HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Annual Public Disclosure December 2022

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 year ended 31 December 2022.

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.

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 2022 are disclosed below.

	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21
1	Common Equity Tier 1 (CET1)	534 190	534 447	534 447	534 447	498 617
1a	Fully loaded ECL accounting model	534 190	534 447	534 447	534 447	498 617
2	Tier 1	534 190	534 122	534 044	533 990	498 085
2a	Fully loaded accounting model Tier 1	534 190	534 122	534 044	533 990	498 085
3	Total capital	542 442	551 789	548 324	549 777	515 088
3a	Fully loaded ECL accounting model total capital	542 442	551 789	548 324	549 777	515 088
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000					
4	Total risk-weighted assets (RWA)	3 487 356	3 580 091	3 413 565	3 378 724	3 362 076
4a	Total risk-weighted assets (pre-floor)	3 487 356	3 580 091	3 413 565	3 378 724	3 362 076
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA					
5	Common Equity Tier 1 ratio (%)	15,32%	14,93%	15,66%	15,80%	14,81%
5a	Fully loaded ECL accounting model CET1 (%)	15,32%	14,93%	15,66%	15,80%	14,81%
5b	CET1 ratio (%)(pre-floor)	15,32%	14,93%	15,66%	15,80%	14,81%
6	Tier 1 ratio (%)	15,32%	14,92%	15,64%	15,80%	14,81%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15,32%	14,92%	15,64%	15,80%	14,81%
6b	Tier 1 ratio (%)(pre-floor)	15,32%	14,92%	15,64%	15,80%	14,81%
7	Total capital ratio (%)	15,55%	15,41%	16,06%	16,27%	15,32%
7a	Fully loaded ECL accounting model total capital ratio (%)	15,55%	15,41%	16,06%	16,27%	15,32%
7b	Total capital ratio (%)(pre-floor)	15,55%	15,41%	16,06%	16,27%	15,32%
	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 D-SIB additional requirements (%)	-	-	-	-	-
11	Total of bank CET1 specific buffer requirements (%) (row8 + row 9+ row 10)	2,50%	2,50%	2,50%	2,50%	2,50%

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

		31 Dec 22	30 Sep 22	30 Jun 22	31 Mar 22	31 Dec 21
12	CET1 available after meeting the bank's minimum capital requirements (%)	10,82%	9,93%	10,66%	11,30%	10,31%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio measure	8 563 429	8 185 298	7 749 019	7 555 288	8 062 421
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	6%	7%	7%	7%	6%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	6%	7%	7%	7%	6%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	6%	7%	7%	7%	6%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	6%	7%	7%	7%	6%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	6%	7%	7%	7%	6%
	LIQUIDITY COVERAGE RATIO					
15	Total High Quality Liquid Assets (HQLA)	3 868 219	3 484 407	3 569 868	3 636 626	3 786 709
16	Total net cash outflow	342 691	332 801	283 136	263 328	338 375
17	LCR ratio (%)	1129%	1047%	1261%	1381%	1119%
	NET STABLE FUNDING RATIO					
18	Total available stable funding	5 942 061	5 726 112	5 533 369	5 344 571	5 583 105
19	Total required stable funding	2 280 800	2 256 204	2 028 003	1 949 816	2 190 876
20	NSFR ratio (%)	261%	254%	273%	274%	255%

HBZ Bank Limited did not apply a transitional arrangement for expected credit losses and thus the fully loaded ECL accounting model will not differ from regulatory capital.

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

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

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

Risk Assessment

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

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

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

Overview of Risk Weighted Assets (RWA)

		RWA		Minimum capital requirements
		Dec 22 R'000	Dec 21 R'000	Dec 22 R'000
1	Credit risk (excluding counterparty credit risk)	2 795 681	2 669 203	328 493
2	Of which: standardised approach (SA)	2 795 681	2 669 203	328 493
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)	7 526	488	884
7	Of which: standardised approach for counterparty credit risk	7 526	488	884
8	Of which: IMM	-	-	-
9	Of which: other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	9 147	774	1 075
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	2 261	13 322	266
21	Of which: standardised approach (SA)	2 261	13 322	266
22	Of which: internal model approache (IMA)	-	-	-
23	Capital Charge for switch between trading book and banking book	-	-	-
24	Operational risk	544 054	549 410	63 926
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	128 687	128 880	15 121
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	3 487 355	3 362 076	409 764

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%

Further disclosure on the Capital Adequacy Ratio is included in Note 33 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 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

	Carrying values as reported in published financial statements & under scope of regulatory consolidation	Carrying values of items:			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Subject to other risk
31 DEC 22	R'000	R'000	R'000	R'000	R'000
ASSETS					
Cash and cash equivalents	2 194 982	2 194 982	-	-	-
Investment securities	4 010 493	4 010 493	-	-	-
Current tax	-	-	-	-	-
Derivative assets	9 123	-	9 123	-	-
Net advances	2 127 368	2 127 368	-	-	-
Accounts receivable and other assets	19 709	-	-	-	19 709
Property and equipment	61 731	-	-	-	61 731
Investment property	8 314	-	-	-	8 314
Right-of-use assets	19 468	-	-	-	19 468
Deferred tax asset	7 889	-	-	-	7 889
Total assets	**8 459 077**	**8 332 843**	**9 123**	**-**	**117 111**
LIABILITIES AND EQUITY					
Deposits and borrowings	7 746 543	-	-	-	-
Derivative liabilities	8 454	-	-	-	-
Creditors and accruals	21 724	-	-	-	-
Provisions	6 828	-	-	-	-
Lease liabilities	22 441	-	-	-	-
Ordinary shareholder's equity	653 087	-	-	-	-
Total liabilities and equity	**8 459 077**	**-**	**-**	**-**	**-**

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

		Items subject to:			
	Total R'000	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	8 459 077	8 332 843	9 123	-	117 111
Liabilities and equity carrying value amount under scope of regulatory consolidation	8 459 077	-	-	-	-
Total net amount under regulatory scope of consolidation	-	8 332 843	9 123	-	117 111
Off-balance sheet amounts	427 205	426 426	-	-	-
Exposure amounts considered for regulatory purposes	**8 886 282**	**8 759 269**	**9 123**	**-**	**117 111**

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 and auto 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 has appointed a Head of Credit to manage the Bank's credit risk process.

For an overview of credit risk management as well as related qualitative information, please refer to the Risk Management section as well as note 30 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
	Gross carrying values of:			
	Defaulted Exposures	Non-defaulted Exposures	Allowances/ Impairments	Net values (a + b - c)
Advances	108 713	2 062 601	(41 847)	2 129 467
Investment Securities	-	4 012 400	(1 906)	4 010 494
Cash and Cash Equivalents	-	2 195 983	(1 001)	2 194 982
Off-balance sheet exposures	-	427 205	(191)	427 014
Total	108 713	8 698 189	(44 946)	8 761 956

Refer to the Risk Management Review as well as notes 5, 6 and 30 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

Defaulted advances at end of the previous reporting period	75 413
Movements during the current year	33 300
Defaulted advances at end of the reporting period	**108 713**

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	139 268
Europe	60 576
Asia	8 104
South Africa	8 100 451
Other African countries	-
Total	**8 308 399**

5.4 Breakdown of gross customer advances by industry sector

Concentration by industry	Gross credit exposures
Finance & insurance	3 274
Manufacturing	391 067
Transportation	118 821
Commercial real estate	728 745
Retailers & wholesalers	747 741
Other	181 664
Total	**2 171 312**

5.5 Impaired and past due advances by geographical area

	South Africa Gross amount	Other Gross amount
Individually impaired advances	108 713	-
Impairments for credit losses		
Expected credit loss (Stage 1)	5 284	-
Expected credit loss (Stage 2)	251	-
Expected credit loss (Stage 3)	16 251	-
Total	130 500	-

5.6 Credit risk mitigation techniques

	a	b	d
	Exposures Unsecured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Advances	59 261	1 951 555	94 765
Investment securities	4 012 400	-	-
Cash and cash equivalents	2 195 983	-	-
Total	**6 267 644**	**1 951 555**	**94 765**
Of which defaulted	-	108 713	-

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

	Exposures before CCF and CRM		Exposures post CRM		RWA and RWA density	
Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereign and their central banks	4 010 494	-	4 010 494	-	-	-
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	1 695 301	-	1 809 201	-	1 233 791	68%
Securities firms	-	-	-	-	-	-
Corporates	1 511 007	426 426	1 445 664		986 886	68%
Retail portfolios	543 706	-	526 655	-	473 817	90%
Equity	-	-	-	-	-	-
Past-due loans	108 713	-	108 713	-	108 713	100%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	7 869 221	426 426	7 900 727	-	2 803 207	

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 2022, the net carrying amount of advances to customers in default amounted to R108.7 million (2021: R 75.6 million) and the market value of identifiable collateral (mainly fixed properties) held against those loans and advances amounted to R502 million (2021: R 183.6 million).

Further disclosure on the collateral valuation and management is included in Note 30 of the annual financial statements that are available on the Banks website (www.hbzbank.co.za).

5.8 Exposures by asset class and risk weights

Asset classes by Risk weights	0%-5%	15%-20%	20%-75%	100%	150%	Total credit exposures amount (post CCF and post-CRM)
Sovereign and their central banks	4 010 494	-	-	-	-	4 010 494
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	-	874 481	1 099 235	-	-	1 973 716
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	1 828 720	-	1 828 720
Retail portfolios	-	-	38 672	-	-	38 672
Equity	-	-	-	-	-	-
Past-due loans	-	-	-	108 713	-	108 713
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**4 010 494**	**874 481**	**1 137 907**	**1 937 433**	**-**	**7 960 315**

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 ALCO and an Assets and Liabilities Management (ALM) process which addresses liquidity risk pro-actively. The focused range of products offered by the Bank facilitates the management of this risk. There is an effective computerized system in place to monitor the Bank's liquidity on a daily basis.

The liquidity management process includes a Contingency Funding Plan and Recovery Plan which takes into account various stress test scenarios and funding sources.

The Bank complies with Basel III principles relating to liquidity risk management, specifically the liquidity coverage ratio and the net stable funding ratio. As with interest rate risk the focused range of products offered by the Bank facilitates the management of liquidity risk.

In terms of Regulation 43(1)(e)(iii)(F) of the Regulations relating to Banks, minimum disclosure on the Liquidity Coverage Ratio of the Bank is required on a quarterly basis. This announcement meets the on-going reporting requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

6.1 Liquidity Coverage Ratio

LINE NO.	HIGH-QUALITY LIQUID ASSETS	Total unweighted value	Total weighted value
1	Total HQLA	3 868 219	3 868 219
	CASH OUTFLOWS		
2	**Retail deposits and deposits from small business customers, of which:**	1 843 200	184 320
3	Stable deposits	-	-
4	Less stable deposits	1 843 200	184 320
5	**Unsecured wholesale funding, of which:**	4 372 942	1 155 121
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	4 372 942	1 155 121
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	**Additional requirements, of which:**	426 426	31 324
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	426 426	31 324
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	6 642 568	1 370 765
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 437 195	1 085 485
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1 437 195	1 085 485

		Total adjusted value
21	**Total HQLA**	**3 868 219**
22	**Total net cash outflows**	**342 691**
23	**Liquidity Coverage Ratio (%)**	**1 129%**

6.2 Net Stable Funding Ratio (NSFR)

		Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
LINE NO.	**AVAILABLE STABLE FUNDING (ASF) ITEM**					
1	Capital:	534 765	-	-	-	534 765
2	Regulatory capital	534 765	-	-	-	534 765
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	-	3 974 248	-	-	3 576 823
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 974 248	-	-	3 576 823
7	Wholesale funding:	-	2 933 116	727 657	86	1 830 472
8	Operational deposits	-	-	-	-	-
9	Non-operational deposits and funding - Corporates	-	2 933 116	727 657	86	1 830 472
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	281 069	-	8 454	-
12	Funding from other legal entities		111 431			
13	NSFR derivative liabilities		-	-	8 454	
14	All other liabilities and equity not included in the above categories	-	169 638	-	-	-
15	**Total ASF**	**534 765**	**7 188 433**	**727 657**	**8 540**	**5 942 061**
	REQUIRED STABLE FUNDING (RSF) ITEM					
16	Total NSFR high-quality liquid assets (HQLA)		500 682			7 238
17	Deposits held at other financial institutions for operational purposes	-	1 020 301	675 000	-	490 545
18	**Performing loans and securities:**	**-**	**1 597 084**	**3 460 636**	**970 429**	**724 138**
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	-	719 230	3 291 264	-	200 525
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:	-	877 854	169 372	-	523 613
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	-	-	-	970 429	824 865
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:**	**-**	**27 598**	**-**	**207 348**	**212 693**
28	Other short-term unsecured instruments and transactions with a residual maturity of less than one year	-	27 598			13 799
29	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
30	NSFR derivative assets		-	-	9 123	669
31	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
32	All other assets not included in the above categories	-	-	-	198 225	198 225
33	Off-balance sheet items				427 205	21 321
34	**Total RSF**					**2 280 800**
35	**Net Stable Funding Ratio (%)**					**261%**

7 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.

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

- OTC Derivatives are executed under the ISDA Agreement with the counterparties
- There is no margin call below the agreed MTA as per CSA Annexure 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.

CVA3: THE STANDARDISED APPROACH FOR CVA (SA-CVA)	SA-CVA RWA	Number of counterparties
Interest rate risk		
Foreign exchange risk		
Reference credit spread risk		
Equity risk		
Commodity risk		
Counterparty credit spread risk	9 147	
Total (sum of rows 1 to 6)	9 147	

CVA4: RWA FLOW STATEMENTS OF CVA RISK EXPOSURES UNDER SA-CVA	
Total RWA for CVA at previous quarter end	7 202
Total RWA for CVA at end of reporting period	9 147

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
SA-CCR (for derivatives) (1)	7 826	12 752			28 808	16 673
Internal Model Method (for derivatives and SFTs)			-	-	-	-
Simple Approach for credit risk mitigation (for SFTs)					-	-
Comprehensive Approach for credit risk mitigation (for SFTs)					-	-
VaR for SFTs					-	-
Total						**16 673**

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	-	-
(i) VaR component (including the 3 x multiplier)	-	-
(ii) Stressed VaR component (including the 3 x multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	28 808	16 673
Total subject to the CVA capital charge	**28 808**	**16 673**

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
Sovereigns	-	-	-	-	-	-
Non-central government public sector entities (PSEs)	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-
Banks	-	1 306	-	6 220	-	7 526
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**-**	**1 306**	**-**	**6 220**	**-**	**7 526**

9 GENERAL QUALITATIVE INFORMATION ON A BANK'S OPERATIONAL RISK FRAMEWORK

The Bank uses the Basic Indicator Approach for calculating operational risk. Operational risk weighted assets at 31 December 2022 total R544 million (2021: R549 million). Refer to note 29 in the 2022 Annual Report for further disclosure in this regard.

		a	b	c
		31 Dec 22	31 Dec 21	31 Dec 20
Business indicator and subcomponents		R'000	R'000	R'000
1	Interest, lease and dividend component	125 450		
1a	Interest and lease income	479 353	350 681	404 705
1b	Interest and lease expense	(164 859)	(113 150)	(145 585)
1c	Interest earning assets	6 145 750	5 985 989	4 594 942
1d	Dividend income	-	-	-
2	Services component	33 820		
2a	Fee and commission income	57 005	54 530	62 103
2b	Fee and commission expense	(24 822)	(23 827)	(23 528)
2c	Other operating income	161	766	353
2d	Other operating expense	(175 231)	(150 255)	(167 620)
3	Financial component	130 145		
3a	Net P&L on the trading book	164 021	120 645	105 768
3b	Net P&L on the banking book	-	-	-
4	BI	289 415		
5	Business indicator component (BIC)	43 412		
Disclosure on the BI:				
6a	BI gross of excluded divested activities	289 415		
6b	Reduction in BI due to excluded divested activities	289 415		
Minimum required operational risk capital				
1	Business indicator component (BIC)	43 412		
2	Internal loss multiplier (ILM)	1		
3	Minimum required operational risk capital (ORC)	43 412		
4	Operational risk RWA	43 412		

10 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 3 of 2015, 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	-	-
3	Accumulated other comprehensive income (and other reserves)	484 447	-
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**	**534 447**	-
	COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liabilty)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(257)	-
10	Deferred tax assets that rely on future profitabilty 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 find 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, financail 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 aove 10% threshold)	-	-
19	Significant investments in common stock of banking, finacila 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.	ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		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	-	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH:	-	
	OF WHICH:	-	
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**	(257)	
29	**Common Equity Tier 1 capital (CET1)**	534 190	
	ADDITIONAL TIER 1 CAPITAL : INSTRUMENTS		
30	Directly issued quilifying 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 Teir 1 instruments (and CET1 instruments not included in line 5) issued by susbsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by sybsidiaries subject to phase out	-	
36	**Additonal Tier 1 capital before regulatory adjusments**	-	
37	Investment in own Additional Tier a instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	Investment in capital of banking, financail and insurance entities that are outside the scope of the regulatory consolidation net of eligible short positions, where the bank does not own moree than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital of banking, financail and insurance entiteis that are outside of the scope of regulatroy consolidation (net of eligible short positions)	-	-
41	National specific regulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	
	OF WHICH:	-	
	OF WHICH:	-	
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)**	534 190	

LINE NO.	ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS		AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
	TIER 2 CAPITAL AND PROVISONS		
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 instruements 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	8 252	
51	**Tier 2 capital before regulatory adjustments**	8 252	
	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, financail and insurance entities that are outside the scope pf regulatory consolidation (net of eligibe short positions)	-	-
56	National specific reulatory adjustments	-	-
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	-	-
	OF WHICH:	-	
	OF WHICH:	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**8 252**	
59	**Total capital (TC = T1 + T2)**	**542 442**	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE BASEL III TREATMENT	-	
	OF WHICH:	-	
	OF WHICH:	-	
60	**Total risk weighted assets**	**3 487 355**	

LINE NO.	TIER 2 CAPITAL : REGULATORY ADJUSTMENTS (CONTNUED)	
	CAPITAL RATIOS	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15,32%
62	Tier 1 (as a percentage of risk weighted assets)	15,32%
63	Total capital (as a percentage of risk weighted assets)	15,55%
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)	10,82%
	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)	8 252
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)	-

11 CC2- RECONCILIATION OF REGULATORY CAPITAL TO BALANCE SHEET

	a Balance sheet as in published financial statements R'000	b Under regulatory scope of consolidation R'000
Assets		
Cash and cash equivalents	2 194 982	2 194 982
Investment securities	4 010 493	4 010 493
Other assets	19 709	19 709
Derivative assets held for risk management	9 123	9 123
Loans and advances	2 127 368	2 127 368
Property and equipment	61 731	61 731
Investment property	8 314	8 314
Right-of-use assets	19 468	19 468
Deferred tax assets	7 889	7 889
Total assets	**8 459 077**	**8 459 077**
Liabilities		
Deposits and borrowings	7 746 543	7 746 543
Provisions	6 828	6 828
Other liabilities	21 724	21 724
Derivative liabilities held for risk management	8 454	8 454
Lease liabilities	22 441	22 441
Total liabilities	**7 805 990**	**7 805 990**
Shareholders' equity		
Ordinary share capital	10 000	10 000
Share premium	40 000	40 000
General reserve	484 447	484 447
Retained earnings	118 640	118 640
Total shareholders' equity	**653 087**	**653 087**

12 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 2022. These are set out below:

12.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	31 Dec 22	31 Dec 21
1	Total consolidated assets as per published financial statements	8 886 283	8 382 729
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	(9 123)	(10 849)
9	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	(287 629)	(310 850)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	(38 857)	(532)
13	Leverage ratio exposure	8 550 674	8 060 498

8.2 Leverage ratio

LINE NO.	Item		
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	8 449 955	7 899 764
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)	(38 857)	(532)
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 6)	8 411 098	7 899 232
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	7 826	97
9	Add-on amounts for PFE associated with all derivatives transactions	4 926	1 826

10	(Exempted 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)	12 752	1 923
	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	427 205	472 116
20	(Adjustments for conversion to credit equivalent amounts)	(287 626)	310 850
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)	139 579	161 266
	Capital and total exposures		
23	Tier 1 capital	534 190	498 085
24	Total exposures (sum of rows 7, 13, 18 and 22)	8 563 429	8 062 421
	Leverage ratio		
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	6%	6%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6%	6%
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)	6%	6%
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)	6%	6%

13 REMUNERATION

The Board has an 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 it's two Executive Directors as Senior Management. Remuneration for the Prescribed Officers and 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.

14 FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Information pertaining to the financial performance and financial position for the year ended 31 December 2022 is included in the annual financial statements available at www.hbzbank.co.za

15 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 2022.

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 2022.