HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Unaudited Bi-Annual Disclosure
30 June 2019

in terms of Regulation 43 relating to banks,
issued under Section 90 of the Banks Act, No.94 of 1990, as amended

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, all amounts are rounded to R'000 unless otherwise stated.

2 SCOPE OF REPORTING

This report covers the unaudited results of HBZ Bank Limited for the period ended 30 June 2019.

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 2019 are disclosed below.

		30 Jun 19	31 Mar 19	31 Dec 18	30 Sep 18
LINE NO.	**AVAILABLE CAPITAL (AMOUNTS) R'000**				
1	Common Equity Tier 1 (CET1)	416 617	416 617	416 617	380 214
1a	Fully loaded ECL accounting model	416 617	416 617	416 617	380 214
2	Tier 1	415 221	415 107	414 936	378 973
2a	Fully loaded accounting model Tier 1	415 221	415 107	414 936	378 973
3	Total capital	436 317	427 371	427 687	411 705
3a	Fully loaded ECL accounting model total capital	436 317	427 371	427 687	411 705
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000				
4	Total risk-weighted assets (RWA)	3 097 227	3 048 634	2 967 872	3 111 784
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA				
5	Common Equity Tier 1 ratio (%)	13,41%	13,62%	13,98%	12,18%
5a	Fully loaded ECL accounting model CET1 (%)	13,41%	13,62%	13,98%	12,18%
6	Tier 1 ratio (%)	13,41%	13,62%	13,98%	12,18%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13,41%	13,62%	13,98%	12,18%
7	Total capital ratio (%)	14,09%	14,02%	14,41%	13,23%
7a	Fully loaded ECL accounting model total capital ratio (%)	14,09%	14,02%	14,41%	13,23%

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

LINE NO.		30 Jun 19	31 Mar 19	31 Dec 18	30 Sep 18
	ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2,50%	2,50%	1,88%	1,88%
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%	1,88%	1,88%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8,91%	9,12%	9,48%	7,68%
	BASEL III LEVERAGE RATIO				
13	Total Basel III leverage ratio measure	6 806 986	6 339 200	6 124 231	5 866 329
14	Basel III leverage ratio (%) (row 2/row 13)	6%	7%	7%	6%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	6%	7%	7%	6%
	LIQUIDITY COVERAGE RATIO				
15	Total HQLA	1 370 834	1 229 169	1 204 236	926 651
16	Total net cash outflow	181 325	166 310	165 668	151 678
17	LCR ratio (%)	756%	739%	727%	611%
	NET STABLE FUNDING RATIO				
18	Total available stable funding	4 154 023	4 013 783	4 372 441	4 111 597
19	Total required stable funding	1 206 802	1 128 625	1 513 715	1 666 749
20	NSFR ratio (%)	344%	356%	289%	247%

HBZ Bank Limited did not apply the transitional arrangement for expected credit losses, therefore 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 RWA

	HBZ Bank Limited		
	RWA		Minimum capital requirements
	Jun 19 R'000	Jun 18 R'000	Jun 19 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 517 600	2 536 075	295 818
- Of which standardised approach (SA)	2 517 600	2 536 075	295 818
- 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	14 888	11 492	1 749
- Of which standardised approach for counterparty credit risk (SA-CCR)	13 802	9 706	1 622
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	1 086	1 787	128
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	9 234	4 899	1 085
- Of which standardised approach (SA)	9 234	4 899	1 085
- Of which internal model approaches (IMM)	-	-	-
Capital Charge for switch between trading book and banking book	-	-	-
Operational risk - Basic Indicator Approach	484 465	441 436	56 925
Amounts below the thresholds for deduction (subject to 250% risk weight)	11 000	3 198	1 293
Other risks	60 040	31 148	7 055
Total	**3 097 227**	**3 028 249**	**363 924**

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 Pillar3A	3,750%
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	53 609	1 808 918	(21 626)	1 840 901
Investment Securities	-	1 390 549	(1 049)	1 389 500
Cash and Cash Equivalents	-	2 265 763	(10 208)	2 255 555
Off-balance sheet exposures	-	745 361	(1 387)	743 974
Total	**53 609**	**6 210 591**	**(34 270)**	**6 229 930**

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 outstandings.

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	**50 806**
Movements during the current year	2 803
Defaulted advances at end of the reporting period	**53 609**

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	64 381
Europe	15 750
Asia	173
South Africa	5 405 651
Other African countries	-
Total	**5 485 956**

4.4 Breakdown of gross customer advances by industry sector

Concentration by industry	Gross credit exposures
Finance & insurance	148 403
Manufacturing	174 975
Transportation	58 192
Commercial real estate	566 726
Retailers & wholesalers	834 258
Other	57 411
Total	**1 839 965**

4.5 Impaired and past due advances by geographical area

	South Africa Gross amount	Other Gross amount
Individually impaired advances	**53 609**	**-**
Impairments for credit losses		
Expected credit loss (Stage 1)	(17 294)	-
Expected credit loss (Stage 2)	(3 802)	-
Expected credit loss (Stage 3)	(13 174)	-
Total	**(34 270)**	**-**

4.6 Credit risk mitigation techniques

	a Exposures Unsecured: carrying amount	b Exposures secured by collateral	d Exposures secured by financial guarantees
Advances	121 246	1 706 821	47 104
Investment securities	1 389 500	-	-
Cash and cash equivalents	2 255 555	-	-
Total	**3 766 301**	**1 706 821**	**47 104**
Of which defaulted	-	53 609	-

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	1 688 246	-	1 688 246	-	-	-
Non-central government public sector entities	3 336	-	3 336	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	2 167 180	-	2 167 180	-	782 111	36%
Securities firms	-	-	-	-	-	-
Corporates	763 079	744 232	603 787	471 980	1 053 266	174%
Retail portfolios	683 729	-	630 120	-	670 423	106%
Equity	-	-	-	-	-	-
Past-due loans	53 609	-	53 609	-	11 800	22%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**5 359 179**	**744 232**	**5 146 278**	**471 980**	**2 517 600**	

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

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	1 688 246	-	-	-	-	1 688 246
Non-central government public sector entities	3 336	-	-	-	-	3 336
Multilateral development banks	-	-	-	-	-	-
Banks	-	997 825	1 169 355	-	-	2 167 180
Securities firms	-	-	-	-	-	-
Corporates	-	35 494	38 074	1 002 199	-	1 075 767
Retail portfolios	-	-	66 915	563 205	-	630 120
Equity	-	-	-	-	-	-
Past-due loans	-	-	-	39 858	13 751	53 609
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**1 691 582**	**1 033 319**	**1 274 344**	**1 605 262**	**13 751**	**5 618 258**

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)	8 366	9 448			17 815	14 888
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						**14 888**

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	17 815	1 086
Total subject to the CVA capital charge	**17 815**	**1 086**

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	-	3 135	3 010	11 670	-	17 815
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**-**	**3 135**	**3 010**	**11 670**	**-**	**17 815**

6 OPERATIONAL RISK

The Bank uses the Basic Indicator Approach for calculating operational risk. Operational risk weighted assets at 30 June 2019 total R484 million (2018: R441 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 R9.2 million (2018: R4.9 million).

8 LIQUIDITY RISK

Liquidity risk results from the inability 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. Investments are primarily,Republic of South Africa Treasury bills which are considered as high quality liquid assets (HQLA).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 does comprehensive stress test scenarios for cases where an intra-day liquidity shortfall is predicted and where a sudden drain in funds occurs resulting from a run on the Bank or a single large Bank placement becoming irrecoverable.

The Bank complies with Basel III principles relating to liquidity risk management, specifically the liquidity coverage ratio and the net stable funding ratio.

In terms of Regulation 43(1)(e)(iii)(F) of the Regulations relating to Banks, minimum disclosure on the Liquidity Coverage Ratio 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.	HIGH-QUALITY LIQUID ASSETS	Total unweighted value	Total weighted value
1	Total HQLA	1 370 834	1 370 834
	CASH OUTFLOWS		
2	**Retail deposits and deposits from small business customers, of which:**	1 445 517	144 552
3	Stable deposits	-	-
4	Less stable deposits	1 445 517	144 552
5	**Unsecured wholesale funding, of which:**	2 332 929	535 519
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	2 332 929	535 519
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	**Additional requirements, of which:**	744 232	45 230
11	Outflows related to derivative exposures and other collateral requirements	-	-
12	Outflows related to loss of funding on debt products	-	-
13	Outflows related to loss of funding on debt products	-	-
14	Credit and liquidity facilities	744 232	45 230
15	Other contingent funding obligations	-	-
16	**TOTAL CASH OUTFLOWS**	4 522 678	725 301
	CASH INFLOWS		
17	Secured lending (eg reverse repos)	-	-
18	Inflows from fully performing exposures	1 533 220	1 249 242
19	Other cash inflows	-	-
20	**TOTAL CASH INFLOWS**	1 533 220	1 249 242

		Total adjusted value
21	**Total HQLA**	**1 370 834**
22	**Total net cash outflows**	**181 325**
23	**Liquidity Coverage Ratio (%)**	**756%**

9 CAPITAL MANAGEMENT

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

LINE NO.	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	AMOUNTS
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	50 000
2	Retained earnings	-
3	Accumulated other comprehensive income (and other reserves)	366 617
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	**Common Equity Tier 1 capital before regulatory adjustments**	**416 617**
	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)	(1 396)
10	Deferred tax assets that rely on future profitabilty excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	-
12	Shortfall of provisions to expected losses	-
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	-
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 subtracted from paid-in capital on reported balance sheet)	-
17	Reciprocal cross-holdings in common equity	-
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (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	-
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**	**(1 396)**
29	**Common Equity Tier 1 capital (CET1)**	**415 221**

LINE NO.	ADDITIONAL TIER 1 CAPITAL : INSTRUMENTS	AMOUNTS
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 row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-
35	*Of which: instruments issued by subsidiaries subject to phase-out*	-
36	**Additonal Tier 1 capital before regulatory adjusments**	**-**
	ADDITIONAL TIER 1 CAPITAL: REGULATORY ADJUSTMENTS	
37	Investments in own additional Tier 1 instruments	-
38	Reciprocal cross-holdings in additional Tier 1 instruments	-
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
41	National specific regulatory adjustments	-
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-
43	Total regulatory adjustments to additional Tier 1 capital	-
44	**Additional Tier 1 capital (AT1)**	**-**
45	**Tier 1 capital (T1= CET1 + AT1)**	**415 221**
	TIER 2 CAPITAL: INSTRUMENTS AND PROVISIONS	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	*Directly issued capital instruments subject to phase-out from Tier 2*	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 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	21 096
51	**Tier 2 capital before regulatory adjustments**	**21 096**
	TIER 2 CAPITAL : REGULATORY ADJUSTMENTS	
52	Investments in own Tier 2 instruments	-
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	-
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	-
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
56	National specific reulatory adjustments	-
57	**Total regulatory adjustments to Tier 2 capital**	**-**
58	**Tier 2 capital (T2)**	**21 096**
59	**Total regulatory capital (TC = T1 + T2)**	**436 317**
60	**Total risk-weighted assets**	**3 097 227**

LINE NO.	CAPITAL RATIOS AND BUFFERS	AMOUNTS
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13,41%
62	Tier 1 (as a percentage of risk-weighted assets)	13,41%
63	Total capital (as a percentage of risk-weighted assets)	14,09%
64	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency 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: higher loss absorbency requirement	
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	
	NATIONAL MINIMA (IF DIFFERENT FROM BASEL III)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5,00%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7,00%
71	National total capital minimum (if different from Basel III minimum)	9,00%
	AMOUNTS BELOW THE THRESHOLD FOR DEDUCTIONS (BEFORE RISK-WEIGHTING)	
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	
73	Significant investments in common stock of financial entities	
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)	21 096
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 after redemptions and maturities)*	
84	*Current cap on T2 instruments subject to phase-out arrangements*	
85	*Amount excluded from T2 due to cap (excess 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 2019. These are set out below:

10.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	30 Jun 2019
1	Total consolidated assets as per published financial statements	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	(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)	301 446
7	Other adjustments	
8	Leverage ratio exposure	5 855 187

10.2 Leverage ratio

LINE NO.	Item	30 Jun 2019
	On-balance sheet exposures	
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	5 553 741
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1 396)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	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)	944 829
5	Add-on amounts for PFE associated with all derivatives transactions	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)	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	745 361
18	(Adjustments for conversion to credit equivalent amounts)	(443 915)
19	Off-balance sheet items (sum of lines 17 and 18)	301 446
	Capital and total exposures	
20	**Tier 1 capital**	**415 221**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**6 806 986**
	Leverage ratio	
22	**Basel III leverage ratio**	**6,10%**