



(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

United Arab Emirates

Basel Pillar III Disclosures
30th June 2022

Table of Contents

1. Introduction:	1
2. Highlights:	1
3. Key Metrics (KM1)	2
4. Regulatory Capital	5
Capital Management	5
Composition of Regulatory Capital (CC1)	6
Reconciliation of regulatory capital to balance sheet (CC2)	10
Countercyclical Buffer	11
5. Leverage Ratio	11
Summary comparison of accounting assets vs leverage ratio exposure (LR1)	11
Leverage ratio common disclosure template (LR2)	12
6. Credit Risk	13
Credit quality of assets (CR1)	13
Changes in stock of defaulted loans and debt securities (CR2)	14
Credit risk mitigation techniques –Overview (CR3)	14
Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk (CRD)	15
Standardized approach - Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)	16
Standardized approach - Exposures by asset classes and risk weights (CR5)	17
7. Counterparty credit risk (CCR)	18
Qualitative disclosure related to Counterparty credit risk (CCRA)	18
Analysis of Counterparty Credit Risk by approach (CCR1)	19
Standardized approach - CCR exposures by regulatory portfolio and risk weights (CCR3)	19
Composition of collateral for Counterparty Credit Risk exposure (CCR5)	20
8. Liquidity Risk	21
Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps	21
Eligible Liquid Assets Ratio	22
Advances to Stables Resource Ratio	22

1. Introduction:

Habib Bank AG Zurich, UAE Branches (the “Bank”) operates in the Emirates of Abu Dhabi, Dubai and Sharjah under a full commercial banking license issued by the Central Bank of the United Arab Emirates. The Head Office of the Bank is Habib Bank AG Zurich (the “Head Office”) incorporated in Switzerland. The registered address of the Bank is PO Box 3306, Dubai, United Arab Emirates.

2. Highlights:

In line with Article 2.2. of Capital Adequacy Regulation, CBUAE requires banks to apply the following minimum requirement:

- CET1 must be at least 7% of risk weighted assets (RWA);
- Tier 1 Capital must be at least 8.5% of RWA;
- Total Capital, calculated as the sum of Tier 1 Capital and Tier 2 Capital, must be at least 10.5% of RWA.
- In addition to the minimum CET1 capital of 7% of RWA, banks must maintain a capital conservation buffer (CCB) and Countercyclical Capital Buffer (CCyB), maximum of 2.5% of RWAs on the form of CET1 capital.
- All banks must maintain a leverage ratio of at least 3.0%.

The Bank has complied with all the externally imposed capital requirements and is well capitalized with low leverage and high levels of loss-absorbing capacity. As at 30 June 2022:

- The Bank’s Common Equity Tier 1 (CET1) ratio of 17.78%, Tier 1 capital Ratio of 17.78%, Capital Adequacy Ratio of 18.90%, are all well ahead of the regulatory requirements.
- The Bank’s leverage ratio of 9.01% is well ahead of the current regulatory requirement.
- The Bank continues to manage its balance sheet proactively, with focus on sound RWA management.

3. Key Metrics (KM1)

Key prudential metrics related to regulatory capital have been included in the following table:

	AED'000	AED'000	AED'000	AED'000	AED'000
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Available capital (amounts)					
Common Equity Tier 1 (CET1)	1,292,324	1,333,143	1,417,935	1,427,828	1,431,891
Fully loaded ECL accounting model	1,292,324	1,333,143	1,417,935	1,427,828	1,431,891
Tier 1	1,292,324	1,333,143	1,417,935	1,427,828	1,431,891
Fully loaded ECL accounting model Tier 1	1,292,324	1,333,143	1,417,935	1,427,828	1,431,891
Total capital	1,373,542	1,416,735	1,496,627	1,510,334	1,510,083
Fully loaded ECL accounting model total capital	1,373,542	1,416,735	1,496,627	1,510,334	1,510,083
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	7,268,980	7,450,242	7,059,596	7,402,777	7,039,477
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	17.78%	17.89%	20.09%	19.29%	20.34%
Fully loaded ECL accounting model CET1 (%)	17.78%	17.89%	20.09%	19.29%	20.34%
Tier 1 ratio (%)	17.78%	17.89%	20.09%	19.29%	20.34%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.78%	17.89%	20.09%	19.29%	20.34%
Total capital ratio (%)	18.90%	19.02%	21.20%	20.40%	21.45%
Fully loaded ECL accounting model total capital ratio (%)	18.90%	19.02%	21.20%	20.40%	21.45%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
CET1 available after meeting the bank's minimum capital requirements (%)	8.40%	8.52%	10.70%	9.90%	10.95%

Habib Bank AG Zurich
 Basel III – Pillar III Disclosures – 30th June 2022

	AED'000	AED'000	AED'000	AED'000	AED'000
	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021
Leverage Ratio					
Total leverage ratio measure	14,343,382	13,865,765	13,284,464	13,261,055	13,000,219
Leverage ratio (%) (row 2/row 13)	9.01%	9.61%	10.67%	10.77%	11.01%
Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	9.01%	9.61%	10.67%	10.77%	11.01%
Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.01%	9.61%	10.67%	10.77%	11.01%
Total HQLA	3,483,150	3,201,278	3,468,938	3,388,233	3,555,053
Total liabilities	12,361,467	11,771,159	11,278,896	11,252,566	11,035,206
Eligible Liquid Assets Ratio (ELAR) (%)	28.2%	27.2%	30.8%	30.1%	32.2%
ASRR					
Total available stable funding	11,636,302	11,277,814	10,999,580	10,881,586	10,660,888
Total Advances	4,737,407	4,623,138	4,333,993	4,066,241	4,039,442
Advances to Stable Resources Ratio (%)	40.7%	41.0%	39.4%	37.4%	37.9%

Overview of RWAs (OV1)

		AED'000	AED'000	AED'000
		RWA		Minimum capital requirements
		30 Jun 2022	31 Mar 2022	30 Jun 2022
1	Credit risk (excluding counterparty credit risk)	6,494,276	6,684,160	681,899
2	Of which: standardised approach (SA)	6,494,276	6,684,160	681,899
6	Counterparty credit risk (CCR)	2,002	3,206	210
7	Of which: standardised approach for counterparty credit risk	2,002	3,206	210
10	Credit valuation adjustment (CVA)	1,141	-	120
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	17,117	8,431	1,797
21	Of which: standardised approach (SA)	17,117	8,431	1,797
23	Operational risk	754,445	754,445	79,217
26	Total (1+6+10+11+12+13+14+15+16+20+23)	7,268,980	7,450,242	763,243

Total capital requirement is defined as the sum of Pillar I and Pillar II capital requirements set by the CBUAE for Capital Adequacy. The minimum requirements represents the total capital requirement to be met by CET1.

4. Regulatory Capital

Capital Management

The Bank's regulator, the Central Bank of the UAE ('CBUAE'), sets and monitors regulatory capital requirements.

The Bank's objectives when managing capital are as follows:

- Safeguard the Bank's ability to continue as a going concern and optimize returns for shareholders;
- Comply with regulatory capital requirements set by the Central Bank of the UAE.

The Bank's policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank also assesses its capital requirements internally taking into consideration growth requirements and business plans, and quantifies its Regulatory and Risk / Economic Capital requirements within its ICAAP.

Risks such as Interest Rate Risk in the Banking Book, Credit Concentration Risk, Legal Risk, Compliance Risk, Liquidity Risk, Business Risk, Residual Risk, Counterparty Credit Risk and Reputational Risk are all part of the ICAAP.

The CBUAE supervises the Bank on a consolidated basis, and therefore receives information on the capital adequacy of, and sets capital requirements for, the Bank as a whole. Effective from 2017, the capital is computed at a Bank level using the Basel III framework of the Basel Committee on Banking Supervision ('Basel Committee'), after applying the amendments advised by the CBUAE, within national discretion. The Basel III framework, like Basel II, is structured around three 'pillars': minimum capital requirements, supervisory review process and market discipline.

Composition of Regulatory Capital (CC1)

		(AED 000s)
		30 June 2022
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	500,000
2	Retained earnings	862,039
3	Accumulated other comprehensive income (and other reserves)	(69,715)
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)</i>	-
5	Common share capital issued by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory deductions	1,292,324
Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	-
8	Goodwill (net of related tax liability)	-
9	Other intangibles including mortgage servicing rights (net of related tax liability)	-
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	-
11	Cash flow hedge reserve	-
12	Securitisation gain on sale	-
13	Gains and losses due to changes in own credit risk on fair valued liabilities	-
14	Defined benefit pension fund net assets	-
15	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	-
16	Reciprocal cross-holdings in CET1, AT1, Tier 2	-
17	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
18	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
19	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-

		(AED 000s)
		30 June 2022
20	Amount exceeding 15% threshold	-
21	Of which: significant investments in the common stock of financials	-
22	Of which: deferred tax assets arising from temporary differences	-
23	CBUAE specific regulatory adjustments	-
24	Total regulatory adjustments to Common Equity Tier 1	-
25	Common Equity Tier 1 capital (CET1)	1,292,324
Additional Tier 1 capital: instruments		
26	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
27	Of which: classified as equity under applicable accounting standards	-
28	Of which: classified as liabilities under applicable accounting standards	-
29	<i>Directly issued capital instruments subject to phase-out from additional Tier 1</i>	-
30	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	-
31	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-
32	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
33	Investments in own additional Tier 1 instruments	-
34	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
35	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
36	CBUAE specific regulatory adjustments	-
37	Total regulatory adjustments to additional Tier 1 capital	-
38	Additional Tier 1 capital (AT1)	-
39	Tier 1 capital (T1= CET1 + AT1)	1,292,324
Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
41	<i>Directly issued capital instruments subject to phase-out from Tier 2</i>	-

		(AED 000s)
		30 June 2022
42	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 30) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-
44	Provisions	81,218
45	Tier 2 capital before regulatory adjustments	81,218
Tier 2 capital: regulatory adjustments		
46	Investments in own Tier 2 instruments	-
47	Investments in capital, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
48	Significant investments in the capital, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
49	CBUAE specific regulatory adjustments	-
50	Total regulatory adjustments to Tier 2 capital	-
51	Tier 2 capital (T2)	81,218
52	Total regulatory capital (TC = T1 + T2)	1,373,542
53	Total risk-weighted assets	7,268,980
Capital ratios and buffers		
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.78%
55	Tier 1 (as a percentage of risk-weighted assets)	17.78%
56	Total capital (as a percentage of risk-weighted assets)	18.90%
57	Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.50%
58	Of which: capital conservation buffer requirement	2.50%
59	Of which: bank-specific countercyclical buffer requirement	0.00%
60	Of which: higher loss absorbency requirement (e.g. DSIB)	0.00%
61	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.	8.40%

		(AED 000s)
		30 June 2022
The CBUAE Minimum Capital Requirement		
62	Common Equity Tier 1 minimum ratio	7.00%
63	Tier 1 minimum ratio	8.50%
64	Total capital minimum ratio	10.50%
Amounts below the thresholds for deduction (before risk weighting)		
66	Significant investments in common stock of financial entities	-
68	Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2		
69	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	222,248
70	Cap on inclusion of provisions in Tier 2 under standardised approach	81,218
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	<i>Current cap on CET1 instruments subject to phase-out arrangements</i>	-
74	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-
75	<i>Current cap on AT1 instruments subject to phase-out arrangements</i>	-
76	<i>Amount excluded from AT1 due to cap (excess after redemptions and maturities)</i>	-
77	<i>Current cap on T2 instruments subject to phase-out arrangements</i>	-
78	<i>Amount excluded from T2 due to cap (excess after redemptions and maturities)</i>	-

Reconciliation of regulatory capital to balance sheet (CC2)

The table also presents the link between the Bank's balance sheet in its financial statements and the numbers that are used in the composition of capital disclosure template (CC1).

30 June 2022	Balance sheet as in financial statements	Under regulatory scope of consolidation
	AED'000	AED'000
Assets		
Cash and balances with UAE Central Bank	1,769,367	1,769,367
Due from banks	3,670,826	3,670,826
Due from related parties	68,013	68,013
Loans and Islamic financing receivables	3,744,678	3,744,678
Investments	4,123,291	4,123,291
Property and equipment	98,636	98,636
Right of use of assets	49,091	49,091
Customers' indebtedness for acceptances	54,727	54,727
Deferred tax assets	69,150	69,150
Other assets	96,341	96,341
Total assets	13,744,120	13,744,120
Liabilities		
Deposits from customers	11,916,533	11,916,533
Due to banks	46,761	46,761
Due to related parties	31,258	31,258
Liabilities under acceptances	54,727	54,727
Lease liabilities	75,139	75,139
Other liabilities	249,649	249,649
Deffered tax liability	-	-
Total liabilities	12,374,067	12,374,067
Shareholders' equity		
Allocated capital	500,000	500,000
Legal reserve	50,000	50,000
Retained earnings	935,462	935,462
Revaluation Reserves	(115,719)	(115,719)
Impairment Reserves	310	310
Total shareholders' equity	1,370,053	1,370,053

Countercyclical Buffer

The table also presents Geographical distribution of credit exposures used in the countercyclical capital buffer

Geographical breakdown	30 June 2022 (AED'000)				
	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
UAE	0%	14,367,447	6,496,277		
Total		14,367,447	6,496,277		

5. Leverage Ratio

Summary comparison of accounting assets vs leverage ratio exposure (LR1)

The following table reconciles the total assets in the financial statements to the leverage ratio exposure measure.

		30 Jun 2022 AED'000
1	Total consolidated assets as per financial statements	13,744,120
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	119,715
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	10,009
9	Adjustment for securities financing transactions (ie repos and similar secured lending)	-
10	Adjustments for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	469,539
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	-
13	Leverage ratio exposure measure	14,343,382

Leverage ratio common disclosure template (LR2)

The following table provides a detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements and buffers.

		AED'000	AED'000
		30 Jun 2022	31 Mar 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,689,393	13,206,495
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	119,715	78,897
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	13,809,108	13,285,392
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	11	0
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	7,138	11,450
	CCR exposure for derivatives transactions (calculated as 1.4 x (Row 4+5))	10,009	16,030
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	10,009	16,030
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-

		AED'000	AED'000
		30 Jun 2022	31 Mar 2022
19	Off-balance sheet exposure at gross notional amount	1,955,714	2,257,609
20	(Adjustments for conversion to credit equivalent amounts)	-1,431,448	-1,693,266
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	Off-balance sheet items (sum of rows 19 to 21)	524,266	564,343
Capital and total exposures			
23	Tier 1 capital	1,292,324	1,333,143
24	Total exposures (sum of rows 7, 13, 18 and 22)	14,343,382	13,865,765
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	9.0%	9.6%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.0%	9.6%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	6.0%	6.6%

6. Credit Risk

Credit quality of assets (CR1)

The table provides a comprehensive picture of the credit quality of the Bank's (on- and off-balance sheet) assets.

		a	b	c	d	e	f
		Gross carrying values of		Allowances/ Impairments	Of which ECL accounting provisions for credit losses on SA exposures		Net values (a+b-c)
30 June 2022 (AED'000)		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
1	Loans	189,185	3,892,508	337,015	129,710	207,305	3,744,678
2	Debt securities		4,124,297	1,006		1,006	4,123,291
3	Off-balance sheet exposures	2,529	620,798	6,050	1,957	4,093	617,277
4	Total	191,714	8,637,603	344,071	131,667	212,404	8,485,246

Changes in stock of defaulted loans and debt securities (CR2)

The below table identifies the changes in the Bank's stock of defaulted exposures, the flows between non-defaulted and defaulted exposure categories and reductions in the stock of defaulted exposures due to write-offs.

		30 Jun 2022 AED'000
1	Defaulted loans and debt securities at 31st December 2021	187,694
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-default status	-
4	Amounts written off	(3)
5	Other changes	4,023
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	191,714

Credit risk mitigation techniques –Overview (CR3)

The following table represents the extent of use of credit risk mitigation techniques.

		a	b	c	d	e	f	g
30 th June 2022 (AED'000)		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	2,526,004	1,499,632	500,493	56,058	54,419		
2	Debt securities	4,124,297	-					
3	Total	6,650,301	1,499,632	500,493	56,058	54,419	-	-
4	Of which defaulted	188,882	303	2				

Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk (CRD)

The Bank follows the standardized approach which requires banks to use risk assessments prepared by external credit assessment institutions ('ECAIs') to determine the risk weightings applied to rated counterparties. CBUAE has advised following ECAIs to be used for the rating purpose:

- Standard & Poor's Ratings Services;
- Moody's Investors Service;
- Fitch Ratings; and
- Capital Intelligence.

S No.	Standard and Poor's	Moody's	Fitch
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

If there is only one rating, that rating should be used to determine the risk weight of the exposure. If there are two rating that map to different risk weights, the higher risk weight must be applied.

If there are three or more ratings with different risk weights, the corresponding to the two lowest risk weights should be referred to. If these give rise to the same risk weight, that risk weight should be applied. If different, the higher risk weight should be applied.

Standardized approach - Credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The following table illustrates the effect of CRM on standardized approach capital requirements' calculations. RWA density provides a synthetic metric on riskiness of each portfolio.

30 th June 2022 (AED'000)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	3,534,901	-	3,534,901	-	130,978	3.7%
Public Sector Entities	11,064	-	11,064	-	2,213	20.0%
Multilateral development banks	-	-	-	-	-	-
Banks	4,751,244	28,847	4,805,664	10,934	1,831,899	38.0%
Securities firms	-	-	-	-	-	-
Corporates	3,759,273	1,814,487	4,009,271	146,075	2,966,746	71.4%
Regulatory retail portfolios	296,355	108,005	309,698	15,189	167,069	51.4%
Secured by residential property	553,545	-	553,545	-	392,661	70.9%
Secured by commercial real estate	423,772	-	423,772	-	412,772	97.4%
Equity Investment in Funds (EIF)	-	-	-	-	-	-
Past-due loans	339,852	4,351	181,825	-	178,895	98.4%
Higher-risk categories	-	-	-	-	-	-
Other assets	397,192	-	392,445	-	407,897	103.9%
Total	14,067,198	1,955,690	14,222,185	172,198	6,491,128	45.1%

Standardized approach - Exposures by asset classes and risk weights (CR5)

The following table presents the breakdown of credit risk exposures under the standardized approach by asset class and risk weight.

30th June 2022 AED'000		0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Asset classes										
1	Sovereigns and their central banks	3,403,923					130,978			3,534,901
2	Public Sector Entities		11,064							11,064
3	Multilateral development banks									-
4	Banks		2,475,795		2,008,540		331,853	411		4,816,598
5	Securities firms									-
6	Corporates	676,064	16,617		713,349		1,793,676	1,197	954,443	4,155,346
7	Regulatory retail portfolios	132,435				101,532	90,920			324,887
8	Secured by residential property	175		246,939		796	305,635			553,545
9	Secured by commercial real estate	11,000					412,772			423,772
10	Equity Investment in Funds (EIF)									-
11	Past-due loans	2,932					178,889	4		181,825
12	Higher-risk categories									-
13	Other assets	83,124					240,171		69,150	392,445
14	Total	4,309,653	2,503,476	246,939	2,721,889	102,328	3,484,894	1,612	1,023,593	14,394,383

7. Counterparty credit risk (CCR)

Qualitative disclosure related to Counterparty credit risk (CCRA)

Counterparty credit risk (CCR) is the risk that a counterparty in a derivative contracts defaults prior to the settlement of the derivative transactions. CCR arises mainly in trading book but also arises in the non-trading book (hedging an exposure with external counterparty).

Limits for CCR exposures are assigned within the overall credit process and set for individual counterparties. The magnitude of this limit will depend on the overall risk appetite and type of derivatives traded with the counterparty. Individual limits assigned to each counterparty are based on Potential Future Exposure (PFE) methodology.

The PFE measures used for CCR are adjusted to the 95th percentile. It takes into account volatility of various assets classes (Forex, Interest rate and commodities), contract maturity and the counterparty legal documentation covering netting and collateral.

Counterparty credit risk Mitigants

Credit risk from derivatives is mitigated where possible through contractual netting arrangements whereby derivative assets and liabilities with the same counterparty can be offset.

Exposure value calculation

From a capital perspective, in line with Central Bank of the UAE, the Group uses the Standardized approach for measurement of CCR exposure associated with over the Counter (OTC) derivatives transactions. This methodology replaces the Current Exposure Method (CEM) as it accurately recognizes the effects of collateralization and recognizes the benefit from over-collateralization.

Credit rating downgrade

A credit rating downgrade threshold clause in a CSA is designed to trigger an action if the credit rating of the affected party falls below a specified level. These actions may include the requirement to pay or increase collateral or the termination of transactions by the non-affected party.

Analysis of Counterparty Credit Risk by approach (CCR1)

The following table provides a comprehensive view of the method used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

30 th June 2022 AED'000		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	11	7,138		1.4	10,009	2,002
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5							
6	Total						2,002

Standardized approach - CCR exposures by regulatory portfolio and risk weights (CCR3)

The following table provides a breakdown of counterparty credit risk exposures calculated according to the standardized approach by regulatory portfolio and by risk weight.

Regulatory portfolio	0%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	-	-	-	-	-	-	-	-
Public Sector Entities (PSEs)	-	-	-	-	-	-	-	-
Multilateral development banks (MDBs)	-	-	-	-	-	-	-	-
Banks		10,009	-	-	-	-	-	10,009
Securities firms	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-
Regulatory retail portfolios	-	-	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-	-	-
Secured by commercial real estate	-	-	-	-	-	-	-	-
Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total	-	10,009	-	-	-	-	-	10,009

Composition of collateral for Counterparty Credit Risk exposure (CCR5)

The following table provide a breakdown of all types of collateral posted or received by the Bank to support or reduce the counterparty credit risk exposures related to derivative transactions.

30 th June 2022 AED'000	a	b	c	d	e	f
	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	-

8. Liquidity Risk

Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps

The table below summarises the residual maturity profile of the Bank's Balance sheet and off-balance sheet items analysed according to when they are expected to be recovered or settled

<i>As at 30 June 2022</i>	<i>Up to 3 months AED 000</i>	<i>3 – 12 months AED 000</i>	<i>1 – 5 year AED 000</i>	<i>Over 5 years AED 000</i>	<i>No maturity AED 000</i>	<i>Total amount AED 000</i>
Assets						
Cash and balances with UAE Central Bank	939,753	20,000	-	-	809,614	1,769,367
Due from banks	2,491,297	796,387	-	-	383,142	3,670,826
Due from related parties	15,316	-	-	-	52,697	68,013
Loans and receivables	1,370,656	770,466	538,608	758,477	306,471	3,744,678
Investments	1,119,035	774,063	2,212,849	17,344	-	4,123,291
Property and equipment	-	-	-	-	49,091	49,091
Right-of-use assets	-	-	-	-	98,636	98,636
Customers' indebtedness for acceptances	54,727	-	-	-	-	54,727
Deferred tax assets	-	-	-	-	69,150	69,150
Other assets	-	-	-	-	96,341	96,341
Total assets	5,990,784	2,360,916	2,751,457	775,821	1,865,142	13,744,120
Liabilities, capital and reserves						
Deposits from customers	2,518,039	1,099,034	99,422	-	8,200,038	11,916,533
Due to banks	-	-	-	-	46,761	46,761
Due to related parties	2,000	-	-	-	29,258	31,258
Liabilities under acceptances	54,727	-	-	-	-	54,727
Lease liabilities	1,887	13,118	58,501	1,633	-	75,139
Other liabilities	-	-	-	-	249,649	249,649
Deferred tax liabilities	-	-	-	-	-	-
Capital and reserves	-	-	-	-	1,370,053	1,370,053
Total liabilities and capital and reserves	2,576,653	1,112,152	157,923	1,633	9,895,759	13,744,120
Maturity gap						
2021-On Balance Sheet	3,414,131	1,248,764	2,593,534	774,188	(8,030,617)	-
Off Balance Sheet	387,048	199,060	36,449	770	-	623,327
Maturity gap 2022 (Incl Off-Balance)	3,027,083	1,049,704	2,557,085	773,418	(8,030,617)	623,327

Eligible Liquid Assets Ratio

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	1,769,367	
1.2	UAE Federal Government Bonds and Sukuks	1,713,783	
	Sub Total (1.1 to 1.2)	3,483,150	3,483,150
1.3	UAE local governments publicly traded debt securities		
1.4	UAE Public sector publicly traded debt securities		
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	3,483,150	3,483,150
2	Total liabilities		12,361,467
3	Eligible Liquid Assets Ratio (ELAR)		28.2%

Advances to Stables Resource Ratio

		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,775,968
	1.2	Lending to non-banking financial institutions	4,713
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	160,339
	1.4	Interbank Placements	796,387
	1.5	Total Advances	4,737,407
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	1,451,202
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	49,091
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	1,197
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	Total deduction	50,288
	2.2	Net Free Capital Funds	1,400,914

Habib Bank AG Zurich
 Basel III – Pillar III Disclosures – 30th June 2022

	Items	Amount
2.3	Other stable resources:	
2.3.1	Funds from the head office	0
2.3.2	Interbank deposits with remaining life of more than 6 months	0
2.3.3	Refinancing of Housing Loans	0
2.3.4	Borrowing from non-Banking Financial Institutions	44,576
2.3.5	Customer Deposits	10,190,812
2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
2.3.7	Total other stable resources	10,235,388
2.4	Total Stable Resources (2.2+2.3.7)	11,636,302
3	Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	40.71