Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

United Arab Emirates

Basel Pillar III Disclosures
for the period ended 31st March 2025

Habib Bank AG Zurich UAE Branches

Basel III – Pillar 3 Disclosures

For The Year Ended 31 March 2025

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1. Introduction

Habib Bank AG Zurich (the "Bank") was established in the UAE in 1974 and operates with eight branches in the Emirates of Abu Dhabi (1), Dubai (6), and Sharjah (1) under a full commercial banking license issued by the Central Bank of the United Arab Emirates ("CBUAE"). Additionally, the Bank has an Electronic Banking Unit in Musaffah, Abu Dhabi area since November 2024. The Head Office of the Bank is Habib Bank AG Zurich (the "Head Office") incorporated in Switzerland. The registered address of the Bank is P. O. Box 3306, Dubai, United Arab Emirates.

2. Purpose and Basis of Preparation

The Central Bank of the UAE ("CBUAE") supervises the Bank and therefore receives information on the capital adequacy of and sets capital requirements for the Bank. The capital requirements are computed 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 framework is structured around three pillars as follows:

- Pillar 1 prescribes the minimum capital requirements.
- Pillar 2 addresses the associated supervisory review process; and
- Pillar 3 specifies further public disclosure requirements in respect of the capital and risk profile.

The disclosures have been prepared in line with the disclosure templates introduced by the CBUAE guidelines re capital adequacy on disclosure requirements (CBUAE/BSD/N/2020/4980, CBUAE CBUAE/BSD/N/2021/5508, and CBUAE/BSD/2022/5280) published in November 2020, November 2021, and December 2022 respectively.

3. Overview of Pillar 3

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. It is structured around three 'pillars': Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. Pillar 3 requires the Banks to publish a set of disclosures which allow market participants to assess the specified information on the scope of application of Basel III, organization's key prudential metrics, particular risk exposures and risk assessment process, and the capital adequacy of the Bank. These disclosures consist of both qualitative and quantitative information.

The CBUAE issued Basel III capital regulations, which came into effect from February 1st, 2017, introducing minimum capital requirements at three levels, namely Common Equity Tier 1 ("CET1"), Additional Tier 1 ("AT1") and Total Capital. Additional capital buffers (Capital Conservation Buffer ("CCB") and Countercyclical Capital Buffer ("CCyB") – maximum up to 2.5% for each buffer) introduced are over and above the minimum CET1 requirement of 7%.

3.1 Regulatory Changes: IFRS9 Transitional Adjustments

The IFRS9 partial add-back transitional adjustments were introduced in the UAE as a 'prudential filter' to smooth the impact of ECL accounting on capital by providing relief to any increases in Stage1 and 2 Expected Credit Losses (ECL), based on a 5-year transitional period on a proportionate basis, as follows:

- 100% from 1st January 2020 to 31 December 2021
- 75% from 1st January 2021 to 31 December 2022
- 50% from 1st January 2022 to 31 December 2023
- 25% for 2024

This phased approach helped the Bank manage capital adequacy more effectively while adapting to the new accounting standards.

3.2 Policy and Verification

The Bank has operated within a framework of internal controls and procedures for accessing the appropriateness of this disclosure.

These Pillar 3 disclosures have been subject to review from internal auditors and appropriate senior management within the Bank.

We confirm that the Bank's Pillar 3 disclosures, to the best of our knowledge, comply with the revised CBUAE Pillar 3 market disclosures requirements and have been prepared in compliance with the Bank's internal control framework.

3.3 Implementation of Basel III Standards and Guidelines

The Bank has adopted the Standardized Approach for Credit Risk, Counterparty Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk (Pillar 1) for regulatory reporting purposes. Credit Valuation Adjustment (CVA) capital became effective from 30 June 2022.

The Bank also assigns capital on other than Pillar 1 risk categories, for example 'Interest rate risk on banking book' and for 'Business risk', within the Pillar 2 framework.

4. 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 7.0% 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), each a maximum of 2.5% of RWAs in 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 31 March 2025:

- The Bank's Common Equity Tier 1 (CET1) ratio of 20.08% (31 December 2024: 22.84%), Tier 1 capital ratio of 20.08% (31 December 2024: 22.84%), Capital Adequacy Ratio of 21.11% (31 December 2024: 23.87%), are all well ahead of the regulatory requirements.
- The Bank's leverage ratio of 9.37% (31 December 2024: 10.55%) is well ahead of the current regulatory requirement.
- The Bank continues to manage its balance sheet proactively, with focus on sound RWA management.

5. Overview of Risk Management and RWA

5.1 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
		31 Mar 2025	31 Dec 2024	30 Sept 2024	30 Jun 2024	31 Mar 2024
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1,503,871	1,679,200	1,501,754	1,443,432	1,436,782
1a	Fully loaded ECL accounting model	1,503,871	1,679,200	1,501,754	1,443,432	1,436,782
2	Tier 1	1,503,871	1,679,200	1,501,754	1,443,432	1,436,782
2a	Fully loaded ECL accounting model Tier 1	1,503,871	1,679,200	1,501,754	1,443,432	1,436,782
3	Total capital	1,581,197	1,754,793	1,574,411	1,514,335	1,504,709
3a	Fully loaded ECL accounting model total capital	1,581,197	1,754,793	1,574,411	1,514,335	1,504,709
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	7,488,882	7,351,755	6,876,234	6,733,446	6,498,068
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	20.08%	22.84%	21.84%	21.44%	22.11%
5a	Fully loaded ECL accounting model CET1 (%)	20.08%	22.84%	21.84%	21.44%	22.11%
6	Tier 1 ratio (%)	20.08%	22.84%	21.84%	21.44%	22.11%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	20.08%	22.84%	21.84%	21.44%	22.11%
7	Total capital ratio (%)	21.11%	23.87%	22.90%	22.49%	23.16%
7a	Fully loaded ECL accounting model total capital ratio (%)	21.11%	23.87%	22.90%	22.49%	23.16%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.44%	0.43%	0.02%	0.03%	0.03%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	**Total of bank CET1 specific buffer requirements (%)**	**2.94%**	**2.93%**	**2.52%**	**2.53%**	**2.53%**
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.61%	13.37%	12.40%	11.99%	12.66%

		AED'000	AED'000	AED'000	AED'000	AED'000
		31 Mar 2025	**31 Dec 2024**	**30 Sept 2024**	**30 Jun 2024**	**31 Mar 2024**
	Leverage Ratio					
13	Total leverage ratio measure	16,056,890	15,921,596	15,054,399	14,869,556	15,266,335
14	Leverage ratio (%)	9.37%	10.55%	9.98%	9.71%	9.41%
14a	Fully loaded ECL accounting model leverage ratio (%)	9.37%	10.55%	9.98%	9.71%	9.41%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.37%	10.55%	9.98%	9.71%	9.41%
21	Total HQLA	6,395,180	6,199,997	5,953,380	5,479,847	6,239,222
22	Total liabilities	13,519,623	13,467,502	12,735,594	12,643,541	12,697,044
23	Eligible Liquid Assets Ratio (ELAR) (%)	47.3%	46.0%	46.7%	43.3%	49.1%
	ASRR					
24	Total available stable funding	13,268,971	13,152,055	12,314,460	12,183,204	12,488,372
25	Total Advances	4,800,500	4,740,602	4,384,888	4,202,118	3,944,135
26	Advances to Stable Resources Ratio (%)	36.2%	36.0%	35.6%	34.5%	31.6%

5.2 Overview of RWA (OV1)

		AED'000	AED'000	AED'000
		RWA		Minimum capital requirements
		31 Mar 2025	31 Dec 2024	31 Mar 2025
1	Credit risk (excluding counterparty credit risk)	6,182,028	6,044,229	649,113
2	Of which: standardised approach (SA)	6,182,028	6,044,229	649,113
6	Counterparty credit risk (CCR)	2,168	1,909	228
7	Of which: standardised approach for counterparty credit risk	2,168	1,909	228
10	Credit valuation adjustment (CVA)	1,863	1,275	196
12	Equity investments in funds - look-through approach	-	-	-
13	Equity investments in funds - mandate-based approach	-	-	-
14	Equity investments in funds - fall-back approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the banking book	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	8,353	9,872	877
21	Of which: standardised approach (SA)	8,353	9,872	877
23	Operational risk	1,294,470	1,294,470	135,919
26	**Total (1+6+10+12+13+14+15+16+20+23)**	**7,488,882**	**7,351,755**	**786,333**

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 represent the total capital requirement to be met by CET1.

6. Leverage Ratio

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

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

		31 Mar 2025 AED'000
1	Total consolidated assets as per published financial statements	15,518,851
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	24,994
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	10,841
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)	502,282
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**	**16,056,969**

6.2 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
		31 Mar 2025	**31 Dec 2024**
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	15,454,698	15,300,352
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)	24,994	39,042
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**15,479,692**	**15,339,394**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	39	6
9	Add-on amounts for PFE associated with *all* derivatives transactions	7,705	6,811
	CCR exposure for derivatives transactions (calculated as 1.4 x (Row 8+9))	10,841	9,544
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**	**10,841**	**9,544**
Securities financing transactions			
14	Gross SFT *assets* (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 31 Mar 2025	AED'000 31 Dec 2024
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	2,600,556	2,561,030
20	(Adjustments for conversion to credit equivalent amounts)	-2,034,199	-1,988,372
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)**	566,356	572,658
Capital and total exposures			
23	**Tier 1 capital**	1,503,871	1,679,200
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	16,056,890	15,921,596
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	9.4%	10.5%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.4%	10.5%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%

7. Liquidity

7.1 Liquidity Coverage Ratio (LIQ1)

The following table is not applicable to our bank.

		Total unweighted value (average)	Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**		
3	Stable deposits		
4	Less stable deposits		
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)		
8	Unsecured debt		
9	**Secured wholesale funding**		
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements		
12	Outflows related to loss of funding of debt products		
13	Credit and liquidity facilities		
14	**Other contractual funding obligations**		
15	**Other contingent funding obligations**		
16	**TOTAL CASH OUTFLOWS**		
Cash inflows			
17	**Secured lending (eg reverse repo)**		
18	**Inflows from fully performing exposures**		
19	**Other cash inflows**		
20	**TOTAL CASH INFLOWS**		
			Total adjusted value
21	**Total HQLA**		
22	**Total net cash outflows**		
23	**Liquidity coverage ratio (%)**		

7.2 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	2,949,142	
1.2	UAE Federal Government Bonds and Sukuks	3,089,084	
	Sub Total (1.1 to 1.2)	6,038,226	6,038,226
1.3	UAE local governments publicly traded debt securities	37,336	
1.4	UAE Public sector publicly traded debt securities		
	Sub Total (1.3 to 1.4)	37,336	37,336
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	319,618	319,618
1.6	**Total**	**6,395,180**	**6,395,180**
2	Total liabilities		13,519,623
3	**Eligible Liquid Assets Ratio (ELAR)**		**47.30%**

7.3 Advances to Stables Resource Ratio

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	4,412,170
	1.2	Lending to non-banking financial institutions	14,059
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	173,701
	1.4	Interbank Placements	200,570
	1.5	**Total Advances**	4,800,500
2		**Calculation of Net Stable Resources**	
	2.1	Total capital + general provisions	2,130,964
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	34,036
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	0
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	**Total deduction**	34,036
	2.2	**Net Free Capital Funds**	2,096,928
	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	12,454
	2.3.5	Customer Deposits	11,159,589
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	**Total other stable resources**	11,172,043
	2.4	**Total Stable Resources (2.2+2.3.7)**	13,268,971
3		**Advances to Stable Resources Ratio (1.5/ 2.4*100)**	36.18