



(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

United Arab Emirates

Basel Pillar III Disclosures
for the period ended 30th September 2023

Habib Bank AG Zurich UAE Branches

Basel III – Pillar III Disclosures

For The Period Ended 30 September 2023

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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 30 September 2023:

- The Bank's Common Equity Tier 1 (CET1) ratio of 20.65%, Tier 1 capital Ratio of 20.65%, Capital Adequacy Ratio of 21.74%, are all well ahead of the regulatory requirements.
- The Bank's leverage ratio of 9.30% 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 Sept 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sept 2022
Available capital (amounts)					
Common Equity Tier 1 (CET1)	1,373,523	1,384,916	1,385,085	1,392,012	1,246,312
Fully loaded ECL accounting model	1,373,523	1,384,916	1,385,085	1,392,012	1,246,312
Tier 1	1,373,523	1,384,916	1,385,085	1,392,012	1,246,312
Fully loaded ECL accounting model Tier 1	1,373,523	1,384,916	1,385,085	1,392,012	1,246,312
Total capital	1,446,539	1,459,969	1,458,417	1,469,072	1,324,411
Fully loaded ECL accounting model total capital	1,446,539	1,459,969	1,458,417	1,468,918	1,324,411
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	6,652,936	6,820,683	6,681,508	6,965,947	7,016,051
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	20.65%	20.30%	20.73%	19.99%	17.76%
Fully loaded ECL accounting model CET1 (%)	20.65%	20.30%	20.73%	19.99%	17.76%
Tier 1 ratio (%)	20.65%	20.30%	20.73%	19.99%	17.76%
Fully loaded ECL accounting model Tier 1 ratio (%)	20.65%	20.30%	20.73%	19.99%	17.76%
Total capital ratio (%)	21.74%	21.41%	21.83%	21.09%	18.88%
Fully loaded ECL accounting model total capital ratio (%)	21.74%	21.41%	21.83%	21.09%	18.88%
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 (%)	2.50%	2.50%	2.50%	2.50%	2.50%
CET1 available after meeting the bank's minimum capital requirements (%)	11.24%	10.91%	11.33%	10.59%	8.38%

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	AED'000	AED'000	AED'000	AED'000	AED'000
	30-Sept-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22
Leverage Ratio					
Total leverage ratio measure	14,765,411	14,426,094	14,456,997	14,254,971	14,206,283
Leverage ratio (%) (row 2/row 13)	9.30%	9.60%	9.58%	9.77%	8.77%
Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	9.30%	9.60%	9.58%	9.77%	8.77%
Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.30%	9.60%	9.58%	9.77%	8.77%
Total HQLA	5,101,547	4,812,025	4,750,504	4,176,460	3,786,872
Total liabilities	12,371,572	12,171,418	12,194,326	12,140,477	12,111,954
Eligible Liquid Assets Ratio (ELAR) (%)	41.2%	39.5%	39.0%	34.4%	31.3%
ASRR					
Total available stable funding	11,902,818	11,683,454	11,800,707	11,654,998	11,422,336
Total Advances	3,925,482	4,276,627	4,070,448	4,128,799	4,417,206
Advances to Stable Resources Ratio (%)	33.0%	36.6%	34.5%	35.4%	38.7%

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

Overview of RWAs (OV1)

		AED'000	AED'000	AED'000
		RWA		Minimum capital requirements
		30 Sept 2023	30 Jun 2023	30 Sept 2023
1	Credit risk (excluding counterparty credit risk)	5,834,965	5,998,413	612,671
2	Of which: standardised approach (SA)	5,834,965	5,998,413	612,671
6	Counterparty credit risk (CCR)	3,783	4,272	397
7	Of which: standardised approach for counterparty credit risk	3,783	4,272	397
10	Credit valuation adjustment (CVA)	2,534	1,560	266
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	8,386	13,169	881
21	Of which: standardised approach (SA)	8,386	13,169	881
23	Operational risk	803,268	803,268	84,343
26	Total (1+6+10+11+12+13+14+15+16+20+23)	6,652,936	6,820,683	698,558

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.

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.

		30 Sept 2023 AED'000
1	Total consolidated assets as per published financial statements	14,058,373
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	148,247
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	13,761
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)	545,030
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	14,765,411

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 Sept 2023	30 Jun 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,989,932	13,702,510
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)	148,247	136,854
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	14,138,179	13,839,364
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)	17	3
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	9,812	8,606
	CCR exposure for derivatives transactions (calculated as 1.4 x (Row 4+5))	13,761	12,053
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 10 to 12)	13,761	12,053
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)	-	-

		AED'000 30 Sept 2023	AED'000 30 Jun 2023
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	2,749,278	2,389,493
20	(Adjustments for conversion to credit equivalent amounts)	-2,135,807	-1,814,816
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)	613,471	574,678
Capital and total exposures			
23	Tier 1 capital	1,373,523	1,384,916
24	Total exposures (sum of rows 7, 13, 18 and 22)	14,765,411	14,426,094
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	9.3%	9.6%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.3%	9.6%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	6.3%	6.6%

6. Liquidity Ratio

Eligible Liquid Assets Ratio

(AED '000)

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,584,532	
1.2	UAE Federal Government Bonds and Sukuks	2,517,015	
	Sub Total (1.1 to 1.2)	5,101,547	5,101,547
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	5,101,547	5,101,547
2	Total liabilities		12,371,572
3	Eligible Liquid Assets Ratio (ELAR)		41.24%

Advances to Stables Resource Ratio

		Items	Amount (AED '000)
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,510,254
	1.2	Lending to non-banking financial institutions	178
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	196,457
	1.4	Interbank Placements	218,593
	1.5	Total Advances	3,925,482
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	1,757,366
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	40,119
	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	40,119
	2.2	Net Free Capital Funds	1,717,247
	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	20,155
	2.3.5	Customer Deposits	10,165,416
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	Total other stable resources	10,185,571
	2.4	Total Stable Resources (2.2+2.3.7)	11,902,818
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	32.98