



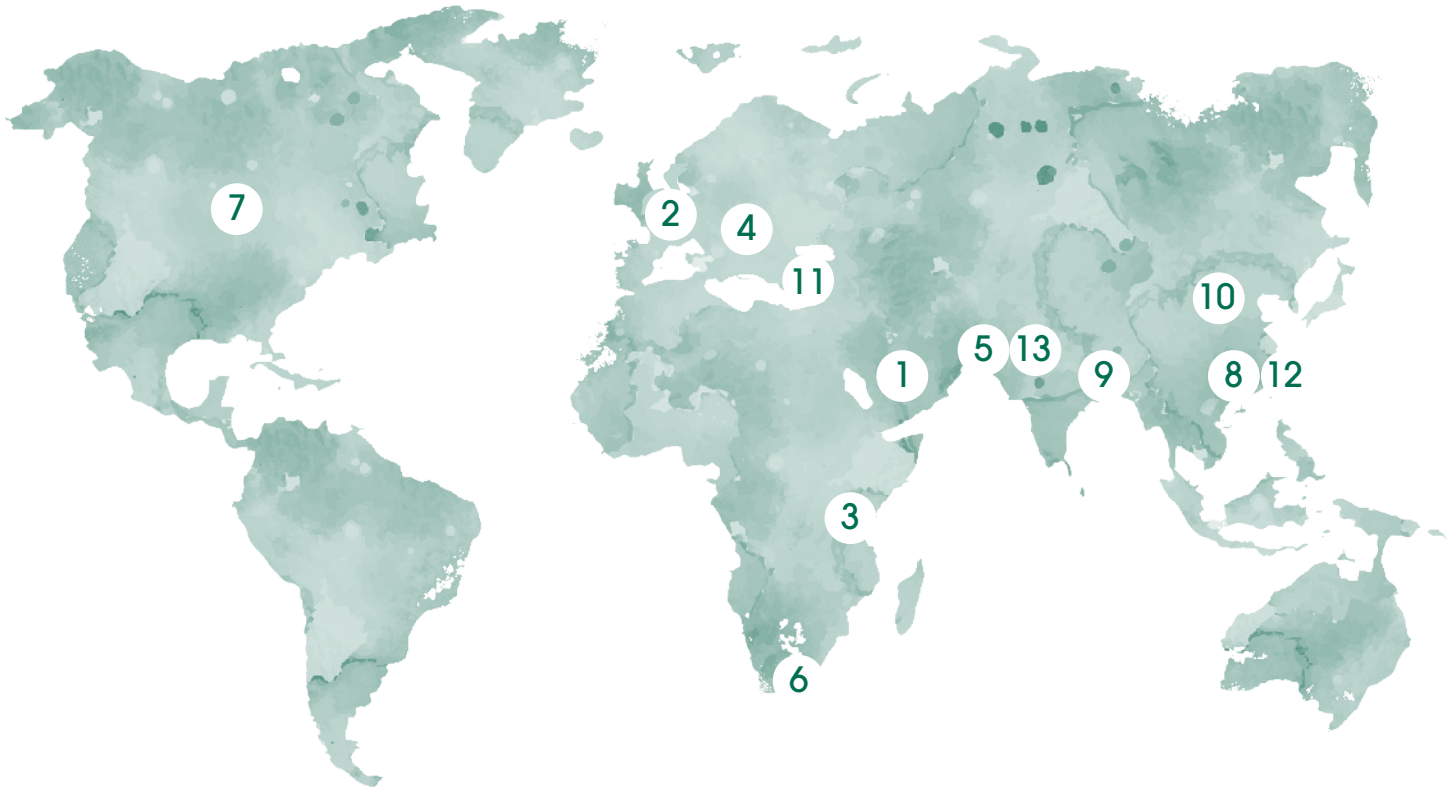
(Subsidiary of Habib Bank AG Zurich)

# HBZ Bank Limited

## Annual Report

for the year ended 31 December 2025

# International Network Summary



1	UNITED ARAB EMIRATES	Habib Bank AG Zurich, Dubai	8 Branches
2	UNITED KINGDOM	Habib Bank Zurich Plc	8 Branches
3	KENYA	Habib Bank AG Zurich, Nairobi	5 Branches
4	SWITZERLAND	Habib Bank AG Zurich	3 Branches
5	PAKISTAN	Habib Metropolitan Bank Limited	562 Branches
6	SOUTH AFRICA	HBZ Bank Limited	8 Branches
7	CANADA	Habib Canadian Bank	3 Branches
8	HONG KONG	Habib Bank Zurich (Hong Kong) Limited	2 Branches
9	BANGLADESH	Habib Bank AG Zurich	Representative Office
10	CHINA	Habib Bank AG Zurich	Representative Office
11	TÜRKIYE	Habib Bank AG Zurich	Representative Office
12	HONG KONG	Habib Bank Zurich (Hong Kong) Limited	Representative Office
13	PAKISTAN	Habib Metropolitan Bank Limited	Representative office

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# Ten-Year Review

For the year ended 31 December 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>PROFIT</b>										
<b>(R MILLION)</b>										
Profit before taxation	111,4	119,7	122,6	138,4	109,0	120,6	164,0	251,3	290,5	248,0
<b>BALANCE SHEET</b>										
<b>(R MILLION)</b>										
Loans and advances	1 537,9	1 468,1	1 714,3	1 908,9	2 036,8	2 134,1	2 127,4	2 125,5	2 650,4	2 754,8
Loans and advances growth %	(5,0%)	(4,5%)	16,8%	11,4%	6,7%	4,8%	-0,3%	-0,1%	24,7%	3,9%
Deposits	3 820,5	4 369,7	4 856,2	5 330,2	6 183,3	7 291,0	7 746,5	7 841,6	8 574,3	9 775,7
Deposits growth %	(5,7%)	14,4%	11,1%	9,8%	16,0%	17,9%	6,2%	1,2%	9,3%	14,0%
Total assets	4 232,8	4 861,4	5 344,2	5 916,4	6 825,7	7 922,5	8 459,1	8 681,1	9 496,9	10 733,7
Total assets growth %	(4,2%)	14,9%	9,9%	10,7%	15,4%	16,1%	6,8%	2,6%	9,4%	13,0%
<b>PERSONNEL</b>										
Number of employees	141	133	146	141	137	136	130	140	146	140

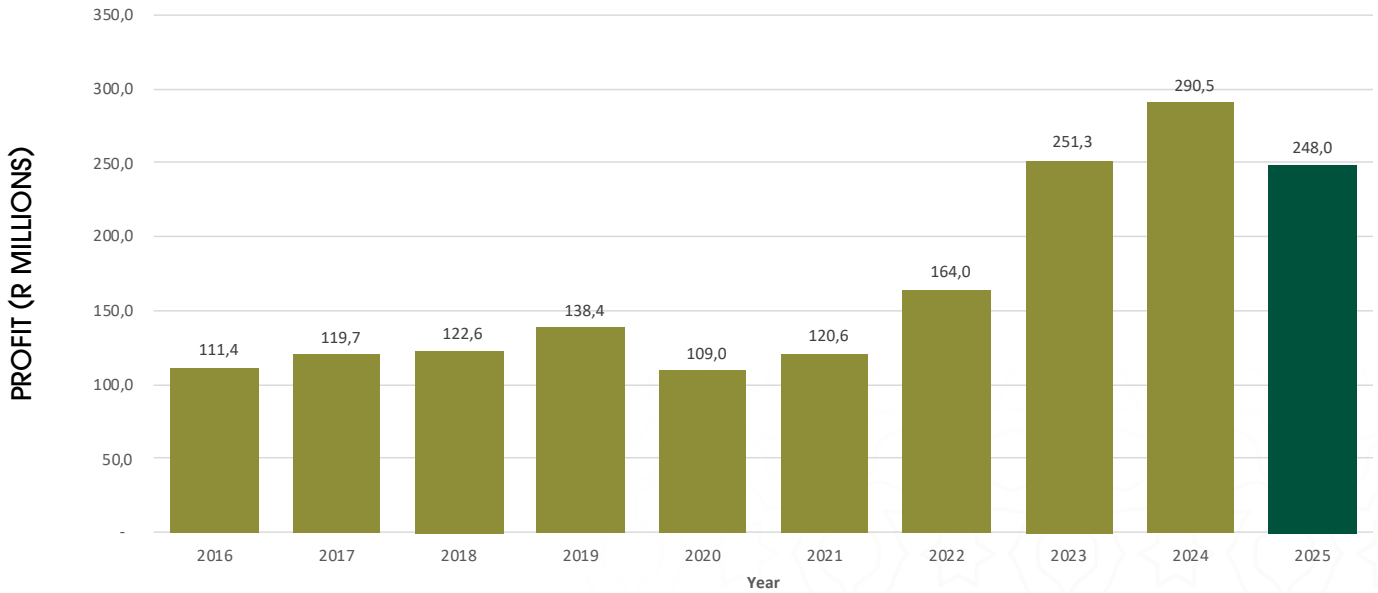
## South Africa



# Ten-Year Review continued

For the year ended 31 December 2025

## PROFIT BEFORE TAX




## TOTAL ASSETS




# Board of Directors and Board Committees

- Independent Non-Executive Director
- Non-Independent Non-Executive Director
- Executive Director


## NON-EXECUTIVE DIRECTORS



**YVETTE SINGH** <sup>(72)</sup>  
■ **Chairman**  
*B.Com (Honours), MBL*  
Former Senior Deputy Registrar of Banks and Non-Executive Director of FirstRand Insurance Holdings (Pty) Ltd  
Appointed to the Board in 2019



**SHARODA RAPETI** <sup>(61)</sup>  
■  
*Higher National Diploma – Electronic Engineering*  
Former Director at Deloitte, Technology Media and Telecomms Industry Leader: Deloitte Africa  
Appointed to the Board in 2023



**MUHAMMAD HABIB** <sup>(66)</sup>#  
■  
*Bachelor of Business Administration (BBA) (USA)*  
President, Habib Bank AG Zurich  
Appointed to the Board in 1995  
# Swiss



**AHMED PARUK** <sup>(58)</sup>  
■  
CA(SA)  
Managing Director of PKF Durban  
Appointed to the Board in 2025



**PIERRE FOURIE** <sup>(66)</sup>  
■  
CA(SA)  
Former Partner of KPMG Inc (retired)  
Appointed to the Board in 2022



**MOHSIN NATHANI** <sup>(60)\*</sup>  
■  
*MBA, Bachelor of Business Administration (BBA)*  
Member of the General Management of Habib Bank AG Zurich  
Appointed to the Board in 2024  
\* Canadian



**NOMAVUSO MNXASANA** <sup>(69)</sup>  
■  
CA(SA)  
Former Non-Executive Director of Nedbank Ltd  
Appointed to the Board in 2020



**DISEBO MOEPHULI** <sup>(61)</sup>  
■  
*MBA, BA in Economics, Executive Leadership (INSEAD)*  
Former Chief Executive: Corporate and Investment Banking at Standard Bank  
Appointed to the Board in 2023

# Board of Directors and Board Committees

- Independent Non-Executive Director
- Non-Independent Non-Executive Director
- Executive Director

## EXECUTIVE DIRECTORS

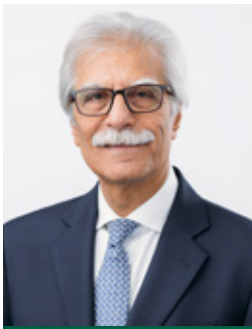


**ASHLEY CAMERON** <sup>(64)</sup>

Chief Executive Officer

*B.Com*

Appointed to the Board in 2023



**ANJUM IQBAL** <sup>(73)</sup> ^



*B.Com, MBA*

General Management, Habib Bank  
AG Zurich

Appointed to the Board in 2016

^ British

# Board of Directors and Board Committees continued

## EXECUTIVE MANAGEMENT

**Ashley Cameron**

Chief Executive Officer

**Zaakir Mitha**

Chief Financial Officer

**Farooq Anwar**

Chief Operating Officer

**Kosheek Maharaj**

Acting Head of Credit

**Michelle Sewchuran**

Chief Compliance Officer

## AUDIT COMMITTEE

Pierre Fourie – Chairman

Nomavuso Mnxasana

Disebo Moephuli

Ahmed Paruk

## DIRECTORS' AFFAIRS COMMITTEE

Yvette Singh – Chairman

Pierre Fourie

Nomavuso Mnxasana

Disebo Moephuli

Sharoda Rapeti

Mohsin Nathani

Ahmed Paruk

## CAPITAL ADEQUACY AND RISK COMMITTEE

Disebo Moephuli – Chairman

Pierre Fourie

Nomavuso Mnxasana

Sharoda Rapeti

Mohsin Nathani

Anjum Iqbal

Ashley Cameron

Ahmed Paruk

## REMUNERATION COMMITTEE

Sharoda Rapeti – Chairman

Pierre Fourie

Disebo Moephuli

Ahmed Paruk

## SOCIAL, ETHICS AND CONDUCT COMMITTEE

Nomavuso Mnxasana – Chairman

Sharoda Rapeti

Mohsin Nathani

Ashley Cameron

## INTERNAL AUDIT

**Anisa Maharaj**

Head of Internal Audit

## CORPORATE

**Thabisile Luthuli**

Company Secretary

## REGISTERED OFFICE

1 Ncondo Place

Umhlanga Arch Umhlanga

Durban

KwaZulu-Natal

4320

## REGISTRATION NUMBER

1995/006163/06

# Overview of HBZ Bank's Mission, Vision, Core Values, History, and Global Operations

## MISSION

To be the "Bank of Choice" for family enterprises across generations.

## VISION

To be the most respected financial institution based on trust, service, and commitment.

## CORE VALUES

- **Trust:** Trust is at the heart of everything we do. We prioritise transparency and reliability in our interactions with clients and colleagues, ensuring trust remains the cornerstone of our relationships.
- **Integrity:** Upholding the highest ethical standards is a non-negotiable for us. With honesty and integrity as guiding principles, we ensure that our actions and decisions are always in the best interest of our clients and the organisation.
- **Respect:** We believe in treating everyone with dignity and respect, fostering a culture of inclusivity and understanding. We encourage collaboration and creativity by valuing diverse perspectives and creating a respectful environment.
- **Responsibility:** We take responsibility for the impact of our actions on all stakeholders, from clients to the broader community. By practicing responsible business practices, we strive to make a positive difference in the lives of those we serve and the world around us.
- **Commitment:** Our dedication to excellence drives us to deliver consistent and exceptional service. We remain steadfast in our commitment to meeting clients' needs and exceeding their expectations with unwavering dedication.
- **Teamwork:** Collaboration is the key to our success. We promote a strong sense of teamwork, where each individual's unique strengths and expertise contribute to collective achievements, enabling us to overcome challenges together.

## ABOUT US

Habib Bank AG Zurich was established in Switzerland in 1967 and has since evolved into a global institution with a presence in eleven countries across four continents, combining modern technology with timeless values that have shaped its heritage over more than six decades.

Headquartered in Zurich, Habib Bank AG Zurich operates with branches in Kenya and the United Arab Emirates. It has subsidiaries in Canada, Hong Kong, Pakistan, South Africa, and the United Kingdom, and representative offices in Bangladesh, China, Hong Kong, Pakistan, and Türkiye.

Habib Bank AG Zurich's commitment to global expansion led to a significant milestone in South Africa, with a R50 million investment marking the Group's inaugural venture in the country. Since its establishment in 1995, HBZ Bank Limited has established a strong and growing footprint, particularly in Kwa-Zulu Natal and Gauteng, South Africa.

As a wholly owned subsidiary of Habib Bank AG Zurich, HBZ Bank Limited upholds the values and traditions associated with Swiss banking, ensuring our customers benefits from service excellence, integrity and confidentiality. Operating as a South African commercial bank, HBZ Bank Limited aligns its governance, risk management and operations with the regulatory requirements of the South African Reserve Bank and Prudential Authority while maintaining the distinguished standards expected of Swiss private banking.

## Switzerland



# Chairman's Report

## INTRODUCTION

It is with great pleasure that I present the HBZ Bank Limited Annual Report for the year ended 31 December 2025. By the Grace of God 2025 marked a significant milestone, 30 years since HBZ Bank Limited commenced operations in South Africa in 1995. Amid a challenging year of economic transitions and persistent infrastructure constraint, inflation eased significantly, enabling the South African Reserve Bank to begin a gradual interest rate cutting cycle.

Against this shifting backdrop and celebrating three decades of trusted service, the Bank demonstrated enduring resilience and stability. With strong Board support, our management team remained focused on delivering a differentiated, high-touch banking experience tailored to our customers' specific needs. As we reflect on this landmark year, I remain confident in the Bank's future prospects and our unwavering aspiration to be the Bank of Choice for family enterprises across generations.

## LEADERSHIP AND GOVERNANCE

Sound corporate governance forms the foundation of a resilient and sustainable bank, protecting stakeholder interests and driving long-term value. Throughout 2025 the Board provided decisive strategic oversight. We actively steered discussions on the Bank's future direction, culminating in a dedicated Board-management strategy session. There, we evaluated emerging risks, identified opportunities in the dynamic banking sector, and defined a robust five-year roadmap. This collaborative process ensured our strategy is future-ready, aligned with our vision, and focused on strengthening market position while maximising stakeholder value.

I wish to extend my sincere appreciation to my fellow Board members for their dedicated commitment and deep financial services expertise – an invaluable strength that continues to guide the Bank's success. As we proudly mark 30 years of trusted operations in South Africa, this strong governance framework has been instrumental in our resilience and positions us confidently for sustained growth ahead.

## BOARD AND BOARD COMMITTEES SUCCESSION PLANNING

The Board welcomed Mr Ahmed Paruk as an Independent Non-Executive Director with effect from 1 July 2025. A Chartered Accountant and a Registered Auditor with more than 25 years of experience, Mr Paruk brings deep audit and assurance expertise, complemented by his leadership experience as Managing Partner at PKF Durban.

As part of the director rotation, Ms. Nomavuso Mnxasana will retire at the Annual General Meeting to be held on 10 April 2026 after five years of dedicated experience. During her tenure, she chaired the Social, Ethics and Conduct Committee, strengthening governance and enhancing the Bank's focus on market conduct and treating customers fairly. The Board expresses sincere appreciation to Ms Mnxasana for her meaningful contribution.

## OPERATING PERSPECTIVE AND ECONOMIC CHALLENGES

South Africa navigated a subdued 2025 growth environment with modest GDP performance, global uncertainty, logistical bottlenecks, and low business / consumer confidence. Easing inflation and gradual SARB rate cuts improved borrowing conditions and reinforced financial stability.

The SARB delivered three repo rate reductions: May 2025 (to 7.25%), July 2025 (to 7.00%), and November 2025 (to 6.75%) backed by benign inflation as headline CPI hit 3.6% in December 2025. GDP growth stayed modest, with quarter-on-quarter expansion at 0.5%. Full year growth settled around 1.2-1.3%, constrained by structural challenges. This low growth backdrop curbed the banking sector credit expansion amid weak activity and investment, yet lower rates reduced funding costs, easing pressure on households and businesses.

The Bank stayed resilient, delivering stable and committed customer service amid headwinds and emerging opportunities, highlighting the value of disciplined execution, resilience, and strategic agility.

# Chairman's Report continued

## OUR PERFORMANCE

The Bank delivered commendable results for the year given the trying economic conditions. Profit before Tax decreased by 15% to R247.97 million (2024: R290.53 million), reflecting disciplined balance sheet management and a focus on high quality earnings in a rate cutting cycle. Total assets grew by 13% to R10.73 billion (2024: R9.49 billion) demonstrating steady and sustainable expansion aligned with our strategic objectives. Advances increased by 4% to R2.75 billion (2024: R2.65 billion) while deposits rose by 14% to R9.78 billion (2024: R 8.57 billion) reflecting strong customer relationships and confidence in the HBZ Bank brand. The Capital Adequacy Ratio increased to 17.01% from 16.26%, well above both Board and regulatory minimum thresholds, reaffirming the Bank's sound capital position and risk appetite.

## STRATEGIC PROGRESS

In 2025, HBZ Bank advanced meaningfully across its strategic pillars. Growth was measured and sustainable, fueled by aligned opportunities within our risk appetite and a diversified high quality portfolio. Our customer centric approach bolstered by enhanced relationship-banking – delivered efficient, personalised, and reliable services, reinforcing our reputation for excellence and long-term competitiveness. Operational efficiency gained traction through disciplined cost management, process optimisation, and targeted technology investments, boosting productivity and scalability.

We upheld governance and compliance standards, strengthening internal controls and regulatory engagement. The Board and management proactively prepared for evolving regulatory requirements, including Basel III while embedding Environmental, Social, and Governance (ESG) principles deeper into strategy - supported by Board level ESG training - to advance responsible, ethical and sustainable banking.

## BOARD FOCUS AREAS FOR THE NEXT STRATEGIC HORIZON

Entering the new financial year, HBZ Bank remains financially robust, strategically aligned, and poised for sustainable growth. The Board has strengthened its priorities on:

1. Driving Sustainable Profitability: Building revenue resilience by elevating non-interest income as a stronger engine through:
  - Leveraging strategic partnerships
  - Optimising pricing structures
  - Deepening existing customer relationships

- Reducing reliance on interest-based revenue streams

2. Expanding and Deepening Customer Reach: Growing and diversifying the customer base while increasing share of wallet via:

- Targeted outreach and acquisition strategies
- Expanded presence in priority market segments

These priorities build on our 30-year foundation of resilience, positioning HBZ Bank to capture emerging opportunities with discipline and agility.

## ACKNOWLEDGMENT AND APPRECIATION

On behalf of the Board, I extend heartfelt thanks to our valued customers for their enduring trust and loyalty – the cornerstone of our success over the past three decades. I commend our dedicated employees for their unwavering commitment, professionalism and resilience, which continue to drive the Banks's achievements and embody our core values of trust, integrity, respect, responsibility, commitment and team work. Special appreciation goes to our executive management team for their strategic vision, operational discipline and strong leadership in navigating a dynamic environment.

We are grateful to the South African Reserve Bank, Prudential Authority, Financial Sector Conduct Authority, Financial Intelligence Centre, and other regulatory authorities for their continued guidance and constructive support.

Finally, I thank my fellow Board members for their steadfast stewardship, and dedication to HBZ's long-term vision and sustainable growth. As we celebrate 30 years of trusted banking in South Africa, this collective support from stakeholders, team members, and regulators has been instrumental in our journey and inspires confidence in the future ahead.

I offer special thanks to our Shareholder, Habib Bank AG Zurich, your continued support remains a cornerstone of the Bank's strength and resilience.

We move forward with optimism, resilience, and a clear sense of purpose.



**Y Singh**  
Chairman

# Chief Executive Officer's Report

## INTRODUCTION

The 2025 financial year marked a significant milestone for the Bank as it celebrated 30 years of operation in South Africa. This anniversary celebration provided an opportunity to reflect on the Bank's journey, its purpose, and the strong partnerships that have supported our growth over three decades. The Shareholder, Board of Directors, and Management were honored by the presence and engagement of distinguished guests who joined HBZ Bank in commemorating this achievement, reaffirming the enduring trust and confidence placed in the Bank.

The Bank's resilience was once again evident in 2025. By maintaining disciplined execution of the strategic priorities and navigating economic headwinds with stability, the Bank delivered satisfactory performance outcomes and continued to generate sustainable value for its stakeholders. This reflects our long-standing commitment to prudent risk management, operational excellence and long-term value creation, principles that have supported our growth for 30 years and continue to guide our future trajectory.

## REFLECTING ON OUR FINANCIAL PERFORMANCE

The Bank delivered profitable top-line growth in a competitive operating environment. Advances increased by 4% to R2.75 billion, supported by systematic credit management and sustained customer demand. Deposits grew by 14% to R9.78 billion, reflecting continued confidence in the Bank's value proposition. Profit after tax decreased by 15% to R179 million, providing a Return on Equity of 20.6%, underscoring the Bank's ability to generate quality earnings and deliver consistent shareholder value.

Revenue remained unchanged, influenced by prevailing economic pressures and the interest cuts during the year. Cost discipline remains a key focus, with total operating expenses maintained within budget. However, due to the slower income growth, the Cost-to-Income ratio rose to 51.7%, with the JAWS ratio recorded at a negative 8.2%, reflecting both income pressures and project related investments. The Bank continued to apply prudent risk management guided by its risk management and risk appetite frameworks.

Aligned with our strategic priorities, the Bank continued to invest meaningfully in its people and operational capabilities. A comprehensive salary benchmarking exercise was completed and approved by the Remuneration Committee to ensure competitive remuneration and bolster talent attraction and retention.

In parallel, investments in core banking systems and technology infrastructure through our Group company, aimed at improving efficiency, enhancing productivity, and reinforcing long-term operational resilience were undertaken. These investments have also translated into a more seamless and responsive customer experience, supporting faster turnaround times, improved service quality, and greater accessibility across channels.

## OUR STRATEGIC APPROACH AND VALUE CREATION MODEL

We continue to position ourselves as a trusted banking partner to mid-commercial and SME customers through a high-touch, relationship-driven service model that delivers a highly personal, responsive and differentiated experience. This approach remains a core competitive advantage and has further deepened the Bank's presence within our chosen niche market. Reaching the R10 billion milestone in total assets represents a significant achievement, as we refined our strategic direction for the next five years.

A key pillar of our five-year strategy is to broaden our value proposition and extend our proven business model into new segments and communities, enhancing brand presence across South Africa. This focus aligns with our vision "to be the most respected financial institution based on trust, service, and commitment" and our mission to be the "Bank of Choice" for family enterprises across generations.

Customer satisfaction is the second pillar of our strategy and a key driver of how we shape the Bank's future. During the year, the Bank conducted a comprehensive customer satisfaction survey to gain insight into customer experience, expectations, and evolving needs. Initial results indicate strong satisfaction across service delivery, relationship management, Islamic banking offerings, digital platforms, and governance standards, with overall satisfaction exceeding 85%. Customers also expressed high levels of trust in HBZ Bank's Protection of Personal Information Act (POPIA) compliance and ethical conduct. Notably, over 80% of existing clients indicated a willingness to recommend the Bank to prospective customers.

The survey further identified specific areas for targeted improvement. Several initiatives within our ongoing digitalisation and customer communication programmes are already underway to address these areas, strengthen customer outcomes, and support sustainable growth.

The Bank also celebrated 20 years of its Shariah-compliant product offering (Sirat) in South Africa. This portfolio continues to gain momentum, supported by strong demand and the Bank's deep understanding

# Chief Executive Officer's Report continued

of this market. Sirat deposits increased by 13.6% to R1.94 billion, reflecting sustained customer confidence. As we look ahead, expanding and deepening our Shariah-compliant value proposition remains a strategic growth priority. As a subsidiary of Habib Bank AG Zurich, we are further strengthened by a well-established global network, enabling us to offer customers an integrated, end-to-end banking experience that combines local expertise with global capability.

## DIGITAL TRANSFORMATION

Digital transformation remains a central pillar of our five-year strategy and a key enabler of operational resilience, revenue diversification, and enhanced customer experience. During the year, the Bank accelerated delivery of its digital roadmap through targeted investments in payments modernisation, onboarding automation, infrastructure resilience, and cybersecurity.

A significant milestone was the successful implementation and stabilisation of PayShap, South Africa's real-time interbank payment solution, enabling secure 24/7 instant payments. This capability improves transaction velocity, enhances our competitiveness in the retail and SME segments, and supports the expansion of fee-based income streams.

The Bank also advanced its digital onboarding journey, implementing customer onboarding automation and integrating with real-time identity verification platforms to streamline processes, strengthen compliance, and improve customer experience. Further upgrades to core payment systems were completed during the year, complemented by enhancements to infrastructure resilience and disaster recovery capabilities. A full-scale crisis management simulation was successfully conducted from the Disaster Recovery site, providing assurance of operational continuity and organisational readiness.

Cybersecurity and information security frameworks were strengthened through enhanced monitoring, vulnerability management, and access governance controls aligned with evolving regulatory requirements and global best practice. Our digital transformation programme continues to be executed within a robust governance and risk management framework, ensuring disciplined delivery and sustained long-term impact.

## LOOKING FORWARD

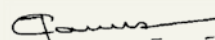
Maintaining a healthy and constructive relationship with our Regulators remains central to our success. We are grateful that this partnership has remained strong despite increasing regulatory pressures and evolving work dynamics. The Bank upholds a rigorous compliance and risk culture, ensuring that regulatory requirements are met consistently and effectively. Our zero-tolerance approach to non-compliance strengthens our operational integrity and remains a cornerstone of the Bank's resilience. To safeguard depositor funds and maintain the highest standards of governance, we will continue investing in regular and targeted training to ensure our employees remain vigilant, informed, and fully aligned with all regulatory developments and expectations.

Having cemented a strong balance sheet in 2025, our focus now turns to further strengthening Return on Equity and enhancing shareholder value. With the Board's approval of the next five-year strategy, my Executive Committee and I are energised and fully committed to leading the Bank into its next phase of growth and delivering exceptional results. The continued support of our Shareholder, Habib Bank AG Zurich underpinned by its strong balance sheet and international credibility reinforces our strategic direction and positions us confidently for the future.

## ACKNOWLEDGEMENT AND APPRECIATION

I would like to extend my sincerest appreciation to the Board for their guidance, support and continued confidence. My gratitude also goes to my A team, the Executive Management for their unwavering dedication consistency and commitment to delivery, as well our Regulators and all stakeholders for their ongoing collaboration.

On behalf of the Executive Management team, I express my heartfelt appreciation to our employees for their professionalism, resilience, and steadfast dedication to serving our customers. Their contribution remains central to the Bank's achievements and its continued success.



**A Cameron**

Chief Executive Officer

# Chief Financial Officer's Report

## INTRODUCTION

The Bank delivered another year of resilient financial performance supported by a strong liquidity position, prudent risk management practices, and sustained client confidence in our franchise. Despite tightening economic conditions and industry-wide margin compression as a result of three interest rate cuts during the year, HBZ Bank Limited (HBZ Bank) continued to strengthen its balance sheet, grow core income streams, and maintain robust capital adequacy levels.

2025 also saw the Bank celebrate 30 years in South Africa. A journey that has seen the Bank grow from strength to strength. It's high touch banking model bore testimony, as valued clients joined in the celebrations at the three anniversary events held during the year. The year culminated in the Bank crossing the R10bn mark in total assets, a feat that further enhances the support and confidence that clients have in HBZ Bank.

## FINANCIAL PERFORMANCE OVERVIEW

### Profitability

HBZ Bank generated a profit after tax of R178.96 million (2024: R211.58 million). Although profit declined year-on-year due to margin pressure and higher operating expenses, our operating fundamentals remained sound.

### Key Profit Metrics (R'000)

METRIC	2025	2024
Net Interest Income	493,168	494,173
Non-Interest Revenue	62,271	58,950
Operating Expenses	(291,557)	(267,961)
Profit After Tax	178,957	211,584

- Net interest income remained stable despite rate volatility, indicating positive balance sheet growth.
- Non-interest revenue is a key strategic focus area as the Bank looks to broaden its revenue streams given the declining interest rate environment.
- The Bank delivered a Return on Equity of 20.6%, exceeding the industry average of 15.8%.

## BALANCE SHEET STRENGTH

### Assets

Total assets increased by 13% to R10.73 billion (2024: R9.50 billion). The growth was primarily driven by:

- A R1.16bn increase in investment securities, aligned with the Bank's strategy to maximise yield while preserving liquidity.
- A R104m increase in loans and advances, reflecting prudent credit extension in a competitive lending market.

Expected credit losses (ECLs) on advances grew by R7.2m, mainly in stage 1 exposures due to updated macro-economic assumptions used in the ECL model.

## LIABILITIES

Total liabilities grew to R9.85bn (2024: R8.64bn), driven mainly by deposit inflows.

### Deposit Mix

- Demand deposits: R3.76bn
- Savings deposits: R0.53bn
- Fixed deposits: R4.01bn
- Notice deposits: R1.28bn

The Bank's deposit base remains diversified and stable which is consistent with our treasury liquidity strategy.

## CAPITAL & RESERVES

Total equity increased to R883.45 million (2024: R854.49 million).

### Capital Structure

- Ordinary share capital: R10m
- Share premium: R40m
- General reserve: R598.84m
- Retained earnings: R234.61m

The general reserve appropriation demonstrates the Bank's continued commitment to maintaining capital adequacy above regulatory minimums.

### Capital Adequacy

The Bank ended the year with a Capital Adequacy Ratio (CAR) of 17.01%, comfortably above the regulatory requirement of 12.25%. This strong capital position reinforces our ability to absorb shocks and support sustainable long term growth.

# Chief Financial Officer's Report continued

## CASH FLOW PERFORMANCE

Operating activities generated R1.145bn in net cash inflows (2024: R393m).

### Cash Flow Summary (R'000)

- Operating cash inflow: R1,144,890
- Investing cash outflow: (R1,165,408)
- Financing cash outflow: (R5,722)
- Net change: (R26,240)

High liquidity inflows were largely redeployed into Treasury Bills and Government Securities, increasing the Bank's high quality liquid assets and improving on its already strong Liquidity Coverage Ratio (LCR) of 725% against a regulatory minimum of 100%.

## OPERATIONAL PERFORMANCE

Operating expenses increased by 8.8% to R291.56m, primarily due to:

- Higher group service fees (R82.34m)
- Increased staffing and compliance costs
- Technology and infrastructure investments in security and digital platforms

Staff costs remain the largest single expense at R95.39m.

## DIVIDENDS

A final dividend of 1,500 cents per share (R150m) was declared for FY 2025 (2024: 1,350 cents per share; R135m).

This distribution reflects our confidence in future growth while preserving robust capital buffers.

## STRATEGIC PRIORITIES FOR 2026

Looking ahead, the Bank will continue to advance the following strategic initiatives:

### Deepening Client Relationships

Focus on trade finance, commercial lending, SME banking and growing non-interest revenue streams.

### Balance Sheet Optimisation

- Growing high-quality assets
- Optimising the funding mix
- Enhancing risk adjusted returns

## STRENGTHENING DIGITAL BANKING CAPABILITIES

Enhanced customer experience, back-office automation, and improved cybersecurity.

## REGULATORY & GOVERNANCE EXCELLENCE

Continued alignment with Prudential Authority guidelines and IFRS standards.

## CONCLUSION

HBZ Bank delivered a resilient financial performance in 2025 despite a challenging economic environment. Profitability remained strong, liquidity and capital adequacy robust, and the balance sheet strengthened meaningfully. The Bank's diversified income streams, prudent risk controls, and disciplined cost management continue to underpin sustainable long-term performance.

We remain committed to serving our clients with excellence while safeguarding the Bank's financial stability and growth prospects.



**Zaakir Mitha, CA(SA)**

Chief Financial Officer

# Corporate Governance Report

The Board of Directors is the highest governing authority responsible of the Bank and is responsible for providing strategic direction, ensuring financial soundness, overseeing governance structures, and maintaining an effective system of risk management and compliance. In the year under review, the Board continued to strengthen governance processes in preparation for the Bank’s 2026-2030 Strategy, recognising that strong governance is a foundational enabler of sustainable performance.

The Bank’s approach to governance extends beyond regulatory compliance. While compliance remains a critical outcome, our focus is also on ethical leadership, effective decision making and responsible corporate citizenship. Sound governance enables long-term value creation by promoting accountability embedding ethical conduct, strengthening risk oversight and fostering performance driven culture.

The Corporate Governance Framework is reviewed annually to ensure continued alignment with applicable legislation, regulations, codes, policies, and best practice, including the King IV Report on Corporate

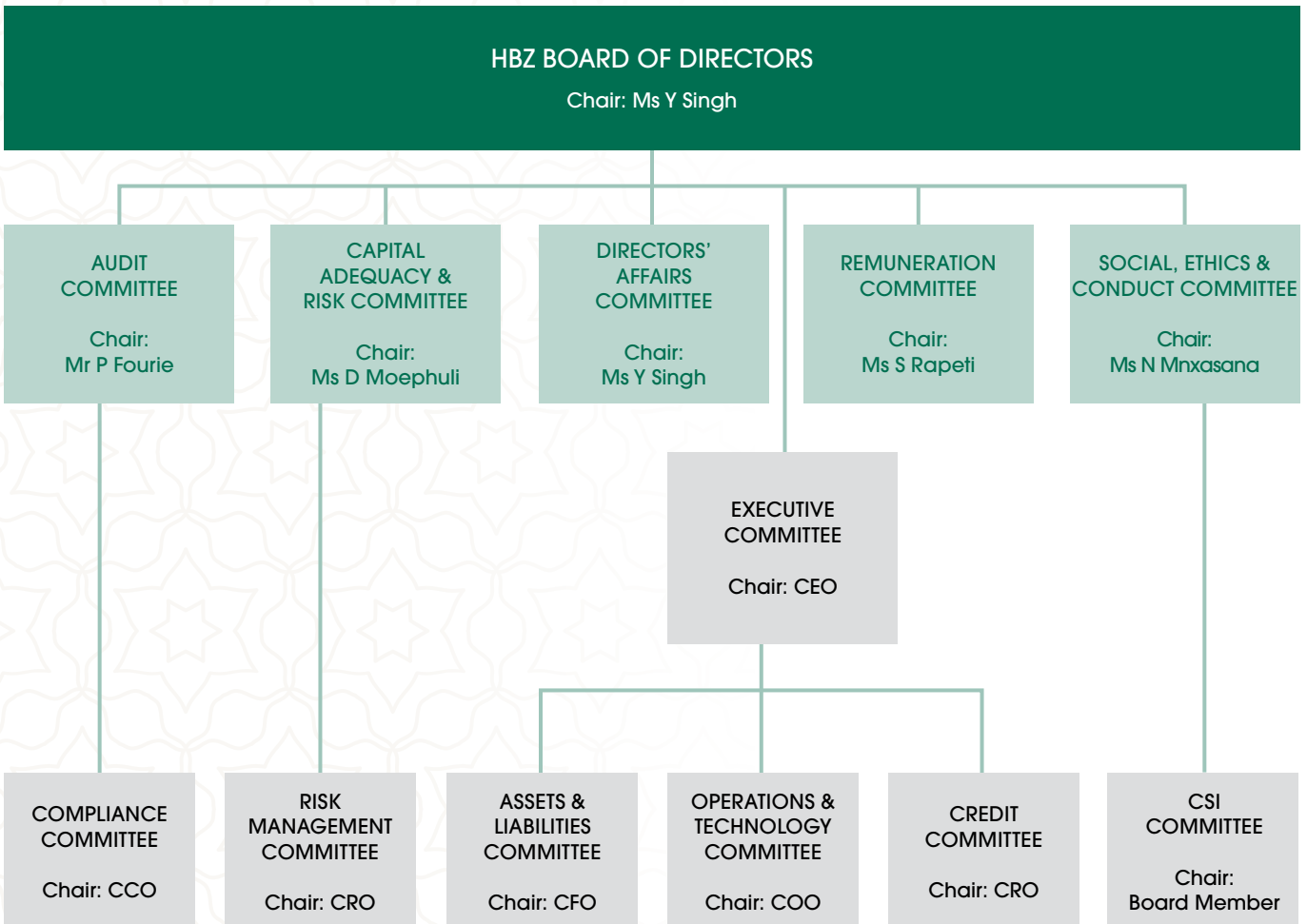
Governance, and Regulation 39 of the Banks Act and its Regulations.

Going forward, the Board’s governance oversight will be anchored on three strategic focus areas that support and enable the successful execution of the 2026–2030 Strategy:

- Strengthening governance and risk resilience
- Driving strategic execution and performance accountability
- Embedding a culture of ethical conduct and customer centricity

These focus areas are shaped into how the Board and Board Committees exercise their oversight responsibilities, ensuring that governance practices remain future-fit, strategically aligned and responsive to the Bank’s operating model. They also reinforce the Board’s commitment to maintaining the Bank’s risk exposure within the boundaries of the approved risk appetite statement safeguarding long-term resilience and sustainable value creation.

## GOVERNANCE STRUCTURES



# Corporate Governance Report continued

## BOARD OF DIRECTORS

### Charter

The Board operates in term of its approved Charter, which is reviewed annually, and updated to reflect evolving regulatory and statutory requirements. The Charter outlines the Board's accountability, fiduciary duties, conflict of interest management, decision-making authority, and governance processes. The Board remain committed to the principles of transparency, integrity and accountability, ensuring effective governance of the Bank.

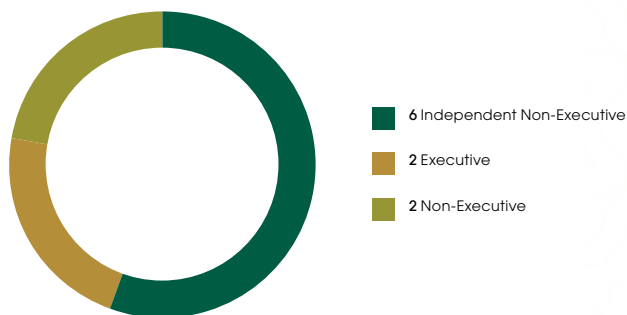
### Board composition and diversity

The Board is appropriately constituted and comprises:

- Six Independent Non-Executive Directors
- Two Non-Executive Directors
- Two Executive Directors

This balance composition promotes independent judgement, constructive challenge and robust debate. The Board values diversity in gender, experience, skills, background, and industry expertise, recognising that diverse perspectives strengthen strategic oversight. The collective expertise and experience of the Board positions it well to oversee the implementation of the strategy and anticipated emerging risks.

### BOARD COMPOSITION



### Conflict of interest

To safeguard objectivity, conflicts of interest are considered:

- At every Board and Committee meeting
- Through annual declarations of interest
- In the annual assessment of Directors' independence

Directors are responsible for avoiding situations where personal interests may conflict with fiduciary duties and must disclose all actual and potential conflicts. Where conflicts arise the affected Director is recused from deliberations and decision making. External

Board appointments are permitted only when potential conflicts are assessed, disclosed and approved by the Board through the Directors Affairs Committee.

### Determining independence

The Board, through its Directors Affairs Committee, conducts annual independent assessments. Independent Non-Executive Directors must demonstrate professional objectivity and freedom of any interests or relationship that could impair their judgement.

The Independent Non-Executive Directors of the Bank:

- Are not representatives of the Shareholder
- Do not have a direct or indirect interest in the Bank
- Have not been employed by the Bank or the Group in any capacity
- Have not been appointed as the designated auditor or partner in the Group's external audit firm, or senior legal adviser for the preceding three financial years
- Are not a member of the immediate family of an individual who is, or has during the preceding three financial years, been employed by the Bank or the Group
- Are not professional advisers to the Bank or the Group, other than as Directors
- Are free from any business or other relationship (contractual or statutory) which could be seen to interfere materially with their capacity to act in an independent manner
- Do not receive remuneration contingent upon the performance of the Bank

The Board is satisfied that all Independent Directors meet the required standards of independence.

### Appointments, Induction, and Directorship Commitments

The Directors' Affairs Committee evaluates and recommends to the Board candidates with the appropriate skills, expertise, and integrity. The Chairman of the Board, supported by the Company Secretary, oversees a structured induction programme aligned with the Board approved Induction Policy. Directors disclose all external commitments annually, and the Committee assesses whether each Director has sufficient time to fulfill their duties. A limit is placed on the number of boards a Director may serve onto safeguard capacity and effectiveness.

### The Chairman

The Chairman of the Board is an Independent Non-Executive Director. In terms of Board-approved policies, there is an equal balance of power and authority at Board level.

# Corporate Governance Report continued

## The Chief Executive Officer

The Chief Executive Officer (CEO) is a Board appointment. The roles and duties of the Chairman and the CEO are clearly defined and separate. The CEO is responsible for strategy implementation and execution of the day to day management of the Bank

## Changes to the Board

During the year under review, the Board appointed Mr A Paruk to the Board of Directors as an Independent Non-Executive Director effective 1 July 2025.

## Meetings and attendance

The Board met four times during 2025, in addition to special meetings and informal engagements between senior management and Executive Directors. Directors who are unable to attend a meeting in person participate via teleconference, ensuring their full involvement in discussions and decision-making processes.

Members attended all scheduled meetings during the year.

Board members	Number of meetings attended
Y Singh (Chairman)	4/4
M Habib*	4/4
LP Fourie	4/4
N Mnxasana	4/4
D Moephuli	4/4
S Rapeti	4/4
A Paruk®	2/4
M Nathani*	4/4
A Iqbal#	4/4
A Cameron#	4/4

\* Non-Independent Non-Executive Director

# Executive Director

® Appointed 1 July 2025

The Board discharges its duties through policies and frameworks and is supported by five Board Committees. Comprehensive management reports are circulated to Directors ahead of each meeting, ensuring informed deliberation and effective decision making.

Each Board Committee Chair submits a quarterly report detailing the Committee's activities, key deliberations and recommendations to the Board. This process supports integrated governance oversight and facilitates robust Board discussions. All Directors are regularly updated on statutory, regulatory, financial, non-financial, and industry developments that may impact the Bank's operating environment. Directors have unrestricted access to management, the Company Secretary, independent professional advisors, and all governance documentation required to fulfil their duties.

## Board duties and responsibilities

The Board Charter outlines the governance principles, policies and procedures that guide the functioning of the Board. It addresses, among others, the management of conflicts of interest, documentation standards, meeting protocols. Board composition, and the nomination, appointment, induction, training, and evaluation of the Board and its Committees.

To ensure balanced oversight, the Board maintains a clear separation of power so that no Director holds unfettered authority. The Board's performance is evaluated annually against the Charter and the work plan. In executing its fiduciary duty, the Board acts in good faith and with due care, skill and diligence, always prioritising the best interest of the Bank.

The Board's key strengths and responsibilities include:

- Ensuring that the Bank is seen as a responsible corporate citizen consideration financial performance as well as the Bank's impact on the environment and society
- Developing clear definitions of materiality to determine appropriate levels of delegated authority, ensuring that strategic and high-impact decisions remain reserved for the Board
- Reviewing and reporting on the Bank's corporate governance process annually to the Prudential Authority (PA) as set out in Regulation 39(18) of the Banks Act
- Reviewing reports from management on strategic matters, including emerging trends, regulatory changes, macroeconomic developments, and other matters that affect the Bank
- Performing the annual assessment of the Bank's Internal Capital Adequacy Process and report to the PA
- Ensuring ongoing training and development of Directors and Committee members, enabling them to effectively discharge their duties
- Monitoring performance through structured oversight provided by Board Committees and regular reporting cycles.

## Delegation of Authority

- The Delegation of Authority Framework empowers management to implement and execute strategies approved by the Board to ensure ongoing alignment with the Bank's risk appetite. The Policy is designed to

# Corporate Governance Report continued

strike an appropriate balances between oversight and operational efficiency. The Board is satisfied that the Governance Framework and Delegation of Authority provide clear role delineation, support effective decision-making, and contribute to the responsible and efficient exercise of authority throughout the Bank

## Board performance and independent evaluations

In the 2025 financial year, the Board conducted a self-evaluation through a structured questionnaire completed by all Directors. The results of the assessment confirmed that:

- The Board's composition remains appropriate, and both the Board and its Committees continue to function effectively
- The structure, proceedings, and quality of debate at Board meetings support robust and informed decision-making
- There is a transparent, constructive, and professional relationship between the Board and the CEO, enabled by a formal Delegation of Authority Framework that clearly separates duties and responsibilities
- The evaluation reaffirmed that the Chairman fulfils her responsibilities effectively and that her leadership of the Board is highly valued by Directors
- The Board is satisfied that the annual performance assessment process enhances continuous improvement, driving ongoing refinement of governance practices and effectiveness

The assessment also highlighted several leadership and governance strengths:

- The Chairman provides strong and stable leadership, brings exceptional professional standing, and consistently sets a positive and principled tone at the top
- The Chairman dedicates significant time to her role and actively encourages open, constructive engagement among Directors. Her approach fosters inclusivity and supports diligent oversight of the Bank's strategic direction
- A previous concern regarding the double-hatting of the Chief Risk Officer was successfully resolved. The recruitment process for a dedicated Chief Risk Officer is at an advanced stage, ensuring the risk function is appropriately structured to operate independently

## Planned focus area for 2026

Monitoring business and financial performance in line with the approved 2026-2030 strategic outcome

## Board Committees

The Board is supported by a well-functioning Board Committees. The composition of all Board Committees is reviewed annually by the Directors' Affairs Committee and recommended to the Board for approval. Each Board Committee is constituted with a minimum of three Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. While all Board members are welcome to attend any Committee meeting in an observer capacity, only members of the respective Board Committees hold voting rights.

## Audit Committee

The Audit Committee operates in terms of Board-approved Terms of Reference and plays a critical in supporting the Board in fulfilling its oversight responsibility relating to financial integrity, internal controls and corporate governance. The Committee ensures the accuracy and reliability of financial reporting and oversees the adequacy, effectiveness, and efficiency of the Bank's financial systems, internal controls and accounting policies. In fulfilling its mandate, the Committee assists the Board by:

- Overseeing the integrity of the annual financial statements
- Assessing the adequacy and effectiveness of internal financial and operational controls
- Evaluating the appropriateness of accounting policies, financial reporting processes, and internal control frameworks
- Monitoring the effectiveness, independence, and performance of the internal and external audit functions

## Composition and attendance

In accordance with the Committee's Terms of Reference, the Audit Committee is composed of a minimum of three Independent Non-Executive Directors, one of whom serves as the Chairman. The Chairman of the Committee is an Independent Non-Executive Director, Committee members are appointed by the Board, and their appointments are confirmed by the Shareholder at the Annual General Meeting.

The following executive management and assurance providers are standing invitees to Committee meetings and attend in a non-voting capacity:

- Chief Financial Officer
- Chief Compliance Officer
- Chief Risk Officer

# Corporate Governance Report continued

- Head of Internal Audit
- External Auditors

Board members are encouraged to attend Committee meetings as observers. Both internal and external auditors have unrestricted and unfettered access to the Committee and its Chairman, thereby supporting transparency, independence, and effective oversight.

Four meetings were held during 2025 with attendance in accordance with requirements.

Committee members	Number of meetings attended
LP Fourie (Chairman)	4/4
D Moephuli	4/4
N Mnxasana	4/4
A Paruk®	0/4

® Appointed 3 December 2025

## Main statutory and regulatory duties

The duties and responsibilities of the Committee, as set out in the Terms of Reference, including the following key focus areas for the year under review:

- Oversight of internal controls, audit and financial reporting
- Assisting the Board in evaluating the adequacy and effectiveness of the Bank's internal control systems, accounting practices, information systems, and the auditing processes applied in the day-to-day management of its business
- Introducing measures to enhance the credibility and objectivity of the Bank's annual financial statements and related reports
- Nominating an independent registered auditor for appointment as the Bank's external auditor
- Determining the terms of engagement and fees payable to the external auditor
- Ensuring compliance with the Companies Act and other applicable legislation governing the appointment of auditors
- Determining, in line with the Companies Act, the nature and extent of non-audit services the auditor may provide to the Bank, or any services the auditor is prohibited from providing to the Bank or a related company
- Receiving and addressing concerns or complaints, whether raised internally or externally, or on its own initiative, relating to:
  - The Bank's accounting practices and internal audit functions
  - The content or auditing of the Bank's financial statements
  - The Bank's internal financial controls
  - Any other related matter
- Making submissions to the Board on any matter

relating to the Bank's accounting policies, financial controls, record-keeping, and reporting practices

- Performing any additional functions delegated by the Board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, compliance, control, and governance processes within the Bank

## During the 2025 financial year, the Committee assisted the Board with:

- Reviewing and considering the Chief Financial Officer quarterly reports, business performance reviews and budgets and receiving quarterly updates on the Bank's tax position and compliance status
- Reviewing quarterly internal audit reports, including progress against the approved audit plan and a summary of satisfactory and unsatisfactory audits completed in the period
- Considering and approving the compliance activity and training plans
- Reviewing quarterly compliance reports, including updates on regulatory inspections and progress against the compliance plan
- Reviewing the Chief Financial Officer's performance as well as the performance and independence of the Head of Internal Audit and Chief Compliance Officer, all of which were confirmed to be satisfactory
- Considering and recommending to the Board for approval, the annual financial statements, after assessing the results, material financial accounting matters, solvency and liquidity, going concern, dividend considerations, and capital adequacy levels

## Planned focus areas for 2026

The Committee's priority focus areas will include:

- Maintaining oversight of the financial reporting, accounting, and disclosure obligations particularly those arising from uncertainty in the business environment
- Overseeing management readiness for the implementation of IFRS18, which becomes effective for annual periods beginning on or after 1 January 2027 and ensuring string governance over income statement related changes
- Continuing to monitor Anti-money laundering (AML) and financial crime compliance activities, strengthening compliance management capability, and supporting resilience and growth with the approved risk appetite
- Enhancing collaboration and maturity on Bank's combined assurance model

The Committee's activities are detailed in the Audit Committee report

# Corporate Governance Report continued

## CAPITAL ADEQUACY AND RISK COMMITTEE

The Capital Adequacy and Risk Committee is well-established governance committee operating under the Board-approved Terms of Reference, which clearly set out its responsibility, authority, and functions. The Terms of Reference are reviewed annually by the Committee and approved by the Board to ensure continued relevance and alignment with regulatory and governance expectations. The Board is responsible for appointing the Chairman of the Committee.

### Composition and attendance

The Committee is made up of both Independent and Non-Independent Non-Executive and Executive Directors with an Independent Non-Executive Director being the Chairman. Four meetings were held during 2025 with attendance in accordance with requirements.

Committee members	Number of meetings attended
D Moephuli (Chairman)	4/4
LP Fourie	4/4
N Mnxasana	4/4
S Rapeti	4/4
A Paruk <sup>@</sup>	0/4
M Nathani	4/4
A Cameron <sup>#</sup>	4/4
A Iqbal <sup>#</sup>	4/4

<sup>@</sup> Appointed 3 December 2025

<sup>#</sup> Executive Directors

### Main statutory and regulatory duties:

The Committee's statutory and regulatory duties, as mandated by the Terms of Reference, include the following:

- Reviewing the Bank's capital management strategy at least annually through the Internal Capital Adequacy Assessment Process
- Assisting the Board in overseeing the Bank's capital requirements to ensure adequate capital is maintained to support sustainable growth, including considering various stress-testing scenarios
- Evaluating the adequacy and effectiveness of the Bank's risk management policies, procedures, practices, and controls applied in the day-to-day management of the Bank's operations
- Identifying the risk build up and risk concentration across the Bank's portfolio and activities
- Developing and overseeing the implementation of risk mitigation strategies to ensure optimal risk management
- Ensuring that a formal risk assessment is conducted is conducted at least bi-annually

- Monitoring key risks and key performance indicators regularly to support informed decision-making and the accuracy and reliability of reporting
- Establishing and reviewing internal controls and oversight mechanisms to safeguard the integrity of the overall risk and capital management framework
- Facilitating communication between the Board and executive management on matters within the Committee's authority through established reporting structures
- Ensuring the existence of an independent risk management function, with the Chief Risk Officer serving as the central point of reference for all risk related matters
- Introducing and recommending enhancements to the Bank's risk management policies, procedures, practices, and control environment to strengthen overall risk governance
- Coordinating the monitoring of risk management activities on a global basis where applicable
- Ensuring that appropriate policies and procedures are in place to identify, measure, monitor and reports all material risks to which the Bank is exposed
- Overseeing the development and implementation of processes that align the Bank's capital position with its risk profile

### During the 2025 financial year, the Committee assisted the Board with:

- Executing its core responsibilities as set out in its Terms of Reference, with continued emphasis on oversight of the Bank's risk and capital management framework
- Oversight of emerging regulatory expectations and the integration of climate considerations into the Bank's broader risk management processes
- Reviewing comprehensive risk reports submitted by the Chief Risk Officer, including assessments of the residual risk profile, key risk trends, and "top of mind" thematic issues across various risk categories

### Planned focus areas in 2026:

- Ongoing monitoring of credit risk, given persistent economic volatility and tightening operating conditions. This includes enhanced stress testing, scenario analysis, and capital planning to ensure the Bank remains resilient under adverse conditions
- Monitoring climate related financial risks, with continued integration of climate considerations into risk assessments, strategy, and regulatory reporting
- Strengthening operational and cyber resilience, driven by the increasing sophistication of cyber threats and the maturing Joint Standards issued by the Prudential Authority (PA) and the Financial Sector

# Corporate Governance Report continued

Conduct Authority (FSCA)

- Advancing the Bank's operational resilience framework, recognising its emergence as a key strategic priority across the financial sector

## DIRECTORS' AFFAIRS COMMITTEE

The Directors' Affairs Committee operates in terms of Board-approved Terms of Reference, which clearly outline its responsibilities, authority, and functions. These Terms of Reference are reviewed annually. The Board appoints the Chairman of the Committee, and membership comprises only Non-Executive Directors.

### Composition and attendance

In line with the Terms of Reference, two meetings were held during 2025. Executive Directors were invited to attend these meetings as required. Attendance at all meetings complied with provisions of the Terms of Reference.

Committee members	Number of meetings attended
Y Singh (Chairman)	2/2
LP Fourie	2/2
N Mnxasana	2/2
D Moephuli	2/2
S Rapeti	2/2
A Paruk <sup>®</sup>	0/2
M Nathani	2/2

<sup>®</sup> Appointed 3 December 2025

### Main statutory and regulatory duties:

The main duties and responsibilities of the Committee are to:

- Assisting the Board in establishing and maintaining a Board directorship continuity programme, which includes:
  - Reviewing the performance of, and succession plans for Executive Directors
  - Implementing measures to ensure continuity among Non-Executive Directors
  - Regularly reviewing skills, experience, diversity and attributes required for the Board to remain effective
  - Conducting an annual self-assessment of the Board as a whole and evaluating the contribution of each individual Director
- Supporting the Board in nominating successors for key positions within the Bank, thereby ensuring that a structured management succession plan is maintained

- Assisting the Board in determining whether the services of any Director should be terminated, where circumstances require such consideration
- Conducting an annual independence assessment of each Director to determine whether:
  - Directors classified as independent continue to exercise objective and unfettered judgement
  - No interest, position, association, or relationship exists that could, from the perspective of a reasonable and informed third party, impair or appear to impair the Director's independence or unbiased decision-making

### During the 2025 financial year, the Committee assisted the Board with:

- Reviewing Directors' declarations of independence to confirm that they continue to meet the established independence criteria, exercise objective and unfettered judgement, and have no interests, relationships, or associations that could unduly influence or bias their decision-making
- Evaluating the adequacy, efficiency, and appropriateness of the Bank's corporate governance structures and practices, ensuring alignment with regulatory requirements and leading governance standards
- Reviewing the composition, skills, experience, and qualifications of Directors to assess the Board's collective capability and to determine whether additional expertise is required
- Recommending the appointment of Independent Non-Executive Directors, where necessary, to strengthen the Board's independence and overall effectiveness
- Overseeing succession planning for the Board and its Committees, ensuring continuity and stability in governance leadership

### Planned focus areas in 2026:

- Enhancing governance and director tenure practices to ensure full compliance with Directive 1 of 2026, including strengthening processes related to director appointments, tenure monitoring, and succession planning
- Responding to regulatory changes, including keeping Directors informed of significant developments in the legal, regulatory, political, and economic landscape that may impact the Bank's governance framework
- Strengthening Director training and development, through the implementation of ongoing education initiatives to ensure Directors remain abreast of industry trends, regulatory expectations, and emerging risks

# Corporate Governance Report continued

## SOCIAL, ETHICS AND CONDUCT COMMITTEE

The Social, Ethics and Conduct Committee operates in terms of Board-approved Terms of Reference, which clearly define its responsibilities, authority, and functions. The Terms of Reference are reviewed annually.

### Composition and attendance

The Board appoints the Chairman of the Committee who is an Independent Non-Executive Director. The Committee comprises both Non-Executive and Executive Directors. All members of the Committee are formally appointed by the Shareholder. The Committee held four meetings during the period under review

Committee members	Number of meetings attended
N Mnxasana (Chairman)	4/4
S Rapeti	4/4
M Nathani	4/4
A Cameron#	4/4

# Executive Directors

### Main statutory and regulatory duties

The main duties and responsibilities of the Committee are to:

- Govern the Bank's ethics in a manner that fosters an ethical culture, which includes:
  - Setting the direction for ethics in the Bank
  - Approving codes of conduct and ethics policies, ensuring they encompass all stakeholders and key ethical risks
  - Ensuring stakeholders are familiar with codes of conduct and ethics-related policies
  - Delegating the implementation of codes of conduct and ethics policies to management and overseeing their enforcement, including areas such as recruitment, employee remuneration, supplier selection, breach management and whistleblowing
  - Reporting on the management of ethics within the Bank, focus areas, monitoring measures, and how ethical outcomes are addressed
  - Ensuring management has implemented effective staff training on the following topics:
    - (i) Fraud prevention
    - (ii) Data protection
    - (iii) Treat Customer Fairly
    - (iv) Information security
  - Ensuring that management has Codes of Conduct addressing:

(i) Whistleblowing

(ii) Anti-bribery and corruption

(iii) Conflicts of interest

- Monitor the Bank's activities and ensure policies are in place to establish the Bank as a responsible corporate citizen by overseeing governance in the following areas:
  - Economy: Economic development, fraud and corruption, Broad-Based Black Economic Empowerment
  - Environment: Environmental impact, pollution, waste disposal, biodiversity, climate change
  - Workplace: Employment equity, decent work, employee safety and health, employee relations, employee education, fair remuneration, organisational ethics
  - Society: Community development, donations and sponsorships, public health and safety, advertising, consumer protection, consumer relations, human rights, and stakeholder relations
  - Receive an independent assessment report (conducted by the internal audit function) to evaluate the adequacy and effectiveness of the Bank's ethics management processes and structures

### During the 2025 financial year, the Committee assisted the Board with:

- Progress across all elements of the B-BBEE transformation scorecard, with continued oversight of initiatives aimed at strengthening transformation outcomes
- Ongoing monitoring of the Bank's Employment Equity Plan, including progress against set targets and the identification and removal of barriers to achieving employment equity objectives
- Oversight of the Bank's corporate citizenship agenda, including efforts to promote equality, prevent unfair discrimination and corruption, and support Corporate Social Investment (CSI) initiatives, corporate sponsorships, and donations
- Continuous monitoring of the effectiveness of the compliance framework, including the Bank's approach to regulatory compliance, conduct standards, and the implementation of mandatory compliance training across the organisation

### Planned focus areas in 2026:

- Strengthening oversight of conduct risk and market practices, in line with emerging regulatory expectations and evolving industry standards

# Corporate Governance Report continued

- Enhancing ESG (Environmental, Social and Governance) reporting and monitoring
- Continuing to oversee transformation, diversity, and inclusion initiatives, ensuring meaningful progress and alignment with legislative and governance requirements
- Deepening oversight of the Bank's ethical culture, including whistleblowing processes, ethics training, and ongoing monitoring of conduct-related trends
- Supporting the Bank's broader sustainability agenda, including community impact programmes, environmental initiatives, and stakeholder engagement activities

Refer to the Social, Ethics and Conduct Committee Report for further details of the Committee's activities.

## REMUNERATION COMMITTEE

The Committee operates under the Board-approved Terms of Reference, which clearly sets out its responsibilities, authority and functions. The Terms of Reference are reviewed annually. The Board appoints the Chairman of the Committee.

### Composition and attendance

The Chairman is an Independent Non-Executive Director. The Remuneration Committee is composed exclusively of Independent Non-Executive Directors, ensuring objectivity and independence in all remunerated related decisions. The Committee met twice during 2025 and special meetings were convened as required to fulfil its responsibilities.

Committee members	Number of meetings attended
S Rapeti (Chairman)	2/2
LP Fourie	2/2
A Paruk <sup>®</sup>	0/2
D Moephuli	2/2

<sup>®</sup> appointed 3 December 2025

### Main statutory and regulatory duties:

The duties and responsibilities of the Committee are to:

- Exercise competent and independent judgement on compensation policies, processes, and practices designed for managing risk, capital, and liquidity
- Evaluate practices by which compensation is awarded for potential future revenues where the timing and likelihood of realisation remain uncertain
- Ensure that all relevant decisions align with an assessment of the Bank's financial condition and future prospects

- Collaborate with the Bank's Capital Adequacy and Risk Committee to evaluate the incentives created by the compensation system
- Ensure that the Bank's compensation policy, processes, and procedures comply with the relevant requirements specified in the Regulations and any additional requirements specified in writing by the Authority
- Conduct an annual compensation review independently of management, assessing the Bank's compliance with the Regulations and any additional requirements specified in writing by the Authority
- Ensure that the remuneration of employees in risk control and compliance functions is determined independently of all relevant business areas and is sufficient to attract qualified and experienced staff
- Ensure that performance measures are primarily based on achieving Board-approved objectives for the Bank and its relevant functions
- Consult with Shareholder
- Refer to the Remuneration Report for details on the Committee's activities.

## COMPANY SECRETARY

The Company Secretary continued to fulfil her role as a principal adviser to the Board and Board Committee on governance and regulatory matters. The Company Secretary is not a Director of the Bank and in accordance with practices recommended by King IV, the Board assessed and confirmed that the Company Secretary is suitably independent. The Board is satisfied that an arm's length relationship is maintained between itself and the Company Secretary.

The Company Secretary is responsible for engaging with the Board Chairman and Board Committee Chairs on meeting topics, ensuring compliance with Board and Board Committee governance, Terms of Reference, and relevant legislation and regulations governing the Bank.

In line with Section 88(2) of the Companies Act 71 of 2008, as amended, the Company Secretary is responsible for executing all statutory duties assigned to the office. The Board acknowledges the critical role the Company Secretary plays as the custodian of corporate governance within the Bank.

In addition to the statutory duties, the Company Secretary is expected to:

- Provide the Directors with guidance to ensure they discharge their duties responsibly and in the best interests of the Bank
- Inducting newly appointed Directors and supporting their integration into the Board

# Corporate Governance Report continued

- Assisting the Chairman of the Board in defining the annual Board plan
- Ensuring that Directors remain informed of relevant legislation developments and governance requirements applicable to the Bank

The Company Secretary reports directly to the Board. The Board ensures that the office of the Company Secretary is afforded the necessary authority, independence, and resources to fulfil all statutory and regulatory obligations effectively.

## EXECUTIVE COMMITTEE

The Chief Executive Officer and Executive Officers responsible for one or more risk management functions of the Bank are accountable to the Board for developing, implementing, and monitoring corporate governance processes. They are further responsible for embedding these processes into the Bank's day-to-day operations and for providing the Board with timely and sufficient information to assess the effectiveness of the Bank's governance environment.

The Executive Committee, chaired by the Chief Executive Officer, meets quarterly or more frequently when necessary. To support the application of sound governance principles, the Committee is assisted by the following management committees:

- Assets and Liabilities Committee (ALCO), chaired by the Chief Financial Officer
- Operations and Technology Committee (OTCO), chaired by the Chief Operations Officer
- Credit Committees, chaired by the Chief Risk Officer

In addition, the following independent management committees operate with direct reporting lines to the relevant Board Committees:

- Compliance Committee, chaired by the Chief Compliance Officer
- Risk Management Committee, chaired by the Chief Risk Officer

All Committees comprises suitably skilled and experienced individuals who add value to the Bank's governance processes. Each committee operated under an approved, Terms of Reference, reviewed annually and meets at least quarterly. Minutes are maintained for all meetings.

## COMPLIANCE

The Bank's independent compliance function guides management to ensure adherence to the letter and spirit of all applicable legislation, regulations, supervisory requirements, and industry codes of conduct. The function has established effective processes to address compliance matters at the Bank and has unrestricted access to the Chairman of the Audit Committee as well as the Chairman of the Board. To ensure independence of the function, the Chief Compliance Officer reports directly to the Audit Committee.

Details on the activities of the compliance function are elaborated upon in the Risk Management section of this annual report.

## RISK MANAGEMENT

The Bank maintains an effective and independent risk management function led by the Chief Risk Officer. As part of the second line of defence, the function has the authority to oversee risk taking across the Bank. The risk function has developed and implemented the Risk and Control Framework which incorporates the Board-approved risk culture, risk appetite, and risk limits. For independence, the Chief Risk Officer reports directly to the Capital Adequacy and Risk Committee.

Details regarding the activities of the risk function are provided in the Risk Management section of this annual report.

## INTERNAL CONTROL

The Board is responsible for ensuring that the Bank maintains proper accounting records and implements effective systems of internal control. Management is responsible for maintaining and operating these controls.

The Bank's internal controls are designed to provide assurance regarding the:

- Integrity, accuracy, and reliability of the accounting records
- Safeguarding and verification of assets
- Detection and prevention of fraud, potential liabilities, losses, and material misstatements
- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations

Processes are in place to monitor the effectiveness of internal controls, identify material breakdowns and ensure prompt corrective action. These processes operated throughout the financial year under review.

# Corporate Governance Report continued

## INTERNAL AUDIT

The Bank's independent internal audit function supports management in fulfilling their responsibilities. Headed by the Head of Internal Audit, an appropriately qualified, and experienced senior executive officer and the function reports directly Audit Committee. Internal audit operates independently of Executive Management and has unrestricted access to the Chairman of the Audit Committee, as well as all staff, records and systems necessary to perform its duties.

## REGULATION AND SUPERVISION

The Bank is subject to regulation and supervision by several statutory bodies and regulatory authorities. The Bank maintains open and constructive communication with these bodies, including the Financial Surveillance Department of the South African Reserve Bank, the Prudential Authority, the Corporation for Deposit Insurance, the Financial Sector Conduct Authority, the National Credit Regulator, the Payments Association of South Africa, and the Financial Intelligence Centre.

Where appropriate, the Bank participates in industry discussion forums to remain abreast of regulatory developments and to support efficient and compliant operations.

## PUBLIC DISCLOSURE OBLIGATIONS

The Bank has adopted a disclosure policy to ensure compliance with all applicable public disclosure requirements. Quarterly and bi-annually disclosures are published on the Bank website. In addition, the annual report of the holding company, Habib Bank AG Zurich, and ESG report for Habib Bank AG Zurich and its subsidiaries are also made available on the Bank's website.

# Risk Management and Control Report

The year 2025 presented a dynamic and evolving risk environment, requiring the Bank to continually adapt its risk management practices and risk appetite to reflect the economic conditions affecting both the Bank and its customer base. While these conditions posed challenges, they also created opportunities to strengthen our value proposition and reinforce our resilience, ensuring continued customer support through periods of uncertainty and economic pressures.

In response to the dynamic and evolving risk landscape, the Bank undertook a comprehensive review of its Risk and Control Framework. This exercise was not only essential for strengthening identification, assessment, management, reporting, reporting and mitigation of risks, but also critical in positioning the Bank to successfully deliver on its five-year strategic objectives. Enhancing our risk capabilities ensures that the Bank remains agile and forward-looking in an environment characterised by rapid economic shifts and increasing regulatory expectations. A key component of this evolution has been the embedding of operational resilience into our risk management and control framework. With customer satisfaction as a central pillar of our strategy, the Bank's relationship-based model is tailored to address affordability pressures while enabling the Bank to introduce innovative and tailored solutions that meet the evolving needs of our customers.

The Bank continues to invest in strengthening its risk culture across all levels of the Bank. Our efforts to enhance risk maturity have enabled the Bank to assess and manage risk classes more effectively, ensuring that risk considerations are embedded in both strategic decision-making and day-to-day operations. This has helped cultivate a culture of accountability, where employees understand their roles in managing risks within their areas of responsibility. Through this integrated and structured approach, the Board is able to exercise effective oversight, supported by transparent reporting, well-established governance structures, and clear alignment between risk appetite, strategy, and performance. These efforts reinforce the Bank's long-term resilience and its commitment to protecting stakeholder interests while supporting sustainable growth.

## RISK MANAGEMENT APPROACH

Our risk management approach is fully aligned with regulatory requirements and global best practices. The Bank's Risk and Control Framework is designed not only to proactively identify, assess, manage, monitor, report and mitigate risks but also to safeguard the interests of our customers and stakeholders, thereby supporting sustainable, long-term growth. We continuously monitor risks arising from both internal

and external environments and actively identify emerging risks that may affect the Bank's operations, strategy, or customers.

To ensure effective implementation of our risk strategy, we monitor our risk posture and response through the following guiding principles:

- Protecting financial strength by prudently managing risk exposures and avoiding undue concentration risks
- Safeguarding the Bank's reputation through a strong risk culture, strict compliance with regulatory requirements, and adherence to ethical standards and principles
- Systematically identifying and measuring risks using best practice methodologies to ensure accurate classification, monitoring and mitigation
- Ensuring management accountability where Business Line Management owns and actively manages all risks within their areas to maintain an appropriate balance between risk and return
- Maintaining independent risk control functions to monitor the effectiveness of risk management and oversee risk-taking activities across the Bank
- Providing transparent and comprehensive risk disclosure to the Executive Committee, Board of Directors, Regulators, and other stakeholders with an appropriate level of comprehensiveness and transparency
- Upholding a clearly defined risk governance structure with well-established roles, responsibilities and oversight mechanisms
- Ensuring independent review and oversight of the risk process to validate their effectiveness and alignment with the risk appetite
- Conducting continuous evaluation of the risk appetite, supported by clearly defined limits and thresholds
- Promoting effective communication and coordination among, Executive Management Committees and all role-players within the risk management framework, while maintaining strong segregation of duties, controls, and independent review

The integrated and disciplined approach ensure that risk management remains deeply embedded across the Bank and reinforces the Bank's commitment to resilience, responsible risk-taking and sustainable value creation.

## ASSURANCE AND GOVERNANCE OVERSIGHT

The Bank's assurance and oversight structure is designed to ensure that all material risks are effectively identified,

# Risk Management Framework continued

managed and monitored across the Bank. The Capital Adequacy & Risk Committee (CARC) plays a central role in the process. The CARC is responsible for overseeing the risk profiles ensuring identified material risks are managed within the approved risk appetite, and monitoring the adequacy of capital required to support the Bank's strategic objectives.

The Audit Committee provides oversight of financial reporting and plays a critical role in safeguarding the integrity of the Bank's annual financial statements. The risk of material misstatement is one of the most significant areas of focus for the Audit Committee, and as such requires a robust combined assurance approach across all assurance functions. In fulfilling its mandate, the Audit Committee reviews the work performed by external auditors, internal audit, compliance, and other independent assurance providers. This coordinated oversight enables the Audit Committee to assess whether significant financial, operational, and regulatory risks are being effectively managed and whether the integrity of information used for decision-making and external reporting is appropriately maintained. The Committee reinforces the Bank's commitment to sound governance, transparency, and high-quality financial reporting.

The Bank has adopted the five lines of assurance model to ensure an effective control environment and strengthen the integrity of reporting across the organisation.

The five lines of assurance include:

- First line - functions that own and manage risk and opportunity
- Second line - functions that facilitate and oversee risk and opportunity
- Third line - internal assurance providers
- Fourth line - external assurance providers
- Fifth line - Board and Board Committee

## GOVERNANCE OF RISK MANAGEMENT

Governance of risk management is executed through mandated Board Committees, with the Board assuming ultimate accountability for the Bank's risk profile. The Board is responsible for any potential financial loss or reduction in shareholder value and ensure risk is appropriately identified, managed, and mitigated. In fulfilling this mandate, the Board oversees all aspects of risk management, including recognising the full spectrum of risks to which the Bank is exposed and ensuring that the appropriate mandates, policies, authority levels, risk management frameworks, internal controls and systems are in place and operating effectively.

Aligned with global best practice, the Board supported by a structure of Board Committees that ensures robust oversight of policy formulation, implementation and monitoring of risk exposures. The key Board Committees responsible for risk oversight are the Audit Committee (AC) and the Capital Adequacy and Risk Committee (CARC). To further strengthen the Risk and Control Framework, several management committees including the Risk Management Committee, Assets and Liabilities Committee, Compliance Committee and Credit Committee are mandated to manage and monitor specific risk categories within their respective mandates.

The Risk and Control Framework is underpinned by direct engagements of both the Board and senior management. This includes the determination of quantitative and qualitative risk measures, the establishment of policies and procedures, the definition of internal control structures, and assurance compliance with all relevant statutory and regulatory requirements. Executive and Independent Non-Executive Directors are represented across the risk management structures, ensuring comprehensive oversight and alignment between governance, strategy and operational execution. At every Board meeting, the Chairman of CARC provides a detailed report on the effectiveness of the Risk Management and Control Framework. This ongoing reporting ensures that the Board remains fully informed of the Bank's risk exposures, mitigation strategies, and overall risk posture, enabling proactive, well-governed, and timely decision-making.

## RISK ASSESSMENT

The Board conducts a comprehensive review of the Bank's key risk areas bi-annually as part of its oversight responsibility. These reviews are informed by detailed exposure data and risk analysis prepared by the risk function. The review covers the full spectrum of material risks, including liquidity risk, market risk, credit risk, concentration risk, operational risk, and other relevant risk types applicable to the Bank's operating environment.

In evaluating these risks, the Board considers the effectiveness of the system of internal controls and other mitigating measures to determine whether residual risk levels remain within the approved risk appetite. This structured approach ensures that emerging matters are identified timeously, risk exposures are properly monitored, and appropriate actions are taken to maintain the Bank's financial strength, resilience and regulatory compliance.

# Risk Management Framework continued

## COMMITTEES THAT MANAGE RISK

### Capital Adequacy and Risk Committee (CARC)

The Capital Adequacy and Risk Committee consist of at least five members including a minimum of three Independent Non-Executive Directors. The Committee is chaired by an Independent Non-Executive Director appointed by the Board. CARC is empowered to investigate any matter within the scope of its Terms of Reference and may request the Chairs of other Board Committees, Executive Directors, Executive Officers or the Company Secretary to provide any information necessary to fulfil its mandate following a Board-approved process.

The Committee has unrestricted access to the Bank's records, facilities, and resources necessary to discharge its responsibilities. Where required, CARC may obtain independent external professional advice at the Bank's costs, subject to Board-approved process.

Key responsibilities:

- Evaluate the capital management strategy annually through the Internal Capital Adequacy Assessment Process (ICAAP)
- Managing capital requirements to ensure the Bank maintains sufficient capital to support future growth including under stress-testing scenarios
- Evaluating the adequacy and effectiveness of risk policies, procedures, practices, and controls applied in the day-to-day operations
- Overseeing the Bank's risk mitigation strategy to ensure risks are optimally managed
- Ensuring that a formal risk assessment is undertaken bi-annually
- Identifying and monitoring all key risks and performance indicators to support informed decision-making and maintain accurate reporting
- Establishing and reviewing internal control processes to ensure integrity of the overall risk and capital management framework
- Ensure the establishment of an independent risk function
- Implementing measures to improve the adequacy and efficiency of risk management policies, procedures, and practices across the Bank

CARC held four meetings during the 2025 financial year, in accordance with its Terms of Reference. Minutes were prepared and kept as required and the Committee's Terms of Reference reviewed annually.

### Risk Management Committee (RMC)

The RMC operates under a written Terms of Reference that clearly delineates its responsibilities, authority, and functions. The Terms of Reference are reviewed annually to ensure continued relevance. The RMC oversees the Risk Management and Control Framework of the Bank and the adequacy of systems, policies, practices, and procedures supporting effective risk identification, measurements, monitoring and regulatory compliance.

Key responsibilities:

- Ensuring all risks are identified, measured, controlled, monitored, and reported
- Reviewing the Bank's overall risk profile and appetite
- Setting and reviewing policies, risk exposure limits, control standards and other risk levers
- Initiating and reviewing stress tests and scenario analyses
- Reviewing credit risk regulations, policies, procedures and impairment provisions
- Monitoring operational risk, including IT and third-party application systems and key risk indicators
- Assessing risks related to material outsourced services
- Ensuring alignment of all risk reports with the Bank's Risk Data Aggregation and Risk Reporting Framework
- Reviewing risks individually and anticipating emerging risk impacts
- Considering matters raised by Internal Audit function and External Auditors

### RMC reports directly to CARC

The Committee is chaired by the CRO and includes the CEO, CFO, COO and CCO. The Company Secretary, Head of Internal Audit and the Operational Risk Manager attend as observers and Area Managers are invited as and when required. The RMC met four times during 2025, consistent with its Terms of Reference.

### Credit Committee (CC)

The Credit Committee is chaired by the CRO and includes the CEO, Senior Credit Manager, and Area Managers (KZN and Gauteng). The CC is the primary credit decision-making body, responsible for evaluating and approving all credit proposals within its delegated authority and monitoring credit risks in line with Board-approved competency.

Meetings were held in accordance with the Terms of Reference, and minutes were maintained as required.

# Risk Management Framework continued

## Assets and Liabilities Committee (ALCO)

ALCO oversees the management of the Bank's balance sheet to ensure profitability, optimal interest rate risk management, adequate liquidity and alignment with capital adequacy requirements. ALCO operates under a written Terms of Reference that is reviewed annually.

Key responsibilities:

- Reviewing liquidity and interest rate risk processes
- Assessing the maturity structure of asset and liabilities
- Monitoring capital risk and overseeing the capital adequacy process
- Evaluating the impact of liquidity and interest-rate shock scenarios and their impact on earnings and capital
- Allocating the assets and liabilities to reduce risk and increase profitability
- Monitoring the Bank's exposure to currency risk
- Overseeing the performance and placement of Islamic banking funds
- Regularly reviewing interest rate sensitivity reports to manage interest rate risk in the banking book (IRRBB)
- Recommending the ICAAP to CARC annually

ALCO is chaired by the CFO and includes the CEO, CRO, and Treasury Manager. The Committee met four times during the 2025 and minutes were recorded and filed.

## Compliance Committee (CC)

The Compliance Committee is chaired by the Chief Compliance Officer and comprises the CEO, CFO, CRO, COO and Area Managers. It operates under written Terms of Reference, reviewed annually.

The Committee oversees the compliance function and Bank's framework relating to *inter alia* the for combating of money laundering and terrorist financing risks.

Key responsibilities:

- Ensuring compliance with regulatory requirements
- Identifying money laundering and terrorist financing risks
- Reviewing the compliance monitoring process

- Ensuring that recommended compliance enhancements are incorporated into procedures and monitoring systems
- Overseeing compliance related training requirements
- Reviewing high-risk country list, high-risk accounts, frozen accounts, and accounts that are under investigation
- Reviewing reports relating to suspicious transactions reported to FIC
- Accessing account opening procedures for regulatory alignment
- Considering compliance reports from the Chief Compliance Officer on the following:
  - observations from branch compliance inspections
  - accounts opened since the last meeting (to ensure they have been correctly risk assessed)
  - number and type of outstanding compliance monitor transactions
- Reviewing market conduct issues affecting the Bank
- Monitoring newly promulgated regulations and ensuring timely compliance

The CC reports to the Audit Committee. The Committee met as required in 2025, and minutes were kept and filed in accordance with Terms of Reference.

## Pakistan



# Risk Management Framework continued

## Risk Appetite Statement

The Bank defines risk appetite as the level of risk it is willing to assume in pursuit of strategic objectives, within its risk bearing capacity and regulatory constraints. It serves as a written articulation of the qualitative and quantitative levels of risk that the Bank is prepared to accept, monitor and manage across all risk families. This includes difficult to quantify risks such as reputational risk.

## RISKS DIRECTLY IMPACTING THE BANK AND THE MANAGEMENT THEREOF

The Board has appointed the CARC to oversee the Risk and Control Framework of the Bank. The risk drivers represent the categorisation of risk against which underlying risk appetite metrics are defined and the Bank's risk appetite is developed and maintained. Following risk drivers form the higher level of the Bank's risk taxonomy:

RISK CLASS	RISK TYPE
Strategic and business risk	<ul style="list-style-type: none"> <li>• Strategic risk</li> <li>• Business risk</li> <li>• Concentration risk</li> <li>• Solvency risk</li> <li>• Capital adequacy risk</li> </ul>
Liquidity risk	<ul style="list-style-type: none"> <li>• Liquidity funding risk</li> </ul>
Market risk	<ul style="list-style-type: none"> <li>• Interest rate risk</li> </ul>
Credit risk	<ul style="list-style-type: none"> <li>• Credit risk – general</li> <li>• Counterparty risk</li> <li>• Settlement risk</li> </ul>
Operational risk	<ul style="list-style-type: none"> <li>• Operational risk (including IT risk)</li> <li>• Cyber risk</li> <li>• Human capital risk</li> <li>• Fraud risk</li> <li>• Physical security risk</li> </ul>
Legal, compliance and tax risk	<ul style="list-style-type: none"> <li>• Legal risk</li> <li>• Compliance risk</li> <li>• AML risk</li> <li>• Sanctions risk</li> <li>• Tax risk</li> </ul>
Conduct risk	<ul style="list-style-type: none"> <li>• Conduct risk</li> </ul>
Reputation risk	<ul style="list-style-type: none"> <li>• Reputation (including Shariah risk)</li> </ul>
Systemic risk	<ul style="list-style-type: none"> <li>• Systemic risk</li> </ul>

Key risks, including concentration risk, detection risk, and prevention of criminal activities risk, are incorporated within the abovementioned risk drivers and in line with Regulation 39 of the Banks Act. The Bank is not exposed to commodity risk or equity risk arising from positions held in the Bank's banking book.

## STRATEGIC AND BUSINESS RISK

### 1. Strategic risk

Strategic risk is the current and prospective impact on earnings or capital arising from inappropriate business models, adverse business decisions, improper execution of strategic initiatives, inadequate strategic planning, or lack of responsiveness to changes in the external environment.

The Bank proactively manages this risk by ensuring that:

- A robust strategic planning Framework is in place which ensures alignment of strategy with market conditions, risk appetite, regulatory expectations, and internal capabilities. These are subject to periodic reviews to adapt to economic, technological, or regulatory shifts
- The Bank uses the five lines of defence model to review strategic initiatives and associated risks regularly and to challenge and validate strategic decisions
- Scenario planning and stress testing is used to simulate how different economic or regulatory scenarios could impact the bank's strategic objectives

# Risk Management Framework continued

- The Bank monitors macroeconomic, political, technological and regulatory trends to assess its likely impact on our ability to achieve our strategic objectives. This allows us to adapt to changes in the external environment timeously
- The Bank compares performance and strategies with industry peers to identify gaps and emerging risks and respond accordingly

## 2. Business risk

Business risk is the risk of reduced profitability or losses arising from changes in the bank's business environment or from adverse shifts in volumes, margins, or costs caused by competitive dynamics, macroeconomic conditions, or strategic execution issues.

The Bank has processes, policies, and procedures in place to mitigate this risk. The Bank's approach to risk mitigation includes:

- A business planning process that facilitates the alignment of business objectives with realistic market assumptions, customer needs, and competitive positioning
- Budgets and forecasts to anticipate deviations in actual performance *versus* budget and the ability to adjust accordingly
- Profitability Analysis: the ability to evaluate product and segment profitability to guide decisions
- A business continuity plan (BCP) including disaster recovery plans as well as backup systems and processes are in place to minimise disruption
- Strategy to diversify revenue streams to avoid over-reliance on a single product, market, geography or client segment. The Bank has controls in place to monitor exposure to large or concentrated clients
- Effective cost management mechanisms are in place to monitor and control operating expenses and to ensure optimisation of resource allocation and improve operational efficiency
- Effective internal controls including relevant policies and procedures for all critical operations complemented by regular internal audits and control testing. Segregation of duties to reduce fraud risk
- Enhanced customer relationship management through the Bank's high touch relationship model facilitates adapting products and services based on client needs.

## 3. Concentration Risk

Concentration risk is the risk of losses arising that are large enough to threaten the Bank's existence due to a single exposure or group of exposures to a counterparty, industry, geographic area, or with one type of security.

The fundamental principles that the Bank applies in the management of concentration risk include:

- An established risk appetite and limit framework with defined concentration limits in line with the Bank's strategy and regulatory guidelines. The Bank has set quantitative limits on exposures by counterparty, industry and product
- Regular exposure monitoring and reporting through risk dashboards and reports which serve as early warning indicators to detect growing concentrations
- Diversification strategies to promote diversification across customers, sectors, and geographies
- The implementation of policies and framework with relevant guidelines that ensures adherence to regulatory concentration risk limits and reporting requirements
- Internal Audit periodically review adherence to concentration risk controls and flag weaknesses whilst the Risk Function carries out checks from a second line perspective

## 4. Solvency risk

The risk that the Bank will be unable to meet its financial obligations due to an insufficient capital base, earnings volatility, or unexpected losses, threatening the institution's continuity and strategic objectives.

Solvency risk is managed by:

- Adequate capital planning and management ensures compliance with regulatory minimums
- Regular capital assessments under normal and stressed conditions to ensure sufficient buffers. In addition, the Bank has developed a robust contingency funding plan which is periodically reviewed
- The Bank performs regular capital stress tests under various adverse economic and market scenarios i.e. assess impact of extreme but plausible events on solvency. The Bank uses such stress tests results to determine if amendments to its capital strategies are necessary
- The Bank has in place prudent dividend payout policies that serves to ensure adequate capital preservation especially during downturns. Dividend payouts are linked to profitability and capital adequacy metrics

## 5. Capital adequacy risk

The risk that the bank may not maintain sufficient capital to absorb unexpected losses, meet regulatory minimum requirements, or support strategic initiatives, threatening long-term sustainability

In managing its capital adequacy risk:

- The Bank has in place an effective Risk and Control Framework, with an independent Capital Adequacy

# Risk Management Framework continued

and Risk Committee overseeing and reviewing the risk

- The Bank has in place a capital plan that is aligned to its strategic goals and risk appetite. This includes stress testing under various (stressed) economic scenarios thereby assessing the adequacy of capital held
- In line with its internal capital adequacy and assessment process (ICAAP), the Bank carries out a risk-based capital assessment that aligns internal capital levels to the Bank's risk classes. The process is forward looking and is used to project capital needs based on business growth, stress events, and regulatory changes
- The Bank maintains capital buffers above regulatory minimums to absorb unexpected losses or regulatory changes
- The Bank has allocated capital per risk class and ensures alignment with the Bank's risk appetite framework and metrics

## LIQUIDITY RISK

### 1. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its obligations as they fall due, without incurring unacceptable losses, including both short-term cash requirements and strategic funding needs.

The Bank mitigates liquidity risk by:

- Ensuring a range of risk appetites and risk metrics are in place that allow for a robust and accurate assessment of the level of liquidity and capital risk that the Bank has incurred through its various activities and determines whether the Bank will meet its strategic objectives, metrics and appetites. These metrics serve as early warning indicators to specific response actions
- Monitoring its ability to meet its financial obligations on an ongoing basis and ensure actions are taken where required while maintaining Board approved buffers. These include cash flow mismatch reports where inflows and outflows across various time buckets are monitored
- Ensuring a capital management policy is in place that provides a framework for the measurement and management of capital adequacy relative to the risk activities of the Bank
- Maintaining and operating within a sound liquidity, funding and stress-testing framework that clearly outlines the approach taken for liquidity risk management
- Investing in high quality liquid assets that ensures the buffer of assets maintained are unencumbered and easily converted to cash
- Liquidity coverage and net stable funding ratios are monitored and reported. The Bank's daily liquidity report provides real time tracking of the Bank's cash positions as well as its inflows and outflows

## MARKET RISK

Market risk is the risk of potential losses that may result from changes in the valuation of the Bank's assets due to changes in market prices, volatilities, or other valuation-relevant factors. The Bank's exposure to market risk is limited to Interest Rate Risk.

### 1. Interest rate risk

Interest rate risk refers to the potential impact of changes in interest rates on the Bank's earnings (net interest income) and economic value (economic value of equity). It arises from mismatches in the repricing dates, maturities, or cash flows of assets and liabilities.

The Bank takes active measures to limit potential interest rate losses by:

- A governance structure that is appropriately tiered with clearly defined limits of authority to enable risk management at both a granular and strategic level
- The Bank has a range of risk appetites and risk metrics that allow for the accurate assessment of the level of risk that the Bank has incurred through its various activities and determine whether the Bank's performance is within its defined risk appetites and metrics
- Monitoring and managing the interest rate risk exposure including a gap analysis which measures the mismatch between rate sensitive assets and liabilities across time buckets
- The Bank uses economic value of equity (EVE) models that are designed to quantify the potential impact of interest rate changes on net interest income and the value of equity
- Carrying out stress testing and scenario analysis that enables the Bank to evaluate the impact under various rate shock scenarios
- Periodic testing by Internal Audit of the Bank's adherence to its framework
- Reporting controls including the submission of ICAAP, stress testing and quarterly interest rate exposure reports to Board

## CREDIT RISK

### 1. Credit risk

Credit risk is the risk of financial loss arising from the possibility that commitments by counterparties are not honoured either in part or totally.

The fundamental principles that the Bank applies in the management of credit risk include:

- A credit policy that is periodically reviewed to ensure continued relevance and appropriateness to the Bank's strategy. The result is a structured approach for the identification, assessment and management of risks, fosters a culture of credit risk awareness

# Risk Management Framework continued

and accountability throughout the Bank and safeguards the interests of the Bank and stakeholders by maintaining a sound and dynamic credit risk management methodology

- Tiered delegated approval limits based on exposure levels, borrower and or industry risk level
- Credit due diligence including an in-depth analysis of the borrower's financials, business model, cash flows, and where applicable collateral (includes periodic reassessments of borrower risk profile and loan quality)
- Enhanced and added early warning risk metrics resulting in quicker risk decision making
- Independent, periodic revaluation of security to ensure adequate coverage
- Apply appropriate advance rates to collateral values to account for volatility and liquidity risk
- Processes in place to ensure security documentation is legally binding and enforceable. These include periodic reviews of the documentation by the Bank's attorneys
- Early warning indicators that serve as flags for deteriorating borrower performance for example delayed payments or credit rating downgrades
- Regular reviews by credit portfolio managers for concentrations, trends, and stress indicators

## 2. Counterparty risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a financial transaction will default before the final settlement of the transaction's cash flows, leading to losses in derivative contracts, interbank placements, and trade finance exposures

The Bank proactively manages this risk by:

- Ensuring counterparty credit risk appetite and limits are in place that define risk tolerance and exposure limits per counterparty against which exposure is measured. This ensures the Bank operates within its tolerance and appetite thresholds.
- Appropriate exposure measurement and limit monitoring controls to facilitate the measurement and monitoring of exposure as well as a documented process for escalation in the event of any breach
- Independent oversight and governance controls that assesses compliance with current policies and processes

## 3. Settlement risk

Settlement risk is the risk that a third-party bank may fail to settle or honour a trade. The three main risks associated with such transactions are principal risk, replacement cost risk, and liquidity risk, all of which arise due to the possibility

that a counterparty may fail to settle a trade.

The Bank proactively manages this risk via the following controls:

- Prior to entering into cross border transactions, the Bank carries out the required due diligence to assess the credit quality of the counterparty
- Counterparty-specific limits for settlement risk exposure are established. These are periodically reviewed and approved
- The Bank assesses and monitors country-specific political and economic risks that could affect settlement
- The Bank maintains intraday liquidity buffers to facilitate settlement obligations without delay
- The Bank carries out both front and back-office training to ensure staff are aware of operational risks, settlement timelines, and escalation paths

## OPERATIONAL RISK

### 1. Operational risk (including IT risk)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

To effectively manage these risks, the Bank employs:

- Risk appetite and metrics that are designed to ensure appropriate risk appetite limits and escalation breaches to the appropriate governance forums. These act as early warning signals to detect emerging issues
- Operational risk framework that is integrated into every department/function of the bank to ensure that operational risk management processes are consistently applied. This has resulted in negligible historic operational losses
- Risk and control self-assessments (RCSA) that are designed such that it encourages business units to identify, assess, manage, monitor and report risks as well as rate risks and the effectiveness of controls via the RCSA review. Key controls are tested by the 2nd (Risk) and 3rd line (Internal Audit) to ensure they are functioning as intended
- The Bank's philosophy is to promote staff training and awareness of operational risk policies, processes, and reporting and encourage staff to report near misses and concerns without fear of retaliation
- Business continuity plan (BCP) which are tested regularly to manage potential disruptions. In addition, the Bank has in place designate teams and protocols for emergency decision-making

# Risk Management Framework continued

- The Bank carries out vendor due diligence which includes an assessment of the operational resilience of third parties before and during the engagement. The Bank has in place controls that track service levels, performance, and regulatory compliance of third parties

## 2. Cyber risk

Cyber risk is the risk of financial loss, disruption, or damage to the bank's reputation from a failure of its information technology systems, network, and/or transaction sites.

The Bank acknowledges that cyber risk has become a key focus area, given the increasing frequency and sophistication of cyber-attacks on organisations globally and locally. To mitigate the risk the Bank:

- Employs role-based access management controls whereby access is granted strictly based on job function/role
- Applies multi-factor authentication for all critical systems
- Carries out ongoing employee and customer awareness on emerging information and cybersecurity trends and/or threats
- Enhanced its third-party cyber security risk management practice to include *inter alia* resilience and business continuity
- In respect of its network and infrastructure security, the Bank has in place firewalls and intrusion detection systems which monitor and block unauthorised access and applies encryption for data stored on a device and in transit
- Staff awareness and training on cyber risk related matters which ensures general awareness of related risks and how to mitigate

## 3. Human Capital risk

Human capital risk relates to the human skills, knowledge, and ethical conduct component of operational risk and is defined as the risk of the Bank's human resources failing to meet operational goals (i.e., prevent or mitigate financial losses during normal operations) and business resilience and continuity goals (i.e., maintain ongoing operations during severe business disruption)

Controls to mitigate the risk include:

- The Bank's existing risk framework and capabilities include managing human capital risks, such as employee conduct and standards while incorporating governance and oversight through documented policies, processes, and procedures. In terms of talent acquisition and retention, the Bank has effective recruitment and retention programs which focus

on attracting top talent and enhancing employee engagement and satisfaction

- The Bank has comprehensive succession plans in place to address leadership and key employee replacements, which ensures a smooth knowledge transfer and mitigates knowledge loss risks
- The Bank invests in continuous training and upskilling programs to enhance employee competencies and bridge skills gaps
- The Bank also has in place robust compliance frameworks that promote a culture of ethical behaviour throughout the Bank

## 4. Fraud risk

Fraud risk is the risk of regulatory sanction, reputational, and financial losses due to fraud, crime, and misconduct from staff and/or external third parties

The Bank's fundamental principles for managing fraud risk include

- Incident and problem management controls that detects, logs, classifies, investigates, remediates and performs root-cause analysis for operational or IT incidents
- Training and awareness sessions with focus on zero tolerance on unethical behaviour and emphasis on the code of conduct policy (which is updated periodically)
- Access management controls that authenticate users and authorise or revokes their logical or physical privileges to systems, data or facilities
- Independent oversight and governance controls that ensures the required diligence to mitigate/prevent fraud related activities
- Data and records management controls that ensures data quality, lineage, retention, archiving, destruction and record-keeping in line with policy or regulation
- Whistleblowing controls with access to an independent whistleblowing facility for employees and third parties. Whistleblower protection is ensured through confidential reporting mechanism directly to the Social, Ethics and Conduct Committee Chairman

## 5. Physical security risk

The risk of loss or business disruption arising from damage to, or unavailability of, physical assets, premises, infrastructure, or people due to natural, accidental, or human-induced events.

To manage this risk, the Bank controls include:

- Physical security and infrastructure controls that ensure the design of Bank branches are such that it accommodates for example fire and smoke alarms

# Risk Management Framework continued

linked directly to a response company, fire protection systems including the installation and maintenance of smoke detectors, fire alarms, extinguishers, and automatic sprinklers, CCTV systems, Biometric Access, and fire / security drills

- Health and safety protocols for staff
- Regularly review policies aligned with national labour and health regulations, ensure emergency evacuation plans are in place with regular drills, and staff training and awareness on how to respond to fires or any related threats
- First aid stations and training controls ensures the Bank maintains first aid kits and ensure staff are trained in basic medical response
- Incident reporting systems controls that ensures staff are encouraged to prompt reporting of unsafe conditions, injuries, or near-misses
- Compliance and governance controls that ensures adherence to the Occupational Health and Safety Act (OHSA), Building Regulations, and relevant labour laws

## LEGAL, COMPLIANCE AND TAX RISKS

### 1. Compliance and regulatory risk

The risk of legal or regulatory sanctions, material financial loss, or reputational damage that a Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, or codes of conduct applicable to its banking and financial activities.

To mitigate compliance risk, the Bank has implemented:

- A combination of preventive, detective, and corrective controls. These controls ensure adherence to legal, regulatory, and internal policy requirements while fostering a culture of compliance
- Policies, procedures, and frameworks covering all regulatory domains (e.g., AML, FATCA) as well as well as documented policies and processes for KYC, AML, whistleblowing, data privacy, sanctions screening etc
- Mandatory training and awareness are in place on focussed matters like AML/CFT as well as reinforcement via awareness sessions by the Bank's leadership
- Compliance risk self-assessments are conducted on a periodic basis to highlight potential weaknesses in its framework. In addition, the Bank has tolerance thresholds which serve as early warning indicators and facilitates proactive responses
- Independent oversight and governance

controls that assesses compliance with current policies and processes ensures controls are functioning effectively

### 2. Anti-money laundering (AML) risk

AML risk is the risk that a bank may be used, intentionally or unintentionally, to facilitate money laundering, terrorist financing, or proliferation financing activities, resulting in regulatory sanctions, financial loss, or reputational damage.

To mitigate AML risk:

- The Bank has implemented a robust system of controls in line with national regulations (e.g. FIC Act in South Africa) and global standards (e.g. FATF recommendations)
- The Bank has in place customer identification programs which are designed to verify the identities of customers and help the bank identify potential money laundering threats and understand the nature and purpose of accounts
- Transaction monitoring controls that flag unusual or suspicious transactions and policies and processes that govern the reporting thereof
- AML training and awareness is mandatory for all staff including front line and senior management. The aim is to reinforce awareness and identification of red flags

### 3. Sanctions risk

Sanctions risk is the risk of breaching, facilitating a breach of, or failing to comply with international or domestic sanctions laws and regulations, resulting in regulatory penalties, loss of correspondent relationships, or reputational damage.

To mitigate sanctions risk:

- The Bank has implemented robust controls across governance, processes/systems, and operations
- Documented policies and procedures and controls are in place including sanction screening and due diligence for high-risk accounts/entities
- Screening and monitoring systems controls that ensure diligent customer screening at onboarding and periodically thereafter as well as transaction screening are in place
- Escalation and reporting controls that include clear escalation protocols, timely filing of reports and procedures to restrict transactions/assets involving sanctioned parties
- Training and awareness controls that include scenario-based training that help identify potential sanctions risk

# Risk Management Framework continued

## 4. Legal risk

The risk of loss or damage arising from the bank's failure to comply with laws, regulations, or contractual obligations; inadequate legal documentation; incorrect legal interpretation; or the risk of being subject to litigation or regulatory action.

To ensure compliance with applicable laws and regulations, reduce litigation exposure, and protect the Bank's reputation and financial standing, the Bank has in place key preventative, detective, and corrective controls. These include:

- Risk appetite statement that define the bank's tolerance for legal risk, embedded in the overall risk appetite
- Compliance policies & procedures controls that ensure its policies are updated to reflect current laws and regulations
- Regular training and awareness sessions for staff on legal obligations

## 5. Tax risk

The risk of financial loss, regulatory sanction, or reputational damage arising from the bank's failure to comply with tax laws or regulations, inaccurate tax reporting, inappropriate tax structuring, or disputes with tax authorities.

To mitigate tax risk, the Bank has implemented a robust framework of governance, compliance, controls, and monitoring. The controls include:

- Defined roles and responsibilities - including appropriate segregation of duties
- Legislative Monitoring of changes in laws and regulations
- External Audit Assurance whose scope includes reviewing the Bank's tax compliance
- Training & Awareness is carried out on an ongoing basis to ensure appropriate levels of competence

## CONDUCT RISK

The risk of inappropriate, unethical, or unlawful behaviour by employees, management, or third parties in the course of providing financial services to clients or executing market activities leading to regulatory censure, financial loss, or reputational damage.

To address conduct risk:

- The Bank advocates strict adherence to its code of conduct that outlines expected behaviours and consequences for misconduct
- The Bank's whistleblowing mechanism provides confidential and accessible channels to report

unethical or improper conduct, complete protection of identity of the whistle blower with zero visibility of management in the process

- All employees are vetted for integrity, competence and financial soundness
- The Bank conducts regular training and awareness on conduct, ethics, treating customers fairly and regulatory responsibilities
- The Bank has metrics in place that track complaints, staff turnover, monitor emails etc.

## REPUTATIONAL RISK

Reputational risk is the risk of loss arising from negative stakeholder perception of the Bank's business practices, ethics, integrity, or competence leading to loss of business, litigation, regulatory intervention, or reduced market confidence.

The Bank has adopted a multi-faceted approach in addressing reputational risk. These include:

- Integrating governance, compliance, risk management, and communication strategies
- Policies and procedures which provides a structured approach for the identification, assessment and management of risks, fosters a culture of reputational risk awareness and accountability throughout the Bank and safeguards the interests of the Bank and stakeholders by maintaining a sound and relevant reputational risk management methodology
- Code of conduct and ethics which sets clear behavioural standards for employees
- Whistleblower hotline that facilitates anonymous reporting mechanisms for unethical behaviour or misconduct
- The Bank maintains a conflict of interest register to manage internal and external conflicts
- The Bank has in place controls to assess and monitor reputational risk exposure from outsourced activities
- Employee training and culture surveys ensures reputational risk awareness is embedded in training programs across all levels. In addition, the Bank conducts culture surveys to gauge employee sentiment to identify early warning signals

# Risk Management Framework continued

## SYSTEMIC RISK

Systemic risk refers to the risk of disruption to financial services caused by an impairment of all or part of the financial system, with the potential to result in serious negative consequences for the real economy.

The Bank has adopted the following controls in mitigation:

- Liquidity risk controls that ensure the Bank maintains a buffer of high-quality liquid assets whilst promoting stable funding over a longer time horizon
- Interbank exposure limits controls restrict concentration of credit exposures to a single counterparty
- Stress testing and scenario analysis to assess its resilience under severe but plausible stress scenarios

## United Arab Emirates



# Islamic Banking

## Islamic banking and Strategic Growth

The Bank proudly celebrated 20 years of the SIRAT brand in South Africa, a milestone made possible by the of Almighty and the unwavering loyalty of our customers. This achievement reflects the strength of the partnerships we have cultivated over two decades, particularly with family-owned businesses that have grown alongside our Shariah-compliant offering. The continued support of our customers affirms the significant role the SIRAT brand plays within our value proposition and highlights its relevance in the markets we serve.

Our five-year strategic objective to expand our Shariah-compliant proposition remains a key priority. This focus is closely aligned with customer satisfaction, the second pillar of our strategy and a central driver of how we shape the Bank's future. Our ambition is to deepen our presence in this niche market by leveraging the Bank's strong reputation, experienced team, and long-standing customer relationships.

During the year, the Bank introduced Al Bai, a Shariah-compliant invoice discounting solution, which further expands our suite of Islamic banking products. This initiative reinforces our commitment to strengthening our Islamic banking offering and supporting the evolving needs of our customers within this growing segment.

What sets the SIRAT brand apart is the Bank's high-touch, relationship-driven banking model, supported by a deep understanding of Shariah principles. Our teams engage closely with customers, offering personalised guidance, seamless service delivery, and solutions tailored to their business and personal needs. This approach has consistently distinguished the Bank from the broader market and reinforces our competitive edge. Through the SIRAT brand, Islamic banking is available to all customers, and the Bank offers a comprehensive suite of Shariah-compliant services, including transactional accounts, financing solutions, and trade finance products.

This integrated model allows us to meet diverse customer needs while remaining firmly grounded in the values and principles of Islamic finance. As we look ahead, the Bank is committed to accelerating the growth of its Shariah-compliant portfolio, strengthening our niche positioning, and further embedding the SIRAT brand as a key contributor to long-term value creation.

## Strengthening Shariah Governance

Our Islamic Banking division is underpinned by a Shariah governance framework and deep expertise in Islamic financial services. The division is led by a team of qualified Shariah professionals, including a Shariah Advisor and a Shariah Quality Assurance Officer, who together ensure the integrity, authenticity, and full compliance of the SIRAT brand.

The Shariah Advisor provides strategic direction and subject-matter expertise, supports product development from concept to implementation, offers training to staff, and addresses day-to-day operational queries. This role is central in identifying and managing Shariah-related risks and ensuring that all offerings remain aligned with Islamic principles.

The Shariah Quality Assurance Officer is responsible for the practical implementation of Shariah guidelines across the Bank's operations. Together, the team reviews, validates, and approves all products, contracts, and transactions to ensure compliance with key Islamic principles, including the prohibition of Riba (interest), Gharar (excessive uncertainty), and any practices inconsistent with Islamic values.

## Commitment to Ethical and Shariah-Compliance

In delivering Shariah-compliant financial solutions, the Bank remains committed to maintaining the highest ethical standards and transparency. Products are structured using recognised Islamic financing methods including Murabaha, Diminishing Musharakah, and Mudarabah enabling customers to access financial solutions that are both aligned with Shariah principles and responsive to their personal and business requirements.

To ensure continued adherence to global best practice, the Bank undergoes an annual Shariah Compliance Audit, aligned with the standards of the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). We are pleased to report that our Shariah Advisor has issued a Shariah Advisor Report for the year ended 31 December 2025, confirming that the Bank has upheld the ethical governance framework while delivering meaningful value to our customers and remaining true to our Islamic banking principles.

## SHARI'AH ADVISOR REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

### The Management, Customers and the Shareholder of HBZ Bank Limited

The undersigned have reviewed the policies, contracts and transactions offered by SIRAT HBZ Bank Limited during the year under review. I have endeavored, to the best of my capability, to form an independent opinion based on Standard Operating Procedures of Islamic products, Shari'ah and legal contracts, relevant source documents and appropriate interviews, where necessary. Direction was drawn from our internal Shari'ah Quality & Assurance function, broader domestic scholarly opinion, as well as internationally accepted best practice where applicable and as espoused by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

The scope of the audit included, and was not limited to:

1. Murabaha based products
2. Musharaka based products
3. Shari'ah Forward Exchange Contracts
4. Liquidity Management Transactions
5. Profit Distribution procedures
6. Management Accounts
7. Disposal of Impermissible Income
8. Foreign Exchange Transactions
9. Syndicated Financing
10. Sukuk

In addition, HBZ Bank Limited's Global Islamic Banking division seeks to assess the effectiveness of the Bank's Shari'ah Governance Framework and related controls. In this regard, we have, to the best of our ability, endeavoured to comply with applicable directives. In our opinion:

1. The contracts, transactions and dealings of HBZ Bank Limited – SIRAT during the year under review comply with the applicable Shari'ah Rules and Principles
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that we had approved under the applicable Shari'ah Rules and Principles

Our Shari'ah Governance Framework that comprises a Shari'ah Advisor and a Shari'ah Quality and Assurance Officer has proven effective in trying to uphold and implement Shari'ah principles.

We seek pardon from the Almighty for any oversight and pray for guidance throughout our endeavors. Aameen.



**Mufti Ismail Haffejee**

Shari'ah Advisor

10 April 2026

21 Shawwal 1447

## Turkey



# Social, Ethics and Conduct Committee Report

It is my privilege, on behalf of the Social, Ethics and Conduct Committee, to present this report for the financial year ended 31 December 2025. The Committee is pleased to confirm that this report reflects our continued commitment to transparency, accountability, and ethical conduct, as mandated by the Companies Act of South Africa (No. 71 of 2008, as amended) and the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

The Committee remains steadfast in upholding the highest standards of integrity across the Bank. In fulfilling our mandate, we diligently discharged all responsibilities stipulated in our Terms of Reference and applicable legislation, particularly the Companies Act.

Ethical conduct is central to our corporate values. It forms the foundation on which trust is established, relationships are nurtured, and sustainable value is created. The obligation to uphold these values is shared collectively by the Board, management, and all employees. We recognise that ethical leadership sets the tone for the Bank as a whole, and we therefore ensure that our policies, systems, and processes reinforce integrity, fairness, and accountability in every aspect of our operations.

In today's environment where businesses are measured not only by their financial results, but also by their social, environmental, and ethical impact, the role of the Social, Ethics and Conduct Committee is paramount. The Committee provides essential oversight and guidance, ensuring that the Bank remains attuned to stakeholder needs and societal priorities.

As we navigate a dynamic and evolving governance landscape, we remain committed to embedding a culture of ethical conduct throughout the Bank. By working together, we can strengthen the principles that support sustainable growth, safeguard the Bank's reputation, and contribute positively to the communities we serve.

## COMPOSITION

The Committee operates in accordance with its formal, written Terms of Reference, which set out its composition, mandate, roles, responsibilities, and duties. These Terms of Reference are reviewed annually to ensure continued alignment with legislative requirements and governance best practice.

The Committee comprises the following members:

- Ms N Mnxasana (Chairman) – Independent Non-executive Director
- Ms S Rapeti – Independent Non-executive Director
- Mr M Nathani – Non-executive Director
- Mr A Cameron – Executive Director

The Chief Compliance Officer, Chief Financial Officer, Chief Risk Officer, Chief Operations Officer and HR Manager are standard invitees to Committee meetings. The Chairman may invite any member of senior management, as appropriate, to attend Committee meetings.

## RESPONSIBILITIES

The Committee's objectives and responsibilities are set out in its Terms of Reference and are aligned with its statutory functions. In addition, the Committee's responsibilities are in accordance with the King IV recommendations, which require oversight over organisational ethics, responsible corporate citizenship, sustainable development, and management of stakeholder relationships. In summary, the Committee has a duty to:

- Monitor the social, economic, governance, employment, and environmental activities of the Bank
- Bring matters relating to these activities to the Board's attention as appropriate
- Report annually to the Shareholder on the matters within its scope of responsibilities

The specific activities that the Committee is required to monitor include adherence to legislation, regulations, and codes of best practice relating to:

- Social and economic development, including the Bank's standing relative to the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development's recommendations regarding combating corruption, and the Employment Equity Act and Broad-based Black Economic Empowerment (B-BBEE) Act
- Responsible corporate citizenship, including the Bank's positioning and efforts to promote equality, prevent unfair discrimination, combat corruption, contribute to the development of communities in which its activities are conducted or within which its products or services are marketed, and its record of sponsorships, donations, and charitable giving
- The environment, health, and public safety, including the impact of the Bank's product-related activities
- Consumer relationships, including the Bank's advertising, public relations, and compliance with consumer protection laws
- Labour and employment, including the Bank's standing relative to the Labour Organisation Protocol on decent work and working conditions, employment relationships, and contribution toward employees' education and development
- Monitoring that management has policies and procedures in place to empower previously

# Social, Ethics and Conduct Committee Report continued

disadvantaged persons, including the Employment Equity Plan

- Ensuring that management has policies and procedures in place to Treat Customers Fairly (TCF)
- Ensuring that the Bank’s financial products and services perform or are executed as the Bank has led financial customers to expect, which expectations include those created through advertising and disclosure.

## FUNCTIONING

The Committee met four times during the period under review. Meeting attendance details are included in the Report on Corporate Governance.

## GOOD CORPORATE CITIZENSHIP

The Board has delegated responsibility for ensuring that the Bank function as a responsible corporate citizen to the Committee. In fulfilling this mandate, the Committee’s duties include, among others:

- Reviewing and recommending the Corporate Social Investment (CSI) Policy to the Board for approval
- Ensuring that CSI projects, programmes, and activities support the five SDGs adopted by the Bank
- Monitoring the implementation of community development initiatives and material sponsorships, on an ongoing basis, and assessing whether the intended objectives are being achieved

The Bank remains committed to promoting fairness, equality, and transparency through its support for initiatives in the communities in which it operates. Our interventions are designed to strengthen trust and social cohesion, promote sound governance, advance gender equality, and contribute to policy development for the benefit of society.

To demonstrate this commitment, the Bank allocates 1% of its net profit after tax to CSI projects each year. Further details of these projects are provided on 42 of the Corporate Social Investment Report.

## ETHICS GOVERNANCE

The Bank’s core values of respect, honesty, responsibility, trust, and commitment lie at the heart of its culture and underpin our efforts to prevent and combat unethical conduct. These values guide how we engage with one another, our customers, business partners, and other stakeholders.

Our ethics governance is supported by a range of policies that guide employees on ethical conduct and set ethical standards to promote consistently principled behaviour across all levels of employment. The Committee plays an active oversight role by reviewing the key policies such as Whistleblowing Process Policy, Conflicts of Interest Policy, and Code of Ethics and Conduct ensuring that they remain relevant, effective, and aligned with our governance framework. The Bank has implemented a Conduct Risk Framework, which incorporates leading and lagging indicators to assist management and the Committee in identifying early warning signs and monitoring conduct-related risks. The Committee also oversees management’s responses to matters relating to customer experience, labour practices, conduct issues, and ethics-related concerns.

Employees and external parties have access to an independent whistleblowing facility, which provides a confidential and secure mechanism for reporting unethical or suspicious conduct. To reinforce impartiality and trust in the process, the Independent Non-Executive Director oversees disclosures made through the whistleblowing line, ensuring that all matters are managed with the necessary confidentiality and diligence.

## Bangladesh



# Social, Ethics and Conduct Committee Report continued

## EMPLOYMENT EQUITY

Diversity remains essential to our ability to innovate, remain competitive and adapt to an ever-changing environment. The Bank is committed to fostering an inclusive workplace that reflects the demographics of South Africa and supports equitable opportunities for all employees. This commitment is embedded in the effective implementation of our Employment Equity (EE) Plan, which guides our transformation efforts.

Key components of the Bank's Employment Equity Plan include:

- Recruiting and retaining individuals from designated groups. Each division plays an active role in contributing to the Employment Equity Plan by setting targeted objectives and ensuring meaningful progress from designated groups across all occupational levels
- Monitoring progress towards EE goals

The Bank continuously tracks and evaluates progress in achieving the targets outlined in the EE Plan. Our focus remains on creating a workplace environment that values diversity, promotes equality, and enables all employees to reach their full potential.

## TRANSFORMATION

One of the Committee's primary roles is to support the Board in fulfilling its fiduciary duties relating to the transformation of the South African business. The Board recognises the critical role it plays in advancing the development and empowerment of historically disadvantaged individuals and acknowledges that transformation is essential to the economic and social sustainability of the country. We strive to ensure that management actively embraces transformation across all areas of the business.

## REGULATORY SANCTIONS

During the year under review, the Bank was subjected to administrative sanctions imposed by the Prudential Authority (PA) for non-compliance with certain provisions of the Financial Intelligence Centre Act (FIC Act). These sanctions followed an inspection conducted in 2022 in terms of section 45B of the FIC Act. The administrative sanctions comprised three cautions, two reprimands and a financial penalty of R9 million, of which R1.5 million is conditionally suspended for 24 months from 5 March 2025. The Bank cooperated fully with the PA throughout the supervisory process and has taken the necessary remedial actions to address identified compliance deficiencies and strengthen internal controls.

## CONSUMER ENGAGEMENT AND CONDUCT OVERSIGHT

The Committee continued to oversee the Bank's engagements with consumers, monitoring the quality and outcomes of customer interactions. Oversight activities included reviewing:

- Customer complaints
- Conduct-related issues
- Quarterly reports on material matters affecting customers who use the Bank's products and services

## COMMITTEE EFFECTIVENESS AND COMPLIANCE

The Social, Ethics and Conduct Committee is a statutory committee established in accordance with section 72 of the Companies Act, as amended by the Companies Act Amendment No. 16 of 2024.

The Committee is satisfied that, for the year under review, it has:

- Complied with all statutory obligations
- Fulfilled the responsibilities delegated to it by the Board
- Performed its duties in accordance with its Terms of Reference

For and on behalf of the Social, Ethics and Conduct Committee



**Nomavuso Mnxasana**

Chairman

Umhlanga  
10 April 2026

# Corporate Social Investment Report

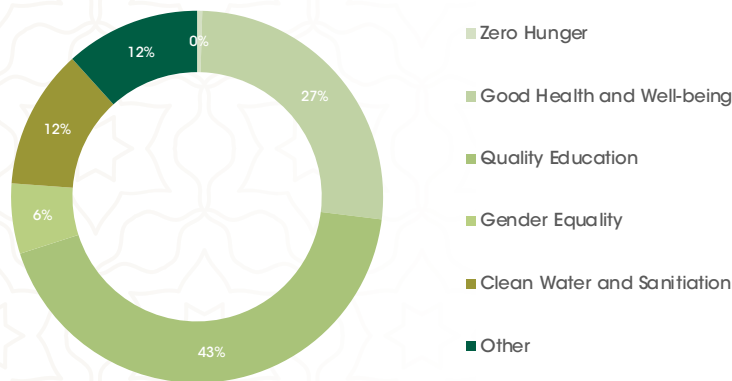
Corporate Social Responsibility has been a core part of the Bank’s ethos since its inception. Giving is embedded in our DNA, and we take pride in a longstanding legacy of sharing, uplifting and supporting the communities we serve. Throughout 2025, the Bank has remained steadfast in its commitment to Corporate Social Investment (CSI), striving to create meaningful and sustainable impact across our areas of operations.

This report provides an overview of our CSI performance for the major projects, employee engagement initiatives, funding allocations, and our forward-looking commitments. The Bank allocated 1% of total profit before tax, amounting to R3 326 000, to support key social development initiatives identified during the year. Of this amount, R3 048 357 was approved for various initiative with R2 684 951 utilised during the reporting period.

## VALUE CREATION AND ALIGNMENT TO THE SDGS

The Bank aligns its CSI strategy with the United Nations Sustainable Development Goals (SDGs), recognising that sustainable development requires shared responsibility across business, government, civil society, and global institutions.

We prioritise five SDGs that best reflect the needs of the communities we support:



- **Zero Hunger** – Committing to fighting hunger through improved food security, better nutrition and support agriculture practice
- **Good Health and Well-Being** – Promoting healthier lives and improved well-being for people across all age groups
- **Quality Education** – Supporting inclusive, equitable, and high-quality education and fostering lifelong learning opportunities for all
- **Gender Equality** – Empowering women and girls by advancing gender equality across social, economic and governance spheres
- **Clean Water and Sanitation** – Ensuring access to safe, clean water and promoting sustainable water and sanitation management for all

# Corporate Social Investment Report

## continued

2 ZERO HUNGER



## END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION AND PROMOTE SUSTAINABLE AGRICULTURE

### SUNFIELD HOME SCHOOL

The Bank is proud to continue its longstanding partnership with Sunfield Home School, a compassionate and nurturing institution dedicated to supporting intellectually impaired learners. The school provides daily breakfast and supper for all boarding students, as well as lunch for all learners attending classes. Recognising that mealtimes can present unique challenges for intellectually impaired students, the school transforms these moments into structured learning opportunities. Guided lessons in etiquette, table manners, and discipline turn each meal into an important component of the learners' holistic development and personal growth.

#### Funding

During a recent visit, the Bank observed that the school's aging gas cooker was no longer adequate for the demands of its busy kitchen. Relying on a single gas plate to prepare meals for the entire school placed considerable strain on the kitchen staff and compromised their ability to provide balanced and timely meals.

In response, the Bank funded the purchase and installation a premium gas stove to strengthen the school's essential meal programme. This contribution enabled the school to prepare meals more reliably, safely, and efficiently, reducing operational pressure and ensuring that learners continue to receive high-quality nutritious food every day.

#### Impact

With the new gas stove in place, school meals are now prepared more efficiently and delivered to learners on time. This enhancement has significantly eased the workload for kitchen staff and strengthen the overall reliability of the school's nutrition programme.

Building on this momentum, the Bank has committed to further supporting the school through planned refurbishment of the kitchen. This upgrade will help create a safer, more functional, and modern food service environment—one that enable sustainable delivery of high quality meals to the deserving learners of Sunfield Home School.

## United Kingdom



# Corporate Social Investment Report

## continued

3 GOOD HEALTH AND WELL-BEING



## ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

### KZN BLIND AND DEAF SOCIETY

Established in 1936, the KwaZulu-Natal Blind and Deaf Society (the Society) has long served as a beacon of hope, empowerment and opportunity for vulnerable communities across the province. The Society offers an extensive suite of services including medical support, psychological care, skills development, employment opportunities, and programmes that cultivate community and belonging for individuals who are blind or partially sighted, as well as those who are deaf or hard of hearing. Through its unwavering dedication, the Society continues to equip its beneficiaries with the tools and confidence needed to lead dignified, enriched, and independent lives.

#### Sponsorship

In 2025, the Bank acknowledged the critical role played by the Society's Canning Room, a specialised workshop where blind and deaf artisans collaborate to craft high quality wicker baskets, furniture, and other handmade products for income generation. Recognising both the cultural importance and economic impact of this initiative, the Bank contributed R285,629 towards an extensive refurbishment of the facility. This enhancement included painting, improved ventilation, and the installation of workbenches transforming the canning room into a safer, more functional and more comfortable environment. These upgrades directly support the artisans' ability to work efficiently while maintaining the craftsmanship for which the Society is known.

#### Impact

The Bank's investment has strengthened the Society's capacity to sustain meaningful employment for its blind and deaf artisans. By improving the physical work environment, the refurbishment ensures that participants can continue producing beautifully crafted wicker items in a setting that upholds their safety, dignity and professional pride.

Beyond the physical upgrades, the contribution reinforces a broader sense of purpose, independence, and community belonging among the artisans who rely on the Canning Room for both income and personal empowerment. The Bank remains honoured to support an organisation whose work transforms lives and strengthens inclusivity within KwaZulu-Natal.

4 QUALITY EDUCATION



## ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

### SM JHAVARY PRIMARY SCHOOL

SM Jhavary Primary School is located in a previously disadvantaged area of Durban, KwaZulu Natal. As a government funded institution, it serves a community where many learners come from economically vulnerable households. Schools like SM Jhavary play a vital role in providing not only education, but also stability, and encouragements and essential developmental support to children facing significant socio economic challenges. Over the years, the Bank has supported the school's growth through several initiatives including classroom renovations and the establishment of a library, demonstrating the Bank's ongoing to improving the quality of education available to the school's deserving learners.

#### Sponsorship

In furthering its mission to advances digital literacy and expand access to technology, the Bank donated a fully equipped computer laboratory valued at R564,857. This investment provides learners with access to essential digital

# Corporate Social Investment Report

## continued

tools, enabling them to develop critical digital skills that support academic excellence while opening pathways to future opportunities. By strengthening the school's technological infrastructure, the Bank is helping to bridge the digital divide and empower learners in one of Durban's historically disadvantaged communities. The computer laboratory ensures that students are exposed to modern educational resources and enhances their ability to participate meaningfully in an increasingly digital world.

### Impact

Each year, the Bank invests in computer laboratories for under-resourced schools that lack access to technology and digital learning platforms. This ongoing initiative ensures that students receive exposures to contemporary teaching methods and acquire essential digital skills and competencies. For learners at SM Jhavary Primary School, the new computer laboratory provides a transformative educational advantage broadening future prospects, supporting academic growth, and equipping them with foundational skills to thrive in a technology driven environment.

## EVENTS AND COMMUNITY ENGAGEMENT

### MANDELA DAY

Compassion, service, and social responsibility, lie at the heart of Nelson Mandela's legacy values that continues to inspire and unite South Africans every year on Nelson Mandela Day. In honour of this spirit, the Bank identified Dalmany Primary School in Ntuzuma in Durban, and Dowlinglaan Primary School in Johannesburg as institutions in need of infrastructure improvements.

#### Pre-Event Infrastructure Support

In preparation for Mandela Day activities, the Bank invested in essential infrastructure repairs to ensure that both schools offered safe, functional environments for their learners.

- *Dowlinglaan Primary School (Johannesburg)*  
The Bank sponsored critical waterproofing and painting, addressing structural concerns and improving the overall condition of the school buildings
- *Dalmany Primary School (Durban)*  
Support included repairing ceilings, replacing or fixing windows and doors, and attending to other safety-related issues. These upgrades contributed to creating a more secure and conducive learning environment

#### Gauteng Region: Dowlinglaan Primary School

Dedicated staff from all Gauteng branches gathered at Dowlinglaan Primary School to deliver desks and chairs for the learners and snack packs and hotdogs for every student and school staff member. Despite the cold Johannesburg weather, the day was filled with warmth, gratitude and joy. Staff and learners shared meaningful moments that reflected the true essence of Mandela Day giving uplifting and building together.

#### KwaZulu-Natal: Dalmany Primary School

Employees from all regional branches and Head office visited Dalmany Primary School where they welcomed with enthusiasm by learners and staff. After distributing snack packs and hotdogs to the entire school community, the Bank's staff joined hands to paint the school buildings. Their efforts not only brightened the physical environment but also uplifted the spirits of learners and educators. With surplus snack packs and hotdogs available, the team extended their outreach to two additionally early childhood development centres, spreading the joy even further and amplifying the impact of the day.

## ISIPINGO SECONDARY SCHOOL – HOUR OF CODING

In 2024, the Bank donated a fully equipped computer lab to Isipingo Secondary School, providing learners with their first meaningful access to digital technology. This investment enabled students to begin developing essential computer literacy skills that support long term academic and career development.

Building on this foundation of technological empowerment, Ms Sharoda Rapeti, an esteemed Independent Non-Executive Director of the Bank, introduced a coding initiative in honour of the late Mr. Habib. Supported by volunteer staff, Ms. Rapeti led an interactive learning session that introduced learners to fundamentals of coding using the Scratch programming

# Corporate Social Investment Report continued

platform, a globally recognised tool designed to make coding accessible and engaging for beginners.

During the event, learners participated in hands on coding challenges designed to foster logical thinking, creativity and problem solving. Prizes were awarded to those who completed their tasks with speed and accuracy creating an energetic and motivating and collaborative environment. The day concluded with the Bank staff sharing meals with learners and teachers, reinforcing the spirit of community, mentorship and shared growth.

The initiative received positive feedback from learners and educators. Many students expressed that this was their first exposure to programming and noted the experience had sparked interest in technology focused academic and career pathways.

The Bank was honoured to contribute to this early skills development, knowing that digital literacy and coding proficiency are increasingly vital tools for participation in the modern economy.

5 GENDER  
EQUALITY



## ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

### Advancing Access to Education for Young Women

As part of our commitment to creating sustainable and meaningful social impact, the Bank continues to prioritise educational support for young women who demonstrate academic excellence and the potential to transform their lives through higher education, but who face financial constraints. Through strategic partnerships most notably with the Women's Cultural Group we have been able to extend critical support to deserving students across various fields of study. Reflecting our dedication to gender empowerment, 75% of the bursaries sponsored by the Bank are awarded to female students, underscoring our intentional focus on promoting gender equity and opening pathways for young women to access tertiary education.

This initiative plays a vital role in narrowing the gender gap in higher education access. By providing financial assistance, mentorship, and opportunities for academic development, we empower talented young women to pursue their studies, realise their career ambitions, and positively influence their communities and the broader economy. Our investment in their potential forms part of the Bank's wider commitment to fostering inclusive growth and supporting the next generation of female leaders.

### Impact

By alleviating the financial pressures associated with tertiary education, the Bank enables students to dedicate their time and energy fully to their academic pursuits. This stability enhances their ability to complete their qualifications successfully and strengthens their prospects for long term achievements.

Upon graduation, these young women are equipped with the knowledge, confidence, and skills required to enter the workforce, achieve economic independence, and contribute meaningfully to the socio economic development of their communities. Their success reflects the Bank's broader vision of creating sustainable upliftment empowering individuals who, in turn, uplift others.

6 CLEAN WATER  
AND SANITATION



## ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

### TSHELIMNYAMA PRIMARY SCHOOL

Tshelimnyama Primary School, located in the Tshelimnyama area outside Pinetown in Durban, serves 1,033 learners from the surrounding community. As a no fee school, it relies heavily on government allocations and external donor support

# Corporate Social Investment Report

## continued

to address its operational and infrastructure requirements. The school plays a critical role in ensuring and equitable education for children from low income households.

### Sponsorship

The Bank was approached by the principal of Tshelimnyama Primary School with an urgent request for assistance in resolving severe plumbing challenges affecting the school's ablution facilities. During an on site assessment, it became evident that the infrastructure had deteriorated significantly. Several leaks were found throughout the facilities, with water seeping into walkways, and many toilets were broken or non functional. These conditions posed hygiene risks, compromising the dignity of learners and educators and created unsafe environment for daily use.

In response, the Bank undertook a comprehensive plumbing and renovation project aimed at restoring all ablution blocks across the school. Although the project spanned nearly three months, the intervention was essential to ensuring that learners have access to safe, hygienic, and fully functioning facilities an important foundation for promoting learner wellbeing.

### Impact

The renovation of the school's ablution facilities has significantly enhanced sanitary and safety conditions on the school. The current cohort of 1,033 learners along with future generations will be going forward have access to functional toilets. This improvement supports the health of learners and in addition contributing to a more conducive learning environment.

## OUR COMMITMENT

The Bank remain firmly committed to sustainable community development, with a strategic focus on education, healthcare, and infrastructure, areas that deliver meaningful long-term social impact.

The Bank remains committed to sustainable community development, focusing on education, healthcare, and infrastructure areas that deliver long term social value. In 2025, R3.3 million was allocated to CSI, with the majority directed to ongoing, high impact projects. This targeted approach ensures that funding is distributed equitably and effectively, enabling sustainable improvements in the community we serve. We are proud of the progress achieved through our CSI initiatives this year and deeply grateful for the unwavering dedication of our employees, partners, and stakeholders.

We also extend our sincere appreciation to the Board and our Shareholder for their support, guidance, and passion for our CSI work. As we continue our journey of social responsibility, we remain steadfast in our mission to create lasting, positive change. Together, we can build a brighter, more inclusive, and more sustainable future for all.

## FUTURE PLANS AND ONGOING INITIATIVES

Looking ahead, the Bank will continue to expand its reach and deepen its impact through strategic partnerships, innovation, and community-driven projects. Our key prioritises include:

- Enhance collaborations with partners and stakeholders
- Scale successful initiatives to reach more communities
- Leverage innovation to address emerging socio-economic challenges

Through these efforts, we aim to drive sustainable, long-term change and contribute meaningfully to the development of resilient, empowered communities.

## WITH THANKS

We are proud of the progress achieved this year and grateful to everyone who contributed to these initiatives. Together, we remain committed to building stronger, more resilient communities and a more inclusive future for all.

# Remuneration Committee Report

## INTRODUCTION

I am pleased to present the Remuneration Report on behalf of the Remuneration Committee. This report outlines the progress made during the year and provides stakeholders with clear insight into our reward practise aligned to the King IV principles of responsible, transparent, and fair remuneration governance. Lastly, our focus areas for the 2026 financial year are also contained in this Report.

## GOVERNANCE

In line with best practice, the Committee is appointed by the Board and fulfils its mandate set out in its Terms of Reference. Using a transparent approach, the Committee additionally seeks to ensure alignment between management and shareholder interests in delivering on the Bank's strategic growth imperatives.

## PERIOD IN REVIEW

### Strengthening Our Remuneration Framework

A strategic milestone for the Committee during the year under review was the completion of a comprehensive remuneration benchmarking exercise. The Bank engaged the services of independent remuneration specialists, Remchannel, to carry out a benchmarking study. The benchmarking exercise was conducted against listed South African banks using role-specific market data for each employee to ensure meaningful comparison across the full spectrum of roles within the Bank. In addition, all remuneration assessments were reviewed on a Cost-to-Company (CTC) basis to ensure accuracy, consistency, and comparability across the organisation and industry.

The results of the benchmarking exercise affirmed the fairness, rationale, and strategic intent underpinning the Bank's remuneration philosophy. Based on these insights, the Committee approved a formal and structured methodology to align employees to market-related remuneration, thereby marking a significant step in strengthening internal equity and competitiveness. A phased implementation approach was adopted, with adjustments planned over a three-year period from 2026 to 2028. Adjustments are targeted for employees who meet performance expectations and are positioned below the 50th percentile of the market. The newly developed framework also helps to fairly position offers to new appointments.

Furthermore, and in line with the Board approved 2026 – 2030 Strategy, the Committee will continue to refine and strengthen the Bank's remuneration framework in support of a high-performance culture that is agile,

accountable, and aligned to long-term value creation in challenging market conditions. These enhancements will ensure that the Bank remains competitive in the talent market, rewards performance appropriately, develops and retains the skills and leadership required to drive sustainable growth.

### Our Remuneration Philosophy

The Committee observes a strong focus on fair and equitable pay at all levels of employment within the Bank. Our remuneration philosophy aims to position employees who meet performance expectations within 80%–110% of the pay-scale midpoint, which is anchored to the 50th percentile of market data. Placement within this range is guided by a structured zoning methodology that considers:

- Job requirements: qualifications and experience aligned to role demands
- Role criticality: regrettable loss risk and the time required to fill the vacancy
- Performance ratings: appraisal outcomes and delivery against expectations
- Branch complexity: applicable to branch employees, based on financial and operational indicators

This structured approach ensures that remuneration outcomes remain fair, consistent, and aligned with individual contribution and organisational needs.

### Short-Term Incentive (STI) and Discretionary Payment

The STI scheme introduced in 2023 was aimed at strengthening our Employee Value Proposition (EVP) and STI payments were processed for eligible employees for the 2023 and 2024 assessment year based on the achievement of set targets. The Committee approved financial and non-financial KPIs designed to drive sustainable performance. The STI has meaningfully contributed to the Bank's growth trajectory and supported the achievement of a key milestone R10 billion in total assets during the Bank's 30th year of operation.

During the year under review, the budgeted net profit target was not attained and therefore employees were not eligible to receive a STI for the 2025 assessment year. In light of various internal and external factors and challenging market factors, the Committee sought to recognise exceptional performance and passed a resolution to reward management and employees who contributed to the Bank's performance with a discretionary payment. The discretionary payment was a once-off award and did not form part of the STI scheme. The value of the discretionary award amounted to 43% of the value that would have been due had the profit target was met.

# Remuneration Committee Report continued

## INDEPENDENT AND NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

The governance of the Bank continues to be strengthened through clear and structured arrangements for both Independent and Non-Independent Non-Executive Directors. The terms of appointment for these Directors are designed to align their interests with those of the Shareholder, while supporting stability, continuity, and effective oversight. In accordance with the Bank's Memorandum of Incorporation (MOI), no Director is appointed for an indefinite period, thereby ensuring regular refreshment of Board composition and adherence to best governance practice.

### Term of Service

Independent and Non-Independent Non-Executive Directors are appointed by the Shareholder at the Annual General Meeting (AGM). Between AGMs, interim appointments may be made by the Board on the recommendation of the Directors' Affairs Committee. Such interim appointees retire at the next AGM, where they may offer themselves for re-election by the Shareholder. In line with governance practices, one-third of the Independent and Non-Independent Non-Executive Directors retire by rotation at each AGM and may stand for re-election. Directors are issued with a formal letter of appointment outlining the terms of their engagement, responsibilities, and expectations. Independent and Non-Independent Non-Executive Directors retire at the age of 75 and Independent Non-Executive Directors who have served for nine years retire at the AGM following the completion of their term.

### Fees

Independent Non-Executive Directors receive fixed fees for their services on the Board and its Committees. Non-Independent Non-Executive Directors do not receive any form of incentive or performance-based remuneration. The Committee reviews fees paid to Independent Non-Executive Directors every two years, taking into account the responsibility and workload including:

- regulatory and legislative oversight obligations;
- time commitment required; and
- the level of risk assumed in fulfilling their duties

## COMMITTEE ASSURANCE

The Committee confirms that, for the 2025 year under review, it has fulfilled its statutory and regulatory responsibilities as well as all duties delegated to it by the Board. The appointment, rotation, and fee-setting

processes for Independent and Non-Independent Non-Executive Directors have been conducted in accordance with the Bank's governance framework and the principles of King IV.

## 2026 STRATEGIC FOCUS AREAS

The Committee will continue to hold constructive engagement with shareholders and management to evolve the overarching remuneration philosophy. Key focus areas for 2026 include:

- Strengthening governance across all total reward elements
- Monitoring remuneration related regulatory developments — including the Companies Amendment Acts and the proposed Fair Pay Bill — to ensure readiness and future compliance
- Updating the Bank's Remuneration Policy to reflect the regulatory landscape and support best practice governance
- Evolving the STI scheme through the introduction of formulaic based performance hurdles where a threshold of 80% achievement of KPIs will qualify for STI payment

## CLOSING REMARKS

The Committee is satisfied that it fulfilled its mandate and that the work completed during the year marks meaningful progress in building a remuneration framework that supports the Bank's strategic direction and fosters a culture of performance and accountability. I extend my appreciation to my fellow Committee members, Board members, Executive management and the teams that contributed to this important work.

For and on behalf of Remuneration Committee



**Sharoda Rapeti**  
Chairman

Umhlanga  
10 April 2026

# Report of the Audit Committee

This report is presented by the Audit Committee for the 2025 financial year of HBZ Bank Limited, in compliance with Section 94(7)(f) of the Companies Act 71 of 2008, Section 64 of the Banks Act 94 of 1990, and the principles outlined in the King IV Report on Corporate Governance.

The Audit Committee is an independent statutory committee, recommended by the Board and appointed by the Shareholder in accordance with Section 64 of the Banks Act and Section 94(7) of the Companies Act. In addition to its statutory and regulatory responsibilities, the Board formally delegates further duties and responsibilities to the Audit Committee as it considers necessary and appropriate. These responsibilities are detailed in the Audit Committee's Terms of Reference, which are reviewed annually by the Audit Committee and approved by the Board.

## COMPOSITION AND ATTENDANCE OF THE MEETING

The Committee comprises three independent non-executive directors, all of whom possess the requisite experience and expertise to effectively discharge the Committee's responsibilities. The Committee met four times during the year, with all member attendance.

The Chair of the Board of Directors was present at all meetings. By invitation, the Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Head of Internal Audit and External Auditors attended the meeting to provide insights and support the Committee in fulfilling its mandate.

## EXECUTION OF DUTIES

The Committee maintained its focus on overseeing the financial management, financial reporting processes, and the robustness of financial governance, while monitoring key financial reporting risks. In fulfilling its mandate, the Audit Committee performed the following statutory and delegated duties:

### 1. COMBINED ASSURANCE:

The Audit Committee considered the level of coordination between the assurance providers and confirmed that the combined assurance process had not identified any unmitigated financial reporting risks relating to financial reporting.

### 2. EXTERNAL AUDITORS AND THE EXTERNAL AUDIT:

- Recommended the reappointment of KPMG as independent external auditors for the year ended 31 December 2025
- Recommended the appointment of the lead audit engagement partner
- Approved the external auditor's terms of engagement and fees, in consultation with management
- Held meetings with the external auditors
- Reviewed and evaluated KPMG's audit plan
- Considered the significant audit risks identified
- Evaluated the effectiveness of the audit
- Considered KPMG's view on other qualitative aspects of the Bank's accounting practices
- Considered statutory matters reported to the Audit Committee
- Considered the summary of corrected and uncorrected misstatements
- Considered significant matters raised by KPMG and the adequacy of management's corrective action in response to such findings
- Obtained assurance from KPMG that their quality standards and independence were not impaired as set out by the Independent Regulatory Board for Auditors (IRBA) and other regulatory authorities, including their internal processes
- Evaluated a formal statement by KPMG confirming that their independence was not impaired
- Confirmed the nature and extent of non-audit services provided during the year under review and endorsed that the non-audit services provided by KPMG did not compromise the external auditors' independence
- Considered the external audit report section on the Bank's internal control systems
- Held quarterly meetings with external auditors, without management present, to allow open engagement
- Confirmed that no reportable irregularities were identified and reported by the external auditors in terms of the Auditing Professions Act 26 of 2005
- Resolved to recommend to the Shareholder for consideration at the next Annual General Meeting, the confirmation of the appointment of KPMG as external auditor for the year ending 31 December 2026

# Report of the Audit Committee continued

## 3. INTERNAL CONTROLS AND INTERNAL AUDIT:

- The Audit Committee satisfied itself that the internal audit function is independent and has the necessary resources and authority to discharge its duties
- Reviewed and approved the internal audit charter and annual internal audit plan, and considered the effectiveness of the internal audit function
- Held quarterly meetings with the Internal Audit, including Group Internal Audit without management present
- Considered internal audit reports and received written assurance regarding the effectiveness of internal controls, concluded that the Bank has adequate procedures and internal financial reporting controls to ensure the timely and accurate preparation of Annual Financial Statements and proper safeguarding of assets
- Reviewed matters raised by internal audit and the adequacy of management's corrective action in response to such findings
- Noted that there were no significant differences of opinion between the internal audit function and management
- Non-Significant internal financial control deficiencies were reported to the Audit Committee during the year and have been remediated by management , and/or covered by compensating controls
- No significant control deficiencies were reported to the Audit Committee that would impact the fair presentation of the Annual Financial Statements

## 4. THE FINANCIAL STATEMENTS AND GOING CONCERN:

- Confirmed the going concern principle as the basis of preparation of the Annual Financial Statements
- Received assurance from the finance reporting function that the internal financial controls are effective
- Considered the accounting treatment for significant or unusual transactions and all material accounting judgements and estimates applied by management
- Considered the appropriateness of the Bank's accounting policies
- Met separately with management, KPMG and internal audit to assess internal financial reporting controls and matters pertaining to the Annual Financial Statements
- Reviewed the solvency and liquidity tests

undertaken prior to the dividend declaration

- Reviewed the Annual Financial Statements for recommendation to the Board and satisfied itself that they accurately present the results of operations, cash flows and the financial position of the Bank
- Considered and made recommendations to the Board on the proposed dividend payment to the Shareholder
- Noted that there were no material adverse reports or complaints received concerning accounting practices, internal audit, internal financial reporting controls, content of Annual Financial Statements, internal controls and related matters

## 5. RISK MANAGEMENT:

- Considered risk matters reported by the Capital Adequacy & Risk Committee
- Reviewed management reports on risk management, including IT risks impacting financial reporting
- The Chairman of the Audit Committee is a member of the Capital Adequacy & Risk Committee and attended all meetings held during the year under review

## 6. FINANCE FUNCTION:

- Considered the expertise, resources, experience and succession planning of the members of the finance function and concluded that these were appropriate
- Considered the appropriateness of the experience and expertise of the Chief Financial Officer and concluded that these were appropriate

## 7. COMPLIANCE FUNCTION:

- Considered the independence and effectiveness of the compliance function
- Received and approved the Compliance Charter and annual Compliance Activity Plan
- Considered the findings by the regulators and ensured management's actions in response thereof, were appropriate
- Increased its focus on Anti-money laundering (AML) and financial crime compliance activities as well as compliance management in general:
  - Recommended the revised Risk Management and Compliance Programme (RCMP) for Board approval

# Report of the Audit Committee continued

- Recommended the revised AML & Combating the Financing of Terrorism Risk Based Approach for Board approval
- Received reports on and monitored the AML, combating the financing of terrorism (CFT) and sanctions compliance levels
- In respect of legal and regulatory requirements to the extent that they may have an impact on the financial statements:
  - Reviewed, with management, legal matters that could have a material impact on the Annual Financial Statement of the Bank
  - Considered reports provided by management, external audit and internal audit regarding compliance with legal and regulatory requirements

## CONCLUSION

The Audit Committee is satisfied that it has fulfilled its statutory and delegated responsibilities and has taken into account all material risks and factors affecting the integrity of the Annual Financial Statements.

### Recommendation to the Board

Following its review and conclusion on its findings, the Audit Committee recommended the Annual Financial Statements of the Bank for the year ended 31 December 2025 for approval by the Board. The Board subsequently approved the Annual Financial Statements.

On behalf of the Audit Committee



**LP Fourie**  
Chairman  
Umhlanga  
10 April 2026

Kenya



# Directors' approval of the Annual Financial Statements

## RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the annual financial statements of HBZ Bank Limited, comprising the statement of financial position for the year ended 31 December 2025, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the 2025 year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The Directors are also responsible for such internal controls as they deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management included in these financial statements.

The Directors are of the opinion that:

- Appropriate accounting policies have been consistently applied
- Adequate accounting records have been maintained
- Internal control systems are adequate to the extent that no material breakdown in the operation of these systems occurred during the year under review
- The financial statements fairly present the financial position of HBZ Bank Limited at 31 December 2025 and its financial performance and cash flow for the year then ended.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

## GOING CONCERN

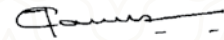
The Directors have assessed the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

## FINANCIAL STATEMENTS AND BOARD APPROVAL

The Board is responsible for overseeing the integrity and completeness of this report. The Board, the Audit Committee, the Capital Adequacy & Risk Committee, Social, Ethics and Conduct Committee, Directors Affairs Committee and Remuneration Committee considered the accuracy and completeness of the report and are satisfied with the reliability of all data and information. The Board is satisfied that the report fairly presents the integrated performance of the Bank for the reporting period. The annual financial statements of HBZ Bank Limited and the Directors' report appearing on pages 62 to 116 were approved by the Board of Directors on 10 April 2026 and are signed on its behalf by:



**YD Singh**  
Chairman  
10 April 2026



**A Cameron**  
Chief Executive Officer  
10 April 2026

# Company Secretary's Certificate

In terms of Section 88(2)(e) of the Companies Act (No. 71 of 2008), as amended, I hereby certify to the best of my knowledge and belief, that the Bank has lodged with the Registrar of Companies all such returns as are required of the Bank in terms of the Act and that all such returns are true, correct and up to date.



**Thabisile Luthuli**

Company Secretary  
Umhlanga  
10 April 2026

## NOTICE IN TERMS OF SECTION 29 AND 30 OF THE COMPANIES ACT

In terms of Section 29(1)(e)(ii) of the Companies Act No. 71 of 2008 as amended, we confirm that the following financial statements were prepared by Aadil Hassen Dhooma CA(SA) and Celeste Andrea Naidoo CA(SA), under the supervision of Zaakir Mitha CA(SA) who is the Chief Financial Officer of HBZ Bank Limited.

These financial statements have been audited in compliance with the requirements of Section 30 of the Companies Act (No. 71 of 2008.) and have been prepared under the supervision of the Chief Financial Officer, who is a Chartered Accountant.

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Board of Directors</b>	YD Singh (Chairman) MH Habib (Swiss) LP Fourie NP Mnxasana DC Moephuli S Rapeti A Paruk MA Nathani (Canadian) A Iqbal A Cameron
<b>Registered office</b>	Umhlanga Arch, Level 4, 1 Ncondo Place, Umhlanga Ridge Durban, KwaZulu-Natal, 4320
<b>Holding company</b>	Habib Bank AG Zurich incorporated in Switzerland
<b>Auditors</b>	KPMG Inc. Chartered Accountants (SA) Registered Auditors
<b>Secretary</b>	T Luthuli
<b>Company registration number</b>	1995/006163/06

# Report of the Directors

The Board of Directors takes pleasure in presenting the Annual Financial Statements for the year ended 31 December 2025.

## HOLDING COMPANY

HBZ Bank Limited is a wholly owned subsidiary of Habib Bank AG Zurich, which is incorporated in Switzerland.

## NATURE OF BUSINESS

HBZ Bank Limited is a registered commercial Bank.

## DIVIDENDS AND GENERAL RESERVE

The Board considered Sections 4 and 45 of the Companies Act pertaining to solvency and liquidity and passed a resolution that the Bank's assets, fairly valued exceed the liabilities, and that the Bank will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.

The following appropriations were made during the year:

### GENERAL RESERVE

Transfer made

### DIVIDEND

Dividend distributed

## AUTHORISED AND ISSUED SHARE CAPITAL

No additional shares were authorised or issued during the year.

## FINANCIAL RESULTS

The results of the Bank are set out in the accompanying financial statements and notes. Profit for the year after tax is R178.9m (2024: R211.5m).

	2025	2024
	R	R
	R 55,703,000	-
	R 150,000,000	R 135,000,000

On 10 April 2026 the Board declared a dividend of R125 million, which includes dividends withholding tax of R6.25 million.

## EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any events after the reporting date of 31 December 2025 and the date of authorisation of these annual financial statements.

## DIRECTORS AND SECRETARY

Details of the directors are reflected on page 4 of this report. In accordance with the provisions of the Bank's Memorandum of Incorporation. The following directors will rotate at the AGM held on 10 April 2026, Mr. Muhammad Habib, Ms. Disebo Moephuli and Ms. Sharoda Rapeti and are offering themselves for re-election. Mr. Paruk, who was appointed during the 2025 financial year, will have his appointment confirmed at the next AGM, and Ms. Nomavuso Mnxasana will retire at the next AGM. The Company Secretary of the Bank is Ms Thabisile Luthuli whose business and postal address is Umhlanga Arch, Level 4, 1 Ncondo Place, Umhlanga Ridge, Durban, 4320, Kwa-Zulu Natal, South Africa.

## DIRECTORS' AND PRESCRIBED OFFICERS REMUNERATION

Remuneration in respect of the Bank's Directors and Prescribed Officers are disclosed in note 23 to the annual financial statements.



**Y Singh**

Chairman

10 April 2026



**A Cameron**

Chief Executive Officer

10 April 2026

# Independent Auditor's Report

## TO THE SHAREHOLDER OF HBZ BANK LIMITED

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of HBZ Bank Limited (the Bank) set out on pages 62 to 116 which comprise the Statement of Financial Position as at 31 December 2025, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and Accounting Policies and Notes to the Financial Statements, excluding the items marked as unaudited in Note 32 and Note 33.

In our opinion, the financial statements present fairly, in all material respects, the financial position of HBZ Bank Limited as at 31 December 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa of 2008.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code), as applicable to audits of financial statements of public interest entities, and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the

International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), we report:

#### Final materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Final materiality</b>	<b>R11 300 000, determined as 4.6% (rounded) of Profit before taxation (PBT).</b>
<b>Rationale for benchmark and percentage applied</b>	We selected PBT as the most appropriate benchmark given the Bank is a public interest entity and profit orientated. Profitability is a key performance measure used by the shareholder and other users of the financial statements because it is a relevant indicator of the Bank's ability to generate profits and to return capital to its shareholder.
	The percentage applied was based on our professional judgement after consideration of qualitative factors that impact the Bank.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit

# Independent Auditor's Report continued

of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In terms of the EAR Rule, we are required to report key audit matters and the outcome of audit procedures or key observations with respect to the key audit matters and these are included below.

## Expected credit losses on loans and advances

Refer to:

- Basis of preparation, note 2(c), judgements and estimates
- Material accounting policies, note 4(d)(vii) Financial assets and liabilities, Impairment
- Note 5, Loans and Advances
- Note 6, Impairment Reversals/(Losses) on Financial Instruments and
- Note 29.1, Credit Risk Management

Key audit matter	How the matter was addressed in our audit
<p>The Company's loans and advances to customers and the related expected credit losses (ECL) are core to the corporate and retail banking operations.</p> <p>The key assumptions, judgements and estimates applied in the determination of the ECL are:</p> <ul style="list-style-type: none"> <li>• Definitions, methodologies applied, judgements made in applying accounting policies including significant increase in credit risk (SICR), stage determination and migration, forward-looking information and collateral valuation; and</li> <li>• Modelled ECL</li> </ul> <p><b>Definitions, methodologies applied, judgements made in applying accounting policies including SICR, stage determination and migration, forward-looking information and collateral valuation</b></p> <p>There is judgement involved in the definitions and methodologies applied to the modelled ECL, including the determination of what constitutes SICR, incorporation of forward-looking information and the consequent timely allocation of the loans and advances to the appropriate stage. The Bank is required to recognise an allowance for either 12 month or lifetime ECL's in accordance with IFRS 9, Financial Instruments (IFRS 9) depending on whether there has been a SICR since initial recognition. This includes an assessment of any refinements to default definitions, curing definitions and industry trends.</p> <p>In respect of stage 3 exposures, assumptions are applied to estimate the recoverable amounts (including valuation in respect of the collateral) and timing of future cash flows of individual exposures. Management performed specific manual impairments for all stage 3 exposures.</p>	<p>Our response to the key audit matter included performing the following audit procedures in respect of the corporate and retail banking operations.</p> <p><b>Definitions, methodologies applied, judgements made in applying accounting policies including SICR, stage determination and migration, forward-looking information and collateral valuation</b></p> <ul style="list-style-type: none"> <li>• With the assistance from our credit modelling specialists, we assessed whether the key judgements made and the assumptions applied in the determination of SICR, stage determination and migration, forward-looking information and collateral valuations, in respect to the loan portfolio, were appropriate and aligned with the principles of IFRS 9. We assessed model design, tested key assumptions and inputs, and validated staging, forward-looking information, and collateral valuations for alignment with IFRS 9 through reperformance and inspection of supporting documentation.</li> </ul>

# Independent Auditor's Report continued

## Expected credit losses on loans and advances

Refer to:

- Basis of preparation, note 2(c), judgements and estimates
- Material accounting policies, note 4(d)(vii) Financial assets and liabilities, Impairment
- Note 5, Loans and Advances
- Note 6, Impairment Reversals/(Losses) on Financial Instruments and
- Note 29.1, Credit Risk Management

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> <li>• We identified relevant controls relating to the staging of loans and advances and evaluated the design and implementation and tested the operating effectiveness of these relevant controls.</li> <li>• For a sample of performing loans, we performed a review of the counterparty to assess whether there were any indicators of SICR which could indicate a staging migration.</li> <li>• For a sample of stage 3 exposures, we evaluated the impairment indicators and assumptions made by management in their assessment of the recoverability of the exposure. We also inspected the legal agreements to confirm the legal right to the collateral and independently calculated the ECL based on our assessment of the expected cash flows and recoverability of collateral at an individual counterparty level based on the requirements of IFRS 9.</li> </ul>

# Independent Auditor's Report continued

## Expected credit losses on loans and advances

Refer to:

- Basis of preparation, note 2(c), judgements and estimates
- Material accounting policies, note 4(d)(vii) Financial assets and liabilities, Impairment
- Note 5, Loans and Advances
- Note 6, Impairment Reversals/(Losses) on Financial Instruments and
- Note 29.1, Credit Risk Management

Key audit matter	How the matter was addressed in our audit
<p><b>Modelled ECL</b></p> <p>A significant portion of ECL is calculated on a modelled basis. The development and execution of these models require significant management judgement and assumptions, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD).</p> <ul style="list-style-type: none"> <li>• SICR is assessed based on the current risk of default of an account relative to its risk of default at origination. This incorporates judgement and estimation by management.</li> <li>• The assessment of SICR and resulting staging classification (Stage 2 and Stage 3) is based on qualitative and quantitative criteria, and is incorporated within the broader ECL methodology procedures, including evaluation of credit risk indicators, arrears, and forward-looking information, although not separately identified as a distinct procedure.</li> <li>• The determination of the write-off point, and application of the cure rules are based on management's judgement.</li> </ul> <p>The IFRS 9 impairment models are subject to formal model governance and approval.</p> <p>Due to the significant judgement and assumptions applied by management, the expected credit losses on loans and advances to customers was considered to be a key audit matter.</p>	<p><b>Modelled ECL</b></p> <ul style="list-style-type: none"> <li>• We obtained an understanding of management's data, methodologies and assumptions used in the various ECL models and how these were calibrated to use historical information and forward-looking information to estimate ECL.</li> <li>• We evaluated the design and implementation and tested the operating effectiveness of controls over the governance and approval of the ECL models.</li> <li>• With the assistance of our credit modelling Specialists, we independently reformed and recalculated ECL estimates for the corporate and retail banking portfolios, and independently reformed the PD, EAD and LGD parameters, to test the assumptions and appropriateness of the judgements applied in the ECL calculations.</li> <li>• We tested the completeness and accuracy of data inputs by agreeing key fields to underlying source systems and supporting documentation and reconciling the data to the general ledger.</li> </ul>
	<p><b>Outcome</b></p> <p>Based on the procedures performed above on the expected credit losses on loans and advances to customers, we did not identify any significant matters requiring further audit consideration.</p>

# Independent Auditor's Report continued

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "HBZ Bank Limited Annual Report for the year ended 31 December 2025", which includes the Report of the Audit Committee, the Bank's Secretary Certificate and the Report of the Directors as required by the Companies Act of South Africa of 2008. The other information does not include the financial statements and our auditor's report thereon but does include the items marked as unaudited in note 32 and note 33.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of South Africa of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

# Independent Auditor's Report continued

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of HBZ Bank Limited for 32 years.

**KPMG Inc.**  
**Registered Auditor**



Per Willem Pretorius  
Chartered Accountant (SA)  
Registered Auditor  
Partner

17 April 2026

6 Nokwe Avenue  
Umhlanga  
4000

# Statement of Financial Position

as at 31 December 2025

	NOTES	2025 R'000	2024 R'000
<b>ASSETS</b>			
Cash and cash equivalents	1	1 972 832	2 014 775
Investment securities	2	5 873 181	4 708 254
Other assets	3	19 431	21 089
Derivative assets held for risk management	4	29 672	18 884
Loans and advances	5	2 754 845	2 650 428
Property and equipment	7	49 649	51 407
Investment property	8	8 158	8 207
Right-of-use assets	9	11 992	11 085
Deferred tax assets	11	13 953	12 746
<b>Total assets</b>		<b>10 733 713</b>	<b>9 496 875</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Ordinary share capital	12	10 000	10 000
Share premium	12	40 000	40 000
General reserve	13	598 841	543 138
Retained earnings		234 609	261 355
		<b>9 850 263</b>	<b>8 642 382</b>
<b>LIABILITIES</b>			
Deposits and borrowings	14	9 775 717	8 574 309
Provisions	15	13 025	14 845
Other liabilities	16	19 993	20 814
Derivative liabilities held for risk management	17	26 972	18 161
Lease liabilities	10	14 556	14 253
<b>Total equity and liabilities</b>		<b>10 733 713</b>	<b>9 496 875</b>

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2025

	NOTES	2025 R'000	2024 R'000
Interest income calculated using the effective interest method	18	816 312	798 563
Interest expense	19	(323 144)	(304 390)
<b>Net interest income</b>		<b>493 168</b>	<b>494 173</b>
Commission and fees	20	32 708	33 671
Other operating income	21.1	29 507	25 279
Other income	21.2	56	-
<b>Net interest and other income</b>		<b>555 439</b>	<b>553 123</b>
Impairment (losses)/reversals on financial instruments	6	(15 913)	5 366
Operating expenses	22	(291 557)	(267 961)
<b>Profit before taxation</b>		<b>247 969</b>	<b>290 528</b>
Taxation	24.1	(69 012)	(78 944)
<b>Profit for the year</b>		<b>178 957</b>	<b>211 584</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>178 957</b>	<b>211 584</b>

# Statement of Changes in Equity

for the year ended 31 December 2025

	NOTES	ORDINARY SHARE CAPITAL R'000	SHARE PREMIUM R'000	GENERAL RESERVE R'000	RETAINED EARNINGS R'000	TOTAL R'000
<b>Balance at 31 December 2023</b>		10 000	40 000	543 138	184 771	777 909
Total profit and comprehensive income for the year		-	-	-	211 584	211 584
Ordinary dividends	25	-	-	-	(135 000)	(135 000)
Increase in general reserve		-	-	-	-	-
<b>Balance at 31 December 2024</b>		10 000	40 000	543 138	261 355	854 493
Total profit and comprehensive income for the year		-	-	-	178 957	178 957
Ordinary dividends		-	-	-	(150 000)	(150 000)
Increase in general reserve		-	-	55 703	(55 703)	-
<b>Balance at 31 December 2025</b>		10 000	40 000	598 841	234 609	883 450

# Statement of Cash Flows

for the year ended 31 December 2025

	NOTES	2025 R'000	2024 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	26.1	890 260	956 656
Cash paid to customers, employees and suppliers	26.2	(610 044)	(545 751)
Cash available from operations	26.3	280 216	410 905
Increase in advances		(111 169)	(519 352)
Increase in deposits and borrowings		1 197 052	714 475
Taxation paid	26.4	(72 136)	(79 304)
Decrease in sundry debtors	3	2 904	1 135
Increase in derivatives held for risk management	26.5	(1 977)	(4)
Dividends paid	25	(150 000)	(135 000)
<b>Net cash inflow from operating activities</b>		<b>1 144 890</b>	<b>392 855</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net movement in Treasury Bills		(775 620)	1 640 194
Net movement in Government Bonds		(386 216)	(1 748 921)
Capital expenditure on property and equipment		(3 673)	(3 060)
Proceeds on disposal of property and equipment		101	47
<b>Cash utilised in investing activities</b>		<b>(1 165 408)</b>	<b>(111 740)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease repayment		(5 722)	(6 109)
<b>Net outflow of financing activities</b>		<b>(5 722)</b>	<b>(6 109)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(26 240)</b>	<b>275 006</b>
Cash and cash equivalents at the beginning of the year		2 014 775	1 738 708
Effect of exchange rate fluctuations on cash and cash equivalents held		(15 703)	1 061
<b>Cash and cash equivalents at the end of the year</b>		<b>1 972 832</b>	<b>2 014 775</b>

As part of operating activities, interest income amounting to R 812m (2024: R899m) and interest expense amounting to R320m (2024: R285m) were received and paid in cash respectively

# Accounting Policies

for the year ended 31 December 2025

## 1. REPORTING ENTITY

HBZ Bank Limited (the Bank) is a company domiciled in the Republic of South Africa; the registered office address is Umhlanga Arch, Level 4, 1 Ncondo Place, Umhlanga Ridge, Durban, 4320, Kwa-Zulu Natal, South Africa. The Bank is wholly owned by Habib Bank AG Zurich. The Bank is primarily involved in corporate and retail banking.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards), and the requirements of the Companies Act of South Africa of 2008 as amended. They were authorised for issue by the Board of Directors on 10 April 2026.

### (b) Functional and presentation currency

These financial statements are presented in South African Rand, which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

### (c) Judgements and Estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amount of assets and liabilities, income and expenses.

Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Bank's financial statements is included in the following note:

Note 29: establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL.

Note 29: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding.

#### Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following note:

Note 29: impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

### (d) Basis of measurement

The financial statements have been prepared on the going concern principle under the historical cost basis except for the following items, which are measured on the following basis on each reporting date.

Items	Measurement basis
Derivative assets and liabilities held for risk management	Fair Value

### (e) New and revised IFRS standards in issue but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

The remaining new and revised standards that have not made mention are not applicable to the Bank and have no impact on the financial statements.

These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following standards and interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Bank:

#### Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

*Annual Periods beginning on or after 1 January 2026*

The amendments introduce an additional SPPI test for financial assets with contingent features that are

# Accounting Policies continued

for the year ended 31 December 2025

not related directly to a change in basic lending risks or costs. Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.

The amendments also include additional disclosures for all financial assets and financial liabilities that have certain contingent features that are:

- not related directly to a change in basic lending risks or costs; and
- are not measured at fair value through profit or loss

The amendments also clarify the key characteristics of contractually linked instruments (CLIs) and how they differ from financial assets with non-recourse features. This includes factors that a company needs to consider when assessing the cash flows underlying a financial asset with non-recourse features.

The amendments require additional disclosures for investments in equity instruments that are measured at fair value with gains or losses presented in other comprehensive income (FVOCI) and address the recognition and derecognition of financial assets and financial liabilities, including an exception relating to the derecognition of financial liabilities that are settled using an electronic payment system.

It is not expected to have a material impact on the Bank's financial statements.

## Annual Improvements to IFRS Accounting Standards – Volume 11

*Annual Periods beginning on or after 1 January 2026*

The amendments contained in the Annual Improvements relate to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter

IFRS 7 Financial Instruments: Disclosures:

- Gain or loss on derecognition
- Disclosure of differences between the fair value and the transaction price
- Disclosures on credit risk

IFRS 9 Financial Instruments:

- Derecognition of lease liabilities
- Transaction price
- IFRS 10 Consolidated Financial Statements – Determination of a 'de facto agent'
- IAS 7 Statement of Cash Flows – Cost Method

In this volume of improvements, the International Accounting Standards Board (IASB) makes minor amendments to IFRS 9 Financial Instruments and to a further four accounting standards. The amendments to IFRS 9 address:

- a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables; and
- how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9

The IASB has amended IFRS 9 to require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15.

In the case of lease liabilities, the amendment states that when lease liabilities are derecognised under IFRS 9, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

It is not expected to have a material impact on the Bank's financial statements.

## Presentation and Disclosure in Financial Statements (IFRS 18)

*Annual Periods beginning on or after 1 January 2027*

IFRS 18 Presentation and Disclosure in Financial Statements will replace IAS 1, and aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information.

The new accounting standard introduces the following key requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit and loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities net profit will not change
- Management -defined performance measures (MPMs) are disclosed in a single note in the financial statements
- Enhanced guidance is provided on how to group information in the financial statements

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cashflows under the indirect method.

The Bank is currently in the process of determining

# Accounting Policies continued

for the year ended 31 December 2025

the impact of this standard on future financial statements.

## Subsidiaries without Public Accountability: Disclosures IFRS 19

*Annual Periods beginning on or after 1 January 2027*

IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19.

A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:

- It does not have public accountability
- Its parent produces consolidated financial statements under IFRS Accounting Standards

A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted.

It is not expected to have a material impact on the Bank's financial statements.

## Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

Companies face challenges in applying IFRS 9 Financial Instruments to contracts referencing nature-dependent electricity – sometimes referred to as renewable power purchase agreements (PPA's). The International Accounting Standards Board (IASB) has now amended IFRS 9 to address these challenges. The amendments include guidance on :

- The 'own-use' exemption for purchasers of electricity under such PPAs ;
- and hedge accounting requirements for companies that hedge their purchases or sales of electricity using PPAs.

The IASB has also added new disclosure requirements for certain PPAs to IFRS 7 Financial Instruments: Disclosures and IFRS 19 Subsidiaries without Public Accountability: Disclosures.

## 3. ADOPTION OF NEW AND REVISED STANDARDS

The following newly effective standards and requirements are not expected to have a material impact on the Bank:

- Lack of Exchangeability – Amendments to IAS 21

## 4. MATERIAL ACCOUNTING POLICIES

Management has considered the principles of materiality in IFRS Practice statement 2 Making Materiality Judgements , and only those accounting policies which are considered material have been presented in these annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise

### (a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank (South African Rands) at exchange rates on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate on that date. Foreign currency differences arising on translation are recognised in profit or loss.

### (b) Interest

#### *Effective interest rate*

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset
- The amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

#### **Amortised cost and gross carrying amount**

The 'amortised cost' of a financial asset or financial

# Accounting Policies continued

for the year ended 31 December 2025

liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

## Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. It is not expected to have a material impact on the Bank's financial statements.

For information on when financial assets are credit-impaired, see Note 29.

## Impact of IFRS 9 ECL on Interest recognition

IFRS 9 requires interest income to be calculated on Stage 1 or Stage 2 financial assets by multiplying the effective interest rate by the gross carrying amount of such assets. Dissimilar to Stage 1 and Stage 2 assets, IFRS 9 requires interest income on Stage 3 financial assets to be calculated based on the net carrying value of the exposure, that is, the gross carrying value less the ECL allowance. In order to do so, the Bank first suspends the recognition of contractual interest and thereafter multiplies the net carrying value by the effective interest rate.

Unrecognised interest (Interest in suspense) is the

difference between the interest calculated on the gross carrying amount of the financial asset and the net interest amount calculated based on the net carrying value of the financial asset.

In an instance where the Bank recovers cash flows in excess of the cumulative interest previously recognised over the life of the instrument, the Interest in suspense recovered is recognised as a gain with the ECL.

## Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income (OCI) includes:

- Interest on financial assets and financial liabilities measured at amortised cost
- Profit received on Islamic Banking advances

Interest expense presented in the statement of profit or loss and OCI includes:

- Interest on financial liabilities measured at amortised cost
- Profit payable on Islamic Banking deposits

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

Included in interest received is the profit received on Islamic Banking advances. Interest paid includes profit payable on Islamic Banking deposits.

## (c) Commission and fees income and expenditure

Commission and fees and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, fees from telegraphic transfers, foreign exchange fees, facility processing fees, fees from bank charges – is recognised at a point in time, as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

# Accounting Policies continued

for the year ended 31 December 2025

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

## (d) Financial assets and liabilities

### i. Initial recognition and measurement

The Bank initially recognises loans and advances and deposits and borrowings, on the date at which they originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Subsequent to initial recognition, financial assets are measured at their amortised cost using the effective interest method except where the Bank designates assets at FVTPL.

A financial asset or financial liability is measured initially at fair value plus transaction costs (for items not at fair value through profit and loss (FVTPL)).

Subsequent to initial recognition, financial liabilities (deposits and borrowings) are measured at their amortised cost using the effective interest method except where the Bank designates liabilities at FVTPL.

The effective interest of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest is applied to the gross carrying amount of the asset (when the asset is not credit - impaired) or to the amortised cost of the liability.

### ii. Classification

#### Financial assets

The Bank classifies its financial assets in the following categories: amortised cost and financial assets at FVTPL. Management determines the classification of its investments at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI

Cash and cash equivalents, Loans and advances

and Investment securities are classified as held at amortised cost.

Foreign exchange forward and spot contracts are marked to market and classified as FVTPL. Fair values are obtained from discounted cash flow models, which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included in foreign exchange income as they arise.

#### Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management.

The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue or realising cash flows through the sale of the assets.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Loans and advances comprise of overdrafts, commercial loans, staff loans, syndicated loans, trust receipts and customer bills receivable that are held for collecting contractual cash flows.

Investment securities comprise treasury bills, government bonds and sukuks with the objective of holding these assets to collect contractual cash flows.

#### Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

# Accounting Policies continued

for the year ended 31 December 2025

## Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

## Financial liabilities

Deposits and borrowings are the Bank's sources of debt funding. Deposits and borrowings are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest rate method. Included in deposits are Islamic deposits in terms of Mudaraba. The Bank measures derivative liabilities and other liabilities that are financial instruments at FVTPL.

### iii. Derecognition

A financial asset is derecognised when:

- The contractual rights to the receipt of cash flows arising from the financial assets have expired or
- It has transferred its rights to receive the contractual cash flows from the financial asset and has substantially transferred all the risks and rewards of ownership of the financial asset. Any interest retained in the financial assets is recognised separately
- The entity neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset

A financial liability is derecognised when its contractual obligations are discharged, cancelled or expired.

### iv. Modifications of financial assets and financial liabilities

#### Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. The Bank also considers qualitative factors in assessing modifications of financial assets.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset
- Other fees are included in profit or loss as part of the gain or loss on derecognition

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If such a modification is carried out, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

#### Financial liabilities

A financial liability is derecognised when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For variable-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### v. Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

# Accounting Policies continued

for the year ended 31 December 2025

## vi. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access to at that date. The fair value of a liability reflects its non-performance risk.

When available, the fair value of an instrument is measured using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates many of the factors that market participants would take into account in pricing a transaction.

## vii. Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents
- Investment securities
- Loans and advances
- Financial guarantee contracts issued
- Loan commitments issued

Loss allowances are measured at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition for which they are measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Stage 1 financial instruments have not undergone a significant increase in their credit risk since initial recognition and are not credit impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Stage 2 financial instruments are those instruments that have undergone a significant increase in their credit reliance recognition.

Financial instruments for which lifetime ECL are recognised and that are credit impaired are referred to as Stage 3 financial instruments.

### Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive)
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive

### Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- Any credit exposure that is tagged as restructured in line with the Bank's policy as at the reporting date, will be classified as Stage 2 for the purpose of computation of expected credit losses. This excludes rescheduled exposures based on non-credit risk related reasons
- A restructuring flag is set in the system showing the inability of the borrower to continue servicing the debt without any relief in the terms and conditions. Restructured cases need to continue being flagged from the start until they have resumed their initial terms and conditions again and can be moved to Stage 1 again
- Regardless of the interest and amortisation payments, it is only possible in exceptional cases to be duly approved by the local Central Credit Committee (The CCC) and Group Credit Management Committee (GCMC) – to keep restructured advances in Stage 1 status
- If the expected restructuring will not result in derecognition of the existing asset, then the

# Accounting Policies continued

for the year ended 31 December 2025

expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset

## Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as a default or past due event
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for a financial asset because of financial difficulties

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields
- The rating agencies' assessments of creditworthiness

## Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets
- Loan commitments and financial guarantee contracts: generally, as a provision

## Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

This determination is made after considering all relevant facts and circumstances, including the borrower's financial position, the realisable value of collateral, and the outcome of recovery procedures.

A write-off constitutes a reduction of the gross carrying amount of the financial asset. The write-off is applied against the related loss allowance and does not result in additional impairment expense at the date of write-off, unless the loss allowance is insufficient.

Write-off does not automatically result in derecognition of the financial asset. The Bank may continue to undertake enforcement and recovery activities in accordance with its internal policies and legal rights, even after the asset has been written off.

Recoveries of amounts previously written off are recognised in profit or loss as a credit to impairment losses on financial instruments in the period in which they are received.

## viii. Non-financial assets

Non - financial assets are measured at their cost less impairment losses.

## ix. Other payables

Other payables are measured at cost.

# Accounting Policies continued

for the year ended 31 December 2025

## x. Derivative financial instruments

The Bank uses derivative financial instruments to manage its exposure to foreign currency risk arising from operational activities.

Derivative financial instruments are recognised at the fair value. The gain or loss on fair value movements is recognised immediately in the statement of profit or loss and OCI through profit or loss.

## (e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

## (f) Loans and advances

The loans and advances caption in the statement of financial position includes loans and advances measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

The loans and advances caption in the statement of financial position includes:

- Islamic Advances in terms of Murabaha and Musharakah arrangements
- Loans and advances

The above are measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

## (g) Investment securities

Investment securities primarily consist of treasury bills, government bonds and sukuks and are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective interest method.

## (h) Share capital

### Ordinary shares

Costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

## (i) Property and equipment

### i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

### ii. Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

### iii. Depreciation

Depreciation is charged to the statement of profit or loss and OCI on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated although it is subject to impairment testing.

The depreciation rates are as follows:

Land and Buildings	5% per annum
Leasehold improvements	20% per annum
Capital improvements	20% per annum
Furniture and Fittings	15% per annum
Office Equipment	25 % per annum
Computers	25% per annum
Motor vehicles	20% per annum

Depreciation methods, useful lives and residual values are reassessed annually at the reporting date.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised in profit or loss in the year in which they arise. Property Plant and Equipment's fair values were obtained from independent, external valuers who have recent experience and recognised and relevant professional qualifications. The valuers considered the current economic environment and the estimated impact on all the valuation inputs.

The fair value hierarchy and valuation inputs were determined at a Level 3.

# Accounting Policies continued

for the year ended 31 December 2025

## (j) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment. The estimated useful life of investment property is 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Investment properties' fair values were obtained from independent, external valuers who have recent experience and recognised and relevant professional qualifications. The valuers considered the current economic environment and the estimated impact on all the valuation inputs.

The fair value hierarchy and valuation inputs were determined at a Level 3.

## (k) Impairment of property and equipment and investment property

At each reporting date, the Bank reviews the carrying amounts of its property, equipment and investment property to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use.

An impairment loss is recognised immediately in profit or loss.

### Reversals of Impairment

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss that has been recognised for the asset in prior years.

## (l) Leases

### The Bank as a lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract.

The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets, printers and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the Bank under residual value guarantees
- The exercise price of purchase options, if the Bank is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

# Accounting Policies continued

for the year ended 31 December 2025

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option; extension or termination option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers

those payments occurs and are included in 'Operating expenses' in profit or loss (see Note 22).

## The Bank as lessor

The Bank enters into rental agreements as a lessor with respect to its investment property. Leases for which the Bank is a lessor are classified as operating leases. The terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee, and the leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration under the contract to each component.

## (m) Provisions

A provision is recognised if, as a result of a past event the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Included in provisions are loss allowances for off-balance sheet ECLs, leave pay provisions and bonus provisions. The bonus provision is based on the results of the Bank and the related performance evaluation of the employees.

## (n) Loan commitments and financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the debt instrument.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantee liabilities are initially recognised off-balance sheet at their fair value. If the guarantee is issued to an unrelated party on a commercial basis, the initial fair value is likely to exceed the premium received.

Subsequent measurement is at the higher of:

- IFRS 9 loss allowance
- The amount initially recognised less cumulative income recognised in accordance with IFRS 15

# Accounting Policies continued

for the year ended 31 December 2025

Other loan commitments issued are measured at the higher of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised in accordance with IFRS. Derecognition policies are applied to loan commitments issued and held.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

## (o) Employee benefits

### i. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit or loss and OCI as incurred.

### ii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision for leave pay is raised for leave which has accrued to staff, and for which the Bank is liable.

## (p) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the statement of profit or loss and OCI except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

## Canada



# Accounting Policies continued

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Bank takes into account the impact of uncertain tax positions regarding the Income Tax Profit/(Loss) and whether additional tax and interest may be due. This assessment relies on estimates and assumptions and may involve series of judgements about future events. New information may become available that causes the bank to change its judgement regarding the adequacy of existing liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made. In the 2025 financial period, there have been no information which resulted in the bank changing its judgement which could impact the tax expense for the period.

Deferred tax assets and liabilities are required to be offset only in certain restricted scenarios. Deferred tax assets and liabilities must be recognised gross in the statement of financial position unless:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority

## (q) Contingencies and commitments

Transactions are classified as contingencies where the Bank's obligations depend on uncertain future events and principally consist of third-party obligations underwritten by banking operations.

Items are classified as commitments where the Bank commits itself to future transactions or if the items will result in the acquisition of assets.

## (r) Related party transactions

Related parties include the holding company of HBZ Bank Limited, Habib Bank AG Zurich, its fellow subsidiaries and associate companies, prescribed officers and Directors of HBZ Bank Limited, as well as their close family members. All related party transactions have taken place in the ordinary course of business. Balances with related parties are included under note 31.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>1. CASH AND CASH EQUIVALENTS</b>		
Balances with central bank other than the mandatory reserve balance	692 505	903 427
Mandatory reserve with central bank	225 309	203 041
Balances with other banks	1 054 451	904 763
Cash on hand	2 593	4 230
Less: ECL on performing cash and cash equivalents (stage 1)	(2 026)	(686)
Cash and cash equivalents after ECL	<u>1 972 832</u>	<u>2 014 775</u>
Mandatory reserves with the central bank are subject to certain restrictions and limitations leveled by the central bank.		
<b>Maturity analysis</b>		
On demand to one month	1 764 738	1 673 302
One month to six months	-	209 929
Six months to one year	208 094	131 544
	<u>1 972 832</u>	<u>2 014 775</u>
The Bank has a value of of R 15.1m held as a margin with other financial institutions.		
<b>2. INVESTMENT SECURITIES</b>		
Treasury bills	3 823 786	3 009 218
Less: ECL on performing investment securities (stage 1)	(6 971)	(6 720)
	<u>3 816 815</u>	<u>3 002 498</u>
<b>Maturity analysis</b>		
On demand to one month	696 800	99 122
One month to six months	371 433	265 783
Six months to one year	2 748 582	2 637 593
	<u>3 816 815</u>	<u>3 002 498</u>
Government bonds	2 056 769	1 706 107
Less: ECL on performing investment securities (stage 1)	(403)	(351)
	<u>2 056 366</u>	<u>1 705 756</u>
<b>Maturity analysis</b>		
On demand to one month	1 395	-
One month to six months	41 645	-
Six months to one year	507 909	-
Greater than one year but less than five years	1 505 417	1 705 756
	<u>2 056 366</u>	<u>1 705 756</u>
<b>3. OTHER ASSETS</b>		
Prepayments	14 067	12 821
Sundry debtors	5 364	8 268
	<u>19 431</u>	<u>21 089</u>
There is insignificant credit risk on the above, due to their short-term nature.		

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>4. DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT</b>		
Forward foreign exchange contracts	29 672	18 884
	<b>29 672</b>	<b>18 884</b>
<b>5. LOANS AND ADVANCES</b>		
Overdrafts	415 319	362 614
Loans	2 394 587	2 335 700
Staff loans	2 807	2 424
Commercial loans	2 233 798	2 160 946
Trust receipts	157 982	172 330
Bills receivable	-	-
	<b>2 809 906</b>	<b>2 698 314</b>
Stage 3 Expected Credit Losses	(41 053)	(40 587)
Stage 2 Expected Credit Losses	(1 256)	(256)
Stage 1 Expected Credit Losses	(12 752)	(7 043)
	<b>(55 061)</b>	<b>(47 886)</b>
	<b>2 754 845</b>	<b>2 650 428</b>
<b>Maturity analysis</b>		
On demand to one month	782 410	726 127
One month to six months	425 675	441 083
Six months to one year	189 342	269 076
Greater than one year	1 357 418	1 214 142
	<b>2 754 845</b>	<b>2 650 482</b>
Islamic Banking advances are included in commercial loans.		
<b>6. IMPAIRMENT (LOSSES)/REVERSALS ON FINANCIAL INSTRUMENTS</b>		
Net impairment (losses)/reversals		
Stage 3 Expected Credit Losses	(466)	5 266
Stage 2 Expected Credit Losses	(999)	753
Stage 1 Expected Credit Losses	(7 478)	725
	<b>(8 943)</b>	<b>6 744</b>
Other adjustments	(5 701)	1 499
Write-offs	(1 269)	(2 877)
	<b>(15 913)</b>	<b>5 366</b>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 7. PROPERTY AND EQUIPMENT

### 2025

	COST R'000	ACCUMULATED DEPRECIATION R'000	CARRYING AMOUNT R'000
Land and buildings	41 380	-	41 380
Furniture & fittings	5 549	(4 421)	1 128
Leasehold improvements	9 997	(8 575)	1 422
Capital improvements	10 469	(8 694)	1 775
Office equipment	6 198	(5 643)	555
Motor vehicles	1 812	(1 715)	97
Computers	15 628	(12 221)	3 407
	<b>90 918</b>	<b>(41 269)</b>	<b>49 649</b>

### 2024

	R'000	R'000	R'000
Land and buildings	41 380	-	41 380
Furniture & fittings	5 770	(4 303)	1 467
Leasehold improvements	8 945	(8 678)	267
Capital improvements	10 414	(6 827)	3 587
Office equipment	6 711	(5 807)	904
Motor vehicles	1 812	(1 348)	464
Computers	14 928	(11 590)	3 338
	<b>89 960</b>	<b>(38 553)</b>	<b>51 407</b>

	OPENING CARRYING AMOUNT R'000	ADDITIONS R'000	DISPOSALS R'000	DEPRECIATION R'000	CARRYING AMOUNT R'000
<b>2025 MOVEMENTS</b>					
Land and buildings	41 380	-	-	-	41 380
Furniture & fittings	1 467	132	(1)	(470)	1 128
Leasehold improvements	267	1 528	(13)	(360)	1 422
Capital improvements	3 587	55	-	(1 867)	1 775
Office equipment	904	84	-	(433)	555
Motor vehicles	464	-	-	(367)	97
Computers	3 338	1 874	(31)	(1 774)	3 407
	<b>51 407</b>	<b>3 673</b>	<b>(45)</b>	<b>(5 271)</b>	<b>49 649</b>

	R'000	R'000	R'000	R'000	R'000
<b>2024 MOVEMENTS</b>					
Land and buildings	41 380	-	-	-	41 380
Furniture & fittings	1 766	226	-	(525)	1 467
Leasehold improvements	240	146	-	(119)	267
Capital improvements	5 016	551	-	(1 980)	3 587
Office equipment	990	364	(2)	(448)	904
Motor vehicles	832	-	-	(368)	464
Computers	3 438	1 773	(45)	(1 828)	3 338
	<b>53 662</b>	<b>3 060</b>	<b>(47)</b>	<b>(5 268)</b>	<b>51 407</b>

As at 31 December 2025 the fair value of Land and Buildings equated to R 44 900 000 (2024: R 44 500 000).

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 8. INVESTMENT PROPERTY

Rental income for this property is not fixed and is received on an ad-hoc basis.

	2025			2024		
	COST	ACCUMULATED DEPRECIATION	CARRYING AMOUNT	COST	ACCUMULATED DEPRECIATION	CARRYING AMOUNT
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	8 486	(328)	8 158	8 486	(279)	8 207

	2025 R'000	2024 R'000
<b>CARRYING AMOUNT AS AT 1 JANUARY</b>	<b>8 207</b>	<b>8 258</b>
Additions	-	-
Disposals	-	-
Depreciation	(49)	(51)
Carrying amount as at 31 December	<b>8 158</b>	<b>8 207</b>
Amounts recognised in profit or loss		
- Rental income	581	376
- Direct operating expenses that generated rental income	(125)	(94)
- Depreciation	(49)	(51)

The fair value of the property is R 9.6 million (2024: R 9.6 million).

The fair value was determined by external valuers based on the comparable sales method.

Investment property is recognised under the depreciated initial cost model. Refer to the investment property accounting policy for further details.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 9. RIGHT-OF-USE ASSETS

The Bank leases several commercial buildings.

	2025 R'000	2024 R'000
Opening balance as at 1 January	11 085	16 937
Additions	7 382	-
Modifications	(1 089)	-
Depreciation	(5 386)	(5 852)
Balance as at 31 December	11 992	11 085
Amounts recognised in profit or loss		
Depreciation expense on right-of-use asset	5 386	5 852
Interest expense on lease liability	1 144	1 004
Expense relating to leases of low value assets	595	584
Amounts recognised in statement of cash flows		
Total cash outflow	6 866	7 113

At 31 December 2025, the Bank is not committed to any short-term leases.

None of the property leases in which the Bank is the lessee contain variable lease payment terms that are linked to revenue generated from leased properties. Expenses relating to variable lease payments not included in the measurement of the lease liability relate to rates, water and electricity of the premises.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 10. LEASE LIABILITIES

Opening balance as at 1 January

Additions

Interest incurred on lease liability

Modifications

Lease repayments

Balance as at 31 December

Amounts due for settlement within 1 year

Amounts due for settlement after 1 year

### Maturity analysis

Not later than 1 year

Later than 1 year and not later than 5 years

Later than 5 years

Less future finance charges

Present value of lease obligations

	2025 R'000	2024 R'000
	14 253	20 362
	7 382	-
	1 144	1 004
	(1 357)	-
	(6 866)	(7 113)
	<b>14 556</b>	<b>14 253</b>
	4 421	5 290
	10 135	8 963
	<b>14 556</b>	<b>14 253</b>
	5 379	5 956
	10 337	7 972
	1 629	2 312
	(2 789)	(1 987)
	<b>14 556</b>	<b>14 253</b>

For the year ended 31 December 2025, the average effective borrowing rate was an interpolated rate of 6.61% (2024: 7.63%)

Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in local currency. The fair value of the Bank's lease obligations as at 31 December 2025 is estimated to approximate the carrying value of the lease. The Bank's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 9.

The Bank does not face a significant liquidity risk due to lease liabilities.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>11. DEFERRED TAX ASSETS</b>		
Deferred tax analysis		
- impairment of doubtful debt	6 413	2 733
- other accruals and provisions	3 106	5 550
- wear and tear allowances	180	31
- right-of-use asset	(3 238)	(2 993)
- lease liabilities per note 10	3 930	3 849
- deferred loan origination fees	3 561	3 576
Deferred taxation asset	<b>13 953</b>	<b>12 746</b>
<b>Deferred tax movement</b>		
Opening balance as at 1 January	12 746	10 976
Current year temporary differences	1 207	1 770
- impairment of doubtful debt	3 680	(2 487)
- other accruals and provisions	(2 444)	3 771
- fixed asset allowances	149	39
- right of use asset	(244)	1 580
- lease liability	81	(1 649)
- deferred loan origination fees	(15)	516
Balance as at 31 December	<b>13 953</b>	<b>12 746</b>
<b>12. ORDINARY SHARE CAPITAL AND SHARE PREMIUM</b>		
<b>Authorised</b>		
10 000 000 Ordinary shares of R1 each	10 000	10 000
10 000 000 Ordinary shares at no par value	-	-
<b>Issued</b>		
10 000 000 Ordinary shares of R1 each issued at R5 each		
Ordinary share capital	10 000	10 000
Share premium	40 000	40 000
<b>13. GENERAL RESERVE</b>		
General reserve	<b>598 841</b>	<b>543 138</b>
The reserve has been created specifically for the retention of capital to ensure the Bank complies with the required capital adequacy ratio as stipulated by the Banks Act 94 of 1990. The bank appropriates profits that were not issued as a dividend into the general reserve when necessary. Refer to note 32 for further details on capital risk.		

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>14. DEPOSITS AND BORROWINGS</b>		
Deposits and loans from banks	193 507	180 241
Demand deposits	3 760 225	3 703 621
Savings deposits	532 123	580 700
Fixed deposits	4 012 107	2 924 878
Notice deposits	1 277 755	1 184 869
	<b>9 775 717</b>	<b>8 574 309</b>
<b>Maturity analysis</b>		
On demand to one month	6 674 536	6 609 854
One month to six months	1 602 899	946 607
Six months to one year	1 498 282	1 017 848
Greater than one year	-	-
	<b>9 775 717</b>	<b>8 574 309</b>
Islamic Banking deposits are included in demand, savings, fixed and notice deposits.		
<b>15. PROVISIONS</b>		
Provision for leave pay		
Opening balance as at 1 January	7 157	7 690
Provisions made/(reversed) during the year	1 445	(533)
Balance as at 31 December	<b>8 602</b>	<b>7 157</b>
Provision for short-term incentives		
Opening balance as at 1 January	7 510	7 218
Prior year under provision	326	46
Short-term incentives paid	(7 836)	(7 264)
Provisions made during the year	4 120	7 510
Balance as at 31 December	<b>4 120</b>	<b>7 510</b>
ECL on off balance sheet items		
Opening balance as at 1 January	178	130
stage 1 net movement	125	168
stage 2 net movement	-	-
stage 3 net movement	-	(120)
Balance as at 31 December	<b>303</b>	<b>178</b>
Total provisions on statement of financial position	<b>13 025</b>	<b>14 845</b>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>16. OTHER LIABILITIES</b>		
Creditors	14 404	5 162
Other payables	5 018	13 164
Income tax payable	571	2 488
	<b>19 993</b>	<b>20 814</b>
<b>17. DERIVATIVE LIABILITIES HELD FOR RISK MANAGEMENT</b>		
Forward foreign exchange contracts	26 972	18 161
<b>18. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD</b>		
Cash and cash equivalents	69 853	99 625
Investment securities	437 806	429 895
Loans and advances	308 653	269 043
	<b>816 312</b>	<b>798 563</b>
<b>19. INTEREST EXPENSE</b>		
Deposits from banks	13 060	8 310
Deposits from customers	310 084	296 080
	<b>323 144</b>	<b>304 390</b>
<b>20. COMMISSION AND FEES</b>		
Account servicing fees	19 357	19 105
Fees from telegraphic transfers	3 030	2 947
Foreign exchange fees	169	180
Facility processing fees	9 741	10 372
Fees from bank charges	411	1 067
	<b>32 708</b>	<b>33 671</b>
<b>21.1 OTHER OPERATING INCOME</b>		
Foreign exchange income	29 507	25 279
	<b>29 507</b>	<b>25 279</b>
<b>21.2 OTHER INCOME</b>		
Net profit on disposal of property and equipment	56	-
	<b>56</b>	<b>-</b>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 22. OPERATING EXPENSES

Operating expenses include:

Directors' remuneration (see note 23)

Auditor's remuneration

- Statutory

- Non audit related services

- Audit related services

Depreciation expense for Investment property and property and equipment

Commission expense

Services rendered by group companies

Retirement benefit costs

- key management personnel

- other personnel

Equipment leases

Staff costs

Services rendered by group companies are paid to HBZ Services AG Zurich and Habib Bank AG Zurich (the Bank's holding company - see note 31).

## 23. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Non-executive directors

For services as a director

- O D Grobler (retired 31 March 2024)

- Y D Singh

- NP Mnxasana

- LP Fourie

- DC Moephuli

- S Rapeti

- A Paruk (appointed 1 July 2025)

- MH Habib\*

- MA Nathani\*

	2025 R'000	2024 R'000
Directors' remuneration (see note 23)	10 310	9 743
Auditor's remuneration	3 696	3 298
- Statutory	2 697	2 526
- Non audit related services	80	50
- Audit related services	919	722
Depreciation expense for Investment property and property and equipment	5 320	5 319
Commission expense	25 539	25 063
Services rendered by group companies	82 340	67 325
Retirement benefit costs	6 400	6 206
- key management personnel	436	491
- other personnel	5 964	5 715
Equipment leases	595	584
Staff costs	88 994	88 827
<b>23. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION</b>		
Non-executive directors		
For services as a director	3 550	3 431
- O D Grobler (retired 31 March 2024)	-	156
- Y D Singh	1 100	1 100
- NP Mnxasana	525	525
- LP Fourie	625	625
- DC Moephuli	575	531
- S Rapeti	525	494
- A Paruk (appointed 1 July 2025)	200	-
- MH Habib*	-	-
- MA Nathani*	-	-

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 23. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION CONTINUED

	REMUNERATION	RETIREMENT BENEFITS	TOTAL REMUNERATION
<b>2025 DIRECTORS EMOLUMENTS</b>			
<b>Executive directors</b>			
- AN Cameron - Chief Executive Officer	6 410	350	6 760
- A Iqbal*	-	-	-
Total directors' remuneration			10 310
<b>Prescribed Officers</b>			
- Z Mitha - Chief Financial Officer	7 630	436	8 066
- F Anwar - Chief Operating Officer	2 784	129	2 913
- K Maharaj - Acting Head of Credit	3 093	157	3 250
	1 752	150	1 902
<b>2024 DIRECTORS EMOLUMENTS</b>			
<b>Executive directors</b>			
- AN Cameron - Chief Executive Officer	5 962	350	6 312
- A Iqbal *	-	-	-
Total directors' remuneration			9 743
<b>Prescribed Officers</b>			
- Z Mitha - Chief Financial Officer	7 583	491	8 074
- F Anwar - Chief Operating Officer	2 447	191	2 638
- K Maharaj - Chief Risk Officer	3 147	150	3 297
	1 989	150	2 139

\* These directors are not remunerated for the services rendered to HBZ Bank Limited.

- The Prescribed Officers of the Bank are assessed and approved by the Board on an annual basis. The Prescribed Officers are the Chief Financial Officer, Chief Operating Officer and Chief Risk Officer.
- Non-Executive Directors are only compensated for their services in the form of directors fees. No other form of remuneration was paid to these directors.
- Remuneration for Executive Directors and Prescribed Officers include all compensation received for services rendered to the Bank.
- In terms of the Memorandum of Incorporation the appointment of an Independent Non-Executive Director is for a period of three years where-after each director retires on rotation. Independent Non-Executive Directors are however eligible to offer themselves available for reappointment.
- If there are circumstances necessitating the termination of the contract before the three year period has expired then each party will have the right to terminate the contract by giving the other party three months written notice of termination.

The Bank has a short-term incentive scheme in place for its employees. The incentive is based on the Bank's financial and non-financial performance for the 2025 financial year but payable in the 2026 financial year.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>24. TAXATION</b>		
<b>24.1 SOUTH AFRICAN NORMAL TAXATION</b>		
Current tax expense	68 229	78 216
Prior year under provision	1 990	2 498
Deferred tax expense	(1 058)	(12)
Prior year (over) provision	( 149)	(1 758)
Total taxation	<u>69 012</u>	<u>78 944</u>
<b>24.2 RECONCILIATION OF EFFECTIVE TAX RATE</b>		
SA normal taxation	27,00%	27,00%
- Permanent difference	0,09%	(0,08%)
- Prior year net under provision	0,74%	0,25%
Effective tax rate	<u>27,83%</u>	<u>27,17%</u>
<b>25. DIVIDENDS</b>		
Final dividend of 1500 cents per share (2024: 1350 cents per share)	<u>150 000</u>	<u>135 000</u>
<b>26. CASH FLOW INFORMATION</b>		
<b>26.1 CASH RECEIPTS FROM CUSTOMERS</b>		
Interest income	812 342	898 767
Other income	77 918	57 889
	<u>890 260</u>	<u>956 656</u>
<b>26.2 CASH PAID TO CUSTOMERS, EMPLOYEES AND SUPPLIERS</b>		
Interest paid	(319 933)	(285 179)
Other payments	(290 111)	(260 572)
	<u>(610 044)</u>	<u>(545 751)</u>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

	2025 R'000	2024 R'000
<b>26. CASH FLOW INFORMATION CONTINUED</b>		
<b>26.3 CASH AVAILABLE FROM OPERATIONS</b>		
Profit before tax	247 969	290 528
Adjusted for:		
- Depreciation	5 320	5 319
- Depreciation of right-of-use asset	5 386	5 852
- Effect of exchange rate fluctuations on cash and cash equivalents held	15 703	(1 061)
- Impairment losses/(reversals)	7 603	(5 704)
- Profit on disposal of property and equipment	( 56)	-
- Increase in prepayments	(1 246)	( 633)
- (Decrease)/increase in creditors and other payables	1 096	(1 566)
- (Decrease)/increase in provisions	(1 945)	( 241)
- Adjustment for non-cash interest income	386	118 411
	<b>280 216</b>	<b>410 905</b>
<b>26.4 TAXATION PAID</b>		
Amount payable at 1 January	(2 488)	(1 078)
Tax expense	(70 219)	(80 714)
Amount payable as at 31 December	571	2 488
	<b>(72 136)</b>	<b>(79 304)</b>
<b>26.5 DERIVATIVES HELD FOR RISK MANAGEMENT</b>		
Increase in derivative assets	(10 788)	(12 948)
Increase in derivative liabilities	8 811	12 944
	<b>(1 977)</b>	<b>(4)</b>
<b>27. LETTERS OF CREDIT AND FINANCIAL GUARANTEE CONTRACTS</b>		
Letters of credit	46 316	56 412
Guarantees issued on behalf of customers	218 719	207 493
	<b>265 035</b>	<b>263 905</b>

Letters of Credit and guarantees have fixed expiry dates.

As commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

For details on the other off-balance sheet items, refer to note 29.1.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 28. PRINCIPAL FOREIGN CURRENCY CONVERSION RATES

Swiss franc

United States dollar

Pound sterling

Emirati Dirham

2025 R	2024 R
20,96	20,81
16,62	18,79
22,36	23,62
4,52	5,12

One unit of foreign currency converted to the Rand equals

## 29. RISK MANAGEMENT

### 29.1 CREDIT RISK MANAGEMENT

Credit Risk Management is to maximise a bank's risk-adjusted rate of return by maintaining the credit risk exposure within acceptable parameters. This constitutes the Bank's core business and is managed within the Board approved Credit Risk Management Framework (CRMF). This Framework covers Credit Risk Management, incorporating key excerpts from the Group Credit Policy including the Credit approval mandate levels and Credit Risk Monitoring and Governance structures. CRMF is a key component of the Group's Enterprise-wide Risk Management Framework (ERMF) and Capital Management and Risk Appetite Framework (CMRAF).

The Local Credit Committee (LCC) monitors the Bank's credit portfolio, risk procedures, policies and credit standards.

The LCC, under the guidance of the Group Credit Management Committee (GCMC), is the Bank's independent risk control unit that validates the Bank's regulatory Credit Capital Models and IFRS 9 Impairment Models. It also champions the Basel III and IFRS 9 methodologies in the Bank to ensure consistency in the credit rating process.

The LCC calculates and consolidates Credit Regulatory and Economic Capital and IFRS 9 Impairment amounts in the Bank, implementing all regulatory Model updates.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

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 loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. The notional amount does not represent the maximum exposure and is the sum of the absolute value of all contracts for both derivative assets and liabilities.

	2025			TOTAL R'000
	STAGE 1 R'000	STAGE 2 R'000	STAGE 3 R'000	
<b>CASH AND CASH EQUIVALENTS</b>				
Grades 0: low to fair risk	1 974 858	-	-	1 974 858
Loss allowance	(2 026)	-	-	(2 026)
Carrying amount	1 972 832	-	-	1 972 832
<b>LOANS AND ADVANCES</b>				
Grade 0: Low to fair risk	2 614 515	-	-	2 614 515
Grade 1: Monitoring	-	63 735	-	63 735
Grade 2: Substandard	-	-	42 162	42 162
Grade 3: Doubtful	-	-	4 304	4 304
Grade 4 - 10: Loss	-	-	85 190	85 190
	2 614 515	63 735	131 656	2 809 906
Loss allowance	(12 753)	(1 255)	(41 053)	(55 061)
Carrying amount	2 601 762	62 480	90 603	2 754 845
<b>INVESTMENT SECURITIES</b>				
Grade 0: Low to fair risk	5 880 555	-	-	5 880 555
Loss allowance	(7 374)	-	-	(7 374)
Carrying amount	5 873 181	-	-	5 873 181
<b>FINANCIAL GUARANTEE CONTRACTS</b>				
Grade 0: Low to fair risk	265 035	-	-	265 035
Grade 1: Monitoring	-	-	-	-
Grade 2: Substandard	-	-	-	-
Loss allowance	(303)	-	-	(303)
Carrying amount	264 732	-	-	264 732

Loan commitments and guarantees are on demand.

Refer to note 27 for gross loan commitments and contingent liabilities for which the above ECL relate to.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### i. Credit quality analysis continued

	2024			
	STAGE 1 R'000	STAGE 2 R'000	STAGE 3 R'000	TOTAL R'000
<b>CASH AND CASH EQUIVALENTS</b>				
Grades 0: low to fair risk	2 015 461	-	-	2 015 461
Loss allowance	(686)	-	-	(686)
Carrying amount	2 014 775	-	-	2 014 775
<b>LOANS AND ADVANCES</b>				
Grade 0: Low to fair risk	2 556 296	-	-	2 556 296
Grade 1: Monitoring	-	34 177	-	34 177
Grade 2: Substandard	-	-	30 571	30 571
Grade 3: Doubtful	-	-	9 046	9 046
Grade 4 - 10: Loss	-	-	68 224	68 224
	2 556 296	34 177	107 841	2 698 314
Loss allowance	(7 043)	(256)	(40 587)	(47 886)
Carrying amount	2 549 253	33 921	67 254	2 650 428
<b>INVESTMENT SECURITIES</b>				
Grade 0: Low to fair risk	4 715 325	-	-	4 715 325
Loss allowance	(7 071)	-	-	(7 071)
Carrying amount	4 708 254	-	-	4 708 254
<b>FINANCIAL GUARANTEE CONTRACTS</b>				
Grade 0: Low to fair risk	263 905	-	-	263 905
Grade 1: Monitoring	-	-	-	-
Grade 2: Substandard	-	-	-	-
Loss allowance	(178)	-	-	(178)
Carrying amount	263 727	-	-	263 727

The following table shows an analysis of counterparty credit exposures arising from derivative transactions. The notional amount is the sum of the absolute value of all contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the group's participation in derivative contracts. For further discussion of collateral and other credit enhancements, see notes below.

	OVER-THE-COUNTER	
	OTHER BILATERAL COLLATERALISED	
	NOTIONAL AMOUNT	NOTIONAL AMOUNT
	2025	2024
	R'000	R'000
Derivative assets	707 535	358 853
Derivative liabilities	683 253	358 132

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### ii. Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of 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 2025, the gross amount of advances to customers in default amounted to R131.7 million (2024: R107.8 million) and the market value of identifiable collateral (mainly fixed properties) held for these advances amounted to R361 million (2024: R338 million).

The Bank receives collateral in the form of cash, marketable securities and properties (hereinafter known as securities), in respect of lending to customers. This collateral is subject to standard industry terms which means that securities received as collateral can be pledged or sold during the term of the lending and have to be returned on settlement of the lending.

The following table sets out the principal types of collateral held against different types of financial assets.

#### TYPE OF CREDIT EXPOSURE

LOANS AND ADVANCES	PERCENTAGE OF EXPOSURE THAT IS SUBJECT TO COLLATERAL REQUIREMENTS		PRINCIPAL TYPE OF COLLATERAL HELD
	31 DEC 2025	31 DEC 2024	
Overdrafts	100	100	Commercial Property / Residential Property / Cash / Investments / Guarantees
Staff loans	-	-	None
Commercial loans	100	100	Commercial Property / Residential Property / Cash / Investments / Guarantees
Trust receipts	100	100	Commercial Property / Residential Property / Cash / Guarantees
Bills receivable	-	-	

#### CREDIT RISK MITIGATION

Credit risk mitigation refers to the actions that can be taken by the Bank to manage its exposure with credit risk so as to align such exposure to its risk appetite. This action can be proactive or reactive and the level of mitigation that a bank desires may be influenced by external factors such as the economic cycle or internal factors such as a change in risk appetite. References to credit risk mitigation normally focus on the taking of collateral as well as the management of such collateral. While collateral is an essential component of credit risk mitigation, there are a number of other methods used for mitigating credit risk. The Bank's credit risk policy acknowledges the role to be played by credit risk mitigation in the management of credit risk, but emphasises that collateral on its own is not necessarily a justification for lending. The primary consideration for any lending opportunity should rather be the borrower's financial position and ability to repay the facility from its own resources and cashflow.

The Bank takes financial collateral to support credit exposures in the trading book. This includes cash and debt securities in respect of derivative transactions. These transactions are entered into under terms and conditions that are standard industry practice in securities borrowing and lending activities.

The Bank monitors the concentration levels of collateral to ensure that it is adequately diversified. In particular, the following collateral types are common in the Bank:

- Retail portfolio
  - Mortgage lending that are secured by mortgage bonds over residential property
  - Instalment credit transactions that are secured by the assets financed
  - Overdrafts that are either unsecured or secured by guarantees, suretyships or pledged securities
- Wholesale portfolio
  - Commercial properties that are supported by the property financed and a cession of the leases
  - Instalment credit type of transactions that are secured by the assets financed
  - Working capital facilities when secured, usually by either a claim on specific assets (fixed assets, inventories or trade debtors) or other collateral, such as guarantees

The valuation and management of collateral across the Bank is governed by the Bank's Credit Policy.



# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### ii. Collateral held and other credit enhancements continued

##### MORTGAGE LENDING

The following tables stratify credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for mortgage loans is based on the most recent appraisal.

##### MORTGAGE LENDING

LTV ratio

Less than 50%

51 - 70%

71 - 90%

91 - 100%

More than 100%

Total

	31 DEC 2025 R'000	31 DEC 2024 R'000
	305 168	202 036
	90 674	134 803
	-	-
	-	-
	-	-
	395 842	336 839

#### iii. Amounts arising from ECL

##### INPUTS, ASSUMPTIONS AND TECHNIQUES USED FOR ESTIMATING IMPAIRMENT

Refer to the Accounting Policies for disclosure regarding the Bank's use of inputs, assumptions and techniques used for estimating impairment.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases the Bank discloses the carrying amount and nature of the assets or liabilities affected by the assumptions.

##### SIGNIFICANT INCREASE IN CREDIT RISK

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure through the use of internal ratings.

The Bank uses quantitative and qualitative indicators for determining whether there has been a significant increase in credit risk.

##### CREDIT RISK GRADES APPLICABLE TO CORPORATE EXPOSURE

The Bank allocates each corporate exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 0 and 1 is smaller than the difference between credit risk grades 1 and 2.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### iii. Amounts arising from ECL continued

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files e.g. financial statements, management accounts and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage
- Data from press articles and regulatory communication
- Payment record - this includes reporting exposures on days past due

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL for Stage 2 and 3 are calculated by multiplying the lifetime PD by LGD and EAD.

The methodology for estimating PD is by reviewing the macroeconomic variables from Economy.com (Moody's Analytics) and then adjusting to make it forward looking. Recent observed default and recovery rates are taken into account together with the economic situation.

The table below provides an indicative mapping of how the Bank's intuitive grades relate to PD.

INPUTS, ASSUMPTIONS AND TECHNIQUES USED FOR ESTIMATING IMPAIRMENT		
STAGE	GRADING	12- MONTH WEIGHTED AVERAGE PD
Stage 1	Grades 0: Low risk	4,0%
Stage 2	Grades 1: Monitoring	25,5%
Stage 3	Grades 2-10: Substandard, doubtful, loss	100%

#### GENERATING THE TERM STRUCTURE OF PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures by type of product and borrower as well as by credit risk grading. Furthermore, using the default rate data from the Commercial Loans portfolio, a single macroeconomic impact was determined for all the portfolios of the Bank because macroeconomic conditions in the country are expected to influence all portfolios to the same extent considering the Bank's customer base.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Development of the macroeconomic overlay to PD and associated scenarios for IFRS 9 was split into three major steps being data preparation, variable selections and Macroeconomic Impact.

#### DETERMINING WHETHER CREDIT RISK HAS INCREASED SIGNIFICANTLY

The Bank assesses whether credit risk has increased significantly since the previous recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The assessment of Significant Increase in Credit Risk (SICR) and subsequent classification of the exposure / asset into stage 2 and stage 3 takes into account qualitative criteria and quantitative criteria which could include (but are not limited to) the following:

- Days Past Due (DPD)
- Inability of the customer to service the contractual agreement may result in covenant waivers / amendments (Restructuring)
- Significant increase in the credit risk of other financial instruments of the same customer (cross-product / facility)
- Transition (Downgrade) in the internal credit rating of the obligor
- Tagging of exposures as 'Watch' - Internal

The following early warning signals can trigger any of the above mentioned criteria and subsequently trigger classification of exposure into stage 2 or stage 3 based on the degree of severity of the signal and the judgement of the credit officer:

- Significant changes in the terms of an existing financial instrument as on the reporting date compared to its terms at origination
- A borrower's bank guarantee called upon by the counterparty
- The movement of an off balance sheet exposure to an on balance sheet exposure
- A change in the financial position / operational efficiency of the borrower, examples of which could include (but are not limited to) the following:

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

- Declining profitability
- Tightening liquidity or cash flow
- Increasing leverage and / or weakening net worth
- Changes in Key Management Positions
- Weakened marketability and / or value of collateral
- A change in the industry in which the borrower operates
- Stressed macro-economic conditions may impact the performance of the borrower and impact its ability to service the debt commitments in full

Following a significant increase in credit risk on a credit exposure, the Bank monitors whether the exposure subsequently exhibits improvement in credit risk. The Bank assesses whether there is sufficient evidence that credit risk has improved sufficiently such that the transfer criterion, which resulted in the exposure being transferred to stage 2 or stage 3 is no longer present at the reporting date. However, the borrower must service its debt obligations for a minimum period before it can be transferred to stage 2 and/or subsequently service its obligations for a minimum period in stage 2 before being transferred to stage 1.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- Credit exposures on which the contractual payments are more than or equal to 30 days past due will be regarded as having significantly increased in credit risk
- Whereas for investments and placement with Banks on which the contractual payments are more than or equal to 15 days past due will be regarded as having significantly increased in credit risk
- Additionally, for overdraft exposures, any excess over limit is treated similar to days past due i.e., an overdraft account showing excess over limit for 30 days becomes a stage 2 exposure
- Credit exposures, which are marked as watch (internal or external) by the Bank will warrant a movement to stage 2

#### 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 has 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.

#### INCORPORATION OF FORWARD-LOOKING INFORMATION

The Bank incorporates forward-looking information into the measurement of ECL.

The Bank has identified and documented key drivers of credit risk for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk. Development of the macroeconomic overlay to PD and associated scenarios for IFRS 9 was split into three major steps being data preparation, variable selection and macroeconomic impact.

The key drivers for credit risk for all portfolios are: National Accounts: Nominal Gross Capital Formation & Balance of Payments: Current Account Balance. The macroeconomic variables identified above were sourced keeping in mind IFRS 9 requirements around obtaining reliable and supportable information, without incurring undue cost or effort. As a result, macroeconomic information was aggregated from the following reputable external sources: - *Moody's Analytics*

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

The economic scenarios used as at 31 December 2025 included the following key indicators for the years ending 31 December 2025 to 2030.

SCENARIO PROBABILITY	
Baseline	50,00%
Upturn	15,00%
Downturn	35,00%

PROBABILITY WEIGHTED MACROECONOMIC VARIABLE FORECASTS			
YEAR	NATIONAL ACCOUNTS: NOMINAL GROSS CAPITAL FORMATION USD BILLIONS		BALANCE OF PAYMENTS: CURRENT ACCOUNT BALANCE ZAR BILLIONS
2025	62,3		(5,2)
2026	75,0		(5,9)
2027	93,1		(9,0)
2028	112,8		(21,8)
2029	131,5		(34,7)
2030	146,2		(47,4)

SCENARIO PROBABILITY	
Baseline	50,00%
Upturn	10,00%
Downturn	40,00%

PROBABILITY WEIGHTED MACROECONOMIC VARIABLE FORECASTS			
YEAR	NATIONAL ACCOUNTS: NOMINAL GROSS CAPITAL FORMATION USD BILLIONS		BALANCE OF PAYMENTS: CURRENT ACCOUNT BALANCE ZAR BILLIONS
2024	59,3		(15)
2025	70,0		(23,6)
2026	84,2		(37,9)
2027	97,5		(56,1)
2028	108,9		(69,2)
2029	119,6		(80,6)

The above tables reflect the economic forecast for each year, anticipating the foreign investment (USD) into the SA Economy and the funding (ZAR) put back into the economy (e.g. infrastructure, job creation, etc) which creates a wider Current Account deficit.

Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analysing historical data.

The forecasts were weighted by the probability associated with each scenario.

#### SENSITIVITY OF ECL TO FUTURE ECONOMIC CONDITIONS

The table below shows the loss allowance on the Bank's advances, placements and investment portfolios assuming each forward-looking scenario (e.g. baseline, upturn and downturn) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability weighted amounts that are reflected in the financial statements.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

2025

ECL (R)	UPTURN	BASELINE	DOWNTURN	PROBABILITY WEIGHTED ECL*
STAGE 1	14 830 113	21 185 019	27 539 924	22 456 000
STAGE 2	828 434	1 183 906	1 539 378	1 255 000
STAGE 3	18 916 585	18 916 585	18 916 585	18 916 585
<b>TOTAL</b>	<b>34 575 131</b>	<b>41 285 509</b>	<b>47 995 886</b>	<b>42 627 585</b>

\*PROBABILITY WEIGHTED ECL IS CALCULATED WITH WEIGHTS AS:

Upturn	15%
Baseline	50%
Downturn	35%
The above is excluding Interest in Suspense	

2024

ECL (R)	UPTURN	BASELINE	DOWNTURN	PROBABILITY WEIGHTED ECL*
Stage 1	7 895 570	9 999 628	22 974 868	14 979 314
Stage 2	60 160	173 115	408 200	255 853
Stage 3	12 913 900	12 913 900	12 913 900	12 913 900
<b>Total</b>	<b>20 869 630</b>	<b>23 086 643</b>	<b>36 296 968</b>	<b>28 149 067</b>

\*PROBABILITY WEIGHTED ECL IS CALCULATED WITH WEIGHTS AS:

Upturn	10%
Baseline	50%
Downturn	40%

### MODIFIED FINANCIAL ASSETS

A restructuring of a credit agreement generally is defined to be a breach of contract under the initially agreed terms and conditions. Regardless of the interest and amortisation payments it is only possible in exceptional cases to keep restructured advances in stage 1 status. A change in the form of the credit facility, for example conversion from an overdraft facility to a trade-related facility, does not constitute a restructuring.

Restructuring a credit facility, based on an urgent request from the client, enables the client to continue servicing interest and amortisation payments. Without restructuring, the client would be unable to meet the conditions of the contract. A restructuring therefore can be defined as the inability of the borrower to continue servicing the debt without any relief in the terms and conditions.

Restructuring is not referring to a normal - business as usual - rescheduling request by the client to amend credit facilities according to the changing economic environment. This could be due to expansion of the business or reallocation of resources and therefore changing financing needs in view of a different expectation of the future economic environment.

Restructured cases are flagged as restructured from the start until they have resumed their initial terms and conditions as well as complied with the conditions backward transitioning and can be moved to stage 1 again. This flagging is an additional earmark besides the classification.

Any credit exposure that is tagged as restructured in line with the Bank's policy as of the reporting date, will be classified as stage 2 for the purpose of computation of expected credit losses. This excludes rescheduled exposures based on non-credit risk related reasons.

### IMPROVEMENT IN CREDIT RISK PROFILE:

Following a significant increase in credit risk on a credit exposure, the Bank monitors whether the exposure subsequently exhibits improvement in credit risk. The Bank assesses whether there is sufficient evidence that credit risk has improved sufficiently such that the transfer criterion which resulted in the exposure being transferred to stage 2 or stage 3 is no longer present at the reporting date. However, the borrower must service the debt obligations for a minimum period before it can be transferred to stage 2 and / or subsequently service its obligations for a minimum period in stage 2 before being transferred to stage 1.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

The Bank has defined the below criteria to assess any improvement in the credit risk profile which will result in upgrading of customers moving from stage 3 to stage 2 and from stage 2 to stage 1.

Stage 2 to 1: An exposure in stage 2 is subject to a monitoring period of 6 months / 6 instalments (whichever is longer) given that credit risk has improved sufficiently such that the transfer criterion which resulted in the exposure being transferred to stage 2 is no longer present at the reporting date.

Stage 3 to 2: An exposure in stage 3 is subject to a monitoring period of 6 months / 6 instalments (whichever is longer) given that credit risk has improved sufficiently, such that the transfer criterion which resulted in the exposure being transferred to stage 3 is no longer present at the reporting date.

#### MEASUREMENT OF ECL

ECL is measured as a probability-weighted estimate of the present value of cash shortfalls (i.e. the weighted average of credit losses, with the respective risks of a default occurring in a given time period used as the weights). When measuring ECL, the following would be taken into account:

- The probability-weighted outcome
- The time value of money so that ECLs are discounted to the reporting date
- Reasonable and supportable information (especially forward looking information) that is available without undue cost or effort at reporting date

ECL measurement will be undertaken by considering a range of macroeconomic scenarios (at least more than 2) for computation of unbiased ECL estimates. The general model for computation of ECL is based on the four components as follows:

- Probability of Default (PD) – This is an estimate of the likelihood of default over a given time horizon
- Exposure at Default (EAD) – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities
- Loss Given Default (LGD) – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. This is done on a portfolio level that was calibrated during 2018 which is seen a benchmark estimate point. Furthermore, there is no application on a facility level assessing cash flows for the current book. Other portfolios utilise external benchmarks such as Sovereign and Financial Institutions
- Discount Rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition

For term products, the Bank may estimate EIR by converting a facility's contractual rate into its effective reducing rate. The contractual interest rate for a facility may be used as a substitute for the EIR when the Bank is not able to reliably estimate cash flows or expected life.

For off balance sheet non-funded exposures / non-term products, since the expected cash flows do not exist, the swap rate of the currency of the contractual exposure plus the credit risk premium of the contractual exposure may be used as a substitute for EIR. Alternatively, the Bank also uses the portfolio level yield as the discounting factor for ECL. If the counterparty has a term product with the Bank, then the contractual interest rate of that exposure may be used as a proxy for EIR for non-funded exposures. The discount rate for undrawn Loan Commitments is the Effective Interest Rate that will be applied to the Financial Asset resulting from the loan commitment or an approximation thereof.

The Bank computes impairment of financial assets based on 12-month and Lifetime ECL. The measurement of ECL is based on the risk of default over one of two different time horizons, depending on whether the credit risk of the borrower has increased significantly since the exposure was first recognised. The loss allowance for those exposures that have not increased significantly in credit risk ('stage 1' exposures) is based on 12-month ECL. The allowance for those exposures that have suffered a significant increase in credit risk ('stage 2' and 'stage 3' exposures) is based on lifetime ECL.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### LOSS ALLOWANCE

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

#### ECL ON LOANS AND ADVANCES

Balance as at 1 January	7 043	256	40 587	47 886
Transfer to stage 1	744	(68)	(553)	123
Transfer to stage 2	(1 256)	1 331	(75)	-
Transfer to stage 3	-	(3 010)	3 010	-
Movements for the year *	(5 218)	2 746	16 291	13 819
New financial assets originated or purchased	11 440	-	-	11 440
Financial assets that have derecognised	-	-	(1 269)	(1 269)
Interest in suspense movement	-	-	(16 938)	(16 938)
Balance as at 31 December	12 753	1 255	41 053	55 061

2025			
STAGE 1	STAGE 2	STAGE 3	TOTAL
R'000	R'000	R'000	R'000
7 043	256	40 587	47 886
744	(68)	(553)	123
(1 256)	1 331	(75)	-
-	(3 010)	3 010	-
(5 218)	2 746	16 291	13 819
11 440	-	-	11 440
-	-	(1 269)	(1 269)
-	-	(16 938)	(16 938)
12 753	1 255	41 053	55 061

#### ECL ON LOANS AND ADVANCES

Balance as at 1 January	4 156	1 009	45 733	50 898
Transfer to stage 1	(508)	-	508	-
Transfer to stage 2	(166)	166	-	-
Transfer to stage 3	(57)	(2 907)	2 965	-
Movements for the year *	(872)	1 948	(5 060)	(3 984)
New financial assets originated or purchased	4 490	40	1 924	6 455
Financial assets that have derecognised	-	-	(2 887)	2 887
Interest in suspense movement	-	-	(2 596)	(2 596)
Balance as at 31 December	7 043	256	40 587	47 886

2024			
STAGE 1	STAGE 2	STAGE 3	TOTAL
R'000	R'000	R'000	R'000
4 156	1 009	45 733	50 898
(508)	-	508	-
(166)	166	-	-
(57)	(2 907)	2 965	-
(872)	1 948	(5 060)	(3 984)
4 490	40	1 924	6 455
-	-	(2 887)	2 887
-	-	(2 596)	(2 596)
7 043	256	40 587	47 886

The ECL on advances is shown by sub-class below:

#### ECL ON OVERDRAFTS

Balance as at 1 January	449	10	6 994	7 453
Transfer to stage 1	44	(10)	(34)	-
Transfer to stage 2	(104)	104	-	-
Transfer to stage 3	-	(1 755)	1 755	-
Movements for the year *	298	1 755	41 192	43 245
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	(8 854)	(8 854)
Balance as at 31 December	687	104	41 053	41 844

2025			
STAGE 1	STAGE 2	STAGE 3	TOTAL
R'000	R'000	R'000	R'000
449	10	6 994	7 453
44	(10)	(34)	-
(104)	104	-	-
-	(1 755)	1 755	-
298	1 755	41 192	43 245
-	-	-	-
-	-	-	-
-	-	(8 854)	(8 854)
687	104	41 053	41 844

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### ECL ON OVERDRAFTS

Balance as at 1 January	313	32	23 276	23 621
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(9)	9	-	-
Transfer to stage 3	(57)	(672)	730	-
Movements for the year *	126	641	(18 093)	(17 326)
New financial assets originated or purchased	76	-	880	957
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	202	202
Balance as at 31 December	449	10	6 994	7 453

2024				
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	313	32	23 276	23 621
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(9)	9	-	-
Transfer to stage 3	(57)	(672)	730	-
Movements for the year *	126	641	(18 093)	(17 326)
New financial assets originated or purchased	76	-	880	957
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	202	202
Balance as at 31 December	449	10	6 994	7 453

#### ECL ON STAFF LOANS

Balance as at 1 January	48	-	-	48
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	8	-	-	8
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	-	-
Balance as at 31 December	56	-	-	56

2025				
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	48	-	-	48
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	8	-	-	8
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	-	-
Balance as at 31 December	56	-	-	56

#### ECL ON STAFF LOANS

Balance as at 1 January	39	-	-	39
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	(29)	-	-	(29)
New financial assets originated or purchased	38	-	-	38
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	-	-
Balance as at 31 December	48	-	-	48

2024				
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	39	-	-	39
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	(29)	-	-	(29)
New financial assets originated or purchased	38	-	-	38
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	-	-
Balance as at 31 December	48	-	-	48

#### ECL ON COMMERCIAL LOANS

Balance as at 1 January	6 255	244	33 593	40 092
Transfer to stage 1	698	(56)	(519)	123
Transfer to stage 2	(1 152)	1 227	(75)	-
Transfer to stage 3	-	(1 255)	1 255	-
Movements for the year *	(5 578)	991	(24 901)	(29 488)
New financial assets originated or purchased	11 440	-	-	11 440
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	(9 353)	(9 353)
Balance as at 31 December	11 663	1 151	-	12 814

2025				
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	6 255	244	33 593	40 092
Transfer to stage 1	698	(56)	(519)	123
Transfer to stage 2	(1 152)	1 227	(75)	-
Transfer to stage 3	-	(1 255)	1 255	-
Movements for the year *	(5 578)	991	(24 901)	(29 488)
New financial assets originated or purchased	11 440	-	-	11 440
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	(9 353)	(9 353)
Balance as at 31 December	11 663	1 151	-	12 814

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### ECL ON COMMERCIAL LOANS

	2024			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	3 533	951	22 457	26 941
Transfer to stage 1	(508)	-	508	-
Transfer to stage 2	(155)	155	-	-
Transfer to stage 3	-	(2 235)	2 235	-
Movements for the year *	(726)	1 333	13 033	13 640
New financial assets originated or purchased	4 111	40	1 044	5 195
Financial assets that have derecognised	-	-	(2 887)	(2 887)
Interest in suspense movement	-	-	(2 797)	(2 797)
Balance as at 31 December	6 255	244	33 593	40 092

#### ECL ON TRADE RECEIPTS

	2025			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	291	2	-	293
Transfer to stage 1	2	(2)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	54	-	-	54
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	-	-
Balance as at 31 December	347	-	-	347

#### ECL ON TRADE RECEIPTS

	2024			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	271	26	-	297
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(2)	2	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	(243)	(26)	-	(269)
New financial assets originated or purchased	265	-	-	265
Financial assets that have derecognised	-	-	-	-
Interest in suspense movement	-	-	-	-
Balance as at 31 December	291	2	-	293

#### ECL ON BALANCES WITH OTHER BANKS

	2025			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	686	-	-	686
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	1 340	-	-	1 340
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Balance as at 31 December	2 026	-	-	2 026

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

#### ECL ON BALANCES WITH OTHER BANKS

	2024			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	1 726	-	-	1 726
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	(1 040)	-	-	(1 040)
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Balance as at 31 December	686	-	-	686

#### ECL ON INVESTMENT SECURITIES

	2025			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	7 071	-	-	7 071
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Impairment raised	303	-	-	303
	-	-	-	-
Balance as at 31 December	7 374	-	-	7 374

#### ECL ON INVESTMENT SECURITIES

	2024			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	9 811	-	-	9 811
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Impairment raised	(2 740)	-	-	(2 740)
	-	-	-	-
Balance as at 31 December	7 071	-	-	7 071

#### ECL ON FINANCIAL GUARANTEE CONTRACTS

	2025			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	178	-	-	178
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	125	-	-	125
New financial assets originated or purchased	-	-	-	-
Financial assets that have derecognised	-	-	-	-
Balance as at 31 December	303	-	-	303

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.1 CREDIT RISK MANAGEMENT CONTINUED

ECL ON FINANCIAL GUARANTEE CONTRACTS	2024			
	STAGE 1	STAGE 2	STAGE 3	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 1 January	10	-	120	130
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Movements for the year *	40	-	-	40
New financial assets originated or purchased	128	-	-	128
Financial assets that have derecognised	-	-	(120)	(120)
Balance as at 31 December	178	-	-	178

The total loss allowances recognised in the 2025 financial year amounted to R64.7 million (2024: R64.3 million).

\*Transfers of ECL occur when the credit stage of an account at the end of the financial year differs from that at the beginning of the year. In this case, the opening balance of that account's ECL is disclosed as a reduction of ECL in its original credit stage and a corresponding increase (of the same magnitude) of ECL in its new credit stage. Any movements in the amount of ECL which arise as a direct result of the change in credit stage fall within the "movements for the year" line.

#### iv. Concentration of credit risk

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	LOANS AND ADVANCES TO CUSTOMERS		CASH AND CASH EQUIVALENTS		INVESTMENT SECURITIES	
	2025 R'000	2024 R'000	2025 R'000	2024 R'000	2025 R'000	2024 R'000
America	-	-	320 276	114 733	-	-
Europe	-	-	67 076	40 113	-	-
Asia	-	-	4 597	3 456	-	-
South Africa	2 754 845	2 650 428	1 580 882	1 856 473	5 873 181	4 708 254
Other African countries	-	-	-	-	-	-
	2 754 845	2 650 428	1 972 832	2 014 775	5 873 181	4 708 254

#### CONCENTRATION BY INDUSTRY

Finance & insurance	230	77 941
Manufacturing	512 695	384 676
Transportation	87 264	99 038
Commercial real estate	1 174 961	1 069 642
Retailers & wholesalers	814 549	832 191
Other	220 207	234 826
	2 809 906	2 698 314

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.2 LIQUIDITY RISK

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations as they fall due. This risk arises from mismatches in the timing of cash flows which is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events.

#### LIQUIDITY RISK MANAGEMENT

The Bank established a comprehensive policy and control framework for managing liquidity risk. The Bank's Asset and Liability Committee (ALCO) is responsible for managing the Bank's liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. In order to effectively manage liquidity risk, the Bank:

- maintains a portfolio of highly liquid assets, in a variety of currencies and tenors
- ensures that there is diversity in its funding base
- monitors the behavioural characteristics of financial assets and liabilities
- monitors liquidity reports analysing the expected maturity profile of assets and liabilities
- establishes early warning indicators of potential liquidity stress events and ensures that there are assets available to be used as collateral if needed
- performs regular stress tests
- maintains a contingency funding plan designed to provide a framework where liquidity stress could be effectively managed

The Bank Treasury function executes the Bank's liquidity and funding strategy in co-operation with other business units. The Bank's liquidity and funding strategy is determined in accordance with relevant local regulatory requirements.

There are daily controls in place to define and monitor compliance with the Bank's liquidity risk appetite. The principal metric used is the result of the Bank's liquidity stress testing, supplemented by the results of key regulatory ratios including the Liquidity Coverage Ratio (which measures the ratio of high quality liquid assets to outflows in an extreme 30-day stress scenario) and the Net Stable Funding Ratio (which seeks to promote a sustainable maturity structure of funding balances).

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.2 LIQUIDITY RISK CONTINUED

CONTRACTUAL NET LIQUIDITY GAP	ON DEMAND	1-6 MONTHS	6-12 MONTHS	> 12 MONTHS	TOTAL
	R'000	R'000	R'000	R'000	R'000
<b>2025</b>					
<b>ASSETS</b>					
Investment securities	698 195	413 086	3 256 540	1 505 359	5 873 180
Loans and advances	782 410	425 675	189 342	1 357 418	2 754 845
Other assets	19 431	-	-	-	19 431
Derivative assets held for risk management	8 023	18 690	2 958	-	29 671
Cash and cash equivalents	1 764 738	-	208 094	-	1 972 832
	<b>3 272 797</b>	<b>857 451</b>	<b>3 656 934</b>	<b>2 862 777</b>	<b>10 649 959</b>
<b>LIABILITIES</b>					
Deposits and borrowings	(6 674 535)	(1 602 899)	(1 498 283)	-	(9 775 717)
Other liabilities	(19 993)	-	-	-	(19 993)
Derivative liabilities held for risk management	(7 294)	(17 905)	(1 773)	-	(26 972)
Lease liabilities	(532)	(2 174)	(2 672)	(12 210)	(17 588)
Loan commitments and financial guarantees	(265 035)	-	-	-	(265 035)
	<b>(6 967 389)</b>	<b>(1 622 978)</b>	<b>(1 502 728)</b>	<b>(12 210)</b>	<b>(10 105 305)</b>
Net liquidity gap	<b>(3 694 592)</b>	<b>(765 527)</b>	<b>2 154 206</b>	<b>2 850 567</b>	<b>544 654</b>
<b>2024</b>					
<b>ASSETS</b>					
Investment securities	99 122	265 783	2 637 593	1 705 756	4 708 254
Loans and advances	826 584	439 219	191 429	1 241 083	2 698 315
Other assets	21 089	-	-	-	21 089
Derivative assets held for risk management	7 558	11 326	-	-	18 884
Cash and cash equivalents	1 673 872	210 000	131 589	-	2 015 461
	<b>2 628 225</b>	<b>926 328</b>	<b>2 960 611</b>	<b>2 946 839</b>	<b>9 462 003</b>
<b>LIABILITIES</b>					
Deposits and borrowings	(6 612 762)	(966 271)	(1 080 000)	-	(8 659 037)
Other liabilities	(18 326)	-	-	-	(18 326)
Derivative liabilities held for risk management	(7 299)	(10 863)	-	-	(18 162)
Lease liabilities	(604)	(2 494)	(2 859)	(10 284)	(16 241)
Loan commitments and financial guarantees	(263 905)	-	-	-	(263 905)
	<b>(6 902 896)</b>	<b>(979 628)</b>	<b>(1 082 862)</b>	<b>(10 284)</b>	<b>(8 975 671)</b>
Net liquidity gap	<b>(4 274 671)</b>	<b>(53 300)</b>	<b>1 877 749</b>	<b>2 936 555</b>	<b>486 333</b>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.3 MARKET RISK

#### Interest rate risk management

The principal risk to which the Bank is exposed is the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO in combination with the Credit Committee is the monitoring body for compliance with these limits and is assisted by Central Treasury in its day-to-day monitoring activities. These day-to-day activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations. ALCO is responsible for setting the overall investment strategy of the Bank.

The Bank is exposed to interest rate cash flow risk on its cash and cash equivalents, investment securities, advances and deposits and borrowings.

The Bank is exposed to variable and fixed rates as follows:

	REPRICING GAP						TOTAL
	SHORT-TERM	MEDIUM-TERM		LONG-TERM	GREATER THAN		
	0 - 31 DAYS	32 - 91 DAYS	92 - 181 DAYS	182 - 365 DAYS	365 DAYS	OTHER	
	R'000	R'000	R'000	R'000		R'000	R'000
<b>2025</b>							
<b>FIXED RATE ITEMS</b>							
Assets	698 195	138 700	274 386	3 256 540	1 505 712	-	5 873 533
Liabilities	(2 914 309)	(1 150 363)	(452 536)	(1 498 283)	-	(3 760 225)	(9 775 716)
	(2 216 114)	(1 011 663)	(178 150)	1 758 257	1 505 712	(3 760 225)	(3 902 183)
<b>VARIABLE ITEMS</b>							
Assets	2 319 325	261 788	163 887	397 436	1 357 418	227 823	4 727 677
Liabilities	-	-	-	-	-	-	-
	2 319 325	261 788	163 887	397 436	1 357 418	227 823	4 727 677
Net repricing gap	103 211	(749 876)	(14 262)	2 155 693	2 863 130	(3 532 402)	825 494
<b>2024</b>	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>FIXED RATE ITEMS</b>							
Assets	187 026	362 732	113 658	2 775 073	1 706 107	(7 071)	5 317 525
Liabilities	(1 034 862)	(505 088)	(441 579)	(1 017 789)	-	-	(2 999 318)
	(847 837)	(142 356)	(327 921)	1 757 284	1 706 107	(7 071)	2 318 207
<b>VARIABLE ITEMS</b>							
Assets	2 118 165	253 409	195 644	273 938	1 236 078	158 699	4 235 932
Liabilities	(5 000 105)	-	-	-	-	-	(5 574 991)
	(3 656 563)	253 409	195 644	273 938	1 236 078	158 699	(1 339 059)
Net repricing gap	2 608 989	(395 764)	(523 565)	1 483 346	470 029	(165 770)	3 477 265

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.3 MARKET RISK CONTINUED

In managing interest rate risk, the Bank aims to reduce the impact of short-term fluctuations on its earnings. Over the longer term, however, permanent changes in interest rates would have an impact on earnings. It is estimated that as at 31 December 2025, a general increase of 1% in the interest rate would increase the Bank's profit by R 32 848 934 after tax (2024: R9 775 128) and a general decrease of 1% in the interest rate would decrease the Bank's profit by R 32 848 934 after tax (2024: R9 775 128). A general increase or decrease of 1% in the interest rate would increase or decrease the Bank's equity in line with that of the Banks' profit sensitivity analysis.

The sensitivity analysis assumes that all variables including capital amounts remain constant.

#### Foreign exchange risk management

The Bank's risk management policies do not allow holding of significant foreign currency open positions. ALCO is the monitoring body for compliance with this policy and is assisted by Central Treasury in its day-to-day monitoring activities.

It is estimated that as at 31 December 2025, a general increase of 10% in the foreign exchange rate would increase the US Dollar exposure by R 32 004 927 (2024: R11 878 744 ) and the Euro exposure by R2 638 369 (2024: R 1 357 626 ) which results in an increase of R 25 289 607 (2024: R 9 662 550) in profit and loss after tax and equity. A general decrease of 10% in the foreign exchange rate would decrease the US Dollar exposure by R 32 004 927 (2024: R11 878 744) and the Euro exposure by R2 638 369 (2024: R1 357 626) which results in a decrease of R 25 289 607 (2024: R 9 662 550) in profit and loss after tax and equity.

#### Derivative instruments

Nominal value of forward exchange contracts sold to customers

Nominal value of forward exchange contracts sold to banks

Nominal value of forward exchange contracts purchased from customers

Nominal value of forward exchange contracts purchased from banks

	2025	2024
	R'000	R'000
	688 221	346 917
	7 523	11 936
	695 951	358 853
	7 754	11 919
	686 498	346 213
	694 252	358 132

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 29. RISK MANAGEMENT CONTINUED

### 29.4 FINANCIAL ASSETS AND LIABILITIES

#### 31 DECEMBER 2025

##### FINANCIAL ASSETS

Cash and cash equivalents	-	1 972 832	1 972 832
Investment securities	-	5 873 181	5 873 181
Derivative assets held for risk management	29 672	-	29 672
Loans and advances	-	2 754 845	2 754 845

##### FINANCIAL LIABILITIES

Deposits and loans from banks	-	(193 507)	(193 507)
Deposits from customers	-	(9 582 210)	(9 582 210)
Derivative liabilities held for risk management	(26 972)	-	(26 972)

	FAIR VALUE THROUGH PROFIT AND LOSS	AMORTISED COST	TOTAL CARRYING AMOUNT
	R'000	R'000	R'000
<b>31 DECEMBER 2025</b>			
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	-	1 972 832	1 972 832
Investment securities	-	5 873 181	5 873 181
Derivative assets held for risk management	29 672	-	29 672
Loans and advances	-	2 754 845	2 754 845
	<b>29 672</b>	<b>10 600 858</b>	<b>10 630 530</b>
<b>FINANCIAL LIABILITIES</b>			
Deposits and loans from banks	-	(193 507)	(193 507)
Deposits from customers	-	(9 582 210)	(9 582 210)
Derivative liabilities held for risk management	(26 972)	-	(26 972)
	<b>(26 972)</b>	<b>(9 775 717)</b>	<b>(9 802 689)</b>

#### 31 DECEMBER 2024

##### FINANCIAL ASSETS

Cash and cash equivalents	-	2 014 775	2 014 775
Investment securities	-	4 708 254	4 708 254
Derivative assets held for risk management	18 884	-	18 884
Loans and advances	-	2 650 428	2 650 428

##### FINANCIAL LIABILITIES

Deposits and loans from banks	-	(180 241)	(180 241)
Deposits from customers	-	(8 394 068)	(8 394 068)
Derivative liabilities held for risk management	(18 161)	-	(18 161)

	R'000	R'000	R'000
<b>31 DECEMBER 2024</b>			
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	-	2 014 775	2 014 775
Investment securities	-	4 708 254	4 708 254
Derivative assets held for risk management	18 884	-	18 884
Loans and advances	-	2 650 428	2 650 428
	<b>18 884</b>	<b>9 373 457</b>	<b>9 392 341</b>
<b>FINANCIAL LIABILITIES</b>			
Deposits and loans from banks	-	(180 241)	(180 241)
Deposits from customers	-	(8 394 068)	(8 394 068)
Derivative liabilities held for risk management	(18 161)	-	(18 161)
	<b>(18 161)</b>	<b>(8 574 309)</b>	<b>(8 592 470)</b>

- The fair value of derivatives is classed as a level 2 financial instrument in terms of the hierarchy requirements per IFRS 13
- The fair value of investment securities is classed as a level 1 financial instrument in terms of the hierarchy requirements per IFRS 13
- The fair value of loans and advances, cash and cash equivalents and deposits approximates their carrying amounts
- The fair value of investment securities was calculated to be R5.88 bn (2024: R4.72bn)
- Effective interest rates on investment securities vary between 6.68% and 7.75%

## 30. RETIREMENT BENEFIT COSTS

All full-time permanent employees are members of the Old Mutual Retirement Fund, which is a defined contribution fund, and is governed by the Pension Funds Act of 1956. Membership to a defined contribution fund has been compulsory since the incorporation of the Bank in November 1995.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 31. RELATED PARTIES

### 31.1 IDENTITY OF RELATED PARTIES

- The holding company of HBZ Bank Limited – Habib Bank AG Zurich
- Fellow subsidiaries – Habib Bank Zurich Plc, Habib Bank AG Zurich (Kenya), Habib Bank AG Zurich (United Arab Emirates), Habib Metropolitan Bank Ltd, Habib Canadian Bank, HBZ Services FZ LLC and Habib Bank Zurich (Hong Kong) Ltd
- The directors are listed in note 23
- Key Management Personnel include every person that exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the Bank; or regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the Bank
- The Bank classified Directors, Prescribed Officers and Key Management Personnel as related parties.

### 31.2 MATERIAL RELATED PARTY TRANSACTIONS

#### MATERIAL TRANSACTIONS WITH THE HOLDING COMPANY AND DIRECTORS

Dividends paid to the holding company - see note 25

Fees for services rendered

- HBZ Services FZ LLC

- Habib Bank AG Zurich

Directors' remuneration - see note 23

Loans to directors and prescribed officers (balance outstanding)

- F Anwar

Interest/profit earned on directors and prescribed officers loans

- F Anwar

The loans to directors/prescribed officers are fully secured, with fixed terms of repayment and are included as part of total advances in note 5.

Disclosure on key management personnel compensation is included in note 23.

#### MATERIAL BALANCES WITH THE HABIB GROUP

Receivables due from group companies:

- Habib Bank AG Zurich

- Habib Bank Zurich Plc

- Habib Bank Zurich (Hong Kong) Ltd

- Habib Canadian Bank

- Habib Bank AG Zurich, United Arab Emirates

- Habib Metropolitan Bank Ltd

	2025 R'000	2024 R'000
Dividends paid to the holding company - see note 25	150 000	135 000
Fees for services rendered	82 340	67 325
- HBZ Services FZ LLC	72 427	58 376
- Habib Bank AG Zurich	9 913	8 949
Directors' remuneration - see note 23	10 310	9 743
Loans to directors and prescribed officers (balance outstanding)	281	335
- F Anwar	281	335
Interest/profit earned on directors and prescribed officers loans	22	11
- F Anwar	22	11
Receivables due from group companies:		
- Habib Bank AG Zurich	88 719	6 086
- Habib Bank Zurich Plc	61 481	34 027
- Habib Bank Zurich (Hong Kong) Ltd	8	9
- Habib Canadian Bank	789	1 413
- Habib Bank AG Zurich, United Arab Emirates	4 374	3 209
- Habib Metropolitan Bank Ltd	97	21
	155 468	44 765

These receivable all relate to time and demand bank placements, and are included as part of cash and cash equivalents per note 1.

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 31. RELATED PARTIES CONTINUED

### 31.2 MATERIAL RELATED PARTY TRANSACTIONS CONTINUED

Payables due to group companies:

- Habib Bank AG Zurich

- Habib Bank Zurich Plc

- Habib Bank AG Zurich, Kenya

- Habib Bank AG Zurich, United Arab Emirates

- Habib Bank Zurich (Hong Kong) Ltd

These balances relate to short-term payables and are included as part of total deposits and borrowings in note 14.

The fixed deposits attract an interest charge based on the preferential rate obtained and the nostro accounts attract an interest charge based on the daily call rate.

#### INTEREST AND RELATED TRANSACTION CHARGES PAID TO GROUP COMPANIES:

- Habib Bank Zurich Plc

- Habib Bank AG Zurich

	2025 R'000	2024 R'000
	152 042	146 092
	30 133	25 613
	2	67
	6 186	4 131
	676	122
	<b>189 039</b>	<b>176 025</b>
	3 459	3 086
	10 543	788
	<b>14 002</b>	<b>3 874</b>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 32. CAPITAL RISK

Capital risk is the risk that the Bank has insufficient capital resources to meet the minimum regulatory requirements and to support its growth and strategic objectives.

The Bank's statutory regulator is the Prudential Authority of the South African Reserve Bank and sets the capital requirements for the Bank.

### CAPITAL RISK MANAGEMENT

As with liquidity and market risk, the ALCO is responsible for ensuring the effective management of capital risk throughout the Bank. Specific levels of authority and responsibility in relation to capital risk management has been assigned to the CARC.

Capital risk is measured and monitored using limits set in relation to capital (Common Equity Tier 1 (CET1); Tier 1; and Total Capital) and leverage, all of which are calculated in accordance with relevant regulatory requirements.

The Bank's regulatory capital consists of the sum of the following elements:

- Common Equity Tier 1 capital which includes ordinary share capital, related share premium, general reserves, retained earnings, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes
- Tier 2 capital, which includes stage i and stage ii ECLs

	2025 R'000	2024 R'000
Credit risk exposure	2 745 081	2 743 260
Counterparty credit risk exposure	52 710	6 280
Operational risk exposure	960 638	847 095
Market risk exposure	19 410	15 774
Other risk exposure	89 242	91 697
Risk weighted exposure in relation to deferred tax assets	34 883	33 098
Credit Valuation Adjustment (CVA)	55 564	-
Aggregate risk weighted exposure	<b>3 957 528</b>	<b>3 737 204</b>
Regulatory capital requirement - 12.25% (2024: 11.750%)	<b>484 797</b>	<b>439 121</b>
<b>QUALIFYING CAPITAL AND RESERVE FUNDS</b>		
<b>Tier I</b>		
Ordinary share capital#	10 000	10 000
Share premium#	40 000	40 000
General reserve#	598 841	543 138
Less: Prescribed deductions against capital and reserve funds	(1)	(25)
Total Tier 1 Capital	<b>648 840</b>	<b>593 113</b>
<b>Tier II</b>		
General allowance for ECL	23 409	14 706
Total qualifying capital and reserve funds	<b>672 249</b>	<b>607 819</b>

# Notes to the Financial Statements continued

for the year ended 31 December 2025

## 32. CAPITAL RISK CONTINUED

	2025 R'000	2024 R'000
<b>CAPITAL ADEQUACY RATIO</b>		
Qualifying capital and reserve funds as a percentage of aggregate risk weighted exposure	16.99%	16,26%

The table above is unaudited, except where it is denoted with#.

The Bank's capital plans are developed with the objective of maintaining capital that is adequate in quantity and quality to support the Bank's risk profile, regulatory and business needs. As a result, the Bank holds a diversified capital base that provides strong loss absorbing capacity and optimised returns. Capital forecasts are continually monitored against relevant internal target capital ratios to ensure they remain appropriate. Furthermore, the Bank appropriates profits that were not issued as a dividend into the general reserve when necessary.

## 33. SIRAT FINANCIAL PERFORMANCE

The following table illustrates the summary of Islamic Banking financial position for the year under consideration :

	2025 R'000	2024 R'000
Islamic Financing	1 197 068	1 309 284
Islamic Assets	2 242 496	1 883 637
Islamic Deposits	2 240 769	1 878 676

The table above is unaudited.

## 34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Bank measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank also uses a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value, which gives highest priority to quoted prices.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Assets and liabilities are classified as Level 1 if their value is observable in an active market
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities; and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market
- Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data

Where possible, fair value is determined by reference to a quoted market price for the instrument valued. The Bank holds financial assets and liabilities for which quoted prices are not available, such as over the counter (OTC) derivatives. For these financial instruments the Bank uses valuation techniques to estimate fair value. The valuation techniques used include comparison with similar instruments for which observable market prices exist. These valuation techniques use as their basis

# Notes to the Financial Statements continued

for the year ended 31 December 2025

independently sourced market parameters, such as currency rates.

The Bank uses generally accepted valuation models to determine the fair value of simple and liquid financial instruments, that use only observable market data and involve minimum judgement. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on general conditions and specific events in the financial markets.

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period - refer to Note 29.4.

## 35. GOING CONCERN

The Bank assessed the appropriateness of the going concern assumption in the preparation of these financial statements.

Based on the above assessment, the Directors have no reason to believe that the Bank will not be a going concern in the reporting period ahead. Therefore, these financial statements are prepared on a going concern basis.

## 36. EVENTS AFTER THE REPORTING PERIOD

### DIVIDEND

On 10 April 2026 the Board declared a dividend of R125 million (2024: R150 million), which includes dividends withholding tax of R6.25 million (2024: R7.50 million).

The Directors are not aware of any adjusting events (as defined per IAS 10 Events After The Reporting Period) after the reporting date of 31 December 2025 and the date of approval of these financial statements.

# Hong Kong



# List of Services

With the benefit of decades of experience in understanding and satisfying the varied financial needs of customers spread across the globe, the Group has developed a wide spectrum of quality products and services throughout its global network of branches, subsidiaries and affiliates.

## THE RANGE OF SERVICES PRESENTLY AVAILABLE IN SOUTH AFRICA INCLUDE:

- Savings Accounts
- Current Accounts
- Debit Cards
- Term Deposit Accounts
- Overdrafts
- Commercial Loans
- Bill Discounting
- Letters of Guarantee
- Foreign Exchange
- Foreign Drafts
- Import and Export Letter of Credit
- Documentary Collections
- Trade Finance
- Travellers Cheques
- Internet Banking
- Islamic Financing
  - Murabaha
  - Diminishing Musharakah
  - Letters of Guarantee
- Islamic Deposits
  - Current accounts with Chequing Facilities
  - Profit and Loss Sharing Accounts
  - Islamic Certificates of Deposit
- Islamic Forward Exchange Contracts

## OTHER SERVICES AVAILABLE THROUGH THE GLOBAL NETWORK INCLUDE:

### Personal and Private Banking Services:

- International Portfolio Management
- Financial Advisory Management
- Trustee Services
- Credit Cards
- Travellers Cheques
- Safe Deposit Lockers and Custodial Services

### Corporate Banking Services:

- Overdrafts
- Commercial Loans
- Trade Finance
- Import and Export Letter of Credit
- Bills Discounting
- Global Remittances
- Bullion and Silver Dealing
- Dealings in Securities, Bonds and Stocks
- Treasury Services





