HBZ Bank Limited

(A subsidiary of Habib Bank AG Zurich)

South Africa

Annual Public Disclosure

in terms of the Banks Act, Regulation 43
for the year ended 31 December 2024

for the year ended 31 December 2024

1. BASIS OF COMPILATION

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

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

These disclosures have been prepared in compliance with HBZ Bank Limited's (the "Bank") disclosure policy.

2. SCOPE OF REPORTING

This report covers the annual results of HBZ Bank Limited for the year ended 31 December 2024.

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

3. KEY PRUDENTIAL INFORMATION

3.1 Overview of risk management, key prudential metrics

The Bank's key prudential metrics relating to regulatory capital, leverage ratio, liquidity ratios and risk weighted assets as at 31 December 2024 are disclosed below.

	Key Metrics	31 DECEMBER 2024	30 SEPTEMBER 2024	30 JUNE 2024	31 MARCH 2024	31 DECEMBER 2023
	AVAILABLE CAPITAL (AMOUNTS) R'000					
1	Common Equity Tier 1 (CET1)	593 113	593 096	593 077	593 057	593 031
1a	Fully loaded ECL accounting model CET1	593 113	593 096	593 077	593 057	593 031
2	Tier 1	593 113	593 096	593 077	593 057	593 031
2a	Fully loaded ECL accounting model Tier 1	593 113	593 096	593 077	593 057	593 031
3	Total capital	607 819	605 571	604 638	606 812	609 732
3a	Fully loaded ECL accounting model total capital	607 819	605 571	604 638	606 812	609 732
	RISK-WEIGHTED ASSETS (AMOUNTS) R'000					
4	Total risk-weighted assets (RWA)	3 737 204	3 465 261	3 314 403	3 142 620	3 207 659
4a	Total risk-weighted assets (pre-floor)	3 737 204	3 465 261	3 314 403	3 142 620	3 207 659
	RISK-BASED CAPITAL RATIOS AS A PERCENTAGE OF RWA					
5	CET1 ratio (%)	15,87%	17,12%	17,89%	18,87%	18,49%
5a	Fully loaded ECL accounting model CET1 (%)	15,87%	17,12%	17,89%	18,87%	18,49%
5b	CET1 ratio (%) (pre-floor ratio)	15,87%	17,12%	17,89%	18,87%	18,49%
6	Tier 1 ratio (%)	15,87%	17,12%	17,89%	18,87%	18,49%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15,87%	17,12%	17,89%	18,87%	18,49%
6b	Tier 1 ratio (%) (pre-floor ratio)	15,87%	17,12%	17,89%	18,87%	18,49%
7	Total capital ratio (%)	16,26%	17,48%	18,24%	19,31%	19,01%

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3. KEY PRUDENTIAL INFORMATION CONTINUED

	Key Metrics	31 DECEMBER 2024	30 SEPTEMBER 2024	30 JUNE 2024	31 MARCH 2024	31 DECEMBER 2023
7a	Fully loaded ECL accounting model total capital ratio (%)	16,26%	17,48%	18,24%	19,31%	19,01%
7b	Total capital ratio (%) (pre-floor ratio)	16,26%	17,48%	18,24%	19,31%	19,01%
	ADDITIONAL CET1 BUFFER REQUIREMENTS AS A PERCENTAGE OF RWA					
8	Capital conservation buffer requirement (2,5% from 2019) (%)	2,50%	2,50%	2,50%	2,50%	2,50%
9	Countercyclical buffer requirement (%)	–	–	–	–	–
10	Bank G-SIB and/or D-SIB additional requirements (%)	–	–	–	–	–
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2,50%	2,50%	2,50%	2,50%	2,50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	11,37%	12,62%	13,39%	14,37%	13,99%
	BASEL III LEVERAGE RATIO					
13	Total Basel III leverage ratio exposure measure	9 629 348	9 307 932	9 171 630	9 160 297	8 785 193
14	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves)	6%	6%	6%	6%	7%
14a	Fully loaded ECL accounting model Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) (%)	6%	6%	6%	6%	7%
14b	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	6%	7%	7%	7%	7%
14c	Basel III leverage ratio (%) (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	6%	7%	7%	7%	7%
14d	Basel III leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values for SFT assets	6%	7%	7%	7%	7%
	LIQUIDITY COVERAGE RATIO (LCR)					
15	Total high-quality liquid assets (HQLA)	5 617 106	5 437 858	5 400 082	5 455 053	4 552 469
16	Total net cash outflow	715 165	586 000	859 650	643 662	470 743
17	LCR ratio (%)	785%	928%	628%	848%	967%
	NET STABLE FUNDING RATIO (NSFR)					
18	Total available stable funding	6 213 128	5 950 205	5 895 355	6 063 222	5 995 651
19	Total required stable funding	2 388 926	2 153 588	1 998 882	2 022 514	1 989 044
20	NSFR ratio	260%	276%	295%	300%	301%

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

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3. KEY PRUDENTIAL INFORMATION CONTINUED

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

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

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

Risk Assessment

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

Stress testing is conducted for any material risks facing the Bank (i.e. credit, liquidity, profitability, solvency risks). Stress tests of these material risks are tied to the assets in the portfolio, as well as to prevailing economic and market conditions and probe for portfolio-specific weaknesses. The frequency of stress testing is conducted at least quarterly. However, a sudden change in the economic outlook may prompt the Bank to revise the parameters of some stress tests, or if the Bank has become exposed to a particular risk area, it may be necessary to carry out more stress tests.

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

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3. KEY PRUDENTIAL INFORMATION CONTINUED

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

Overview of RWA

Line #	R'000	HBZ BANK LIMITED RWA DEC-24	SEP-24	MINIMUM CAPITAL REQUIREMENTS DEC-24
1	Credit risk (excluding counterparty credit risk)	2 743 260	2 490 483	322 333
2	Of which: standardised approach (SA)	2 743 260	2 490 483	322 333
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–
4	Of which: supervisory slotting approach	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–
6	Counterparty credit risk (CCR)	3 963	45 430	466
7	Of which: standardised approach for counterparty credit risk	3 963	45 430	466
8	Of which: IMM	–	–	–
9	Of which: other CCR	–	–	–
10	Credit valuation adjustment (CVA)	2 317	24 356	272
11	Equity positions under the simple risk weight approach and the internal model method during the five-year linear phase-in period	–	–	–
12	Equity investments in funds – look-through approach	–	–	–
13	Equity investments in funds – mandate-based approach	–	–	–
14	Equity investments in funds – fall-back approach	–	–	–
15	Settlement risk	–	–	–
16	Securitisation exposures in banking book	–	–	–
17	Of which: securitisation IRB approach (SEC-IRBA)	–	–	–
18	Of which: securitisation external- ratings based approach (SEC-ERBA), including internal assessment approach (IAA)	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	–	–	–
20	Market risk	15 774	10 429	1 853
21	Of which: standardised approach (SA)	15 774	10 429	1 853
22	Of which: internal model approach (IMA)	–	–	–
23	Capital charge for switch between trading book and banking book	–	–	–
24	Operational risk	847 095	769 224	99 534
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	124 795	125 339	14 663
26	Output floor applied			
27	Floor adjustment (before application of transitional cap)			
28	Floor adjustment (after application of transitional cap)			
29	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 28)**	**3 737 204**	**3 465 261**	**439 121**

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%

Further disclosure on the Capital Adequacy Ratio is included in Note 32 of the annual financial statements that are available on the Banks website (www.hbzbank.co.za).

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4. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES

This section outlines the treatment and the carrying values as published in the annual 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 categories with regulatory risk categories

		CARRYING VALUES OF ITEMS:			
	CARRYING VALUES AS REPORTED IN PUBLISHED FINANCIAL STATEMENTS & UNDER SCOPE OF REGULATORY CONSOLIDATION	SUBJECT TO CREDIT RISK FRAMEWORK	SUBJECT TO COUNTERPARTY CREDIT RISK FRAMEWORK	SUBJECT TO THE MARKET RISK FRAMEWORK	SUBJECT TO OTHER RISK
31 December 2024	R'000	R'000	R'000	R'000	R'000
Assets					
Cash and cash equivalents	2 014 775	2 014 775	–	–	–
Investment securities	4 708 254	4 708 254	–	–	–
Other assets	21 089	–	–	–	21 089
Derivative assets held for risk management	18 884	–	18 884	–	–
Loans and advances	2 650 428	2 650 428	–	–	–
Property and equipment	51 407	–	–	–	51 407
Investment property	8 207	–	–	–	8 207
Right-of-use assets	11 085	–	–	–	11 085
Deferred tax asset	12 746	–	–	–	12 746
Total assets	**9 496 875**	**9 373 457**	**18 884**	**-**	**104 534**
Liabilities and equity					
Deposits and borrowings	8 574 309	–	–	–	–
Provisions	14 845	–	–	–	–
Other liabilities	20 814	–	–	–	–
Derivative liabilities held for risk management	18 161	–	–	–	–
Lease liabilities	14 253	–	–	–	–
Ordinary shareholder's equity	854 493	–	–	–	–
Total liabilities and equity	**9 496 875**	**-**	**-**	**-**	**-**

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4. LINKAGES BETWEEN FINANCIAL STATEMENTS AND REGULATORY EXPOSURES CONTINUED

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

		ITEMS SUBJECT TO:			
	TOTAL	CREDIT RISK FRAMEWORK	COUNTERPARTY CREDIT RISK FRAMEWORK	MARKET RISK FRAMEWORK	OTHER RISK FRAMEWORK
	R'000	R'000	R'000	R'000	R'000
Asset carrying value amount under scope of regulatory consolidation	9 496 875	9 373 457	18 884	–	104 534
Liabilities and equity carrying value amount under scope of regulatory consolidation	9 496 875	–	–	–	–
Total net amount under regulatory scope of consolidation	–	9 373 457	18 884	–	104 534
Off-balance sheet amounts	589 504	588 235	–	–	–
Exposure amounts considered for regulatory purposes	**10 086 379**	**9 961 692**	**18 884**	**-**	**104 534**

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 the Bank. The Bank primarily advances funds to customers in the form of corporate loans, mortgage loans, overdraft facilities and trade finance 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 have in place board approved committees that ensures both executive and non-executive oversight to approve, monitor and manage credit risk.

For an overview of credit risk management as well as related qualitative information, please refer to the Risk Management section as well as note 29 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.

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

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5. CREDIT RISK CONTINUED

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	e	f	g
		GROSS CARRYING VALUES OF			OF WHICH ECL ACCOUNTING PROVISIONS FOR CREDIT LOSSES ON SA EXPOSURES			
	R'000	DEFAULTED EXPOSURES	NON-DEFAULTED EXPOSURES	ALLOWANCES/ IMPAIRMENTS	ALLOCATED IN REGULATORY CATEGORY OF SPECIFIC	ALLOCATED IN REGULATORY CATEGORY OF GENERAL	OF WHICH ECL ACCOUNTING PROVISIONS FOR CREDIT LOSSES ON IRB EXPOSURES	NET VALUES (A + B - C)
1	Loans	107 249	2 591 065	(47 886)	(40 587)	(7 299)	–	2 650 428
2	Debt Securities	–	4 715 325	(7 071)	–	(7 071)	–	4 708 254
3	Cash and Cash Equivalents	–	2 015 461	(686)	–	(686)	–	2 014 775
4	Off-balance sheet exposures	–	589 504	(178)	–	(178)	–	589 326
5	**Total**	**107 249**	**9 911 355**	**(55 821)**	**(40 587)**	**(15 234)**	**-**	**9 962 783**

Refer to the Risk Management Review as well as Notes 1, 2, 5, 6, 15 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 realising 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.

5.2 Changes in stock of defaulted loans and debt securities

	R'000	a
1	**Defaulted loans and debt securities at end of the previous reporting period**	**104 695**
2	Loans and debt securities that have defaulted since the last reporting period	4 053
3	Returned to non-defaulted status	–
4	Amounts written off	2 877
5	Other changes	(1 499)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)**	**107 249**

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5. CREDIT RISK CONTINUED

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:

R'000	GROSS CREDIT EXPOSURES
Concentration by location	
America	114 733
Europe	40 113
Asia	3 456
South Africa	9 860 302
Other African countries	–
Total	**10 018 604**

Refer to Note 29 of the annual financial statements for further disclosure on gross credit exposure.

5.4 Breakdown of gross customer advances by industry sector

R'000	GROSS CREDIT EXPOSURES
Concentration by industry	
Finance & insurance	77 941
Manufacturing	384 676
Transportation	99 038
Commercial real estate	1 069 642
Retailers & wholesalers	832 191
Other	234 826
Total	**2 698 314**

5.5 Impaired and past due advances by geographical area

	SOUTH AFRICA	OTHER
R'000	GROSS AMOUNT	GROSS AMOUNT
Individually impaired advances	**107 249**	**–**
Impairments for credit losses		
Expected credit loss (Stage 1)	7 221	–
Expected credit loss (Stage 2)	256	–
Expected credit loss (Stage 3)	17 722	–
Total	**132 448**	**–**

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5. CREDIT RISK CONTINUED

5.6 Credit risk mitigation techniques – overview

	R'000	a EXPOSURES UNSECURED: CARRYING AMOUNT	b EXPOSURES TO BE SECURED	c EXPOSURES SECURED BY COLLATERAL	d EXPOSURES SECURED BY FINANCIAL GUARANTEES	e EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	162 680	2 487 748	2 404 150	83 598	–
2	Debt securities	4 708 254	–	–	–	–
3	Cash and cash equivalents	2 014 775	–	–	–	–
4	**Total**	**6 885 709**	**2 487 748**	**2 404 150**	**83 598**	**-**
5	Of which defaulted	–	–	107 249	–	–

5.7 Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects

		a	b	c	d	e	f
		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
		R'000	R'000	R'000	R'000	R'000	R'000
1	Sovereigns and their central banks	4 708 606	–	5 084 473	–	–	–
2	Non-central government public sector entities	12 519	–	12 519	–	–	–
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	905 802	–	996 373	–	449 846	45%
	Of which: securities firms and other financial institutions	905 802	–	996 373	–	449 846	45%
5	Covered bonds	–	–	–	–	–	–
6	Corporates	2 041 859	484 745	2 204 123	–	1 815 246	82%
	Of which: securities firms and other financial institutions	–	–	–	–	–	–
	Of which: specialised lending	2 041 859	484 745	2 204 123		1 815 246	82%
7	Subordinated debt, equity and other capital	–	–	–	–	–	–
8	Retail	515 677	99 996	481 622	–	374 882	78%
9	Real estate	–	–	–	–	–	–
	Of which: general RRE	–	–	–	–	–	–
	Of which: IPRRE	–	–	–	–	–	–
	Of which: general CRE	–	–	–	–	–	–
	Of which: IPCRE	–	–	–	–	–	–
	Of which: land acquisition, development and construction	–	–	–	–	–	–
10	Defaulted exposures	107 249	3 494	107 249	–	107 249	100%
11	Other assets	–	–	–	–	–	–
12	**Total**	**8 291 712**	**588 235**	**8 886 359**	**-**	**2 747 223**	

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5. CREDIT RISK CONTINUED

5.7 Standardised approach – credit risk exposure and credit risk mitigation (CRM) effects continued

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 2024, the gross amount of advances to customers in default amounted to R107.8 million (2023: R86.9 million) and the market value of identifiable collateral (mainly fixed properties) held for these advances amounted to R566 million (2023: R197 million).

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

5.8 Standardised approach – exposures by asset classes and risk weights

		a	b	c	d	e	f
	Asset classes by Risk weights	**0% – 5%**	**15% – 20%**	**50% – 75%**	**100%**	**150%**	**TOTAL CREDIT EXPOSURES AMOUNT (POST CCF AND POST-CRM)**
		R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
1	Sovereigns and their central banks	5 084 473	–	–	–	–	5 084 473
2	Non-central government public sector entities	12 519	–	–	–	–	12 519
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	–	654 538	341 835	–	–	996 373
	Of which: securities firms and other financial institutions	–	654 538	341 835	–	–	996 373
5	Covered bonds	–	–	–	–	–	–
6	Corporates	–	–	–	2 204 123	–	2 204 123
	Of which: securities firms and other financial institutions	–	–	–	–	–	–
	Of which: specialised lending	–	–	–	2 204 123	–	2 204 123
7	Subordinated debt, equity and other capital	–	–	–	–	–	–
8	Retail	–	–	28 575	453 047	–	481 622
9	Real estate	–	–	–	–	–	–
	Of which: general RRE	–	–	–	–	–	–
	Of which: no loan splitting applied	–	–	–	–	–	–
	Of which: loan splitting applied (secured)	–	–	–	–	–	–
	Of which: loan splitting applied (unsecured)	–	–	–	–	–	–
	Of which: IPRRE	–	–	–	–	–	–
	Of which: general CRE	–	–	–	–	–	–
	Of which: no loan splitting applied	–	–	–	–	–	–
	Of which: loan splitting applied (secured)	–	–	–	–	–	–
	Of which: loan splitting applied (unsecured)	–	–	–	–	–	–
	Of which: IPCRE	–	–	–	–	–	–
	Of which: land acquisition, development and construction	–	–	–	–	–	–
10	Defaulted exposures	–	–	–	107 249	–	107 249
11	Other assets	–	–	–	–	–	–
12	**Total**	**5 096 992**	**654 538**	**370 410**	**2 764 419**	**-**	**8 886 359**

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5. CREDIT RISK CONTINUED

5.9 Qualitative disclosure on banks' use of external credit ratings under the standardised approach for credit risk

The Bank has consistently utilised ratings issued only by Moody's. During the reporting period, Moody's has upgraded the outlook in South Africa from 'negative' to 'stable' with no export credit agencies being utilised. Interbank placements are the only asset class for which Moody's ratings are utilised. The Bank obtains the latest bank credit ratings as issued by Moody's and applies the provisions of Regulation 23 table 8 to arrive at risk weightings. Regulation 23, table 8 is utilised to arrive at the mapping of the alphanumeric scale to the risk weightings.

6. LIQUIDITY RISK

Liquidity risk results from being unable to meet commitments, repayments and withdrawals timeously and cost effectively.

The Bank controls liquidity at source, ensuring a wide deposit base, simplifying the product range and centralising the Treasury function. The Bank directly matches all major deposits with inter-bank placements and keeps a large proportion of the funds short-term to buffer against unexpected cash flow requirements. This is enhanced through an Asset and Liability Committee (ALCO) and an Assets and Liabilities Management (ALM) process which addresses liquidity risk pro-actively. The focused range of products offered by the Bank facilitates the management of this risk. There is an effective computerised system in place to monitor the Bank's liquidity on a daily basis.

The liquidity management process includes a Contingency Funding Plan and Recovery Plan which takes into account various stress test scenarios and funding sources.

Stress testing is conducted for any material risks facing the Bank (i.e. credit, liquidity, profitability, solvency risks). Stress tests of these material risks are tied to the assets in the portfolio, as well as to prevailing economic and market conditions and probe for portfolio-specific weaknesses. The frequency of stress testing is conducted at least quarterly. However, a sudden change in the economic outlook may prompt the Bank to revise the parameters of some stress tests, or if the Bank has become exposed to a particular risk area, it may be necessary to carry out more stress tests.

The Bank complies with Basel III principles relating to liquidity risk management, specifically the liquidity coverage ratio and the net stable funding ratio. As with interest rate risk the focused range of products offered by the Bank facilitates the management of liquidity risk.

In terms of Regulation 43(1)(e)(iii)(F) of the Regulations relating to Banks, minimum disclosure on the Liquidity Coverage Ratio of the Bank is required on a quarterly basis. This announcement meets the on-going reporting requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

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6. LIQUIDITY RISK CONTINUED

6.1 Liquidity coverage ratio (LCR)

		TOTAL UNWEIGHTED VALUE	TOTAL WEIGHTED VALUE
	High-quality liquid assets	R'000	R'000
1	Total HQLA	5 617 106	5 617 106
	Cash outflows		
2	**Retail deposits and deposits from small business customers, of which:**	**2 171 784**	**217 178**
3	Stable deposits	–	–
4	Less stable deposits	2 171 784	217 178
5	**Unsecured wholesale funding, of which:**	**4 438 069**	**1 427 351**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	4 438 069	1 427 351
8	Unsecured debt	–	–
9	Secured wholesale funding	–	–
10	**Additional requirements, of which:**	**588 235**	**42 608**
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	588 235	42 608
14	Other contractual funding obligations	–	–
15	Other contingent funding obligations	–	–
16	**TOTAL CASH OUTFLOWS**	**7 198 088**	**1 687 137**
	Cash inflows		
17	Secured lending (eg reverse repos)	–	–
18	Inflows from fully performing exposures	1 379 730	971 972
19	Other cash inflows	–	–
20	**TOTAL CASH INFLOWS**	**1 379 730**	**971 972**

		TOTAL ADJUSTED VALUE
21	**Total HQLA**	**5 617 106**
22	**Total net cash outflows**	**715 165**
23	**Liquidity Coverage Ratio (%)**	**785%**

for the year ended 31 December 2024

6. LIQUIDITY RISK CONTINUED

6.2 Net stable funding ratio (NSFR)

		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				
	December 2024	NO MATURITY	< 6 MONTHS	6 MONTHS TO < 1 YEAR	≥ 1 YEAR	WEIGHTED VALUE
	Available stable funding (ASF) item (R'000)					
1	Capital:	593 138	–	–	–	593 138
2	Regulatory capital	593 138	–	–	–	593 138
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	–	3 549 208	–	–	3 194 287
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	3 549 208	–	–	3 194 287
7	Wholesale funding:	–	3 833 556	1 011 303	–	2 422 430
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	3 833 556	1 011 303	–	2 422 430
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	–	481 104	–	18 161	3 273
12	NSFR derivative liabilities	–	–	–	18 161	–
13	All other liabilities and equity not included in the above categories	–	481 104	–	–	3 273
14	**Total ASF**	**593 138**	**7 863 868**	**1 011 303**	**18 161**	**6 213 128**
	Required stable funding (RSF) item (R'000)					
15	Total NSFR high-quality liquid assets (HQLA)	–	1 098 179	–	–	9 526
16	Deposits held at other financial institutions for operational purposes	–	786 732	131 589	–	188 187
17	Performing loans and securities:	–	1 436 145	2 826 947	1 706 107	865 886
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	–	358 652	2 643 496	1 706 107	235 413
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:	–	1 077 493	183 451	–	630 473
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	–	–	–	1 272 922	1 081 984
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–
25	Assets with matching interdependent liabilities	–	–	–	–	–

for the year ended 31 December 2024

6. LIQUIDITY RISK CONTINUED

6.2 Net stable funding ratio (NSFR) continued

		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				
	December 2024	NO MATURITY	< 6 MONTHS	6 MONTHS TO < 1 YEAR	≥ 1 YEAR	WEIGHTED VALUE
26	Other assets:	–	34 327	–	196 767	213 931
27	Physical traded commodities, including gold	–	34 327	–	–	17 164
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties	–	–	–	–	–
29	NSFR derivative assets	–	–	–	18 884	18 884
30	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	–	–
31	All other assets not included in the above categories	–	–	–	177 883	177 883
32	Off-balance sheet items	–	–	–	589 504	29 412
33	**Total RSF**					**2 388 926**
34	**Net Stable Funding Ratio (%)**					**260%**

for the year ended 31 December 2024

6. LIQUIDITY RISK CONTINUED

6.2 Net stable funding ratio (NSFR) continued

		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				
	September 2024	NO MATURITY	< 6 MONTHS	6 MONTHS TO < 1 YEAR	≥ 1 YEAR	WEIGHTED VALUE
	Available stable funding (ASF) item (R'000)					
1	Capital:	593 138	–	–	–	593 138
2	Regulatory capital	593 138	–	–	–	593 138
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	–	3 218 006	–	–	2 896 205
5	Stable deposits	–	–	–	–	–
6	Less stable deposits	–	3 218 006	–	–	2 896 205
7	Wholesale funding:	–	4 040 009	814 892	–	2 427 451
8	Operational deposits	–	–	–	–	–
9	Other wholesale funding	–	4 040 009	814 892	–	2 427 451
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	–	380 932	–	29 520	33 411
12	NSFR derivative liabilities	–	–	–	29 520	–
13	All other liabilities and equity not included in the above categories	–	380 932	–	–	33 411
14	**Total ASF**	**593 138**	**7 638 947**	**814 892**	**29 520**	**5 950 205**
	Required stable funding (RSF) item (R'000)					
15	Total NSFR high-quality liquid assets (HQLA)	–	601 414	–	–	9 626
16	Deposits held at other financial institutions for operational purposes	–	909 016	25 000	–	153 228
17	Performing loans and securities:	–	3 577 029	894 540	1 748 807	792 560
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	–	2 688 827	712 651	1 748 807	257 514
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:	–	888 202	181 889	–	535 046
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	–	–	–	1 146 767	974 752
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–

for the year ended 31 December 2024

6. LIQUIDITY RISK CONTINUED

6.2 Net stable funding ratio (NSFR) continued

		a	b	c	d	e
		UNWEIGHTED VALUE BY RESIDUAL MATURITY				
	September 2024	NO MATURITY	< 6 MONTHS	6 MONTHS TO < 1 YEAR	≥ 1 YEAR	WEIGHTED VALUE
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	–	33 662	–	207 084	194 395
27	Physical traded commodities, including gold	–	33 662	–	–	16 831
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties	–	–	–	–	–
29	NSFR derivative assets	–	–	–	30 834	1 314
30	NSFR derivative liabilities before deduction of variation margin posted	–	–	–	–	–
31	All other assets not included in the above categories	–	–	–	176 250	176 250
32	Off-balance sheet items	–	–	–	581 555	29 027
33	**Total RSF**					**2 153 588**
34	**Net Stable Funding Ratio (%)**					**276%**

for the year ended 31 December 2024

7. CREDIT VALUE ADJUSTMENT (CVA) DISCLOSURE

Risk Management objectives and policies

The Bank has policies in place to detail its processes relating to risk management. The goal is to maximise the Bank's risk-adjusted return by maintaining risk exposures within acceptable parameters.

Major objectives of credit risk management are to put in place sound credit approval processes for informed risk-taking and procedures for effective risk identification, monitoring and measurement.

Derivative financial instruments

Derivatives are classified as financial assets when their fair value is positive, or as financial liabilities when their fair value is negative.

Measurement

There are two bases of measurement, namely amortised cost and fair value.

- Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual terms of the instrument.

- Amortised cost and effective interest rate

The amortised cost of a financial instrument is the amount at which the financial instrument is measured on initial recognition.

Collateral

The Bank may require collateral in respect of the credit risk present in derivative transactions. The amount of credit risk is principally the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a client's assets, entitling the Bank to make a claim for current and future liabilities.

Commitments under derivative instruments

The Bank enters into forward exchange contracts in the normal course of business.

Management of interest rate risk

Derivative financial instruments are modelled and reported based on their contractual repricing or maturity characteristics.

Management of market risk

Market risk is governed by board-approved policies that cover management, identification, measurement and monitoring.

Market risk limits, including value at risk and stress trigger limits, are approved at board level and reviewed periodically, but at least annually.

Management/Governance Structures

The Bank has governance structures in place that support risk-based decision making and oversight.
The Board has delegated the oversight of risk management to its Board Committees (Capital Adequacy & Risk Committee(CARC) and Audit Committee(AC)).

Management governance structures are in place (Executive committee and Risk management committee(RMC)) reporting to the Board Committees on a quarterly basis. The lines of responsibilities are clearly defined and supported by the combined assurance model that defines the roles, responsibilities and accountability for the combined assurance process.

Standardised Approach to CVA

The Bank only executes the plain vanilla FX Forward transactions with the market counterparties for the purpose of covering the open exposure against client deals and to manage the excess liquidity. Considering the nature of transactions, the Bank has chosen the prescribed Standardised Approach to calculate the capital charge against CVA.

Calculation Criteria for SA-CVA

- Over the counter (OTC) Derivatives are executed under the International Swaps and Derivatives Association (ISDA) Agreement with the counterparties
- There is no margin call below the agreed minimum transfer amount (MTA) as per Credit Approved Annexure (CSA) being part of ISDA Agreement with counterparties
- No Collateral to be held below the agreed MTA
- No netting agreement is in place with the counterparties
- No Contracts are executed more than 1 year of maturity
- The Bank does not hedge the risk due to low materiality of exposure and higher hedging cost

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7. CREDIT VALUE ADJUSTMENT (CVA) DISCLOSURE CONTINUED

7.1 The standardised approach for CVA (SA-CVA)

		a	b
	R'000	SA-CVA RWA	NUMBER OF COUNTERPARTIES
1	Interest rate risk	–	
2	Foreign exchange risk	–	
3	Reference credit spread risk	–	
4	Equity risk	–	
5	Commodity risk	–	
6	Counterparty credit spread risk	2 317	
7	**Total (sum of rows 1 to 6)**	**2 317**	

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

	R'000	a
1	Total RWA for CVA at previous quarter-end	24 356
2	Total RWA for CVA at end of reporting period	2 317

8. 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

8.1 Analysis of CCR exposures by approach

		a	b	c	d	e	f
	R'000	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EFFECTIVE EPE	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	SA-CCR (for derivatives)	–	6 412	–	–	–	6 280
2	Internal Model Method (for derivatives and SFTs)	–	–	–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)	–	–	–	–	–	–
5	Value-at-risk (VaR) for SFTs	–	–	–	–	–	–
6	**Total**	**-**	**-**	**-**	**-**	**-**	**6 280**

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8. COUNTERPARTY CREDIT RISK (CCR) CONTINUED

8.2 Credit valuation adjustment (CVA) capital 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.

		a	b
	R'000	EAD POST-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	–	–
1	(i) VaR component (including the 3 x multiplier)	–	–
2	(ii) Stressed VaR component (including the 3 x multiplier)	–	–
3	All portfolios subject to the Standardised CVA capital charge	–	6 280
4	**Total subject to the CVA capital charge**	**-**	**6 280**

8.3 Standardised approach – CCR exposures by regulatory portfolio and risk weights

	R'000	a	b	c	d	e	f
	Regulatory portfolios	0% - 5%	15% - 20%	50% - 75%	100%	150%	TOTAL CREDIT EXPOSURES AMOUNT
1	Sovereigns	–	–	–	–	–	–
2	Non-central government public sector entities	–	–	–	–	–	–
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	–	1 253	–	2 710	–	3 963
5	Securities firms	–	–	–	–	–	–
6	Corporates	–	–	–	–	–	–
7	Regulatory retail portfolios	–	–	–	–	–	–
8	Other assets	–	–	–	–	–	–
9	**Total**	**-**	**1 253**	**-**	**2 710**	**-**	**3 963**

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9. CAPITAL MANAGEMENT

In line with the requirements of the Bank Supervision Department of the South African Reserve Bank, and effective from 1 January 2019, the Bank has implemented a countercyclical buffer of 0% and a capital conservation buffer of 2.5%.

The Bank has documented its Internal Capital Adequacy Assessment Process ("ICAAP"), which was reviewed 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 1 of 2019, issued in terms of section 6(6) of the Banks Act of 1990, are set out in CC1, CC2 and CCA, respectively.

9.1 Composition of regulatory capital

		R'000	AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	50 000	–
2	Retained earnings	262 984	–
3	Accumulated other comprehensive income (and other reserves)	543 138	–
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	–	–
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)	–	–
6	**Common Equity Tier 1 capital before regulatory adjustments**	**593 138**	**–**
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 (MSR)(net of related tax liability)	(25)	–
10	Deferred tax assets (DTA) that rely on future profitability, 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	–	–
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	–
15	Defined-benefit pension fund net assets	–	–
16	Investments in own shares (if not already 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	MSR (amount above 10% threshold)	–	–
21	DTA 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: MSR	–	–
25	Of which: DTA arising from temporary differences	–	–
26	National specific regulatory adjustments	–	–
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions	–	
28	**Total regulatory adjustments to common equity Tier 1**	**(25)**	
29	**Common Equity Tier 1 capital (CET1)**	**593 113**	

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9. CAPITAL MANAGEMENT CONTINUED

9.1 Composition of regulatory capital continued

		R'000	AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
Additional Tier 1 capital : instruments			
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 group additional Tier 1 capital)	-	
35	Of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**-**	
Additional Tier 1 capital: regulatory adjustments			
37	Investment in own Additional Tier 1 instruments	-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
39	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 common share capital of the entity (amount above 10% threshold)	-	-
40	Significant investments in the capital 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 (AT1)**	**-**	**-**
45	**Tier 1 (T1 = CET1 + AT1)**	**593 113**	**-**
Tier 2 capital 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	14 706	
51	**Tier 2 capital before regulatory adjustments**	**14 706**	

for the year ended 31 December 2024

9. CAPITAL MANAGEMENT CONTINUED

9.1 Composition of regulatory capital continued

		R'000	AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
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 the 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 regulatory adjustments	–	–
57	**Total regulatory adjustments to Tier 2 capital**	**-**	
58	**Tier 2 capital (T2)**	**14 706**	**-**
59	**Total capital (TC = T1 + T2)**	**607 819**	**-**
60	**Total risk weighted assets**	**3 737 204**	**-**

Capital ratios

61	Common Equity Tier 1 capital (as a percentage of risk-weighted assets)	15,87%	–
62	Tier 1 capital (as a percentage of risk-weighted assets)	15,87%	–
63	Total capital (as a percentage of risk weighted assets)	16,26%	–
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	2,50%	–
66	Of which: bank-specific countercyclical buffer requirement	–	–
67	Of which: higher loss absorbency requirement	–	–
68	Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	11,37%	–

for the year ended 31 December 2024

9. CAPITAL MANAGEMENT CONTINUED

9.1 Composition of regulatory capital continued

		R'000	AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT
National Minima (if different from Basel III)			
69	National minimum Common Equity Tier 1 capital adequacy ratio (if different from Basel III minimum)	5,00%	-
70	National minimum Tier 1 capital adequacy ratio (if different from Basel III minimum)	6,75%	-
71	National minimum Total capital adequacy ratio (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 the common stock of financials	-	-
74	MSR (net of related tax liability)	-	-
75	DTA 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 capital in respect of exposures subject to standardised approach (prior to application of cap)	14 706	-
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach	-	-
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
79	Cap for inclusion of provisions in Tier 2 capital 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 subject to phase-out arrangements	-	-
81	Amount excluded from CET1 capital 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 capital due to cap (excess over cap after redemptions and maturities)	-	-
84	Current cap on Tier 2 instruments subject to phase-out arrangements	-	-
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-	-

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9. CAPITAL MANAGEMENT CONTINUED

9.2 Reconciliation of regulatory capital to balance sheet

	a	b
	BALANCE SHEET AS IN PUBLISHED FINANCIAL STATEMENTS	UNDER REGULATORY SCOPE OF CONSOLIDATION
	31 DEC 24	31 DEC 24
	R'000	R'000
Assets		
Cash and cash equivalents	2 014 775	2 014 775
Investment securities	4 708 254	4 708 254
Other assets	21 089	21 089
Derivative assets held for risk management	18 884	18 884
Loans and advances	2 650 428	2 650 428
Property and equipment	51 407	51 407
Investment property	8 207	8 207
Right-of-use assets	11 085	11 085
Deferred tax assets	12 746	12 746
Total assets	**9 496 875**	**9 496 875**
Liabilities		
Deposits and borrowings	8 574 309	8 574 309
Provisions	14 845	14 845
Other liabilities	20 814	20 814
Derivative liabilities held for risk management	18 161	18 161
Lease liabilities	14 253	14 253
Total liabilities	**8 642 382**	**8 642 382**
Shareholders' equity		
Ordinary share capital	10 000	10 000
Share premium	40 000	40 000
General reserve	543 138	543 138
Retained earnings	261 355	261 355
Total shareholders' equity	**854 493**	**854 493**

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9. CAPITAL MANAGEMENT CONTINUED

9.3 Main features of regulatory capital instruments

Disclosure template for main features of regulatory capital instruments		
1	Issuer	HBZ Bank Limited
2	Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (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 and solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Share Capital
8	Amount recognised in regulatory capital (currency in millions, 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
34a	Type of subordination	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

for the year ended 31 December 2024

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

10.1 Summary comparison of accounting assets vs leverage ratio exposure measure

		a	b
	Item (R'000)	31 DECEMBER 2024	30 SEPTEMBER 2024
1	Total consolidated assets as per published financial statements	10 082 519	9 724 874
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	–	–
4	Adjustments for temporary exemption of central bank reserves (if applicable)	–	–
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	–	–
7	Adjustments for eligible cash pooling transactions	–	–
8	Adjustments for derivative financial instruments	(18 884)	(30 834)
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	–	–
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	(391 462)	(377 609)
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	–	–
12	Other adjustments	(42 825)	(8 499)
13	**Leverage ratio exposure measure**	**9 629 348**	**9 307 932**

10.2 Leverage ratio common disclosure template

		a	b
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	9 474 131	9 112 485
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	–	–
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	–	–
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	–	–
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	–	–
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)	(49 237)	(49 890)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**9 424 894**	**9 062 595**
	Derivative exposures		
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin, with bilateral netting and/or the specific treatment for client cleared derivatives)	–	29 349
9	Add-on amounts for potential future exposure associated with all derivatives transactions	6 412	12 042
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	–	–
11	Adjusted effective notional amount of written credit derivatives	–	–
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
13	**Total derivative exposures (sum of rows 8 to 12)**	**6 412**	**41 391**

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10. LEVERAGE RATIO CONTINUED

10.2 Leverage ratio common disclosure template continued

	Item (R'000)	a 31 DECEMBER 2024	b 30 SEPTEMBER 2024
	Securities financing transaction exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposure at gross notional amount	589 504	581 555
20	(Adjustments for conversion to credit equivalent amounts)	(391 462)	(377 609)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet items (sum of rows 19 to 21)**	**198 042**	**203 946**
	Capital and total exposures		
23	**Tier 1 capital**	**593 113**	**593 096**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**9 629 348**	**9 307 932**
	Leverage ratio		
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**6%**	**6%**
25a	**Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)**	**6%**	**6%**
26	**National minimum leverage ratio requirement**	**4%**	**4%**
27	**Applicable leverage buffers**	**-**	**-**
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	-	-
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6%	6%
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6%	6%

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11. MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate resulting in losses due to movements in observable market variables such as profit rates, exchange rates and equity markets. In addition to these and other general market risk factors, the risk of price movements specific to individual issuers of securities is considered market risk. Bank's exposure to market risk is limited as the portfolios that are subject to market risk relate to forward exchange contracts. The Bank makes use of the standardised approach to compute market risk.

Further disclosure on market risk is included in Note 29 of the annual financial statements that are available on the Bank's website (www.hbzbank.co.za).

11.1 Market risk under the standardised approach

	Capital requirement in standardised approach R'000	31 DECEMBER 2024
1	General interest rate risk	–
2	Equity risk	–
3	Commodity risk	–
4	Foreign exchange risk	1 853
5	Credit spread risk – non-securitisations	–
6	Credit spread risk – securitisations (non-correlation trading portfolio)	–
7	Credit spread risk – securitisation (correlation trading portfolio)	–
8	Default risk – non-securitisations	–
9	Default risk – securitisations (non-correlation trading portfolio)	–
10	Default risk – securitisations (correlation trading portfolio)	–
11	Residual risk add-on	–
12	**Total**	**1 853**

11.2 Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) is defined as the current or prospective risk to the Bank's capital and earnings arising from adverse movements in the interest rates that affect the institutions banking book positions.

Interest rate risk management is carried out by the Assets and Liabilities Committee (ALCO) with the Risk Management Committee (RMC) responsible for adhering to the internal limits set. The Board is ultimately responsible for specifying and overseeing the risk appetite exposure to Interest Rate Risk in the Banking Book. IRRBB is monitored and controlled both from a value perspective (such as using the economic value of equity (EVE) and from an income perspective (sensitivity in net interest income (NII)) calculated on a monthly basis.

The Bank identifies all positions in interest rate sensitive instruments. Changes in expected earnings and economic value is computed via the following metrics:

- Gap risk is the risk that arises from the term structure of assets and liabilities in the banking book, and risk will depend upon the timing of instruments rate changes i.e. the risk from the timing mismatch in the maturity or re-pricing of assets, liabilities, and off-balance sheet positions. Gap risk covers both repricing risk and yield curve risk. In line with Directive 2 of 2023 the Bank shall:
    - Construct the relevant required repricing gap by classifying all relevant interest rate-sensitive assets and liabilities in time buckets according to their repricing characteristics or maturity dates. The repricing gap: Measures the bank's exposure to risk by focusing on changes to future profitability within a given time horizon, eventually affecting future levels of the bank's equity.
    - Assume that the derived potential rate movements will occur through a parallel rate shock to all maturities along the yield curve.
- EVE is the difference between the present value of the Bank's assets minus the present value of liabilities. The change in EVE ("ΔEVE") is defined as the difference between the EVE estimated with stressed discount factors under various scenarios, minus the EVE estimated with the discount factors as of the portfolio reporting date. The EVE measures are based on regulatory guidelines and comprises a sustained, instantaneous parallel downward and upward shock of 400 bps to interest rates and non-parallel shocks such as Steepener, Flattener, Short-rates up and Short-rates down. No credit risk spread is applied to the cash flows or the discount rate for determining EVE.

Interest sensitivity is measured by applying standard parallel yield curve shifts, historical simulation, and user defined yield curve scenarios. All analyses are based on the interest rate repricing maturities. Behavioural analyses are used for the products that do not have contractual maturities.

for the year ended 31 December 2024

11. MARKET RISK CONTINUED

11.2 Interest rate risk in the banking book (IRRBB) continued

IRRBB is measured and monitored at each meeting of ALCO by using duration, repricing gap and sensitivity analyses against regulatory guidelines and approved internal limits. Sensitivity analyses are based on both economic value and earnings perspectives.

Quantitative information on IRRBB

R'000	31 DECEMBER 2024 ΔEVE	31 DECEMBER 2024 ΔNII
Parallel up	(27 432)	(31 668)
Parallel down	20 006	31 668
Steepener	64 360	
Flattener	(65 391)	
Short rate up	(65 429)	
Short rate down	68 681	
Maximum	**65 429**	
Tier 1 capital	**593 113**	

12. REMUNERATION

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

The majority of the Committee 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 twice a year. Further meetings may be convened by the chairman or any other member of the Committee. The Committee is satisfied that it has discharged its responsibilities for the period under review and is compliant with its terms of reference.

The annual remuneration increases, and any management incentives are overseen independently by the Remuneration Committee and the Board which includes those for risk and compliance employees.

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 its two Executive Directors as Senior Management. Remuneration for the Prescribed Officers, Executive and Non-Executive Directors 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 sign on awards or variable remuneration structure. Staff members are entitled to a 13th cheque that is built into their cost to company package and is paid either in December each year or monthly. The Bank does have a short-term incentive scheme for the employees of the Bank. The incentive is based on the Bank's financial performance for the 2024 financial year but payable in the 2025 financial year.

13. FINANCIAL PERFORMANCE AND FINANCIAL POSITION

Information pertaining to the financial performance and financial position for the year ended 31 December 2024 is included in the annual financial statements available at www.hbzbank.co.za.

14. 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 2024.

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 2024.