HBZ Bank Limited

HBZ Bank Limited
(A subsidiary of Habib Bank AG Zurich)

South Africa

Quarterly Public Disclosure March 2024

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 HBZ Bank Limited's (the "Bank") disclosure policy.

2 SCOPE OF REPORTING

This report covers the quarterly results of the Bank as at 31 March 2024.

The Bank 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 March 2024 are disclosed below.

	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Mar 24	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23
1	Common Equity Tier 1 (CET1)	593 057	593 031	592 996	592 961	534 230
1a	Fully loaded ECL accounting model	593 057	593 031	592 996	592 961	534 230
2	Tier 1	593 057	593 031	592 996	592 961	534 230
2a	Fully loaded accounting model Tier 1	593 057	593 031	592 996	592 961	534 230
3	Total capital	606 812	609 732	600 019	598 870	541 774
3a	Fully loaded ECL accounting model total capital	606 812	609 732	600 019	598 870	541 774
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000					
4	Total risk-weighted assets (RWA)	3 142 620	3 207 659	3 220 194	3 524 308	3 656 868
4a	Total risk-weighted assets (pre-floor)	3 142 620	3 207 659	3 220 194	3 524 308	3 656 868
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA					
5	CET1 ratio (%)	18,87%	18,49%	18,41%	16,82%	14,61%
5a	Fully loaded ECL accounting model CET1 (%)	18,87%	18,49%	18,41%	16,82%	14,61%
5b	CET1 ratio (%)(pre-floor)	18,87%	18,49%	18,41%	16,82%	14,61%
6	Tier 1 ratio (%)	18,87%	18,49%	18,41%	16,82%	14,61%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	18,87%	18,49%	18,41%	16,82%	14,61%
6b	Tier 1 ratio (%)(pre-floor)	18,87%	18,49%	18,41%	16,82%	14,61%
7	Total capital ratio (%)	19,31%	19,01%	18,63%	16,99%	14,82%
7a	Fully loaded ECL accounting model total capital ratio (%)	19,31%	19,01%	18,63%	16,99%	14,82%
7b	Total capital ratio (%)(pre-floor)	19,31%	19,01%	18,63%	16,99%	14,82%

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

	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Mar 24	31 Dec 23	30 Sep 23	30 Jun 23	31 Mar 23
	ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2,50%	2,50%	2,50%	2,50%	2,50%
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank G-Sib and/orD-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%
12	CET1 available after meeting the bank's minimum capital requirements (%)	14,37%	13,99%	13,91%	12,32%	10,11%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio measure	9 160 297	8 785 193	8 595 769	8 401 900	8 580 627
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)	7%	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	7%	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	7%	7%	7%	7%	6%
	LIQUIDITY COVERAGE RATIO					
15	Total High Quality Liquid Assets (HQLA)	5 455 053	4 552 469	4 813 321	4 555 882	4 065 779
16	Total net cash outflow	643 662	470 743	537 040	401 607	343 713
17	LCR ratio (%)	848%	967%	896%	1134%	1183%
	NET STABLE FUNDING RATIO					
18	Total available stable funding	6 063 222	5 995 651	5 723 671	5 641 554	5 844 870
19	Total required stable funding	2 022 514	1 989 044	1 964 008	2 086 786	2 070 206
20	NSFR ratio (%)	300%	301%	291%	270%	282%

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. The 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

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

Overview of RWA

		RWA		MINIMUM CAPITAL REQUIREMENTS
		Mar 24 R'000	Dec 23 R'000	Mar 24 R'000
1	Credit risk (excluding counterparty credit risk)	2 320 939	2 374 673	272 710
2	Of which: standardised approach (SA)	2 320 939	2 374 673	272 710
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)	3 995	7 837	469
7	Of which: standardised approach for counterparty credit risk	3 995	7 837	469
8	Of which: IMM	-	-	-
9	Of which: other CCR	-	-	-
10	Credit Valuation Adjustment (CVA)	2 167	4 100	255
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	-	-	-

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

Overview of RWA (continued)

		RWA		MINIMUM CAPITAL REQUIREMENTS
		Mar 24 R'000	Dec 23 R'000	Mar 24 R'000
16	Securitisation exposures in the banking book	-	-	-
17	Of which: securitisation IRB approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external- ratings based approach (SEC-ER-BA), including internal assessment approach (IAA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	5 163	8 454	607
21	Of which: standardised approach (SA)	5 163	8 454	607
22	Of which: internal model approache (IMA)	-	-	-
23	Capital Charge for switch between trading book and banking book	-	-	-
24	Operational risk	684 821	684 821	80 466
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	125 535	127 774	14 750
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)**	**3 142 620**	**3 207 659**	**369 258**

4 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.

HBZ Bank Limited

4.1 Liquidity Coverage Ratio

		TOTAL UNWEIGHTED VALUE R'000	TOTAL WEIGHTED VALUE R'000
	HIGH-QUALITY LIQUID ASSETS		
1	Total HQLA	5 455 053	5 455 053
	CASH OUTFLOWS		
2	**Retail deposits and deposits from small business customers, of which:**	2 424 070	242 407
3	Stable deposits	-	-
4	Less stable deposits	2 424 070	242 407
5	**Unsecured wholesale funding, of which:**	4 062 350	1 229 628
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	4 062 350	1 229 628
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	**Additional requirements, of which:**	701 507	57 036
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	701 507	57 036
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	TOTAL CASH OUTFLOWS	7 187 927	1 529 071
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 242 876	885 409
19	Other cash inflows	-	-
20	TOTAL CASH INFLOWS	1 242 876	885 409
			TOTAL ADJUSTED VALUE
21	**Total HQLA**		**5 455 053**
22	**Total net cash outflows**		**643 662**
23	**Liquidity Coverage Ratio (%)**		**848%**

4.2 Net Stable Funding Ratio (NSFR)

MARCH 2024		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	AVAILABLE STABLE FUNDING (ASF) ITEM (R'000)					
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:**	**-**	**3 798 524**	**-**	**-**	**3 418 672**
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 798 524	-	-	3 418 672
7	**Wholesale funding:**	**-**	**3 456 234**	**646 590**	**-**	**2 051 412**
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	3 456 234	646 590	-	2 051 412
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	**Other liabilities:**	**-**	**362 323**	**-**	**3 363**	**-**
12	NSFR derivative liabilities		-	-	3 363	
13	All other liabilities and equity not included in the above categories	-	362 323	-	-	-
14	**Total ASF**	**593 138**	**7 617 081**	**646 590**	**3 363**	**6 063 222**
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)	-	856 204	-	-	8 979
16	Deposits held at other financial institutions for operational purposes	-	527 941	205 000	-	181 691
17	Performing loans and securities:	-	2 543 423	2 761 788	1 735 116	791 905
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1 646 044	2 577 823	800 774	251 232
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	897 379	183 965	-	540 673
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of greater than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	934 342	794 191
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-

HBZ Bank Limited

4.2 Net Stable Funding Ratio (NSFR) (continued)

MARCH 2024		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
26	Other assets:	-	33 328	-	197 372	210 673
27	Other short-term unsecured instruments and transactions with a residual maturity of less than one year	-	33 328	-	-	16 664
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		-	-	3 640	277
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
31	All other assets not included in the above categories	-	-	-	193 732	193 732
32	Off-balance sheet items	-	-	-	701 674	35 075
33	**Total RSF**					**2 022 514**
34	**Net Stable Funding Ratio (%)**					**300%**

DECEMBER 2023		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	AVAILABLE STABLE FUNDING (ASF) ITEM (R'000)					
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	Other wholesale funding	-	3 294 556	721 734	-	2 008 145
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	**Other liabilities:**	**-**	**294 954**	**-**	**5 217**	**-**
12	NSFR derivative liabilities		-	-	5 217	
13	All other liabilities and equity not included in the above categories	-	294 954	-	-	-
14	Total ASF	593 138	7 361 030	721 734	5 217	5 995 651

4.2 Net Stable Funding Ratio (NSFR) (continued)

DECEMBER 2023		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)	-	664 230	-	-	8 676
16	Deposits held at other financial institutions for operational purposes	-	1 056 205	20 000	-	168 431
17	Performing loans and securities:	-	1 850 038	3 879 764	1 007 783	750 088
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	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
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	854 667	175 548	-	515 108
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of greater than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	1 007 783	856 616
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	-	32 560	-	170 539	181 602
27	Other short-term unsecured instruments and transactions with a residual maturity of less than one year	-	32 560	-	-	16 280
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		-	-	-	-
29	NSFR derivative assets		-	-	5 936	719
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
31	All other assets not included in the above categories	-	-	-	164 603	164 603
32	Off-balance sheet items	-	-	-	472 792	23 631
33	**Total RSF**					**1 989 044**
34	**Net Stable Funding Ratio (%)**					**301%**

5 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.

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

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

		R'000
1	Total RWA for CVA at previous quarter end	7 837
2	Total RWA for CVA at end of reporting period	3 995

6 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 March 2024. The leverage ratios are reported to the Prudential Authority as part of the Bank's monthly submissions. These are set out below:

6.1 Summarised comparison of accounting assets and leverage ratio exposure measure

		31 Mar 24	31 Dec 23
		R'000	R'000
1	Total consolidated assets as per published financial statements	9 561 846	9 153 911
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	(3 640)	(5 936)
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)	(352 062)	(325 669)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	(50 918)	(45 840)
13	**Leverage ratio exposure measure**	**9 155 226**	**8 776 466**

HBZ Bank Limited

6.2 Leverage ratio

		31 Mar 24	31 Dec 23
ON-BALANCE SHEET EXPOSURES		**R'000**	**R'000**
1	On-balance sheet exposures(excluding derivatives and securities financing transactions (SFTs), but including collateral)	8 856 532	8 675 183
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)	(50 918)	(45 840)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**8 805 614**	**8 629 343**
DERIVATIVE EXPOSURES			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligiblecash variation margin and/or with bilateral netting)	928	2 712
9	Add-on amounts for potential future exposure associated with all derivatives transactions	4 143	6 015
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)**	**5 071**	**8 727**
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	701 674	472 792
20	(Adjustments for conversion to credit equivalent amounts)	(352 062)	(325 669)
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)**	**349 612**	**147 123**

6.2 Leverage ratio (continued)

		31 Mar 24	31 Dec 23
CAPITAL AND TOTAL EXPOSURES		R'000	R'000
23	Tier 1 capital	593 057	593 031
24	Total exposures (sum of rows 7, 13, 18 and 22)	9 160 297	8 785 193
LEVERAGE RATIO			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	6%	7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6%	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)	6%	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)	6%	7%