



# HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

## South Africa

# Annual Public Disclosure December 2021

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 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 2021.

HBZ Bank Limited is a registered bank that specialises in trade finance and is a wholly owned subsidiary of Habib Bank AG Zurich, which is incorporated in Switzerland. HBZ Bank Limited does not have any subsidiaries or a bank-controlling company in South Africa.

## 3 KEY PRUDENTIAL INFORMATION

### 3.1 Overview of risk management, key prudential metrics

The Bank's key prudential metrics relating to regulatory capital, leverage ratio, liquidity ratios and risk weighted assets as at 31 December 2021 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20
1	Common Equity Tier 1 (CET1)	498 617	498 617	498 617	498 617	498 617
1a	Fully loaded ECL accounting model	498 617	498 617	498 617	498 617	498 617
2	Tier 1	498 085	497 983	497 939	498 064	497 917
2a	Fully loaded accounting model Tier 1	498 085	497 983	497 939	498 064	497 917
3	Total capital	515 088	519 210	521 565	524 112	524 610
3a	Fully loaded ECL accounting model total capital	515 088	519 210	521 565	524 112	524 610
<b>RISK-WEIGHTED ASSETS (AMOUNTS) R'000</b>						
4	Total risk-weighted assets (RWA)	3 362 076	3 300 434	3 367 019	3 354 141	3 509 576
<b>RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA</b>						
5	Common Equity Tier 1 ratio (%)	14,83%	15,09%	14,79%	14,85%	14,19%
5a	Fully loaded ECL accounting model CET1 (%)	14,83%	15,09%	14,79%	14,85%	14,19%
6	Tier 1 ratio (%)	14,81%	15,09%	14,79%	14,85%	14,19%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14,81%	15,09%	14,79%	14,85%	14,19%
7	Total capital ratio (%)	15,32%	15,73%	15,49%	15,63%	14,95%
7a	Fully loaded ECL accounting model total capital ratio (%)	15,32%	15,73%	15,49%	15,63%	14,95%

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

	31 Dec 21	30 Sep 21	30 Jun 21	31 Mar 21	31 Dec 20	
<b>ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA</b>						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2,50%	2,50%	2,50%	2,50%	
9	Countercyclical buffer requirement (%) -	-	-	-	-	
10	Bank D-SIB additional requirements (%) -	-	-	-	-	
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2,50%	2,50%	2,50%	2,50%	
12	CET1 available after meeting the bank's minimum capital requirements (%)	10,33%	10,59%	10,29%	9,69%	
<b>BASEL III LEVERAGE RATIO</b>						
13	Total Basel III leverage ratio measure	8 062 421	6 693 775	7 610 705	6 993 238	7 041 921
14	Basel III leverage ratio (%) (row 2/row 13)	6%	7%	7%	7%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	6%	7%	7%	7%	7%
<b>LIQUIDITY COVERAGE RATIO</b>						
15	Total HQLA	3 786 709	3 316 655	3 092 746	2 673 763	2 495 825
16	Total net cash outflow	338 375	257 065	302 943	242 852	238 920
17	LCR ratio (%)	1119%	1290%	1021%	1101%	1045%
<b>NET STABLE FUNDING RATIO</b>						
18	Total available stable funding	5 583 105	5 282 024	5 184 403	4 934 375	4 872 966
19	Total required stable funding	2 190 876	2 077 544	2 034 660	1 988 114	2 118 616
20	NSFR ratio (%)	255%	254%	255%	248%	230%

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](http://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 Risk Weighted Assets (RWA)

	RWA		Minimum capital requirements
	Dec 21 R'000	Dec 20 R'000	Dec 21 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 669 203	2 799 820	286 939
- Of which standardised approach (SA)	2 669 203	2 799 820	286 939
- Of which foundation internal-ratings based (F-IRB) approach	-	-	-
- Of which supervisory slotting approach	-	-	-
- Of which advanced internal-ratings based (A-IRB) approach	-	-	-
Counterparty credit risk	488	60 973	52
- Of which standardised approach for counterparty credit risk (SA-CCR)	488	60 973	52
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	774	6 039	83
Equity positions under the simple risk weight approach	-	-	-
Equity investments in funds - look through approach	-	-	-
Equity investments in funds - mandate based approach	-	-	-
Equity investments in funds - full back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in the banking book	-	-	-
- Of which Securitisation internal- ratings based approach (SEC-IRBA)	-	-	-
- Of which Securitisation external- ratings based approach (SEC-ERBA), including internal assessment approach	-	-	-
- Of which Securitisation standardised approach (SEC-SA)	-	-	-
Market risk	13 322	5 804	1 432
- Of which standardised approach (SA)	13 322	5 804	1 432
- Of which internal model approaches (IMM)	-	-	-
Capital Charge for switch between trading book and banking book	-	-	-
Operational risk - Basic Indicator Approach	549 410	524 379	59 062
Amounts below the thresholds for deduction (subject to 250% risk weight)	20 983	23 320	2 256
Other risks	107 897	89 241	11 599
<b>Total</b>	<b>3 362 076</b>	<b>3 509 576</b>	<b>361 423</b>

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	0,250%
Add-on: conservation buffer	2,500%
<b>Total</b>	<b>10,750%</b>

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](http://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

31 DEC 21	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
<b>ASSETS</b>					
Cash and cash equivalents	1 817 201	1 817 201	-	-	-
Investment securities	3 843 478	3 843 478	-	-	-
Current tax	-	-	-	-	-
Derivative assets	10 849	-	10 849	-	-
Net advances	2 134 118	2 134 188	-	-	-
Accounts receivable and other assets	15 563	-	-	-	15 563
Property and equipment	65 002	-	-	-	65 002
Investment property	8 371	-	-	-	8 371
Right-of-use assets	19 492	-	-	-	19 492
Deferred tax asset	8 393	-	-	-	8 393
<b>Total assets</b>	<b>7 922 467</b>	<b>7 794 797</b>	<b>10 849</b>	<b>-</b>	<b>116 821</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits and borrowings	7 291 029	-	-	-	-
Derivative liabilities	10 577	-	-	-	-
Creditors and accruals	6 266	-	-	-	-
Provisions	7 069	-	-	-	-
Lease liabilities	22 175	-	-	-	-
Ordinary shareholder's equity	585 351	-	-	-	-
<b>Total liabilities and equity</b>	<b>7 922 467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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	7 922 467	7 794 797	10 849	-	116 821
Liabilities and equity carrying value amount under scope of regulatory consolidation	7 922 467	-	-	-	-
Total net amount under regulatory scope of consolidation	-	7 794 797	10 849	-	116 821
Off-balance sheet amounts	472 116	470 162	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>	<b>8 394 583</b>	<b>8 264 959</b>	<b>10 849</b>	<b>-</b>	<b>116 821</b>

### 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](http://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:		Allowances/ Impairments	Net values (a + b - c)
	Defaulted Exposures	Non-defaulted Exposures		
Advances	75 413	2 091 870	(33 165)	2 134 118
Investment Securities	-	3 846 012	(2 534)	3 843 478
Cash and Cash Equivalents	-	1 824 801	(7 599)	1 817 202
Off-balance sheet exposures	-	472 116	(1 104)	471 012
<b>Total</b>	<b>75 413</b>	<b>8 234 799</b>	<b>(44 402)</b>	<b>8 265 810</b>

Refer to the Risk Management Review as well as notes 5, 7 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	88 618
Movements during the current year	(13 205)
Defaulted advances at end of the reporting period	75 413

## 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	82 590
Europe	34 945
Asia	303
South Africa	7 966 773
Other African countries	-
<b>Total</b>	<b>8 084 611</b>

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## 5.4 Breakdown of gross customer advances by industry sector

Concentration by industry	Gross credit exposures
Finance & insurance	722 932
Manufacturing	260 870
Transportation	56 902
Commercial real estate	492 242
Retailers & wholesalers	490 837
Other	63 046
<b>Total</b>	<b>2 086 829</b>

## 5.5 Impaired and past due advances by geographical area

	South Africa Gross amount	Other Gross amount
Individually impaired advances	75 413	-
Impairments for credit losses		
Expected credit loss (Stage 1)	3 714	-
Expected credit loss (Stage 2)	2 053	-
Expected credit loss (Stage 3)	27 398	-
<b>Total</b>	<b>33 165</b>	<b>-</b>

## 5.6 Credit risk mitigation techniques

	a	b	d
	Exposures Unsecured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Advances	25 738	2 044 384	97 161
Investment securities	3 846 012	-	-
Cash and cash equivalents	1 824 801	-	-
<b>Total</b>	<b>5 696 551</b>	<b>2 044 384</b>	<b>97 161</b>
Of which defaulted	-	75 413	-



## 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
Sovereign and their central banks	3 843 478	-	3 843 478	-	-	0%
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	1 614 863	-	1 616 786	-	919 460	57%
Securities firms	-	-	-	-	-	-
Corporates	1 413 065	470 162	1 423 266	-	1 111 311	78%
Retail portfolios	665 707	-	665 707	-	590 904	89%
Equity	-	-	-	-	-	-
Past-due loans	75 413	-	48 015	-	48 015	100%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	0%
<b>Total</b>	<b>7 612 526</b>	<b>470 162</b>	<b>7 597 252</b>	<b>-</b>	<b>2 669 690</b>	

### 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 2021, the gross carrying amount of advances to customers in default amounted to R75.4m million (2020: R 88.6 million) and the market value of identifiable collateral (mainly fixed properties) held against those loans and advances amounted to R183.6 million (2020: R 265.5 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](http://www.hbzbank.co.za)).

## 5.8 Exposures by asset class and risk weights

Asset classes by Risk weights	0%	20%	35%	50%	75%	100%	Total credit exposures amount (post CCF and post-CRM)
Sovereign and their central banks	3 843 478	-	-	-	-	-	3 843 478
Non-central government public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
Banks	-	871 657	-	-	-	675 000	1 546 657
Securities firms	-	-	-	-	-	-	-
Corporates	352 115	107 846	-	-	-	1 088 599	1 548 560
Retail portfolios	-	-	94 055	-	34 714	559 547	688 316
Equity	-	-	-	-	-	-	-
Past-due loans	-	-	-	7 807	-	87 786	95 593
Higher-risk categories	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
<b>Total</b>	<b>4 195 593</b>	<b>979 503</b>	<b>94 055</b>	<b>7 807</b>	<b>34 714</b>	<b>2 410 932</b>	<b>7 722 604</b>

## 5.9 Credit risk under standardised approach

The Bank has consistently utilised ratings issued only by Moody's. No changes have taken place during the reporting period and no export credit agencies are 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	3 786 709	3 786 709
	<b>CASH OUTFLOWS</b>		
2	Retail deposits and deposits from small business customers, of which:	1 767 980	176 798
3	Stable deposits	-	-
4	Less stable deposits	1 767 980	176 798
5	Unsecured wholesale funding, of which:	4 201 860	1 155 398
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	4 201 860	1 155 398
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	Additional requirements, of which:	470 162	21 303
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	470 162	21 303
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	<b>TOTAL CASH OUTFLOWS</b>	<b>6 440 002</b>	<b>1 353 498</b>
	<b>CASH INFLOWS</b>		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 541 426	1 180 645
19	Other cash inflows	-	-
20	<b>TOTAL CASH INFLOWS</b>	<b>1 541 426</b>	<b>1 180 645</b>
			<b>Total adjusted value</b>
21	Total HQLA		3 786 709
22	Total net cash outflows		338 375
23	Liquidity Coverage Ratio (%)		1 119%

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## 6.2 Net Stable Funding Ratio (NSFR)

LINE NO.	AVAILABLE STABLE FUNDING (ASF) ITEM	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
1	<b>Capital:</b>	498 617	-	-	-	498 617
2	Regulatory capital	498 617	-	-	-	498 617
3	Other capital instruments	-	-	-	-	-
4	<b>Retail deposits and deposits from small business customers:</b>	-	3 727 934	-	-	3 355 141
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	3 727 934	-	-	3 355 141
7	<b>Wholesale funding:</b>	-	2 902 553	556 142	-	1 729 348
8	Operational deposits	-	-	-	-	-
9	Non-operational deposits and funding - Corporates	-	2 902 553	556 142	-	1 729 348
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	225 542	-	10 577	-
12	Funding from other legal entities	-	104 400	-	-	-
13	NSFR derivative liabilities	-	-	-	10 577	-
14	All other liabilities and equity not included in the above categories	-	121 142	-	-	-
15	<b>Total ASF</b>	<b>498 617</b>	<b>6 856 029</b>	<b>556 142</b>	<b>10 577</b>	<b>5 583 105</b>
	<b>REQUIRED STABLE FUNDING (RSF) ITEM</b>					
16	Total NSFR high-quality liquid assets (HQLA)		209 938			6 635
17	Deposits held at other financial institutions for operational purposes	-	1 069 863	545 000	-	432 979
18	<b>Performing loans and securities:</b>	-	<b>2 896 509</b>	<b>2 053 975</b>	<b>942 997</b>	<b>745 677</b>
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	-	1 975 122	1 868 356	-	192 174
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:	-	921 387	185 619	-	553 503
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	-	-	-	942 997	801 547
25	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	-	-	-	-
26	Assets with matching interdependent liabilities	-	-	-	-	-

27	<b>Other assets:</b>	-	23 957	-	179 127	180 529
28	Physical traded commodities, including gold	-	23 957	-	-	11 979
29	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
30	NSFR derivative assets	-	-	-	10 849	272
31	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
32	All other assets not included in the above categories	-	-	-	168 278	168 278
33	Off-balance sheet items	-	-	-	472 116	23 508
34	<b>Total RSF</b>					<b>2 190 876</b>
35	<b>Net Stable Funding Ratio (%)</b>					<b>255%</b>

## 7 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 approved 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

Basel III common disclosure template to be used during transition of regulatory adjustments (i.e. from 1 June 2013 to 1 January 2018)

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)	448 617 -
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	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>498 617 -</b>
	<b>COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS</b>	
7	Prudential valuation adjustments	- -
8	Goodwill (net of related tax liability)	- -
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(532) -
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	- -

# HBZ Bank Limited

LINE NO.	COMMON EQUITY TIER 1 CAPITAL: REGULATORY ADJUSTMENTS (CONTNUED)	AMOUNTS SUBJECT TO PRE- BASEL III TREATMENT
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)	-
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	<b>Total regulatory adjustments to common equity Tier 1</b>	<b>(532)</b>
29	<b>Common Equity Tier 1 capital (CET1)</b>	<b>498 085</b>
	<b>ADDITIONAL TIER 1 CAPITAL : INSTRUMENTS</b>	
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	<b>Additional Tier 1 capital before regulatory adjustments</b>	-

LINE NO.	ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	AMOUNTS SUBJECT TO PRE- BASEL III TREATMENT	
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 regulatroty 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	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	-
44	<b>Additional Tier 1 (AT1)</b>	-	-
45	<b>Tier 1 (T1 = CET1 + AT1)</b>	<b>498 085</b>	
<b>TIER 2 CAPITAL AND PROVISIONS</b>			
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	17 003	
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>17 003</b>	
<b>TIER 2 CAPITAL : REGULATORY ADJUSTMENTS</b>			
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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	-
58	<b>Tier 2 capital (T2)</b>	<b>17 003</b>	
59	<b>Total capital (TC = T1 + T2)</b>	<b>515 088</b>	

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## LINE NO. TIER 2 CAPITAL : REGULATORY ADJUSTMENTS (CONTNUED)

	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE BASEL III TREATMENT	-
	OF WHICH:	-
	OF WHICH:	-
60	<b>Total risk weighted assets</b>	<b>3 362 076</b>
	<b>CAPITAL RATIOS</b>	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14,81%
62	Tier 1 (as a percentage of risk weighted assets)	14,81%
63	Total capital (as a percentage of risk weighted assets)	15,32%
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	-
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)	-
	<b>NATIONAL MINIMA (IF DIFFERENT FROM BASEL 3)</b>	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4,50%
70	National Tier 1 minimum ratio	6,00%
71	National total capital minimum ratio	8,00%
	<b>AMOUNTS BELOW THE THRESHOLD FOR DEDUCTIONS (BEFORE RISK WEIGHTING)</b>	
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)	-
	<b>APPLICABLE CAPS ON THE INCLUSION OF PROVISIONS IN TIER 2</b>	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	17 003
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	-
	<b>CAPITAL INSTRUMENTS SUBJECT TO PHASE-OUT ARRANGEMENTS (ONLY APPLICABLE BETWEEN 1 JAN 2018 AND 1 JAN 2022)</b>	
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)	-



## MAIN FEATURES DISCLOSURE TEMPLATE

### LINE NO. DISCLOSURE TEMPLATE FOR MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

1	Issuer	HBZ Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	N/A
	<b>REGULATORY TREATMENT</b>	
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, 29 June 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
	<b>COUPONS / DIVIDENDS</b>	
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

## 8 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 2021. These are set out below:

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

LINE NO.	Item	31 Dec 21	31 Dec 20
1	Total consolidated assets as per published financial statements	8 382 729	7 323 949
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	(10 849)	(51 193)
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	(310 850)	(294 523)
7	Other adjustments	(532)	(700)
8	Leverage ratio exposure	<u>8 060 498</u>	<u>6 977 533</u>

### 8.2 Leverage ratio

LINE NO.	Item		
	<b>On-balance sheet exposures</b>		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	7 899 764	6 779 772
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(532)	(700)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	7 899 232	6 779 072
	<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	97	51 193
5	Add-on amounts for PFE associated with all derivatives transactions	1 826	13 196
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	1 923	64 388
	<b>Securities financing transaction exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	-	-

15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
	<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	472 116	492 984
18	(Adjustments for conversion to credit equivalent amounts)	310 850	294 523
19	Off-balance sheet items (sum of lines 17 and 18)	161 266	198 461
	<b>Capital and total exposures</b>		
20	Tier 1 capital	498 085	497 916
21	Total exposures (sum of lines 3, 11, 16 and 19)	8 062 421	7 041 921
	<b>Leverage ratio</b>		
22	Basel III leverage ratio	6,18%	7,07%

## 9 REMUNERATION

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

The majority of the Remcom 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 pertaining to remuneration at the Bank.

The Committee is chaired by an independent Non-Executive Director and meets as deemed appropriate, but at least biannually. Further meetings may be convened by the chairperson or any other member of the Committee. The Committee is satisfied that it has discharged its responsibilities for the period under review in compliance 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](http://www.hbzbank.co.za)

### Remuneration awarded during the financial year

The Bank has classified its two Executive Directors as Senior Management. Remuneration for the Executive and Non-Executive Directors has been disclosed in note 23 of the annual financial statements available at [www.hbzbank.co.za](http://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.

## 10 FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Information pertaining to the financial performance and financial position for the year ended 31 December 2021 is included in the annual financial statements available at [www.hbzbank.co.za](http://www.hbzbank.co.za)

## 11 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 2021.

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 2021.