HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Bi-Annual Public Disclosure
June 2020

in terms of Banks Act, Regulation 43

1 BASIS OF COMPILATION

The following information is compiled in terms of Regulation 43 relating to banks, issued under Section 90 of the Banks Act, No 94 of 1990 (as amended) ("the Regulations"), which incorporates the Basel Pillar III requirements on market discipline.

All disclosures presented below are consistent with those disclosed in terms of International Financial Reporting Standards ("IFRS"), unless otherwise stated. In the main, differences between IFRS and information disclosed in terms of the Regulations relate to the definition of capital and the calculation and measurement thereof.

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

2 SCOPE OF REPORTING

This report covers the annual results of HBZ Bank Limited for the period ended 30 June 2020.

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

3 KEY PRUDENTIAL INFORMATION

3.1 Overview of risk management, key prudential metrics

The Bank's key prudential metrics relating to regulatory capital, leverage ratio, liquidity ratios and risk weighted assets as at 30 June 2020 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	30 Jun 20	31 Mar 20	31 Dec 19	30 Sep 19	30 Jun 19
1	Common Equity Tier 1 (CET1)	498 617	498 617	416 617	416 617	416 617
1a	Fully loaded ECL accounting model	498 617	498 617	416 617	416 617	416 617
2	Tier 1	497 622	497 443	415 480	415 320	415 221
2a	Fully loaded accounting model Tier 1	497 622	497 443	415 480	415 320	415 221
3	Total capital	521 408	519 164	433 176	436 260	436 317
3a	Fully loaded ECL accounting model total capital	521 408	519 164	433 176	436 260	436 317
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000					
4	Total risk-weighted assets (RWA)	3 726 809	3 936 993	3 076 879	3 078 814	3 097 227
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA					
5	Common Equity Tier 1 ratio (%)	13,35%	12,64%	13,50%	13,49%	13,41%
5a	Fully loaded ECL accounting model CET1 (%)	13,35%	12,64%	13,50%	13,49%	13,41%
6	Tier 1 ratio (%)	13,35%	12,64%	13,50%	13,49%	13,41%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13,35%	12,64%	13,50%	13,49%	13,41%
7	Total capital ratio (%)	13,99%	13,19%	14,08%	14,17%	14,09%
7a	Fully loaded ECL accounting model total capital ratio (%)	13,99%	13,19%	14,08%	14,17%	14,09%

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

		30 Jun 20	31 Mar 20	31 Dec 19	30 Sep 19	30 Jun 19
	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%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8,85%	8,14%	9,00%	8,99%	8,91%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio measure	6 864 257	6 788 954	6 110 615	6 094 102	6 806 986
14	Basel III leverage ratio (%) (row 2/row 13)	7%	7%	7%	7%	6%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	7%	7%	7%	6%
	LIQUIDITY COVERAGE RATIO					
15	Total HQLA	2 021 943	1 830 852	1 910 745	1 664 915	1 370 834
16	Total net cash outflow	237 438	212 785	185 017	185 427	181 325
17	LCR ratio (%)	852%	860%	1033%	898%	756%
	NET STABLE FUNDING RATIO					
18	Total available stable funding	4 641 381	4 548 793	4 197 570	4 196 469	4 154 023
19	Total required stable funding	2 110 163	2 123 517	1 939 218	1 199 612	1 206 802
20	NSFR ratio (%)	220%	214%	216%	350%	344%

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
	Jun 20 R'000	Jun 19 R'000	Jun 20 R'000
Credit risk (excluding counterparty credit risk) (CCR)	3 095 481	2 517 600	363 719
- Of which standardised approach (SA)	3 095 481	2 517 600	363 719
- 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	12 817	14 888	1 506
- Of which standardised approach for counterparty credit risk (SA-CCR)	12 817	13 802	1 506
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	219	1 086	26
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	9 362	9 234	1 100
- Of which standardised approach (SA)	9 362	9 234	1 100
- Of which internal model approaches (IMM)	-	-	-
Capital Charge for switch between trading book and banking book	-	-	-
Operational risk - Basic Indicator Approach	524 379	484 465	61 615
Amounts below the thresholds for deduction (subject to 250% risk weight)	14 295	11 000	1 680
Other risks	70 256	60 040	8 255
Total	**3 726 809**	**3 097 227**	**437 900**

Other risks reflected in the table above relate to property and equipment and other assets as included in the Statement of Financial Position.

The percentage minimum capital requirement consists of the following:

Minimum Capital requirement	8,000%
Add-on: Pillar 2A and other requirements	1,250%
Add-on: conservation buffer	2,500%
Total	11,750%

4 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 27 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.

4.1 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	91 542	1 827 263	(17 367)	1 901 438
Investment Securities	-	2 082 353	(1 394)	2 080 959
Cash and Cash Equivalents	-	2 466 413	(13 319)	2 453 094
Off-balance sheet exposures	-	770 095	(1 361)	768 734
Total	**91 542**	**7 146 124**	**(33 441)**	**7 204 225**

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

Definition of default

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

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

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

4.2 Changes in stock of defaulted advances

Defaulted advances at end of the previous reporting period	**36 828**
Movements during the current year	54 714
Defaulted advances at end of the reporting period	**91 542**

4.3 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	123 137
Europe	21 461
Asia	467
South Africa	7 014 149
Other African countries	-
Total	**7 159 214**

4.4 Breakdown of gross customer advances by industry sector

Concentration by industry	Gross credit exposures
Finance & insurance	1 219 353
Manufacturing	235 904
Transportation	74 724
Commercial real estate	405 851
Retailers & wholesalers	394 506
Other	36 255
Total	**2 366 593**

4.5 Impaired and past due advances by geographical area

	South Africa Gross amount	Other Gross amount
Individually impaired advances	**91 542**	**-**
Impairments for credit losses		
Expected credit loss (Stage 1)	(5 201)	-
Expected credit loss (Stage 2)	(2 520)	-
Expected credit loss (Stage 3)	(9 645)	-
Total	**74 175**	**-**

4.6 Credit risk mitigation techniques

	a	b	d
	Exposures Unsecured: carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Advances	79 789	1 838 563	453
Investment securities	2 082 353	-	-
Cash and cash equivalents	2 466 413	-	-
Total	**4 628 555**	**1 838 563**	**453**
Of which defaulted	-	91 542	-

4.7 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	2 080 959	-	2 080 959		-	0%
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	2 366 251	-	2 382 617	-	1 411 346	59%
Securities firms	-	-	-	-	-	-
Corporates	1 220 072	728 294	1 540 525	-	971 823	63%
Retail portfolios	650 164	-	650 164	-	620 770	95%
Equity	-	-	-	-	-	-
Past-due loans	91 542	-	91 542	-	91 542	100%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	0%
Total	**6 408 988**	**728 294**	**6 745 807**	**-**	**3 095 481**	

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 30 June 2020, the net carrying amount of advances to customers in default amounted to R 82 million (2019: R 53 million) and the market value of identifiable collateral (mainly fixed properties) held against those loans and advances amounted to R 428.8 million (2019: R 103 million).

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

4.8 Exposures by asset class and risk weights

Asset classes by Risk weights	0% - 5%	15% - 20%	50% - 75%	100%	150%	Total credit exposures amount (post CCF and post-CRM)
Sovereign and their central banks	2 080 959	-	-	-	-	2 080 959
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	-	1 155 515	820 141	-	-	1 975 656
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	1 948 366	-	1 948 366
Retail portfolios	-	-	65 436	584 728	-	650 164
Equity	-	-	-	-	-	-
Past-due loans	-	-	-	91 542	-	91 542
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**2 080 959**	**1 155 515**	**885 577**	**2 624 636**	**-**	**6 746 687**

4.9 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.

5 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.

5.1 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)	17 364	4 567			21 932	13 036
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						**13 036**

5.2 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	21 932	219
Total subject to the CVA capital charge	**21 932**	**219**

5.3 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	-	3 106	13 260	5 566	-	21 392
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**-**	**3 106**	**13 260**	**5 566**	**-**	**21 392**

6 OPERATIONAL RISK

The Bank uses the Basic Indicator Approach for calculating operational risk. Operational risk weighted assets at 30 June 2020 total R524 million (2019: R484 million).

7 MARKET RISK

The portfolios that are subject to market risk relate to forward exchange contracts. The Bank uses the Standardised approach to compute market risk weighted assets totalling R9.4 million (2019: R9.2 million).Refer to the Risk Management Review of the annual financial statements for additional disclosure on Market Risk.

8 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.

8.1 Liquidity Coverage Ratio

LINE NO.		Total unweighted value	Total weighted value
	HIGH-QUALITY LIQUID ASSETS		
1	Total HQLA	2 021 943	2 021 943
	CASH OUTFLOWS		
2	**Retail deposits and deposits from small business customers, of which:**	1 341 381	134 138
3	Stable deposits	-	-
4	Less stable deposits	1 341 381	134 138
5	**Unsecured wholesale funding, of which:**	3 009 580	771 513
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	3 009 580	771 513
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	**Additional requirements, of which:**	728 294	44 101
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	728 294	44 101
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	**TOTAL CASH OUTFLOWS**	5 079 255	949 752
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 700 049	1 442 608
19	Other cash inflows	-	-
20	**TOTAL CASH INFLOWS**	1 700 049	1 442 608

		Total adjusted value
21	**Total HQLA**	**2 021 943**
22	**Total net cash outflows**	**237 438**
23	**Liquidity Coverage Ratio (%)**	**852%**

8.2 Net Stable Funding Ratio (NSFR)

		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
LINE NO.	**AVAILABLE STABLE FUNDING (ASF) ITEM**					
1	**Capital:**	498 617	-	-	-	498 617
2	Regulatory capital	498 617	-	-	-	498 617
3	Other capital instruments	-	-	-	-	-
4	**Retail deposits and deposits from small business customers:**	-	2 714 034	402 479	-	2 854 258
5	Stable deposits	-	585 453	402 479	-	938 535
6	Less stable deposits	-	2 128 581	-	-	1 915 723
7	**Wholesale funding:**	-	-	-	-	1 288 506
8	Operational deposits	-	-	-	-	1 288 506
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	94 115	-	-	-
12	NSFR derivative liabilities		-	-	-	
13	All other liabilities and equity not included in the above categories	-	94 115	-	-	-
14	**Total ASF**					**4 641 381**
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)					4 585
16	Deposits held at other financial institutions for operational purposes	-	1 769 616	596 635	-	563 760
17	**Performing loans and securities:**	**-**	**1 972 674**	**919 786**	**989 645**	**1 350 997**
18	Performing loans to financial institutions secured by Level 1 HQLA	-	1 311 120	769 839	-	104 048
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	647 076	149 947	989 645	1 239 710
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
22	Performing residential mortgages, of which:	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	14 478	-	-	7 239
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	**Other assets:**	**-**	**-**	**154 033**	**17 365**	**154 407**

27	Physical traded commodities, including gold	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-
29	NSFR derivative assets	-	-	-	17 365	374
30	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
31	All other assets not included in the above categories	-	-	154 033	-	154 033
32	Off-balance sheet items				729 062	36 415
33	**Total RSF**					**2 110 163**
34	**Net Stable Funding Ratio (%)**					**220%**

9 CAPITAL MANAGEMENT

In line with the requirements of the Bank Supervision Department of the South African Reserve Bank, and effective from 1 January 2018, 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	**Common Equity Tier 1 capital before regulatory adjustments**	498 617	
	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)	(995)	-
10	Deferred tax assets that rely on future profitabilty excluding those arising from temporary differences (net of related tax liability)	-	-

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 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	-	-
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**	**(995)**	
29	**Common Equity Tier 1 capital (CET1)**	**497 622**	
	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**	-	

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 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)**	**497 622**	
	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	23 786	
51	**Tier 2 capital before regulatory adjustments**	**23 786**	
	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)**	**23 786**	
59	**Total capital (TC = T1 + T2)**	**521 408**	

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	**Total risk weighted assets**	**3 726 809**
	CAPITAL RATIOS	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13,35%
62	Tier 1 (as a percentage of risk weighted assets)	13,35%
63	Total capital (as a percentage of risk weighted assets)	13,99%
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)	-
	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)	23 786
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)	-

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
	REGULATORY TREATMENT	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share Capital
8	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R 50 million
9	Par value of instrument	R1 par value issued at R5 each
10	Accounting classification	Ordinary Share Capital and Share Premium
11	Original date of issuance	Thursday, June 29, 1995
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	COUPONS / DIVIDENDS	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

10 LEVERAGE RATIO

In terms of Regulation 43(1)(e)(iii)(G), the Bank is required to provide a summarised comparison of the accounting assets and the regulatory leverage ratio differences, as well as the Leverage Ratio positions of the Bank, as at 30 June 2020. These are set out below:

10.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	30 Jun 20	30 Jun 19
1	Total consolidated assets as per published financial statements	7 248 978	5 562 107
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	(17 365)	(8 366)
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off- balance sheet exposures)	(366 361)	301 446
7	Other adjustments	(995)	-
8	Leverage ratio exposure	6 864 256	5 855 187

10.2 Leverage ratio

LINE NO.	Item		
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	6 519 916	5 553 741
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(995)	(1 396)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6 518 921	5 552 345
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	(4 548)	944 829
5	Add-on amounts for PFE associated with all derivatives transactions	(12 817)	8 366
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	(17 365)	953 195
	Securities financing transaction exposures		
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)	-	-
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	729 062	745 361
18	(Adjustments for conversion to credit equivalent amounts)	366 361	(443 915)
19	Off-balance sheet items (sum of lines 17 and 18)	362 700	301 446
	Capital and total exposures		
20	**Tier 1 capital**	**497 622**	**415 221**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**6 864 257**	**6 806 986**
	Leverage ratio		
22	**Basel III leverage ratio**	**7,25%**	**6,10%**