HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Annual Public Disclosure
December 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.

During the 2020 financial year the Bank restated it's 2019 financial results. The impact of this restatement was not deemed to materially impact these disclosures. Accordingly the Pillar III disclosures have not been restated. For further details on the restatement please refer to Note 1 of the 2020 financial statements at www.hbzbank.co.za.

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 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 31 December 2020 are disclosed below.

LINE NO.	AVAILABLE CAPITAL (AMOUNTS) R'000	31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 19
1	Common Equity Tier 1 (CET1)	498 617	498 617	498 617	498 617	416 617
1a	Fully loaded ECL accounting model	498 617	498 617	498 617	498 617	416 617
2	Tier 1	497 917	497 646	497 622	497 443	415 480
2a	Fully loaded accounting model Tier 1	497 917	497 646	497 622	497 443	415 480
3	Total capital	524 610	523 453	521 408	519 164	433 176
3a	Fully loaded ECL accounting model total capital	524 610	523 453	521 408	519 164	433 176
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000					
4	Total risk-weighted assets (RWA)	3 509 576	3 636 341	3 726 810	3 936 993	3 076 879
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA					
5	Common Equity Tier 1 ratio (%)	14,19%	13,69%	13,35%	12,64%	13,50%
5a	Fully loaded ECL accounting model CET1 (%)	14,19%	13,69%	13,35%	12,64%	13,50%
6	Tier 1 ratio (%)	14,19%	13,69%	13,35%	12,64%	13,50%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14,19%	13,69%	13,35%	12,64%	13,50%
7	Total capital ratio (%)	14,95%	14,40%	13,99%	13,19%	14,08%
7a	Fully loaded ECL accounting model total capital ratio (%)	14,95%	14,40%	13,99%	13,19%	14,08%

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

		31 Dec 20	30 Sep 20	30 Jun 20	31 Mar 20	31 Dec 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 (%)	9,69%	9,19%	8,85%	8,14%	9,00%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio measure	7 041 921	6 693 775	6 864 257	6 788 954	6 110 615
14	Basel III leverage ratio (%) (row 2/row 13)	7%	7%	7%	7%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	7%	7%	7%	7%	7%
	LIQUIDITY COVERAGE RATIO					
15	Total HQLA	2 495 825	2 258 195	2 021 943	1 830 852	1 910 745
16	Total net cash outflow	238 920	226 185	237 438	212 785	185 017
17	LCR ratio (%)	1045%	998%	852%	860%	1033%
	NET STABLE FUNDING RATIO					
18	Total available stable funding	4 872 966	4 658 498	4 641 381	4 548 793	4 197 570
19	Total required stable funding	2 118 616	2 112 339	2 110 163	2 123 517	1 939 218
20	NSFR ratio (%)	230%	221%	220%	214%	216%

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

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

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

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

Risk Assessment

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

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

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

Overview of Risk Weighted Assets (RWA)

	RWA		Minimum capital requirements
	Dec 20 R'000	Dec 19 R'000	Dec 20 R'000
Credit risk (excluding counterparty credit risk) (CCR)	2 799 820	2 483 634	300 981
- Of which standardised approach (SA)	2 799 820	2 483 634	300 981
- 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	60 973	26 899	6 555
- Of which standardised approach for counterparty credit risk (SA-CCR)	60 973	26 899	6 555
- Of which internal model method (IMM)	-	-	-
- Of which other CCR	-	-	-
Credit Valuation Adjustment (CVA)	6 039	1 976	649
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	5 804	7 674	624
- Of which standardised approach (SA)	5 804	7 674	624
- 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	56 371
Amounts below the thresholds for deduction (subject to 250% risk weight)	23 320	14 295	2 507
Other risks	89 241	57 936	9 593
Total	**3 509 576**	**3 076 879**	**377 279**

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%
Total	10,750%

Further disclosure on the Capital Adequacy Ratio is included in Note 33 of the annual financial statements that are available on the Banks website (www.hbzbank.co.za)

4 LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

This section outlines the treatment and the carrying values as published in the financial statements and used for the various regulatory risk categories, along with the carrying values of the items for the calculation of regulatory capital. Certain differences arise as a result of differing treatment under regulatory and IFRS rules, as further explained below.

4.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement with regulatory risk categories

	Carrying values as reported in published financial statements & under scope of regulatory consolidation	Carrying values of items:			
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Subject to other risk
31 Dec 20	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
ASSETS					
Cash and cash equivalents	2 096 098	2 096 098	-	-	-
Investment securities	2 539 801	2 539 801	-	-	-
Current tax	-	-	-	-	-
Derivative assets	51 193	-	51 193	-	-
Net advances	2 036 782	2 036 782	-	-	-
Accounts receivable and other assets	7 119	-	-	-	7 119
Property and equipment	56 037	-	-	-	56 037
Investment property	8 426	-	-		8 426
Right-of-use assets	18 359	-	-	-	18 359
Deferred tax asset	11 913	-	-	-	11 913
Total assets	**6 825 728**	**6 672 681**	**51 193**	**-**	**101 854**
LIABILITIES AND EQUITY					
Deposits and borrowings	6 183 301	-	-	-	-
Derivative liabilities	50 338	-	-	-	-
Creditors and accruals	11 457	-	-	-	-
Provisions	10 590	-	-	-	-
Lease liabilities	20 854	-	-	-	-
Ordinary shareholder's equity	549 188	-	-	-	-
Total liabilities and equity	**6 825 728**	**-**	**-**	**-**	**-**

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

		Items subject to:			
	Total R'000	Credit risk framework R'000	Counterparty credit risk framework R'000	Market risk framework R'000	Other risk framework R'000
Asset carrying value amount under scope of regulatory consolidation	6 825 728	6 672 681	51 193	-	101 854
Liabilities and equity carrying value amount under scope of regulatory consolidation	6 825 728	-	-	-	-
Total net amount under regulatory scope of consolidation	-	6 672 681	51 193	-	101 854
Off-balance sheet amounts	492 984	492 524	-	-	-
Exposure amounts considered for regulatory purposes	**7 318 712**	**7 165 205**	**51 193**	**-**	**101 854**

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 28 of the annual financial statements, available at www.hbzbank.co.za.

The Bank has adopted the standardised approach to determine the capital requirement for credit risk on all portfolios.

Qualitative disclosure requirements related to credit risk mitigation techniques

Credit risk mitigation (CRM) relates to the reduction of a bank's credit risk exposure by obtaining, for example, eligible collateral or guarantees or entering into a netting agreement with a client that maintains both debit and credit balances with the bank.

HBZ Bank applies the allowed CRM techniques as a result of the eligible collateral and guarantees that are held as security over certain exposures.

5.1 Credit quality of assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For off-balance sheet exposures, the amounts in the table represent the amounts committed or guaranteed.

	a	b	c	d
	Gross carrying values of:			
	Defaulted Exposures	Non-defaulted Exposures	Allowances/ Impairments	Net values (a + b - c)
Advances	88 618	1 987 479	(39 316)	2 036 782
Investment Securities	-	-	-	-
Cash and Cash Equivalents	-	-	-	-
Off-balance sheet exposures	-	246 795	(1 411)	245 384
Total	**88 618**	**2 234 274**	**(40 727)**	**2 282 165**

Refer to the Risk Management Review as well as notes 6, 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	**5 046**
Movements during the current year	26 732
Defaulted advances at end of the reporting period	**31 778**

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	127 093
Europe	37 375
Asia	533
South Africa	6 507 680
Other African countries	-
Total	**6 672 681**

5.4 Breakdown of gross customer advances by industry sector

Concentration by industry	Gross credit exposures
Finance & insurance	51 346
Manufacturing	357 159
Transportation	106 385
Commercial real estate	743 614
Retailers & wholesalers	766 178
Other	51 415
Total	**2 076 097**

5.5 Impaired and past due advances by geographical area

	South Africa Gross amount	Other Gross amount
Individually impaired advances	**88 618**	**-**
Impairments for credit losses		
Expected credit loss (Stage 1)	2 902	-
Expected credit loss (Stage 2)	6 083	-
Expected credit loss (Stage 3)	12 038	-
Total	**109 642**	**-**

5.6 Credit risk mitigation techniques

	a Exposures Unsecured: carrying amount	b Exposures secured by collateral	d Exposures secured by financial guarantees
Advances	37 538	1 922 634	55 587
Investment securities	-	-	-
Cash and cash equivalents	2 096 098	-	-
Total	**2 133 635**	**1 922 634**	**55 587**
Of which defaulted	-	88 618	-

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	2 539 801	-	2 539 801	-	-	0%
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	1 928 946	-	1 938 054	-	1 030 303	53%
Securities firms	-	-	-	-	-	-
Corporates	1 351 906	492 524	1 495 453		1 216 111	81%
Retail portfolios	646 448	-	627 137	-	531 800	85%
Equity	-	-	-	-	-	-
Past-due loans	88 618	-	88 618	-	88 618	100%
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	0%
Total	**6 555 719**	**492 524**	**6 689 063**	**-**	**2 866 832**	

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 2020, the net carrying amount of advances to customers in default amounted to R89.1 million (2019: R 53.5 million) and the market value of identifiable collateral (mainly fixed properties) held against those loans and advances amounted to R 265.5 million (2019: R 122.5 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).

5.8 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	2 539 801	-	-	-	-	2 539 801
Non-central government public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Banks	-	1 045 418	605 513	-	-	1 650 931
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	1 844 430	-	1 844 430
Retail portfolios	-	-	48 973	597 475	-	646 448
Equity	-	-	-		-	-
Past-due loans	-	-	-	88 618	-	88 618
Higher-risk categories	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	2 539 801	1 045 418	654 486	2 530 523	-	6 770 228

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 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.

6.1 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)	51 193	13 196			64 388	67 013
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						**67 013**

6.2 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	64 388	6 039
Total subject to the CVA capital charge	**64 388**	**6 039**

6.3 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	-	4 269	-	60 119	-	64 388
Securities firms	-	-	-	-	-	-
Corporates	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**-**	**4 269**	**-**	**60 119**	**-**	**64 388**

7 OPERATIONAL RISK

The Bank uses the Basic Indicator Approach for calculating operational risk. Operational risk weighted assets at 31 December 2020 total R524 million (2019: R484 million).

8 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 R5.8 million (2019: R7.7 million).Refer to the Risk Management Review of the annual financial statements for additional disclosure on Market Risk.

9 INTEREST RATE RISK IN THE BANKING BOOK

Net interest income sensitivity

Assuming no change in the balance sheet nor any management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month net interest income (NII) of R5.6 million (2019: R 4.6 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R5.6 million (2019: R4.6 million).

10 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 matches expected outflows with inflows and keeps a large proportion of the funds in HQLA 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.

10.1 Liquidity Coverage Ratio

LINE NO.	HIGH-QUALITY LIQUID ASSETS	Total unweighted value	Total weighted value
1	Total HQLA	2 495 825	2 495 825
	CASH OUTFLOWS		
2	**Retail deposits and deposits from small business customers, of which:**	1 596 139	159 614
3	Stable deposits	-	-
4	Less stable deposits	1 596 139	159 614
5	**Unsecured wholesale funding, of which:**	3 064 807	771 386
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	3 064 807	771 386
8	Unsecured debt	-	-
9	Secured wholesale funding	-	-
10	**Additional requirements, of which:**	492 524	24 680
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	492 524	24 680
14	Other contractual funding obligations	-	-
15	Other contingent funding obligations	-	-
16	**TOTAL CASH OUTFLOWS**	5 153 470	955 679
	CASH INFLOWS		
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	1 541 399	1 256 455
19	Other cash inflows	-	-
20	**TOTAL CASH INFLOWS**	1 541 399	1 256 455

		Total adjusted value
21	**Total HQLA**	**2 495 825**
22	**Total net cash outflows**	**238 920**
23	**Liquidity Coverage Ratio (%)**	**1 045%**

10.2 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:**	-	3 073 692	181 610	-	2 970 659
5	Stable deposits	-	636 137	181 610	-	776 860
6	Less stable deposits	-	2 437 554	-	-	2 193 799
7	**Wholesale funding:**	-	-	-	-	1 403 690
8	Operational deposits	-	-	-	-	1 403 690
9	Other wholesale funding	-	-	-	-	-
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities:	-	98 708	-	-	-
12	NSFR derivative liabilities		-	-	-	
13	All other liabilities and equity not included in the above categories	-	98 708	-	-	-
14	**Total ASF**					**4 872 966**
	REQUIRED STABLE FUNDING (RSF) ITEM					
15	Total NSFR high-quality liquid assets (HQLA)					5 273
16	Deposits held at other financial institutions for operational purposes	-	1 519 646	409 300	-	432 597
17	**Performing loans and securities:**	**-**	**1 779 371**	**1 654 116**	**1 071 498**	**1 484 606**
18	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1 051 378	1 488 423	-	126 990
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:	-	710 315	165 693	1 071 498	1 348 777
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	-	17 678	-	-	8 839
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	**Other assets:**	**-**	**-**	**170 658**	**51 193**	**171 513**

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		-	-	51 193	855
30	NSFR derivative liabilities before deduction of variation margin posted		-	-	-	-
31	All other assets not included in the above categories	-	-	170 658	-	170 658
32	Off-balance sheet items				492 984	24 626
33	**Total RSF**					**2 118 616**
34	**Net Stable Funding Ratio (%)**					**230%**

11 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 1.875%.

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 liability)	-	-
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	(700)	-
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**	**(700)**	
29	**Common Equity Tier 1 capital (CET1)**	**497 917**	
	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)**	**497 917**	
	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	26 693	
51	**Tier 2 capital before regulatory adjustments**	**26 693**	
	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)**	**26 693**	
59	**Total capital (TC = T1 + T2)**	**524 610**	

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**	**3 509 576**
	CAPITAL RATIOS	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14,19%
62	Tier 1 (as a percentage of risk weighted assets)	14,19%
63	Total capital (as a percentage of risk weighted assets)	14,95%
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)	4,50%
70	National Tier 1 minimum ratio	6,00%
71	National total capital minimum ratio	8,00%
	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)	26 693
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

12 LEVERAGE RATIO

In terms of Regulation 43(1)(e)(iii)(G), the Bank is required to provide a summarised comparison of the accounting assets and the regulatory leverage ratio differences, as well as the Leverage Ratio positions of the Bank, as at 31 December 2020. These are set out below:

12.1 Summarised comparison of accounting assets and leverage ratio exposure measure

LINE NO.	Item	31 Dec 20	31 Dec 19
1	Total consolidated assets as per published financial statements	7 323 949	6 440 540
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	(51 193)	(20 057)
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)	(294 523)	(308 732)
7	Other adjustments	(700)	(1 137)
8	Leverage ratio exposure	6 977 533	6 110 614

12.2 Leverage ratio

LINE NO.	Item		
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs),but including collateral)	6 779 772	5 917 443
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(700)	(1 137)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	6 779 072	5 916 306
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	51 193	6 842
5	Add-on amounts for PFE associated with all derivatives transactions	13 196	(26 899)
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)	64 388	(20 057)
	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	492 984	523 097
18	(Adjustments for conversion to credit equivalent amounts)	294 523	308 732
19	Off-balance sheet items (sum of lines 17 and 18)	198 461	214 365
	Capital and total exposures		
20	**Tier 1 capital**	**497 916**	**415 480**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**7 041 921**	**6 110 615**
	Leverage ratio		
22	**Basel III leverage ratio**	**7,07%**	**6,80%**

13 REMUNERATION

The Board has established a Remuneration Committee (Remcom) which comprises three 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 at the Bank.

The Committee is chaired by an Independent Non-Executive Director and meets as deemed appropriate, but at least once a year. 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

Remuneration awarded during the financial year

The Bank has classified the CEO who is an Executive Director as well as the Prescribed Officers as Senior Management. Remuneration for the Executive Directors, Non-Executive Directors and Prescribed Officers has been disclosed in note 23 of the annual financial statements available at www.hbzbank.co.za.

The remuneration structure is cash based with no amounts deferred as well as no shares being offered as an incentive. The Bank does not have a share incentive scheme, sign on awards or any variable remuneration structure. Staff members are entitled to a 13th cheque that is included in their cost to company and is paid in December each year.

14 FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Information pertaining to the financial performance and financial position for the year ended 31 December 2020 is included in the annual financial statements available at www.hbzbank.co.za

15 QUALITATIVE DISCLOSURES AND ACCOUNTING POLICIES

The Regulations require that certain qualitative disclosures and statements on accounting policy be made. These regulatory qualitative disclosures and statements on accounting policy were made in the Bank's annual financial statements for the financial year ended 31 December 2020.

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 2020.