



(Incorporated in Switzerland 1967)

# Habib Bank AG Zurich

United Arab Emirates

Basel Pillar III Disclosures

31<sup>st</sup> March 2022

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## **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 31 March 2022:

- The Bank’s Common Equity Tier 1 (CET1) ratio of 17.89%, Tier 1 capital Ratio of 17.89%, Capital Adequacy Ratio of 19.02%, are all well ahead of the regulatory requirements.
- The Bank’s leverage ratio of 9.61% 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:

	a	b	c	d	e
	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 Jun 2021	31 Mar 2021
<b>Available capital (amounts)</b>					
Common Equity Tier 1 (CET1)	1,333,143	1,417,935	1,427,828	1,431,891	1,431,159
Fully loaded ECL accounting model	1,333,143	1,417,935	1,427,828	1,431,891	1,431,159
Tier 1	1,333,143	1,417,935	1,427,828	1,431,891	1,431,159
Fully loaded ECL accounting model Tier 1	1,333,143	1,417,935	1,427,828	1,431,891	1,431,159
Total capital	1,416,735	1,496,627	1,510,334	1,510,083	1,503,501
Fully loaded ECL accounting model total capital	1,416,735	1,496,627	1,510,334	1,510,083	1,503,501
<b>Risk-weighted assets (amounts)</b>					
Total risk-weighted assets (RWA)	7,450,242	7,059,596	7,402,777	7,039,477	6,572,754
<b>Risk-based capital ratios as a percentage of RWA</b>					
Common Equity Tier 1 ratio (%)	17.89%	20.09%	19.29%	20.34%	21.77%
Fully loaded ECL accounting model CET1 (%)	17.89%	20.09%	19.29%	20.34%	21.77%
Tier 1 ratio (%)	17.89%	20.09%	19.29%	20.34%	21.77%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.89%	20.09%	19.29%	20.34%	21.77%
Total capital ratio (%)	19.02%	21.20%	20.40%	21.45%	22.87%
Fully loaded ECL accounting model total capital ratio (%)	19.02%	21.20%	20.40%	21.45%	22.87%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>					
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 (%)	8.52%	10.70%	9.90%	10.95%	12.37%

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<b>Leverage Ratio</b>					
Total leverage ratio measure	13,865,765	13,284,464	13,261,055	13,000,219	13,327,171
Leverage ratio (%) (row 2/row 13)	9.61%	10.67%	10.77%	11.01%	10.74%
Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	9.61%	10.67%	10.77%	11.01%	10.74%
Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.61%	10.67%	10.77%	11.01%	10.74%
Total HQLA	3,201,278	3,468,938	3,388,233	3,555,053	3,927,731
Total liabilities	11,771,159	11,278,896	11,252,566	11,035,206	11,180,730
Eligible Liquid Assets Ratio (ELAR) (%)	27.2%	30.8%	30.1%	32.2%	35.1%
<b>ASRR</b>					
Total available stable funding	11,277,814	10,999,580	10,881,586	10,660,888	11,039,952
Total Advances	4,623,138	4,333,993	4,066,241	4,039,442	4,294,156
Advances to Stable Resources Ratio (%)	41.0%	39.4%	37.4%	37.9%	38.9%

## **4. Overview of risk management and Risk Weighted Assets (OVA)**

### **Business Model Determination and Risk Profile**

The Bank is a Commercial Bank providing a range of Commercial Lending Products and Trade Finance Services to primarily SME clients. In addition, there is a limited Retail Offering for the Commercial customer's employees and owners. The Bank's commercial lending activities focus particularly on trade finance, providing banking services for the customer's import and export requirements. The customer lending is mainly to individuals and SME's (sole proprietors, partnerships and limited liability companies) with a few large-scale entities. The types of Business segments generally include General Trading, Textiles, Electronics, Foodstuff, Retail, Manufacturing, Transport, Real Estate and Construction and Building Materials. The Bank also participates in syndicated lending. The bank identifies industries and segments based on its risk appetite statement (RAS) on a periodic basis and solicits its customers accordingly.

The Bank has a strong focus on secured as well as short-term self-liquidating credit facilities. Further, in line with its policy of maintaining high liquidity, the Bank has significant surplus funds, which are placed with the Central Bank of the UAE, top rated local and international banks, as well as invested in highly liquid and investment grade debt securities.

The Bank is exposed to all standard risk classes in the normal course of its business which comprises of Strategic & business risk, Liquidity risk, market risk, credit risk, operational risk, legal compliance, reputational and systemic risks. The Bank's risk management and control principles are implemented through the Risk & Control Framework. The Risk & Control Framework comprises qualitative elements of regulatory nature such as Regulations, Policies, Directives and Guidelines, and quantitative components including risk measurement methodologies and risk limits.

Moreover, the following general principles support the Bank's effort to maintain an appropriate balance between risk and return:

- We protect the financial strength of the Bank by controlling our risk exposures and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate Bank wide level across all risk types.
- We protect our reputation through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles.
- We systematically identify, classify and measure risks applying best practice.
- We ensure management accountability, whereby Business Line Management, as opposed to risk control, owns all risks assumed throughout the Bank and is responsible for the continuous and active management of all risk exposures to ensure that risk and return are balanced.
- We set up independent risk control functions or units, which monitor effectiveness of business's risk management and oversee risk-taking activities.
- We disclose risks to General Management, Board of Directors of the Bank, regulators, and other stakeholders with an appropriate level of comprehensiveness and transparency

## Governance Structure

The Governance Documents of The Bankare derived from legal, regulatory and supervisory requirements (including those issued by the Swiss Financial Market Supervisory Authority «FINMA» and Central Bank of UAE «CBUAE») as well as from business considerations. The Governance Documents are essential management and monitoring tools that contribute to transparency and improve efficiency and risk mitigation of banking operations.

## Organisation and Reporting Lines

The responsibility for dimensioning and managing risk demarcated in the table below

**HBZ – UAE Risk Organization Table**

	<b>Risk Owner</b>	<b>Risk Managers</b>	<b>Risk Controllers</b>
	<b>Monitoring and Steering</b>	<b>(Risk and Profit Responsibility)</b>	<b>(Identify, Assessing and Monitoring)</b>
Strategic and Business Risk	General Management	Zonal Management	FCD
			RMD
Liquidity Risk	ALCO	Business Line Management	RMD
	RMC		
Market Risk	ALCO	Business Line Management	RMD
	RMC		
Credit Risk	ZCC ACC	Business Line Management	CRMD
Operational Risk	RMC	Business Line Management	RMC GIT
	GITC		
	HRC		
Legal, Compliance and Tax Risk	Zonal Compliance	Business Line Management	Legal and Compliance
			FCD
			RMD
Reputation Risk	General Management	Zonal Management	Legal and Compliance RMD
Systemic Risk	RMC	Zonal Management	RMD

### **Key**

*FCD – Financial Control Department*

*RMD – Risk Management Department*

*ALCO – Assets and Liability Committee*

*CRMD – Credit Risk Management Department*

*ZCC – Zonal Credit Committee*

*ACC – Area Credit Committee*

*RMC – Risk Management Committee*

*HRC – Human Resource Committee*

*GITC – Group Information Technology Committee*

## Overview of Risk Management

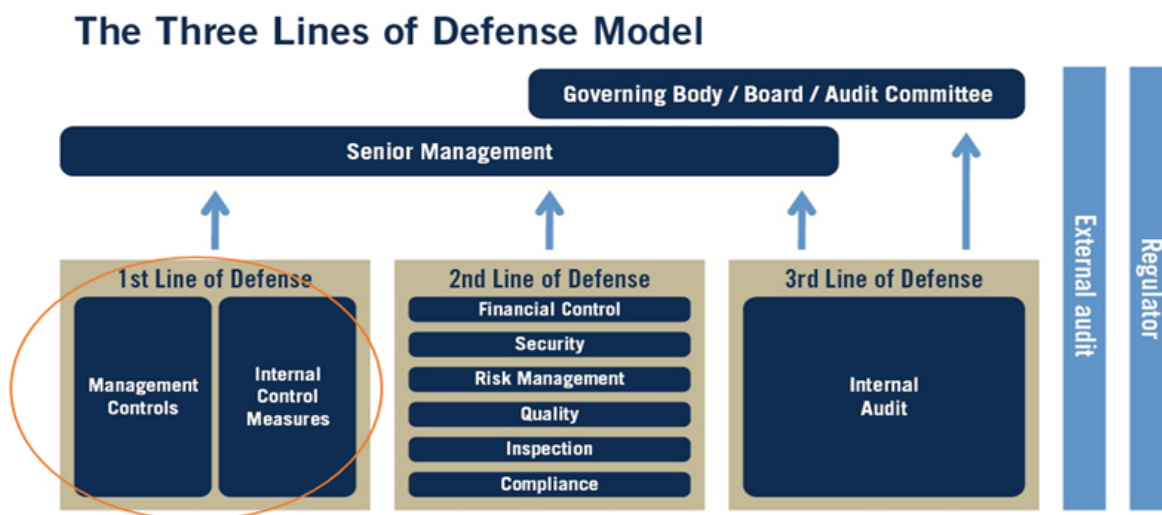
This section sets out some of the key governance and compliance requirements that the Bank abides by at all times. These include but are not limited to; -

1. An independent Group CEO is appointed by the Board, reporting to the Board and the Chairman.
2. The Bank has standard policies, procedures, directives, guidelines, process flows, business rules, and discretionary powers setting out authorities, responsibilities and behavioural standards.
3. Group Risk Control Committee (GRCC) forms an independent second line of defense reporting to the Board for all of the risk classes. GRCC defines group level policies, directives and guidelines and monitors group wide adherence. GRCC provides a formal annual report to the BOD.
4. Group Internal Audit (GIA) Department forms an independent third line of defense reporting to the Board, with the responsibility of risk based audits of all functions. In addition GIA has the responsibility to monitor overlapping work functions (if any), conflicts of interest, significant losses, and wrong-doing (including cases of fraud / embezzlement).
5. The country structure mirrors that of the group, with the CEO appointed by the Group CEO and the Board. The Chief Risk Officer (CRO) is responsible for setting the country policies, directives and guidelines related to all risk classes. The CRO has a reporting line to the Group Risk function.
6. The Risk Management Committee (RMC) reports on all risk classes to the country management and Group Risk Control

The Country CEO and the senior team has a clear understanding of the Governance structure as well an in-depth understanding of the jurisdictional requirements of the bank's operations (Abu Dhabi, Dubai and Sharjah). They are able to exercise sound judgement about the affairs of the Bank and ensure implementation of an effective Corporate Governance Framework within the Bank.

The Senior Management is fully involved in overseeing the Bank's strategic objectives. They have set out and enforce clear lines of responsibility and accountability across the board.

In the UAE the bank has a well-trained first line of defence, complemented by support functions as the second line. The clear segregation of roles and the risk based monitoring ensures compliance to country and global regulatory requirements. The structure is outlined below





## Adequacy of the Bank's Risk Management Processes

Effective risk management is a key component of estimation of capital requirements preservation of assets and long-term profitability of the Bank. Clear guidelines, thresholds and limits are defined, which are reviewed regularly, and are backed up by a comprehensive system of internal controls and management inspections. Habib Bank AG Zurich, UAE has a robust risk management framework integrated into its culture and documents.

### 1. **Risk Assessment**

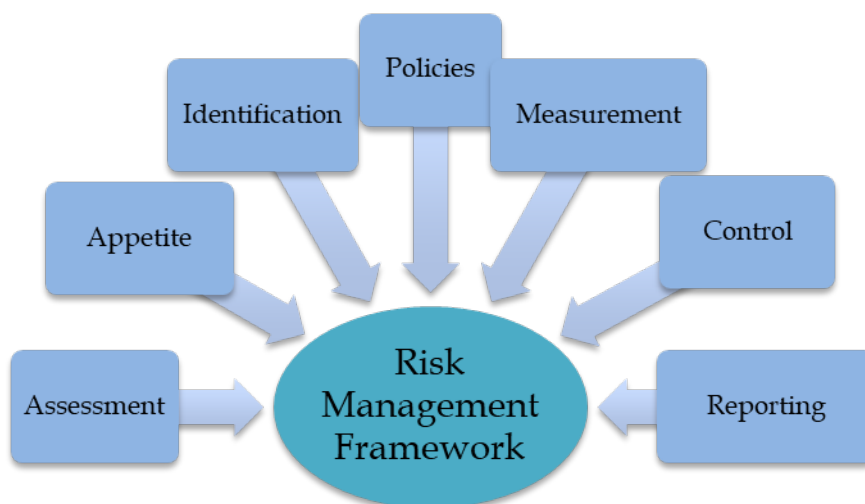
In-depth review and monitoring of System level controls, User groups, Transaction authorizations, Alert reviews, etc. is performed by the Risk department on a continual basis.

### 2. **Risk Appetite**

The risk appetite will incorporate a balanced mix of both quantitative and qualitative measures. Quantitative measures include financial targets e.g. capital adequacy, earnings volatility, credit or other external ratings. Qualitative measures refer to reputational impact, management effort and regulatory compliance. A Risk appetite statement in this regard is already approved and Implemented.

### 3. **Risk Identification**

The Bank endeavours to identify all material risks that may affect it. Identification is a continuous and pro-active process. It covers all the current activities of the Bank, any new products or initiatives follow a Change Risk Assessment (CRA) methodology.



### 4. **Risk Policies**

Policies, directives and guidelines are in place in line with the Risk Assessment and Risk Appetite of the bank.

### 5. **Risk Measurement**

The Bank spends considerable resources on maintaining a modern IT platform. The Bank employs various models to dimension risk clearly.

### 6. **Risk Controls**

The Bank has an independent control environment to monitor and enforce approved policies and limits for which the Internal Controls System (ICS) is effective since 2017.

## 7. Risk Reporting

The Bank has a well-established process for reporting risk factors to the various stakeholders of the Bank.

The above-mentioned elements for Habib Bank AG Zurich, UAE are in line with the Regulations, Policies, Directives and Guidelines, as approved by the Board of Directors / General Management in the Head Office in Switzerland and are in compliance with the regulations of the Central Bank of the UAE as well as the Swiss Banking Regulator (FINMA).

The Risk and Control Framework set forward, clearly outlines the regulations for operation of the Bank's business globally, with an emphasis on the following areas; -

- Strategic and Business Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Operational Risk
- Legal, Compliance and Tax Risk
- Reputation Risk
- Systemic Risk

Further, the Bank utilises the following as governing tools for the Banks management; -

- Policy: Risk Limits and Competencies
- Policy: Liquidity Risk
- Policy: Market Risk
- Policy: Credit Risk
- Policy: Operational Risk
- Policy: Legal, Compliance and Tax Risk
- Policy: Information Security
- Strategic Plan which describes the business development strategies in the medium to long term.
- Senior Executives Summit Meetings held twice yearly.
- Annual Group Financial Controllers, Group Compliance, Group Risk Managers Meetings.

## Credit Risk

The Bank's exposures are classified as per the **Standard Portfolio approach** to Credit Risk under Pillar I of Basel II. The majority of our Credit Risk is well diversified within Corporate / Commercial and SME Customers. Besides, Bank has also exposure with Institutional Counter Parties (Sovereigns, Other Financial Institutions and Banks). The core values and main procedures governing the provision of credit are laid down in the Group Credit Risk Policy and related Directives.

The Bank's credit risk management system operates through a hierarchy of exposure discretion. This mandate and scale also comprises a range of additional limits to ensure that no concentrations exist in the portfolio.

All exposures over a certain level require the approval of the Area Credit Committee, Country Credit Committee and Group Credit Management Committee. These Credit Committees are composed of Business Managers, Senior Executives, Chief Credit Officer, as well as SEVP, Country Head and President of the Bank.

The Credit Committees structure in Habib Bank AG Zurich, UAE is set out below; -

- Zonal Credit Committee -1 (ZCC -1)
- Zonal Credit Committee -2 (ZCC-2)
- Area Credit Committee (ACC)

A detailed credit review is performed on each new business case. The Bank uses a risk rating system to evaluate the financial and repayment risk of proposed advances and to ensure appropriate returns for assuming risks. Credit analysts undertake a detailed review of each client prior to approval of advances. An annual financial review is conducted for all credit line customers. Besides, the senior management also reviews the 100 largest exposures and all relationships with 6.5 or above rating periodically. The Bank determines its Credit Risk largely under the following categories; -

- Claims on Sovereigns
- Claims on Corporates
- Claims included in the Regulatory Retail Portfolios
- Claims Secured by Residential Property
- Claims Secured by Commercial Real Estate

### Market and Liquidity Risk

The Bank has adopted **Standardized Approach** for Market Risks; whereas, for Interest Rate Risk, the Bank has adopted the 'Duration' method. The Bank has formulated Liquidity Risk Management Framework in lines with the regulations and guidelines provided by CBUAE vide Circular # 30/2012.

Market Risk Management structure is centralized in the Risk Management Department of the Bank. However, governance is distributed across different committees. Assets and Liability Management Committee (ALCO) and Risk Management Committee (RMC) are primarily responsible for key decisions related to Market and Liquidity Risk.

### Operational Risk

The Bank's Operational Risks are classified as per the **Basic Indicator Approach** to Operational risk under Pillar I of Basel II. The Bank's Operational Risk is initially managed at Business/support units that take risk on behalf of Bank. The Bank's Operational Risk is also independently reviewed and assessed by Operational Risk Management (Risk Management Department). Other owners include Information Security, Compliance, Financial Control Department, etc with GIA (Being 3<sup>rd</sup> Line of Defense). The Bank uses the following loss event types, in line with the guidelines stipulated in Basel II and Basel III Accords (as per guidelines issued by Central Bank of UAE); -

- Internal Fraud
- External Fraud
- Employment Practices and Workplace Safety
- Clients, Products and Business Practices
- Damage to Physical Assets
- Business Disruption and System Failures
- Execution, Delivery and Process Management

These risks are assessed under an Operational Risk Framework

### Stress Testing Practices

A range of quantitative techniques that could assess potential vulnerabilities / risks to the individual institutions as well as financial system, is widely known as 'Stress Testing'. Stress testing is a process, which provides

information on the behaviour of the financial system under a set of exceptional, but plausible assumptions. These tests help in managing risk within the Bank to ensure optimum allocation of capital across its risk profile. At the system level, stress tests are primarily designed to quantify the impact of possible changes in economic environment on the financial system. Stress testing is a vital diagnostic tool to better understand a bank's risk profile. The Bank is using following techniques for Stress Testing; -

**Simple Sensitivity Analysis** measures the change in the value of portfolio for shocks of various degrees to different independent risk factors while the underlying relationships among the risk factors are not considered. For example, the shock might be the adverse movement of interest rate by 100 basis points and 200 basis points. Its impact will be measured only on the dependent variable i.e. capital in this case, while the impact of this change in interest rate on NPLs or exchange rate or any other risk factor is not considered.

**Macro-Economic Scenario Analysis** encompasses the situation where a change in one risk factor affects a number of other risk factors or there is a simultaneous move in a group of risk factors. Scenarios can be designed to encompass both movements in a group of risk factors and the changes in the underlying relationships between these variables (for example correlations and volatilities). Stress testing can be based on the historical scenarios, a backward-looking approach, or the hypothetical scenario, a forward-looking approach.

**Extreme Value / Maximum Shock** scenario measures the change in the risk factor in the worst-case scenario, i.e. the level of shock, which entirely wipes out the capital.

The scope of the stress test for the bank is limited to Simple Sensitivity Analysis. The following key risk factors have been identified and used for the stress testing; -

- Interest Rate Risk / Pricing Risk
  - Increase in Interest Rate
  - Adverse Change in Yield on Advances
- Credit Risk
  - Increase in Non-Performing Loans (NPLs)
  - Downgrade Shift in NPLs Categories
  - Fall in Forced Sale Value of Collateral
  - Fall in Forced Sale Value of Mortgage Collateral
- Concentration Risk
- Operational Risk
  - Unauthorized Withdrawal from Account
  - Fraudulent Withdrawal from ATM / Debit Card
  - Insurance Company Default / Rejected Claim for Unauthorized Withdrawal
  - Internal Fraud
- Market Risk
  - Adverse Movement in Foreign Exchange Rate
  - Equity Price
  - Fall in Stock Market Prices
- Liquidity Risk
  - Drop in Securities Price
  - Partial Market Illiquidity
  - Interest Rates Increase
  - Counterparty deteriorates
  - FX Rates Adverse Movement
  - Liquidity Stress Test (LST 1 and LST 2)

This stress testing is carried out assuming following three different hypothetical scenarios; -

- Minor Level Shocks: These represent small shocks to risk factors. Level for different risk factors can, however, vary.
- Moderate Level Shocks: It envisages medium level of shocks and the level is defined in each risk factor separately.
- Major Level Shocks: It involves big shocks to all the risk factors and is also defined separately for each risk factor.

Each of the risk factors has been given shocks of three different levels. The magnitude of shock has been defined separately for each risk factor for all the three levels of shocks. Capital Adequacy for the Bank has been stress tested for Worst Case Scenarios. The modelling has been based on the Financial Statements components

The bank uses both top down and bottoms up approach to stress testing. In the first (Environmental Stress Tests) the macroeconomic, geo political and other factors present are translated to likely scenarios and the stress tests are conducted accordingly. In the second approach (Scenario based stress tests) various tests are devised impacting the risk classes and their impact is calculated on the capital.

Overview of RWAs (OV1)

		AED'000	AED'000	AED'000
		RWA		Minimum capital requirements
		31 Mar 2022	31 Dec 2021	31 Mar 2022
1	Credit risk (excluding counterparty credit risk)	6,684,160	6,294,320	701,837
2	Of which: standardised approach (SA)	6,684,160	6,294,320	701,837
6	Counterparty credit risk (CCR)	3,206	1,037	337
7	Of which: standardised approach for counterparty credit risk	3,206	1,037	337
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	8,431	9,794	885
21	Of which: standardised approach (SA)	8,431	9,794	885
23	Operational risk	754,445	754,445	79,217
<b>26</b>	<b>Total (1+6+10+11+12+13+14+15+16+20+23)</b>	<b>7,450,242</b>	<b>7,059,596</b>	<b>782,275</b>

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.

## 5. Leverage Ratio

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

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

		<b>31 Mar 2022</b>
1	Total consolidated assets as per published financial statements	13,272,339
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	78,897
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	16,030
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)	498,499
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	-
<b>13</b>	<b>Leverage ratio exposure measure</b>	<b>13,865,765</b>

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 2022	31 Dec 2021
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,206,495	12,789,951
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)	78,897	(7,204)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)</b>	<b>13,285,392</b>	<b>12,782,747</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	0	1
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	11,450	3,701
	CCR exposure for derivatives transactions (calculated as 1.4 x (Row 4+5))	16,030	5,183
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	<b>Total derivative exposures (sum of rows 8 to 12)</b>	<b>16,030</b>	<b>5,183</b>
<b>Securities financing transactions</b>			
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	<b>Total securities financing transaction exposures (sum of rows 14 to 17)</b>	<b>-</b>	<b>-</b>
<b>Other off-balance sheet exposures</b>			



19	Off-balance sheet exposure at gross notional amount	2,257,609	1,873,017
20	(Adjustments for conversion to credit equivalent amounts)	-1,693,266	-1,376,482
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	<b>Off-balance sheet items (sum of rows 19 to 21)</b>	564,343	496,535
<b>Capital and total exposures</b>			
23	<b>Tier 1 capital</b>	1,333,143	1,417,935
24	<b>Total exposures (sum of rows 7, 13, 18 and 22)</b>	13,865,765	13,284,464
<b>Leverage ratio</b>			
25	<b>Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)</b>	9.6%	10.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.6%	10.7%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	<b>Applicable leverage buffers</b>	6.6%	7.7%

## 6. Liquidity Risk

### Eligible Liquid Assets Ratio

The following table provides a detailed breakdown of the components of the 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	1,564,754	
1.2	UAE Federal Government Bonds and Sukuks	1,636,524	
	Sub Total (1.1 to 1.2)	3,201,278	3,201,278
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	<b>Total</b>	<b>3,201,278</b>	<b>3,201,278</b>
2	Total liabilities		11,771,159
3	<b>Eligible Liquid Assets Ratio (ELAR)</b>		<b>27.2%</b>

### Advances to Stables Resource Ratio

The following table provides a detailed breakdown of the components of the Advance to Stable Resource ratio.

Habib Bank AG Zurich  
 Basel III – Pillar III Disclosures – 31<sup>st</sup> March 2022

		<b>Items</b>	<b>Amount</b>
<b>1</b>		<b>Computation of Advances</b>	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,690,299
	1.2	Lending to non-banking financial institutions	4,796
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	(16,240)
	1.4	Interbank Placements	944,283
	<b>1.5</b>	<b>Total Advances</b>	<b>4,623,138</b>
<b>2</b>		<b>Calculation of Net Stable Resources</b>	
	2.1	Total capital + general provisions	1,569,998
		<b>Deduct:</b>	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	51,079
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	1,197
	2.1.6	Investment in subsidiaries, associates and affiliates	
	<b>2.1.7</b>	<b>Total deduction</b>	<b>52,276</b>
	<b>2.2</b>	<b>Net Free Capital Funds</b>	<b>1,517,722</b>
	<b>2.3</b>	<b>Other stable resources:</b>	
	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	33,994
	2.3.5	Customer Deposits	9,726,098
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	<b>2.3.7</b>	<b>Total other stable resources</b>	<b>9,760,092</b>
	<b>2.4</b>	<b>Total Stable Resources (2.2+2.3.7)</b>	<b>11,277,814</b>
<b>3</b>		<b>Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)</b>	<b>40.99</b>