841 627	7 841 627
Provisions	15 038	15 038
Other liabilities	20 970	20 970
Derivative liabilities held for risk management	5 217	5 217
Lease liabilities	20 362	20 362
Total liabilities	7 903 214	7 903 214
SHAREHOLDERS' EQUITY		
Ordinary share capital	10 000	10 000
Share premium	40 000	40 000
General reserve	543 138	543 138
Retained earnings	184 771	184 771
Total shareholders' equity	777 909	777 909

9.3 Main features disclosure template

DISCLOSURE TEMPLATE FOR MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

1	Issuer	HBZ Bank Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	N/A

REGULATORY TREATMENT

4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share Capital
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R 50 million
9	Par value of instrument	R1 par value issued at R5 each
10	Accounting classification	Ordinary Share Capital and Share Premium
11	Original date of issuance	Thursday, June 29, 1995
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A

COUPONS / DIVIDENDS

17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

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10 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 December 2023. The leverage ratios are reported to the Prudential Authority as part of the Bank's monthly submissions. These are set out below:

10.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	31 Dec 23	30 Sep 23
1	Total consolidated assets as per published financial statements	9 153 911	8 922 890
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 securitised exposures that meet the operational requirements for the recognition of risk transference	-	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-	-
7	Adjustments for eligible cash pooling transactions	-	-
8	Adjustments for derivative financial instruments	(5 936)	(12 413)
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	(325 669)	(277 826)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	(45 840)	(43 205)
13	Leverage ratio exposure measure	<u>8 776 466</u>	<u>8 589 446</u>

10.2 Leverage ratio

LINE NO.	Item		
	On-balance sheet exposures		
1	On-balance sheet exposures(excluding derivatives and securities financing transactions (SFTs), but including collateral)	8 675 183	8 433 523
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Basel III Tier 1 capital)	(45 840)	(43 216)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	8 629 343	8 390 307
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	2 712	546
9	Add-on amounts for potential future exposure associated with all derivatives transactions	6 015	5 778

10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	8 727	6 324
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	472 792	476 964
20	(Adjustments for conversion to credit equivalent amounts)	(325 669)	(277 827)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	Off-balance sheet items (sum of rows 19 to 21)	147 123	199 138
Capital and total exposures			
23	Tier 1 capital	593 031	592 996
24	Total exposures (sum of rows 7, 13, 18 and 22)	8 785 193	8 595 769
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	7%	7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	7%	7%
26	National minimum leverage ratio requirement	4%	4%
27	Applicable leverage buffers	-	-
Disclosure of mean values			
28	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7%	7%
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7%	7%

11 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate resulting in losses due to movements in observable market variables such as profit rates, exchange rates and equity markets. In addition to these and other general market risk factors, the risk of price movements specific to individual issuers of securities is considered market risk. HBZ Bank Limited's exposure to market risk is limited as the portfolios that are subject to market risk relate to forward exchange contracts. The Bank makes use of the standardised approach to compute market risk.

Further disclosure on market risk is included in Note 29 of the annual financial statements that are available on the Banks website (www.hbzbank.co.za).

11.1 Market risk under the standardised approach

CAPITAL REQUIREMENT IN STANDARDISED APPROACH		31 Dec 23
1	General interest rate risk	-
2	Equity risk	-
3	Commodity risk	-
4	Foreign exchange risk	8 454
5	Credit spread risk – non-securitisations	-
6	Credit spread risk – securitisations (non-correlation trading portfolio)	-
7	Credit spread risk – securitisation (correlation trading portfolio)	-
8	Default risk – non-securitisations	-
9	Default risk – securitisations (non-correlation trading portfolio)	-
10	Default risk – securitisations (correlation trading portfolio)	-
11	Residual risk add-on	-
12	Total	8 454

12 REMUNERATION

The Board has established a Remuneration Committee (Committee) which comprises three Independent Non-Executive Directors.

The majority of the Committee members are also members of the Capital Adequacy and Risk Committee and Audit Committee to ensure that Remcom is able to monitor key risk trends at the Bank.

The Committee is chaired by an Independent Non-Executive Director and meets as deemed appropriate, but at least twice a year. Further meetings may be convened by the chairman or any other member of the Committee. The Committee is satisfied that it has discharged its responsibilities for the period under review and is compliant with its terms of reference.

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

Remuneration awarded during the financial year

The Bank has classified its two Executive Directors as Senior Management. Remuneration for the Prescribed Officers, Executive and Non-Executive Directors has been disclosed in Note 23 of the annual financial statements available at www.hbzbank.co.za.

The remuneration structure is cash based with no amounts deferred as well as no shares being offered as an incentive. The Bank does not have a share incentive scheme, sign on awards or variable remuneration structure. Staff members are entitled to a 13th cheque that is built into their cost to company package and is paid in December each year. In 2023, the remuneration committee approved a short-term incentive scheme for the employees of the Bank. The incentive is based on the Bank's financial performance for the 2023 financial year but payable in the 2024 financial year.

13 FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Information pertaining to the financial performance and financial position for the year ended 31 December 2023 is included in the annual financial statements available at www.hbzbank.co.za.

14 QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The Regulations require that certain qualitative disclosures and statements on accounting policy be made. These regulatory qualitative disclosures and statements on accounting policy were made in the Bank's annual financial statements for the financial year ended 31 December 2023.

The above disclosures should be read in conjunction with the qualitative disclosures made in the sections on risk management and corporate governance, and the statements on accounting policy contained in the Bank's annual financial statements for the year ended 31 December 2023.