



(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

United Arab Emirates

Basel Pillar III Disclosures
for the period ended 31st December 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 Bank is also licensed by the UAE Capital Market Authority (CMA) for Promotion Activity and Securities Portfolio Management. 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/BSN/2020/4980, CBUAE CBUAE/BSN/2021/5508, and CBUAE/BSN/2022/5280) published in November 2020, November 2021, and December 2022 respectively.

The annual Pillar 3 report of the Bank for the year ended 31 December 2025 comprises detailed information on the underlying drivers of Risk-Weighted Assets (RWA) and capital of the Bank. The report should be read in conjunction with the Bank’s Audited Financial Statements as at 31 December 2025.

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 **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 external auditors, 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.

3.2 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 December 2025:

- The Bank's Common Equity Tier 1 (CET1) ratio of 19.05% (31 December 2024: 22.84%), Tier 1 capital ratio of 19.05% (31 December 2024: 22.84%), Capital Adequacy Ratio of 20.08% (31 December 2024: 3.87%), are all well ahead of the regulatory requirements.
- The Bank's leverage ratio of 9.53% (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 Risk Weighted Assets (OVA)

5.1 Key Metrics (KM1)

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

		AED'000	AED'000	AED'000	AED'000	AED'000
		31 Dec 2025	30 Sept 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	1,531,355	1,530,410	1,521,361	1,503,871	1,679,200
1a	Fully loaded ECL accounting model	1,531,355	1,530,410	1,521,361	1,503,871	1,679,200
2	Tier 1	1,531,355	1,530,410	1,521,361	1,503,871	1,679,200
2a	Fully loaded ECL accounting model Tier 1	1,531,355	1,530,410	1,521,361	1,503,871	1,679,200
3	Total capital	1,613,812	1,614,756	1,602,176	1,581,197	1,754,793
3a	Fully loaded ECL accounting model total capital	1,613,812	1,614,756	1,602,176	1,581,197	1,754,793
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	8,037,769	8,053,822	7,768,575	7,488,882	7,351,755
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	19.05%	19.00%	19.58%	20.08%	22.84%
5a	Fully loaded ECL accounting model CET1 (%)	19.05%	19.00%	19.58%	20.08%	22.84%
6	Tier 1 ratio (%)	19.05%	19.00%	19.58%	20.08%	22.84%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	19.05%	19.00%	19.58%	20.08%	22.84%
7	Total capital ratio (%)	20.08%	20.05%	20.62%	21.11%	23.87%
7a	Fully loaded ECL accounting model total capital ratio (%)	20.08%	20.05%	20.62%	21.11%	23.87%
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 (%)	0.45%	0.45%	0.46%	0.44%	0.43%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%)	2.95%	2.95%	2.96%	2.94%	2.93%
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.58%	9.55%	10.12%	10.61%	13.37%

		AED'000	AED'000	AED'000	AED'000	AED'000
		31 Dec 2025	30 Sept 2025	30 Jun 2025	31 Mar 2025	31 Dec 2024
Leverage Ratio						
13	Total leverage ratio measure	16,060,700	15,767,259	16,184,261	16,056,890	15,921,596
14	Leverage ratio (%)	9.53%	9.71%	9.40%	9.37%	10.55%
14a	Fully loaded ECL accounting model leverage ratio (%)	9.53%	9.71%	9.40%	9.37%	10.55%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	9.53%	9.71%	9.40%	9.37%	10.55%
21	Total HQLA	5,822,896	5,629,964	6,440,761	6,395,180	6,199,997
22	Total liabilities	13,666,432	13,412,035	14,020,341	13,519,623	13,467,502
23	Eligible Liquid Assets Ratio (ELAR) (%)	42.6%	42.0%	45.9%	47.3%	46.0%
ASRR						
24	Total available stable funding	13,233,237	12,899,385	13,194,296	13,268,971	13,152,055
25	Total Advances	5,307,376	5,260,620	5,027,438	4,800,500	4,740,602
26	Advances to Stable Resources Ratio (%)	40.1%	40.8%	38.1%	36.2%	36.0%

5.2 Bank Risk Management Approach (OVA)

Business Model Determination and Risk Profile

The Bank is a Commercial Bank providing a range of Banking and Trade Finance Services to primarily commercial clients. In addition, there is a limited Retail Offering for the Commercial customer's employees and owners. The Bank's commercial banking activities focus particularly on trade finance, providing banking services for the customer's import and export requirements. Customer lending is mainly to individuals and commercial clients (sole proprietors, partnerships and limited liability companies) with a few large corporate 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 offers Shari'ah compliant products and services through separated window operations in all our branches, while keeping in view Shari'ah and regulatory requirements.

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 Risk
- Liquidity Risk
- Market Risk
- Credit Risk
- Operational Risk (including Market Conduct Risk, Model Risk, IT Security & Cyber Risk)
- Legal, Compliance and Tax Risk
- Reputation Risk
- Systemic Risk
- Islamic Shariah Non-Compliance Risk
- Climate-related Financial Risks. (Bank has not designated climate risk as a separate risk category; instead, climate-related financial risk assessment and mitigation are integrated into the main risk classes where relevant.)

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 EXCO of the Bank, regulators, and other stakeholders with an appropriate level of comprehensiveness and transparency.

Governance Structure

The corporate governance framework of HBZ-UAE is illustrated as follows:

Country Manager		
1st Line of Defence	2nd Line of Defence	3rd Line of Defence
COMMITTEES UAE BRANCH		
BUSINESS MANAGEMENT	COUNTRY FINANCIAL CONTROL FUNCTION	INTERNAL AUDIT FUNCTION
	COUNTRY LEGAL & COMPLIANCE FUNCTION	
	COUNTRY RISK CONTROL FUNCTION	
	COUNTRY CREDIT FUNCTION	
	COUNTRY OPERATIONAL RISK FUNCTION	
COUNTRY HUMAN RESOURCES FUNCTION		
ISLAMIC BANKING - WINDOW	SHARI'AH CONTROLLER	SHARI'AH AUDIT

Committee structure and description

HBZ-UAE has two (2) specialized committees at Senior Management level (i.e. EXCO and ISSC) and five (5) Committees as a part of its local governance structure. Committee meetings are held regularly, meeting the quorum requirements.

The structure of HBZ-UAE's committees is set forth as follows:

Committee	Frequency / roles	CEO	Head of Compliance	COO	CFO	CRO	CCO	Head of Corp. Banking	Head of HR	Head of Treasury	Other Members
EXCO	Bi-monthly	Chair	Member	Member	Member	Member	Member	Member	Member	Member	- Head of GIA - Head of Branches - Head of Business Development - Head of Islamic Banking - Head of IT - Head of Commercial Banking
CRMC	Quarterly	Member	Member		Member	Chair	Member	Member			Head of Real Estate Risk
CHRC	Quarterly	Member	Member	Member	Member				Chair		
CLCC	Quarterly	Member	Chair	Member		Member		Member			Head of Group Legal & Compliance
CALC	Quarterly	Member			Member	Member	Member			Chair	
CCMC	Ad-hoc	Chair		Member			Member	Member			Other members of credit, based on approved discretions
ISSC	Quarterly	Attendees	Attendees					ISSC members			Head of Islamic Banking Head of Shari'ah Control

- **Chief Executive Officer (“CEO”)**

CEO is assisted in his duties by a specialized and highly qualified team of Senior Executive Management, who are responsible and accountable for the sound and prudent day-to-day management of the Bank. The team generally includes, but is not limited to, members of the Banks Executive Committee, Segment Heads and Branch Managers.

The CEO relies on a number of internal committees in the execution of his functions.

- **Country Executive Committee (“EXCO”)**

The EXCO comprises of the Senior Management of the UAE Operations and functions similar to the BoD, as mandated by the CBUAE under the Corporate Governance regulations.

The EXCO addresses topics / areas of management, structure, organization, communication and implementation of current and future strategies.

The purpose of the EXCO is to develop and implement strategies, operational plans, technology and Information Security related policies, procedures and budgets; monitor operational and financial performance; assessment and control of risk; prioritize and allocate resources; and monitor competition in each area of operation.

- **Country Risk Management Committee (“CRMC”)**

The CRMC’s objective is to oversee the risk management framework, systems, practices and procedures to ensure that the inherent enterprise risk is in line with the risk appetite statement. Moreover, the Committee shall consider any matters relating to the identification, assessment, measurement, monitoring and control or management of risks associated with the operations of the Bank.

- **Country Human Resource Committee (“CHRC”)**

The CHRC is responsible for employee hiring, career development, retention plan, HR Budget, employment policies, comply with the statutory and regulatory requirements, including Emiratization and staff training & development.

- **Country Legal and Compliance Committee (“CLCC”)**

The CLCC is primarily a decision-making body for executing the Compliance strategies of the Bank and managing the inherent risks within the defined risk appetite thresholds. Compliance Committee reviews all matters relating to the identification, assessment, measurement, monitoring and control or management of Compliance risks associated with the Bank, with a special focus on Money Laundering, Terrorist Financing and Financial Crime risk.

- **Country Asset and Liabilities Committee (“CALC”)**

The CALC is responsible for monitoring all treasury activities, interest rate risk, liquidity, and foreign exchange risks across HBZ and reviews and recommends strategies, policies and procedures relating to assets & liabilities management across HBZ, including reporting to the EXCO, as and when required. The Committee is also responsible for ensuring compliance with treasury limits and ratios approved by the EXCO and required by the CBUAE.

- **Country Credit Management Committee (“CCMC”)**

The CCMC is primarily the decision-making body within the Country to review and approve types of credit facilities for single and group counterparties and includes all matters with regards to non- performing loans. The Committee has the authority to decide local policies, processes, guidelines, controls, system changes, staffing needs or actions needed to manage Credit Risk at the country level.

The Credit Committee functions through the electronic workflow on HBZ-UAE’s operating platform. For the electronic workflow, comments of the relevant member will count as the quorum requirement.

• **Internal Shari’ah Supervision Committee (“ISSC”)**

ISSC comprises of scholars specialized in Islamic financial transactions, which independently supervises transactions, activities, and products of the Bank. ISSC also ensures that the Bank is in overall compliance with Islamic Shari’ah laws and regulations in all its relevant objectives, activities, operations and code of conduct.

ISSC - Constitution:

Name	Board of Directors
Professor Jassim Al Shamsi	Chairman and Executive Member
Dr. Mohammed al-Hashimi	Member
Mufti Talha Saleem	Member
Azizur Rahman	Secretary

Internal Audit Committee

The BoD of HBZ has established an Audit Committee at the Head Office to study and review accounting procedures, financial reporting, internal audit and internal controls. The Audit Committee receives and considers internal and external audit reports, findings and recommendations for all group entities including the HBZ UAE branches (the Bank).

The Audit Committee comprises of three Independent, Non-Executive Directors and meets at least twice in a year:

Name	Function
Roland Müller-Ineichen	Chairman
Urs W. Seiler	Member
Michael Schneebeli	Member

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; -

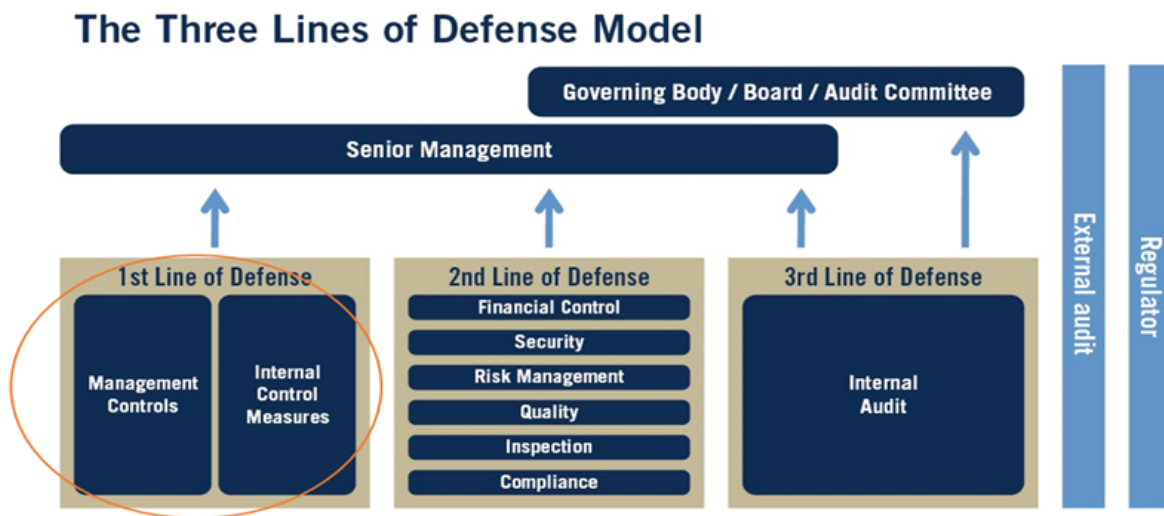
1. The Group CEO is appointed by the Board, reporting to the Board and the Chairman.
2. The Bank has standard policies, procedures, directives, guidelines, process flows, business rules, and discretionary powers setting out authorities, responsibilities and behavioural standards.
3. The Group Risk Control Committee (GRCC) forms an independent second line of defence 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 Group Risk Report and Group Financial Control, a formal annual report to the BOD. Group Legal & Compliance and Group Finance are also part of 2nd line of defence.
4. Group Internal Audit (GIA) Department forms an independent third line of defence 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 EXCO shall be appointed by the Chief Executive Officer («CEO») under the authority of the Board of Directors of the Bank («BOD») and as mandated by the CBUAE under the requirements of the Corporate Governance Regulation & Standards CBUAE/BSR/2019/3671. It shall be responsible for the appointment and Terms of Reference approvals of all management committees. It shall address issues of management, structure, organization, communication and implementation of current and future strategies.
6. The EXCO shall be the executive management of the Bank and shall assume responsibility for the management of all decisions within the Bank under the governance and as per the strategy laid down by the BOD and General Management («GM»). It may, at its discretion, delegate authorities to other committees and individuals in the Bank.
7. The Credit Committees are primarily the decision making bodies within the Country to review and approve types of credit facilities for single and group counterparties and includes all matters with regards to non-performing loans, which falls within the discretion of each committee, as outlined in the Schedule 1 of the Discretionary Powers for Loans and Advances. However, these Credit Committees will not be responsible for the review of the overall Risk Management Framework of the Bank, which is the responsibility of the CRMC of the Bank.
8. The Compliance Committee is primarily a decision-making body for executing the Compliance strategies of the Bank and managing the inherent risks within the defined risk appetite thresholds. The decisions are to be taken by a simple majority vote. In the event of a tie vote, the chairperson's vote (or that of his alternate) shall be decisive.
9. The CRMC reports on all risk classes to the country management and GRCC.

The Country Manager and the senior team have 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 enforced clear lines of responsibility and accountability across the board.

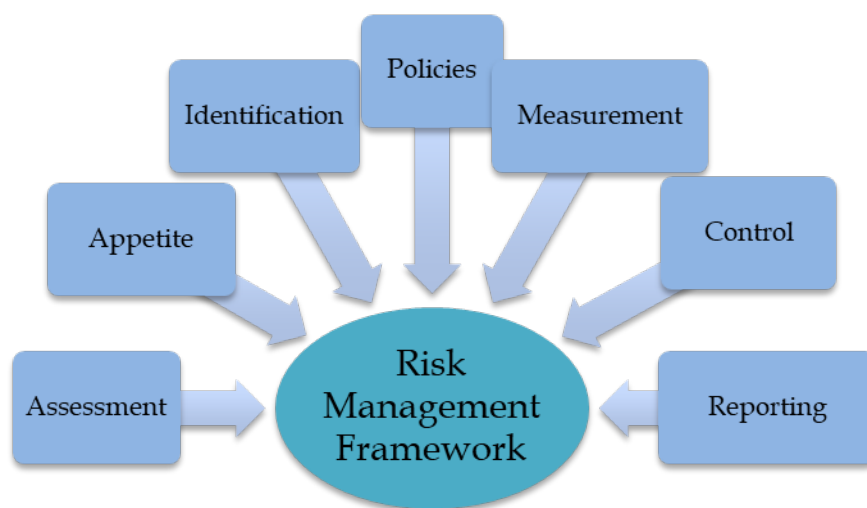
In the UAE, the Bank has a well-trained first line of defence, complemented by support functions as the second line. The clear segregation of roles and the risk-based monitoring ensure compliance with country and global regulatory requirements.

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 Appetite

The Bank has a defined risk appetite, incorporating a balanced mix of both quantitative and qualitative measures. Quantitative measures include financial targets, e.g., capital adequacy, earnings volatility, and credit or other external ratings. Qualitative measures refer to reputational impact, management effort, and regulatory compliance. A formal Risk Appetite Statement (“RAS”) has been approved and implemented.

2. Risk Identification

Risk identification is an on-going and proactive process, ensuring that all material risks affecting the Bank are recognized. It covers all the current activities of the Bank, any new products and initiatives, which undergo a Change Risk Assessment (“CRA”) methodology.

3. Risk Assessment

The Risk Management and Control Department continuously conducts in-depth reviews and monitoring of system level controls, user groups, transaction authorizations, alert reviews, and other key areas to maintain a robust risk framework.

4. Risk Policies

The Bank has established regulations, policies, directives, and guidelines that align with its risk assessment and risk appetite, ensuring a structured approach to managing risk.

5. Risk Measurement

Significant resources are allocated to maintaining a modern IT infrastructure that supports risk management. The Bank employs various models to quantify and dimension risk effectively.

6. Risk Controls

The Bank has an independent control environment to monitor and enforce approved policies and risk limits for which the Internal Controls System (“ICS”) operational since 2017, plays a key role in maintaining compliance and governance.

7. Risk Reporting

The Bank has a well-established reporting framework ensuring that key risk factors are communicated effectively to various stakeholders within the Bank.

The risk management framework and operational practices of Habib Bank AG Zurich, UAE are fully aligned with the established regulations, policies, directives and guidelines, formally approved by the EXCO, the Board of Directors / General Management at the Head Office in Switzerland. Additionally, the Bank ensures strict compliance with the regulatory requirements set forth by both, the Central Bank of the UAE, as well as the Swiss Banking Regulator Financial Market Supervisory Authority (“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 main risk classes: -

Main Risk Class	Description
Strategic Risk	The risk that HBZ UAE fails to achieve its strategic objectives due to poor strategy formulation, inadequate execution, misalignment with market conditions, or the impact of external factors beyond direct management control. This includes business model risk and the risk of strategic change.
Liquidity Risk	The risk that HBZ UAE is unable to meet its financial obligations as they fall due, or can only do so at excessive cost. This encompasses funding liquidity risk (inability to raise or retain funding), market liquidity risk (inability to liquidate assets without significant loss), and liquidity concentration risk.
Market Risk	The risk of financial loss arising from adverse movements in market prices, including interest rates, foreign exchange rates, equity prices, and commodity prices. For HBZ UAE,

	Interest Rate Risk in the Banking Book (IRRBB) is the most material sub-risk, complemented by FX risk arising from client-driven transactions and market concentration risk.
Credit Risk	The risk of financial loss resulting from the failure of a borrower, issuer, or counterparty to meet its contractual obligations. This includes Client Credit Risk, Credit Concentration Risk, Issuer Credit Risk, Counterparty Credit Risk, Settlement Risk, and Country Risk. Credit Concentration Risk has been elevated in the 2026 assessment, reflecting correlated exposures across sectors and counterparties.
Operational Risk	The risk of disruption, loss, or damage resulting from inadequate or failed internal processes, systems, people, or external events. Operational Risk encompasses a broad range of sub-risks, including Internal Fraud, External Fraud, Client Products and Business Practices, Employment Practices and Workplace Safety, Damage to Physical Assets, Business Disruption and System Failures, Execution Delivery and Process Management, Cyber Risk, and Model Risk. Cyber Risk carries a Very High inherent rating and Medium residual rating in the 2026 assessment, making it the most critical operational risk sub-category.
Legal, Compliance & Tax Risk	The risk of adverse legal, regulatory, or tax consequences arising from non-compliance with applicable laws, regulations, conduct standards, or tax obligations. Sub-risks include Client Compliance Risk, Transactions Products & Services Risk, Country Risk (compliance dimension), AML and Sanctions, Channels Risk, Tax Compliance, Proliferation Financing, and Regulatory Non-Compliance. Climate-related legal and regulatory risk is embedded within this class where relevant.
Reputational Risk	The risk of harm to HBZ UAE's standing in the eyes of its clients, regulators, counterparties, or the broader public, arising from negative perception, conduct failures, regulatory action, or adverse events. While Reputational Risk has moved out of the Top 10 in 2026 due to the relative rise of other risk categories, it remains a consequential risk with direct linkages to strategic and compliance risk.
Systemic Risk	The risk of widespread disruption or instability within the financial system, arising from interconnectedness between institutions, markets, and jurisdictions, and the potential for contagion beyond HBZ UAE's direct control. Systemic Risk has risen significantly in the 2026 assessment, driven by heightened geopolitical uncertainty, global financial market stress, and increased external interdependency.
Islamic Banking Window Risk	The risk arising from non-compliance with Islamic Sharia principles in the conduct of HBZ UAE's Islamic window operations, including Sharia Non-Compliance Risk, Islamic Window Segregation Risk, Islamic Liquidity Risk, FX Hedging Risk, Rate of Return Risk, Displaced Commercial Risk, Documentation Risk, Operational Processing Risk, Treasury Investment Risk, Trade Finance Sharia Risk, Governance Risk, and Accounting Risk. Documentation Risk carries a High inherent rating and requires ongoing attention.

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

Risks	Risk Management Process
Strategic Risk	Strategic and business risk is the object of a qualitative management process within the Group. The strategy is set by the GM in consultation with the country managers through Summit meetings. This is translated into yearly budgets and action plans.
Liquidity Risk	Refer to Policy GROUP-GM-002 «Liquidity risk».
Market Risk	Refer to Policy GROUP-GM-003 «Market risk».
Credit Risk	Refer to Policy GROUP-GM-004 «Credit risk».
Operational Risk	Refer to Policy GROUP-GM-005 «Operational risk».
Legal, Compliance and Tax Risk	Refer to Policy GROUP-GM-006 «Compliance risk».
Reputation Risk	Refer to Policy GROUP-GM-007 «Code of conduct».
Systemic Risk	Systemic risk relates to several of the above risk classes. Systemic risk exposures and developments are reviewed by the Group Risk and Control Committee («GRCC») and considered in the risk policy setting and risk limit review process.
Islamic Shariah Non-Compliance Risk	Refer to Directive D-GROUP-GIB-001 « Islamic banking ». Refer to Guidelines G-GROUP-GIB-001 « Shariah governance of SIRAT ». Further all Risk management policies of the bank applies to Islamic window operations as well.
IT Security & Cyber Risk	Refer to Policy P-GROUP-GM-008 «Information Security». Refer to Directive D-GROUP-GIR-011 «Cyber Security».
Market Conduct Risk	Refer to Directives D-GROUP-GLC-010 «Market Conduct Rules». Refer to Local Guidelines LG-AE-CR-001 «Conduct Risk Framework».
Model Risk	Refer to Guidelines G-GROUP-GOR-005 «Model Risk Management» for further details. Local Guidelines AE-CM-050 « Model risk management » Local Guidelines AE-CM-051 « Model performance monitoring and risk reporting » Local Guidelines AE-CM-052 « Data management framework » Local Guidelines AE-CM-056 « Contingency plan for automated models » Local Functional Guidelines AE-GRC-001 « Model risk »
Climate related Financial Risks	Refer to Policy P-GROUP-GM-009 « Environmental, social and governance («ESG») framework».

Credit Risk

The Bank's credit risk exposures are classified as per the Standard Portfolio approach under Pillar I of Basel III covering the Standardized Approach for credit risk. The majority of Bank’s credit risk is well diversified within Corporate / Commercial and SME Customers. Besides, Bank has also exposure with Institutional counterparties (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 comprise 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 accounts on Early Warning Monitor and Watch category on Quarterly basis.. The Bank determines its Credit Risk largely under the following categories: -

- Claims on Sovereigns
- Claims on Corporates
- Claims on Banks
- Claims on Past dues
- 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.

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 risk exposures are classified as per the **Basic Indicator Approach** under Pillar I of Basel III. 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 Group Internal Audit ("GIA) (being 3rd 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.

Outline of Stress Testing Approach

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; -

- Credit Risk:
 - Analysed incremental expected credit losses (ECL) and limit utilization scenarios across various stages, including actual and incremental percentages (ranging from +25% to +200%).
- Market Risk:
 - Tested adverse movements in interest rates, and exchange rates.
 - Evaluated potential losses in the bond investment portfolio, both for Held to Maturity (HTM) and Available for Sale (AFS) investments.
- Concentration Risk:
 - Analysed potential losses due to increase in credit concentration risk calculated through HHI model.
- Operational Risk:
 - Assessed operational risks related to Bank wide Cyber or Ransome ware attack, Customer Impacted due to IT /System Issue, Business Continuity Failure, Non-Compliance to Regulatory Requirements, and Third Party Failure.
- IRRBB (Interest Rate Risk in the Banking Book):
 - Examined additional stress scenarios for Economic Value of Equity (EVE) and Net Interest Income (NII), including parallel shock up/down, flattener, steepened, and short rates up/down.
- Liquidity Risk:
 - Tested scenarios including securities price drops, adverse FX rate movements, and behavioural Deposit outflow.

This stress testing is carried out assuming the 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 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 as at December 31, 2025.

Additionally, Bank also prepares Worst Case Scenario for Capital Adequacy Stress Testing.

5.3 Overview of RWAs (OV1)

		AED'000	AED'000	AED'000
		RWA		Minimum capital requirements
		31 Dec 2025	30 Sep 2025	31 Dec 2025
1	Credit risk (excluding counterparty credit risk)	6,592,056	6,742,555	692,166
2	Of which: standardised approach (SA)	6,592,056	6,742,555	692,166
6	Counterparty credit risk (CCR)	3,046	2,860	320
7	Of which: standardised approach for counterparty credit risk	3,046	2,860	320
10	Credit valuation adjustment (CVA)	1,475	2,261	155
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	11,873	11,676	1,247
21	Of which: standardised approach (SA)	11,873	11,676	1,247
23	Operational risk	1,429,319	1,294,470	150,079
26	Total (1+6+10+11+12+13+14+15+16+20+23)	8,037,769	8,053,822	843,966

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.

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (LI1)

The consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with relevant laws of the U.A.E.

Habib Bank AG Zurich
 Basel III – Pillar III Disclosures – 31st December 2025

31 Dec 2025 (AED'000)	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with UAE Central Bank	3,081,961	3,081,961	3,081,961				
Due from banks	1,550,268	1,550,268	1,550,268				
Due from related parties	94,817	94,817	94,817				
Loans and Islamic financing receivables	4,980,673	4,980,673	4,980,673				
Investments	5,520,698	5,520,698	5,520,698				
Property and equipment	34,032	34,032	34,032				
Right of use of assets	45,520	45,520	45,520				
Customers' indebtedness for acceptances	66,251	66,251	66,251				
Deferred tax assets	46,257	46,257	46,257				
Other assets	94,340	94,340	94,340				
Total Assets	15,514,817	15,514,817	15,514,817		-		-

Habib Bank AG Zurich
 Basel III – Pillar III Disclosures – 31st December 2025

	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 Dec 2025 (AED'000)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items:				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposits from customers	13,194,842	13,194,842					13,194,842
Due to banks	89,392	89,392					89,392
Due to related parties	9,528	9,528					9,528
Liabilities under acceptances	66,251	66,251					66,251
Other liabilities	311,205	311,205		124		124	311,081
Lease liabilities	16,843	16,843					16,843
Total Liabilities	13,688,061	13,688,061	-	124	-	124	13,687,937

Main sources of differences between regulatory exposure amounts and carrying values in financial statements (LI2)

	31 Dec 2025 (AED'000)	Total	Items subject to:			
			Credit risk framework	Securitisat ion framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template L1)	15,514,817	15,514,817			-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template L1)	124	-			124
3	Total net amount under regulatory scope of consolidation	15,514,693	15,514,817	-	-	(124)
4	Off-balance sheet amounts	682,999	682,999			
5	<i>Differences in valuations</i>					
6	<i>Differences due to different netting rules, other than those already included in row 2</i>					
7	<i>Differences due to consideration of provisions</i>					
8	<i>Differences due to prudential filters</i>					
9	Exposure amounts considered for regulatory purposes	16,197,692	16,197,816		-	(124)

Linkages between financial statements and regulatory exposures (LIA)

There is no difference between the regulatory exposure amounts and carrying values in financial statements.

Prudent valuation adjustments (PV1)

PV1 is not applicable for the Bank

6 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.

The capital management section of the 2025 audited Financial Statements sets out the Bank's capital resources and adequacy.

The Bank has complied with all the externally imposed capital requirements.

Composition of Regulatory Capital (CC1)

		(AED 000s) 31 December 2025
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	773,955
3	Accumulated other comprehensive income (and other reserves)	257,400
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		1,531,355
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) December 31, 2025
Common Equity Tier 1 capital regulatory adjustment	
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)	1,531,355
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)	1,531,355
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>	-
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)	-

		(AED 000s) December 31, 2025
	Tier 2 capital: instruments and provision	
43	<i>Of which: instruments issued by subsidiaries subject to phase-out</i>	-
44	Provisions	82,457
45	Tier 2 capital before regulatory adjustments	82,457
	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)	82,457
52	Total regulatory capital (TC = T1 + T2)	1,613,812
53	Total risk-weighted assets	8,037,769
	Capital ratios and buffers	
54	Common Equity Tier 1 (as a percentage of risk-weighted assets)	19.05%
55	Tier 1 (as a percentage of risk-weighted assets)	19.05%
56	Total capital (as a percentage of risk-weighted assets)	20.08%
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)	2.95%
58	Of which: capital conservation buffer requirement	2.50%
59	Of which: bank-specific countercyclical buffer requirement	0.45%
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.	9.58%
	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%

		(AED 000s) December 31, 2025
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)	127,536
70	Cap on inclusion of provisions in Tier 2 under standardised approach	82,457
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
73	Current cap on CET1 instruments subject to phase-out arrangements	-
74	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
75	Current cap on AT1 instruments subject to phase-out arrangements	-
76	Amount excluded from AT1 due to cap (excess after redemptions and maturities)	-
77	Current cap on T2 instruments subject to phase-out arrangements	-
78	Amount excluded from T2 due to cap (excess after redemptions and maturities)	-

Reconciliation of regulatory capital to balance sheet (CC2)

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

31 Dec 2025	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	AED'000	AED'000
Assets		
Cash and balances with UAE Central Bank	3,081,961	3,081,961
Due from banks	1,550,268	1,550,268
Due from related parties	94,817	94,817
Loans and Islamic financing receivables	4,980,673	4,980,673
Investments	5,520,698	5,520,698
Property and equipment	34,032	34,032
Right of use of assets	45,520	45,520
Customers' indebtedness for acceptances	66,251	66,251
Deferred tax assets	46,257	46,257
Other assets	94,340	94,340
Total assets	15,514,817	15,514,817
Liabilities		
Deposits from customers	13,194,842	13,194,842
Due to banks	89,392	89,392
Due to related parties	9,528	9,528
Liabilities under acceptances	66,251	66,251
Other liabilities	311,205	311,205
Lease liabilities	16,843	16,843
Total liabilities	13,688,061	13,688,061
Shareholders' equity		
Allocated capital	500,000	500,000
Legal reserve	250,000	250,000
Retained earnings	1,059,303	1,059,303
Revaluation Reserves	17,453	17,453
Total shareholders' equity	1,826,756	1,826,756

Main features of regulatory capital instruments (CCA)

S.No.	Description	Information
1	Issuer	Habib Bank AG Zurich
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N.A
3	Governing law(s) of the instrument	Federal Law No 14 of 2018/ Circular No 12/2021 of CBUAE UAE Federal Decree Law No. 32 of 2021
	Regulatory treatment	
4	Transitional arrangement rules (i.e. grandfathering)	NA
5	Post-transitional arrangement rules (i.e. grandfathering)	NA
6	Eligible at solo/group/group and solo	NA
7	Instrument type (types to be specified by each jurisdiction)	Common Equity Tier 1
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	AED 500 Million
9	Nominal amount of instrument	AED 500 Million
9a	Issue price	AED 1 per instrument
9b	Redemption price	NA
10	Accounting classification	Equity attributable to equity holders
11	Original date of issuance	NA
12	Perpetual or dated	NA
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	NA
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	NA
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	NA
21	Existence of step-up or other incentive to redeem	NA
22	Non-cumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	Writedown feature	NA
25	If writedown, writedown trigger(s)	NA
26	If writedown, full or partial	NA
27	If writedown, permanent or temporary	NA
28	If temporary write-own, description of writeup mechanism	NA
28a	Type of subordination	NA
29	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
30	Non-compliant transitioned features	NA
31	If yes, specify non-compliant features	NA

Countercyclical Buffer (CCyB1)

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

Geographical breakdown	31 st Dec 2025 (AED'000)				Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer				
		Exposure values	Risk-weighted assets			
UAE	0.406%	5,779,063	4,039,441			
Other Countries	0.00%	1,140,997	699,550			
Germany	0.012%	126,708	81,973			
United Kingdom	0.022%	91,985	54,842			
Korea, Republic of	0.013%	88,369	62,996			
Australia	0.007%	51,268	34,785			
Sum	0.460%	7,278,390	4,973,587			

7 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.

		31 Dec 2025 AED'000
1	Total consolidated assets as per published financial statements *	15,514,817
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
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	11,664
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)	534,219
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments – round off	-
13	Leverage ratio exposure measure	16,060,700

- **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 Dec 2025	30 Sep 2025
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	15,448,566	15,133,693
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)	-	-
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	15,448,566	15,133,693
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)	-	33
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	8,332	10,183
	CCR exposure for derivatives transactions (calculated as 1.4 x (Row 4+5))	11,664	14,302
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 9 to 12)	11,664	14,302
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 31 Dec 2025	AED'000 30 Sep 2025
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	2,876,224	2,829,512
20	(Adjustments for conversion to credit equivalent amounts)	-2,275,754	-2,210,248
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)	600,470	619,263
Capital and total exposures			
23	Tier 1 capital	1,531,355	1,530,410
24	Total exposures (sum of rows 7, 13, 18 and 22)	16,060,700	15,767,259
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	9.5%	9.7%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	9.5%	9.7%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	6.5%	6.7%

8 Credit Risk

General qualitative information about credit risk (CRA)

(a) How the business model translates into the components of the bank's credit risk profile

The Bank is a Corporate / Commercial bank, primarily offering working capital facilities, discreetly designed for owner-operated businesses as well as corporates, financial institutions and in some cases, individuals. Products are offered through the bank's international network and robust delivery channels.

Hence, the assets of the bank mainly consist of Loans & Advances (trust receipts, commercial loans, mortgages, invoice finance etc.), interbank placements, debt securities, tailored wealth management products etc.

The Bank has centralized Credit Management functions for the entire bank, independent from the Operations or Business units. The Bank has implemented appropriate policies, procedures and systems for lending businesses to ensure credit exposure is taken prudently.

The process of translation of business model into components of credit risk at the bank, is initiated at the time of approval of Board approved Bank Strategy. The credit risk origination is across the Bank's Balance Sheet. This ensures an integrated Credit Risk Management including credit appraisal, risk to return adjusted pricing, discreet credit approval levels, secure documentation etc.

Accordingly, the Bank manages its Credit Risk based on the asset quality allocation to each asset class within the Balance sheet.

Credit Risk is low for high quality assets like CBUAE placements, FI placements with a High Investment Rating and is relatively high for riskier asset classes like Loan to SME customers.

Appropriate product programs defining customer segments, underwriting standards and security requirement are rolled-out to ensure consistency in underwriting and the on-boarding process.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Risk Appetite Statement of the Bank, which is approved by the Board Risk Committee, reflects the Risk Strategy translated to the Business Strategy to manage growth and profile of the portfolio within acceptable tolerances.

(b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits

Credit risk is defined as the risk when the Bank's customers, clients or counterparties fail to perform or are unwilling to pay interest, repay the principal or otherwise fulfil their contractual obligations under loan agreements or other credit facilities, thus causing the Bank to suffer a financial loss.

Credit risk also arises through the downgrading of counter parties, whose credit instruments are held by HBZ, thereby resulting in the value of the assets to fall. As credit risk is the bank's most significant risk, considerable resources, expertise and controls are devoted to managing this risk within the core departments of the Bank.

The key components of the Bank's overall credit policy are as follows:

- Credits are granted post a detailed review of the customer's operating as well as financial history, management, owners etc. and based on specific assessments that provide a context for such credit including a combination of qualitative and quantitative criteria.
- The exposure consummates the customer's creditworthiness, wealth components, and the client's repayment ability.
- The Bank assumes risks within the limits of applicable legislation and all relevant internal and group guidelines, including the rules regarding good business practice for financial enterprises. Regular reviews of policies are undertaken to ensure credit quality is maintained and is based on an on-going portfolio review and prevailing market conditions. Product policies are realigned through deep dive analysis on the portfolio which includes monthly and quarterly reviews of the portfolio
- Guidelines are taken from
- Approved Strategy of the Bank, cascaded down to various departments
- Key circulars and guidelines issued by CBUAE and Head Office
- Group Credit Risk Policy as well as CBUAE's issued frameworks
- International best practices in the form of Basel Guidelines, IFRS-9 Guidelines etc.
- Bank's approved Risk Governance / Appetite Frameworks
- Approved Local functional guidelines, which have stipulated customer acceptance as well as customer selection criteria, concentration caps on industries, products & segments and defined product programs.

Identifying the credit approval authorities and the scope of delegated authorities for approval of credits, is based on a matrix approach, dependent on the obligor's size of the exposure and collateral amount.

Credit risk policies in 2024 were enhanced to account for market volatility and the rising adoption of technology. Key counterparties' financial health using advanced analytical tools (Moody's)

During 2025, the Bank elevated its risk taxonomy to explicitly recognize model risk, technology/cyber risk and climate risk as distinct categories requiring dedicated oversight, independent monitoring, and periodic reporting. In addition, enhanced financial crime analytics—particularly trade-based money laundering monitoring—were implemented to align with supervisory expectations and to strengthen the integrity of our control environment.

The Bank has also reinforced its product governance and new-activity approval processes by incorporating more robust scenario analysis, operational risk impact assessments, customer outcome considerations, and technology-risk impact mapping

These enhancements were aligned with the UAE Central Bank’s revised guidelines and international Basel III recommendations.

(c) Structure and organization of the credit risk management and control function

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.

The underwriting and risk management functions are separated from each other. Credit Risk management is responsible for credit risk policy and portfolio management, together with credit administration. The Credit Underwriting is managed by Chief Credit Officer (CCO), while all other types of risks are under the purview of Chief Risk Officer (CRO), who reports directly to the CEO. Please note that CRO covers the overall risk appetite for the bank, including that of Credit Risk.

These functions together with special assets management report to the Chief Credit Officer (CCO), while all other risks including Market, Operational, Information, Cyber etc. are managed by the Risk Management Department, headed by Chief Risk Officer (CRO), who reports directly to the CEO. Please note that CRO covers the overall risk appetite for the bank, including that of Credit Risk.

This mandate and scale also comprise a range of additional limits to ensure that no concentration exists 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 the SEVP, Country Head and President of the Bank.

The Credit Committees structure in the bank is set out below

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

The senior management also reviews the accounts on Early Warning Monitor and Watch category on Quarterly basis. 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
- Off Balance Sheet Items

The Credit risk management department is responsible for the following:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. Chief Risk Officer (CRO) covers the overall risk appetite for the bank, including that of Credit Risk.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to various credit committees. Larger facilities require approval by management as appropriate.
- Reviewing and assessing credit risk: Credit Risk Management department assesses all credit exposure in excess of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentration of exposure to counterparties, geographies and industries.
- Developing and maintaining risk grading in order to category exposures according to the degree of risk of financial loss faced and to focus management on the attendant risk; the risk grading system is used in determining where impairment provisions may be required against specific credit exposures. Risk grades are subject to regular reviews; and
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types.

All credit exposure is approved, either by approval of an individual transaction / facility (e.g., lending facilities), or under a system of credit limits. Credit exposure is monitored daily to ensure it does not exceed the approved credit limit. One of the main responsibilities of Credit Risk Management Department (CRMD) is the analysis and review of new counter-party trading relationships and the subsequent on-going review of the creditworthiness of the client. Credit limits are sized with the strategy of the counterparty, the level of disclosure of financial information and the amount of risk mitigation that is present in the trading relationship (e.g., Level of Collateral).

The Bank has an approved Local Functional Guidelines for credit to minimize the credit risk through the lifecycle of relationship. 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. The accounts on early warning monitor and watch exposures are reviewed each quarter by the country credit management of the Bank. CRMD is responsible for managing the credit risk through customer lifecycle and is headed by the Chief Credit Officer, with functional reporting to Group Head of Credit and CEO.

Transaction and position limits by instrument and/or by counterparty are set by General Management based in Head Office, within the overall limits set by the Board. These limits are subject to annual review. Comprehensive reporting is to be made to the Board at Head office prior to such a review.

Credit risk of individual counterparties or issuers are checked and monitored by management in accordance with internal rules.

Regular audits of business units and credit processes are undertaken by Internal Audit.

(d) Relationships between credit risk management, risk control, compliance and internal audit functions

There is a clear demarcation between the duties of Credit Risk Management, Risk Control and the other control functions like (Compliance and Internal Audit Functions). Whilst the Risk Management function is responsible for establishing bank-wide risk and control strategies and relevant policies, other control functions have exclusive responsibilities like developing and communication of respective Compliance and Internal Audit policies.

The Bank has centralized Credit Management functions for the entire bank, independent from the Operations, Business departments and Risk Control. Chief Risk Officer (CRO) has separate responsibilities from Chief Credit Officer (CCO), who is dedicated for overseeing the Credit Risk function, while all other risk categories (operational, market, information etc.) are with CRO, however, CRO covers the overall risk appetite for the bank, including that of Credit Risk. The Bank has implemented appropriate policies, procedures and systems for lending businesses to ensure credit exposure is taken prudently.

The Bank's credit risk management culture is based on the concept that risk management and business work with shared responsibilities. Both branch managers as well as independent credit managers approve credit. Branches as well as Credit Risk are jointly responsible for adjusting these strategies and budgets to manage through with changing environments. The business (branches and the relationship management) is looked as the institution's first line of risk defense given their unique access and proximity to their clients on a real time basis, while Credit Risk is considered second line of defense as this provides an independent risk management review of risk profile of the portfolios, including suitability and appropriateness to ensure that the impact of all risk disciplines is understood.

The Compliance function within the Bank forms a standalone department and it is independent from the business. Forming part of the second line of defense, the team assists the business units in managing its Regulatory Compliance and Financial Crime Risks. The Chief Compliance Officer reports to the CEO directly and dotted line to the Board. The function has direct access to the Chairman, Board and Executive Management, personal and information on an on- going basis. Regular updates are provided to the Board, who oversee compliance with legal and regulatory requirements.

Risk management processes of the bank are audited periodically by the Group Internal Audit Department (third line of defense) which examines both the adequacy of the procedures and the bank's compliance with the procedures. The Internal Audit Department comments on the results of their assessments with management and reports its findings and recommendations to the Board Audit Committee. Committee, Asset Quality Committee and the Board of Directors) on a regular basis.

The Bank's risk governance structure in 2024 emphasized collaborative risk management. Compliance, risk control, and internal audit functions maintained distinct responsibilities, ensuring comprehensive oversight. Regular audits and compliance checks were conducted to ensure adherence to local and international regulatory frameworks.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors

The content of the reporting on credit risk exposure and on credit risk management function to the senior management includes, but not limited to, the following:

- Credit concentrations report by name,
- Watch list exposures
- Performance Reporting including non-performing, classified exposures etc.
- Overdue exposure reports
- ECL stage movement report
- Restructured and renegotiated exposure reports, write-offs, reports on recoveries etc.

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)
		Defaulted exposures	Non- defaulted exposures		Allocated in regulatory category of Specific	Allocated in regulatory category of General	
31st December 2025 (AED'000)							
1	Loans	129,839	5,080,277	229,443	128,633	100,810	4,980,673
2	Debt securities		5,521,025	327		327	5,520,698
3	Off-balance sheet exposures	1,271	681,728	9,437	1,271	8,166	673,562
4	Total	131,110	11,283,030	239,207	129,904	109,303	11,174,933

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

The table below 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.

		31 Dec 2025 AED'000
1	Defaulted loans and debt securities at the end of the previous reporting period (Dec 31, 2024)	129,678
2	Loans and debt securities that have defaulted since the last reporting period	82,348
3	Returned to non-default status	
4	Amounts written off	(36,294)
5	Other changes	(44,622)
6	Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)	131,110

Additional disclosure related to the credit quality of assets (CRB)

a) The scope and definitions of 'past due' and 'impaired' exposures for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

A **Default** is considered to have occurred with regard to a particular Obligor when either or both of the following events have taken place: non-payment and/or unlikelihood to pay.

Non-Payment

An Obligor is considered Past Due if they fail to make payments on any material credit obligation to the Bank for more than 90 days.

For Obligors with multiple Credit Facilities, the Days-Past-Due (DPD) count starts from its first day its past due and is calculated across all Credit Facilities using a consecutive day count.

In the case of overdrafts, these are classified as Past Due when the Obligor breaches a contractual or internal limit or is notified of a limit lower than their current outstanding balance. Additionally, an overdraft is considered in Default when the outstanding balance consistently exceeds the agreed-upon limit for more than 90 consecutive days. Please note that a cumulative period exceeding 90 days within a six-month timeframe is also considered.

Unlikelihood to Pay

The likelihood of an Obligor being unable to meet their obligations is assessed based on specific criteria and indicators, as listed below, however, this list is by no means exhaustive)

- The bank has created an account-specific provision due to a significant decline in Obligor's creditworthiness since the origination of the Credit Facility.
- Interest or fees on the Credit Facility remain Past Due for more than 90 days.
- The bank has sold a portion of the Credit Facility at an economic loss exceeding 30% of the higher of the current outstanding balance or the net present value of the Credit Facility.
- The bank has filed for the Obligor's bankruptcy, or the Obligor has become insolvent, sought voluntary liquidation, or been placed into bankruptcy by another party.

Additional indicators include:

- Significant financial performance deterioration leading to financial difficulties.
- A high probability of bankruptcy or other financial reorganization.
- Sectoral crises that adversely affect Obligor's financial position.
- Breach of a material covenant in the Credit Facility agreement.
- Repeated restructurings due to financial challenges faced by the Obligor.
- The Obligor's income sources to repay the Credit Facility are no longer available or are under financial distress.
- Significant deterioration in the quality of the Obligor's operating assets, resulting in inefficiencies.

Cross Defaults

When a material Credit Facility of an Obligor goes into Default, the Obligor itself must also be classified as in Default. If the Obligor, which is part of a group of related entities (an economic group), defaults, the entire group is considered default.

There is no difference in the manner "past due" and "default" are defined for accounting and regulatory purposes.

(b) The extent of past-due exposures (>90 days) that are not considered to be impaired and the reasons for this
As of 31st Dec'2025, there is no such customer.

(c) Description of methods used for determining accounting provisions for credit losses. In addition, banks that have adopted an ECL accounting model must provide information on the rationale for categorization of ECL accounting provisions in general and specific categories for standardised approach exposures

Bank has a documented, robust and proactive process to assess, monitor and determine a classification and subsequent provisioning, approved by the Board

This process is based on Internal risk ratings, which are based both on qualitative as well as quantitative factors and all evidence of this is well documented.

The classification process for provision is based on all principles in latest CBUAE Credit Risk Management Standards as well as on a) regular review of facilities b) review of ratings (could be more frequent than 12 months, based on any credit related event) c) early warning triggers (discussed in earlier section) and d) all past dues.

Classification is based on guidelines given in the latest CBUAE Credit Risk Management Standards

Stage 1: All currently fully performing customers, with no past dues

Stage 2: Credit Facilities subject to deterioration in credit worthiness (signs given above)

Stage 3; the below table is followed

Stage	Wholesale Obligors	Retail Obligors
3.a	Not Past Due but unlikely to pay	Not Past Due but unlikely to pay
	91 to 180 DPD	91 to 120 DPD
3.b	181 to 365 DPD	121 to 180 DPD
3.c	365+ DPD	180+ DPD

Movement from Stages

Stage 3 to Stage 2: Customers remain in Stage 3 until all arrears are settled and at least 3 instalments are made for monthly Repayment schedule, and at least 1 instalment for any other Repayment schedule of longer intervals.

Stage 2 to Stage 1: Customers remain in Stage 2 until no warning signals, which are considered Significant Increase in Credit Risk (“SICR”) are observed. In addition, all Stage 2 customers are closely monitored until they revert to payment as per their originally agreed Facility agreement (probation period) and post successful completion of this, customer can be placed as Stage 1 (provided they adhere to the repayment frequencies, specified in the CBUAE Credit Risk Management Standards of 2024).

However, in case, the downgrade from Stage 1 to Stage 2 has been done due to reasons other than missed instalments, then the minimum repayment frequencies, mentioned above, do not apply for a migration from Stage 2 back to Stage 1. In this case, Bank systematically evaluates the SICR and then takes action.

Stage 3 to Stage 1: Stage 3 customers are not directly moved to Stage 1, without passing through Stage 2, in which they are continuously monitored, as per the repayment periods given above.

Provisioning

Bank has a detailed, formal policy for provisioning, duly approved by relevant authority. These provisions are calculated during the life of the Credit Facility, with at least annual assessments and in certain cases of new material information, more frequently and corresponding losses booked accordingly during the same financial year.

Off-balance sheet items: The likelihood of unfunded facilities becoming funded is estimated by the bank, and off-balance sheet facilities are converted to on-balance sheet facilities using credit conversion factors (CCF) as prescribed in the CBUAE Capital Adequacy standards and any deviations are fully documented and approved by the appropriate governance.

Expected credit loss (ECL) and provisions is estimated using the probability of default (PD) and loss given default (LGD), incorporating credit risk mitigation (CRM) as determined by the bank.

Provision is based on recovery and loss specific to each non-performing Credit Facility and hence LGD derived from statistical models based on the LFis generic recovery rates is not used.

This entire process and methodology are reviewed by relevant committee. Minimum provisions are taken as per the table below; such provisions are deducted quarterly from the profit & loss account. In case if the stage 3 provisions calculated this way exceed the accounting provisions, the shortfall is taken against current year’s income.

Exposure portions		Exposure sub-portion	
Portions	Min provision floor	Sub-portions	Min provision floor
Unsecured portion	25% for 4 years and 100% thereafter	Covered by expected cash flows	No floor
		Not covered by expected cash-flows	100%
Secured portion	No floor for 4 years and 25% thereafter		

Classification of distressed restructuring

- All restructured loans in financial trouble that meet the "unlikely to pay" criteria or are more than 90 days overdue after restructuring must be classified as Stage 3.
- Any loan that has been restructured three or more times due to financial difficulties (as defined in the SICR section) are moved to Stage 3.

Classification of non-distressed restructuring

All non-distressed Restructured Credit Facilities with a repayment moratorium exceeding 6 months are classified as Stage 2, unless bank is sure that no SICR has occurred. For bullet and balloon repayments, instructions provided in the CBUAE Credit Risk Management Standards of 2024 have been adhered to.

Applicable to all restructuring

- In any case, if post restructuring, the obligor as Stage 3 if the definition of Default, as per CBUAE Credit Risk Management Standards, is met.

Staging transitions for restructured Facilities

Stage 2 to Stage 1: same rules apply to account movements for restructured accounts as performing accounts.

Stage 3 to Stage 2: For Stage 3 Restructured accounts, their return to Stage 2 is contingent on the proportion of the bullet Repayment, as prescribed in the CBUAE Credit Risk Management Standards.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions, based on forward-looking judgment.

PD, Loss Given Default (LGD) and Exposure at Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in expected credit loss calculation has forecasts of the relevant macroeconomic variables.

The estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario is based on macroeconomic forecasts (e.g., GDP growth rate and international oil prices indices). Upside and downside scenarios are set relative to base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probability.

Expected Life

For expected life calculations of installment-based facilities, their respective maturity dates are considered as the expected life. For all, Non-Instalment Contracts, which have available limits, and limit expiry dates, are considered as maturity.

For non-installment contracts without limits (temporary overdrafts / excess over limits), maturity date is considered to be date on which the excess has been approved to be regularized.

Impact on modelled ECL allowance

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Bank operates could not be reliably modelled for the time being. Therefore, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are required. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Bank expects that post-model adjustments to be applied for the near future.

Post-model adjustments

Post-model adjustments (both positive and negative) represent adjustments in relation to data and model limitations because of external factors.

(d) The bank's own definition of a restructured approach

Types of Restructuring

Under this regulation, restructuring events are divided into two categories:

Distressed Restructuring

A Credit Facility is considered a distressed restructuring if its terms are changed due to the Obligor's financial difficulties i.e. situations where the restructuring happens after the loan is Past Due by more than 90 days or when the Obligor is deemed unlikely to pay.

Non-Distressed Restructuring

A Credit Facility is classified as non-distressed restructuring if its terms are changed for business or regulatory reasons, such as to prevent future financial challenges, but the Obligor is not in financial distress at the time of restructuring. Non-distressed restructuring applies to loans with no history of missed payments.

Restructured Accounts

Loans fully settled through a new loan or credit facility are also considered restructured accounts.

Standstill Periods

If a restructuring process is delayed (standstill period) and the Obligor fails to meet the terms of the original loan for more than 90 days, it is considered a Default event.

Restructuring Design

New loan structures must aim to maximize repayment while minimizing losses for the bank. Policies must focus on repayment schedules and controls over unused credit facilities. Extending overdraft limits or similar arrangements to help the Obligor repay other loans are treated as a sign of financial distress.

Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The following tables set out the concentration of credit risk by sector, geography and currency.

1. Concentration of credit risk by geographic location for 2025:

	<i>Loans</i>	<i>Debt Securities</i>	<i>OTC Dervatives</i>	<i>Total Funded</i>	<i>Off Balance sheet exposures</i>	<i>Total Non Funded</i>	<i>Total</i>
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>
As at 31 December 2025							
UAE	4,887,420	2,726,875	363,343	11,151,353	642,171	1,005,514	12,156,867
GCC excluding UAE	10	52,474	-	75,401	500	500	75,901
Arab League (Excluding GCC)	-	-	-	-	-	-	-
Asia	52,329	399,492	-	807,967	16,611	16,611	824,578
Africa	27,050	-	-	88,324	22,127	22,127	110,451
North America	7,337	1,964,208	-	2,017,283	-	-	2,017,283
South America	-	-	-	-	-	-	-
Caribbean	6,514	-	-	6,514	1,414	1,414	7,928
Europe	3	263,437	-	1,253,753	92	92	1,253,845
Australia	10	114,212	-	114,222	83	83	114,305
Others	-	-	-	-	-	-	-
Total	4,980,673	5,520,698	363,343	15,514,817	682,998	1,046,341	16,561,158

2. Analysis by economic activity:

The Bank monitors concentrations of credit risk by economic activity sector. The analysis on significant credit risk by economic activity is as follows:

	Loans and Receivables AED 000	Banks & Investment AED 000	Other Off- Balance Sheet exposures
As at 31 December 2025			
Manufacturing	850,468	-	202,009
Construction & Real Estate	711,015	-	19,373
Trade	2,186,249	-	339,632
Transport and communication	13,491	-	8,688
Other Services	18,389	-	9,715
Sovereign	76,067	2,304,498	-
Personal	1,197,887	-	16,997
Banks & other financial institutions	157,932	3,543,237	86,584
Others	-	1,241,792	-
	-----	-----	-----
Total gross assets	5,211,498	7,089,527	682,998
	=====	=====	=====

3. Impairment

The Bank's past due loans and advances (including interest in suspense) by industry segment and geographical location on 31 December 2025, as defined by the Central Bank of the UAE are as follows:

	<i>Past Due but not impaired AED 000</i>	<i>Individually impaired AED 000</i>	<i>Total AED 000</i>	<i>ECL and IIS AED 000</i>	<i>Net impaired assets AED 000</i>
As at 31 December 2025					
Industry Segment					
Manufacturing	195,290	6,750	202,040	(6,750)	195,290
Construction & Real Estate	82,142	33,636	115,778	(33,764)	82,014
Trade	216,506	85,130	301,636	(85,173)	216,463
Transport and Communication	146	105	251	(105)	146
Other Services	9	-	9	-	9
Sovereign	-	-	-	-	-
Personal	95,374	5,601	100,975	(4,224)	96,751
Banks & Other Financial Institutions	-	-	-	-	-
Total	589,467	131,222	720,689	(130,016)	590,673

	<i>Past Due but not impaired AED 000</i>	<i>Individually impaired AED 000</i>	<i>Total AED 000</i>	<i>ECL and IIS AED 000</i>	<i>Net impaired assets AED 000</i>
Concentration by					
Geography					
United Arab Emirates	589,467	131,206	720,673	(130,008)	590,655
Non-UAE	-	16	16	(8)	8
Total	589,467	131,222	720,689	(130,016)	590,673

Qualitative information on the mitigation of credit risk (CRC)

Credit Risk Mitigation

The Bank uses a number of techniques to mitigate the credit risks to which we are exposed. Mitigation of credit risk is a key aspect of effective risk management and takes many forms such as collateral, netting, credit insurance and guarantees. The Group carefully assessed these credit risk mitigation techniques to ensure legal certainty and enforceability, market valuation, correlation and credit risk of the guarantor.

Analysis of the collateral type is presented in the following table:

	2025 AED'000
<i>Against loans and advances - Stage 3</i>	
Pledged deposits	-
Property	41,960
Vehicles	742
	<hr/>
Total	42,702
	<hr/> <hr/>
	2025 AED'000
<i>Against loans and advances - Stage 1 and 2& 3</i>	
Pledged deposits	1,346,030
Debt / Equity securities	169,686
Property	2,559,386
Vehicles	99,089
Bank guarantees	14,325
	<hr/>
Total	4,188,516
	<hr/> <hr/>

Credit risk mitigation techniques –Overview (CR3)

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

31 st December 2025 (AED'000)		a	b	c	d	e	f	g
		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	3,283,306	1,925,716	576,181	1,094	1,014		
2	Debt securities	5,521,025	-	-	-	-		
3	Total	8,804,331	1,925,716	576,181	1,094	1,014	-	-
4	Of which defaulted	129,839	-	-				

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

(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period

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 the following ECAIs to be used for the rating purpose:

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

(b) The asset classes for which ECAI and ECA are used

For Exposures with a contractual maturity of less than or equal to one year (except Cash Credit, Overdraft and other Revolving Credits), Short-term Ratings given by approved Rating Agencies are used. (ii) For Cash Credit, Overdraft and other Revolving Credits (irrespective of the period) and for Term Loan exposures of over 1-year, Long Term Ratings are used.

(c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book

The key aspects of the Bank's external ratings application framework are as follows:

- All long-term and short-term ratings assigned by the credit rating agencies specifically to the Bank's long term and short-term exposures respectively are considered by the Bank as issue specific ratings.
- Foreign sovereign and foreign bank exposures are risk-weighted based on issuer ratings assigned to them.
- The Bank ensures that the external rating of the facility/borrower has been reviewed at least once by the ECAI during the previous 15 months and is in force on the date of its application.

- Where multiple issuer ratings are assigned to an entity by various credit rating agencies, in this context, the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used for a given facility.
- Long-term Issue Specific Ratings (For the Bank’s own exposures or other issuance of debt by the same borrower-constituent/counterparty) or Issuer (borrower constituents/counterparty) Ratings are applied to other unrated exposures of the same borrower-constituent/counterparty in the following cases
 - If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures, any other unrated exposure on the same counterparty is assigned the same Risk Weight, if the exposure ranks pari passu or junior to the rated exposure in all respects.
 - In cases where the borrower-constituent/counter-party has issued a debt (which is not a borrowing from the Bank), the rating given to that debt is applied to the Bank’s unrated exposures, if the Bank’s exposure ranks pari passu or senior to the specific rated debt in all respects and the maturity of unrated Bank’s exposure is not later than the maturity of the rated debt

(d) The alignment of the alphanumerical scale of each agency used with the risk buckets (except where the relevant supervisor publishes a standard mapping with which the bank has to comply).

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

Normal	Watch	Sub-standard	Doubtful	Loss
A (AAA, AA, and A) and BBB ratings	BB ratings	B+ and B ratings	B-ratings and unrated countries	C and D ratings

If there is only one rating, that rating is used to determine the risk weight of the exposure. If there are two ratings that map 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 is referred to. If these give rise to the same risk weight, that risk weight is applied. If different, the higher risk weight is 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.

31 st December 2025 (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	5,990,932	-	5,990,932	-	150,697	2.5%
Public Sector Entities	116,870	-	116,870	-	23,374	20.0%
Multilateral development banks	-	-	-	-	-	-
Banks	2,819,624	57,748	2,830,098	24,821	1,186,752	41.6%
Securities firms	-	-	-	-	-	-
Corporates	4,445,155	2,753,387	4,693,313	156,321	3,405,700	70.2%
Regulatory retail portfolios	119,666	76,753	183,326	6,861	78,940	41.5%
Secured by residential property	978,017	-	978,017	-	684,268	70.0%
Secured by commercial real estate	745,790	-	745,790	-	744,840	99.9%
Equity Investment in Funds (EIF)	-	-	-	-	-	-
Past-due loans	169,727	1,271	39,711	-	39,711	100.0%
Higher-risk categories	-	-	-	-	-	-
Other assets	311,162	-	311,162	-	280,819	90.2%
Total	15,696,943	2,889,160	15,889,219	188,002	6,595,101	41.0%

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.

31 st December 2025 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	5,731,881	182,984	-			-	76,067		5,990,932
2	Public Sector Entities		116,870							116,870
3	Multilateral development banks									-
4	Banks		1,497,719		1,063,597		169,991	123,613		2,854,919
5	Securities firms									-
6	Corporates	793,279	133,886		893,694		2,384,118	-	644,657	4,849,634
7	Regulatory retail portfolios	92,765				73,926	23,496			190,187
8	Secured by residential property	2,017		448,818		-	527,182			978,017
9	Secured by commercial real estate	950					744,840			745,790
10	Equity Investment in Funds (EIF)									-
11	Past-due loans	-					39,711	-		39,711
12	Higher-risk categories									-
13	Other assets	99,729					165,176		46,257	311,162
14	Total	6,720,621	1,931,459	448,818	1,957,291	73,926	4,054,514	199,680	690,914	16,077,221

9 Counterparty credit risk (CCR)

Definition and scope. Counterparty credit risk (CCR) is the risk of loss arising if a counterparty defaults before the final settlement of cash flows from derivative contracts and securities financing transactions (SFTs), where exposures can vary with market movements. For HBZ UAE, CCR primarily arises from plain-vanilla FX forwards and FX swaps and repo / reverse-repo transactions executed for client facilitation, liquidity management, and balance-sheet risk management within approved limits. Centrally cleared and exchange-traded derivatives and proprietary trading activities are not part of the UAE Branch's CCR perimeter.

Governance and risk appetite. CCR is managed within a Board/management-approved risk appetite and a limit framework that includes counterparty-specific limits and an aggregate CCR limit calibrated with reference to the Branch's capital base. Oversight follows a three-lines-of-defence model with clear segregation between trading execution, independent risk measurement/monitoring, and internal audit review. Key committees and functions (e.g., ALCO/CALC, risk committees, Treasury, Market Risk, Finance Control, Compliance) monitor utilization, breaches, and remediation actions, supported by defined escalation protocols.

Measurement and monitoring. CCR exposures are measured using regulatory-aligned methodologies that capture both current exposure (based on positive mark-to-market) and an allowance for potential future exposure, with monitoring performed on a daily basis for relevant portfolios. Limit utilization is tracked against approved counterparty limits and escalated in line with the Branch's governance framework.

Risk mitigation practices. Risk mitigation relies on (i) legal certainty through enforceable master agreements (e.g., ISDA/GMRA), and (ii) collateral management processes covering eligibility, valuation, margining arrangements where applicable, dispute resolution, custody, and operational controls. Collateral valuation and processing are supported by dedicated collateral management tooling and independent controls.

Settlement-related risks. The Branch distinguishes and manages pre-settlement risk and settlement risk for FX transactions through quantitative caps, daily monitoring, operational controls, and defined escalation and trading suspension triggers in the event of settlement delays or limit breaches.

Capital and regulatory approach. CCR and CVA capital requirements are calculated using standardised regulatory approaches consistent with applicable Basel III principles and the CBUAE Capital Adequacy framework. The Branch does not rely on internal model approvals for CCR/CVA capital and applies standardised methodologies for Pillar-1 capital reporting and Pillar-3 transparency.

Wrong-way risk and stress testing. The Branch assesses wrong-way risk (WWR) and, given its limited product set and collateral profile, considers WWR currently not material; this assessment is revisited periodically. CCR resilience is evaluated through quarterly stress testing / scenario analysis, with results reported through governance forums and used to inform limit and capital adequacy considerations.

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.

31 st December 2025 AED'000		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	0	8,332		1.4	11,644	3,046
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5							
6	Total						3,046

Credit valuation adjustment capital charge (CCR2)

		a	B
		EAD post-CRM	RWA
1	All portfolios subject to the Standardised CVA capital charge*	11,664	1,475
2	All portfolios subject to the Simple alternative CVA capital charge		

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	-	9,289	2,376	-	-	-	-	11,664
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	-	9,289	2,376	-	-	-	-	11,664

Composition of collateral for Counterparty Credit Risk exposure (CCR5)

CCR5 is not applicable for the Bank

Credit derivatives exposures (CCR6)

CCR6 is not applicable for the Bank

Exposure to Central Counterparties (CCR8)

The following table provides a comprehensive picture of the bank's exposures to central counterparties.

		EAD (post-CRM)	RWA
1	Exposures to QCCPs (total)		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contribution); of which:		
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	Exposures to non-QCCPs (total)		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contribution); of which:		
13	(i) OTC derivatives	11,664	3,046
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

10 Securitization

The securitization section is not applicable to the Bank.

11 Market Risk

General qualitative disclosure requirements related to market risk (MRA)

The Bank is exposed to interest rate risk, foreign exchange risk and, to a very limited extent, to equity and commodity risk. The Bank's market risk appetite is defined and monitored through a comprehensive system of market risk limits defined by the Bank Asset & Liability Management Committee. Furthermore, the Bank regularly performs scenarios and stress tests for interest rate, foreign exchange and equity risks based on prevailing risk exposures.

The Bank is exposed to interest rate risk due to interest periods set for advances made to clients exceeding the interest periods for client deposits taken. To limit interest rate repricing risk, most client advances are agreed on a three or six-month base rate plus a credit spread.

In addition, the Bank has placed excess liquidity in bank placements or in financial investments with tenors usually of up to three to five years. However, the interest-rate risk related to long-term fixed income instruments included in the financial investment portfolio is largely offset by the stable portion of the customer deposits. Behavioural deposit analyses are performed for the bank. These highlight that a significant portion of deposits will remain with the Bank, even if interest rates move.

The Bank introduced the Interest Rate Risk in the Banking Book (IRRBB) approach in 2019 and considers both the value and the earnings perspective. For IRRBB, Economic Value of Equity (EVE) sensitivity limits have been defined by the Board of Directors. EVE sensitivity limits are in place for the Bank and limit adherence is monitored by the Bank Asset & Liability Management Committee.

For foreign exchange transaction risks, the Bank pursues a risk-averse approach and aims to keep the potential foreign exchange losses to a minimum. The Bank does not pursue proprietary foreign exchange trading activities.

The Bank distinguishes several risk classes and defines the risk class «market risk» as follows:

Risk of losses from value changes of financial instruments. Market risk is the exposure to a change in value of some market variables, such as interest rates, foreign exchange rates, equities or commodity prices. In addition, for trading positions and investment securities market risk also relates to value changes due to credit spread movements.

The risk class «market risk» is further divided into the following risk types:

Risk types	Description
Interest rate risk	<p>Risk of losses from value changes of financial instruments due to adverse interest rate movements</p> <p>Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates. Changes in interest rates affect the Bank's earnings by changing its net interest income and the level of other interest-sensitive income and expenses. Changes in interest rates also affect the underlying value of the Bank's assets, liabilities and off-balance sheet instruments because the present value of future cash flows change when interest rates change.</p>
Foreign exchange risk	<p>Risk of losses related to value changes of financial instruments due to adverse exchange rate movements</p> <p>Foreign exchange risk is the exposure to financial transactions, which are denominated in a currency other than the functional currency («the currency of the primary economic environment») of Bank («FX transaction risk exposure»).</p>

Risk types	Description
Equities price risk	Risk of losses from value changes of shares, participation certificates, equities funds and options held due to adverse equities price movements Equities price risk is the Bank's exposure to holding of equities positions in the form of shares, participation certificates, equities funds or options when adverse equities price movements occur.
Commodities price risk	Risk of losses from value changes of commodities positions held due to adverse commodities price movements Commodity price risk is the Bank's exposure to holding commodities (or commitments made) when adverse commodities price movements occur.
Other market price risk	Risk of losses from value changes of other market positions held due to adverse other market price movements Other market price risk is the Bank's exposure to holding real estate or other assets when adverse other market price movements occur.
Market concentration risk	Risk of losses from value changes of single or correlated exposures due to adverse market price movements Market concentration risk arises either from exposures to a single risk factor or exposures to multiple risk factors that are correlated when adverse market price movements occur.

1. **Market risk appetite**

The EXCO BOD reviews the market risk appetite at least annually as part of the Risk Assessment. The risk appetite is an integral part of the Risk Assessment.

2. **Basis for market risk exposure and analyses**

Market risk exposures and analyses shall be established on a market value basis (e.g. for financial investments) by use of market prices prevailing at reporting date, wherever possible.

3. **Specific principles regarding market risk**

The Bank shall adhere to the following market risk principles

Topic	Principles
Interest rate risk	In general, the bank is exposed to longer tenors and interest repricing periods for its assets than for its liabilities (particularly as most clients deposit their funds with the Bank at sight rather than on term).
Interest rate risk measurement	EVE sensitivity Economic Value of Equity («EVE») sensitivity estimates the percentage by which the net present value («NPV») of the cash flows arising from on- and off-balance sheet positions under the prevailing term structure of interest rates changes under different instantaneous interest rate shocks. It is measured by applying six FINMA-defined stress scenarios and considering the EVE change of the worst case, which is put in relation to EVE. NII sensitivity Net Interest Income («NII») sensitivity looks at the expected / potential increase or reduction in NII over a shorter time horizon (typically one to three years) resulting from defined interest rate scenarios. The change in NII is the difference in the expected NII between a base scenario and the defined interest rate scenarios. It does not include Expected Credit Losses («ECL») and is measured by applying two FINMA-defined stress scenarios and considering the NII change of the worst case, which is put in relation to the NII base case.
Foreign exchange risk measurement	The FX transaction risk exposure for contractually agreed transactions is defined as the sum of all long and short net exposures by currency without netting. This comprises both the on-

	balance sheet exposure (financial assets minus financial liabilities) and the relevant off-balance sheet exposure (e.g. forward purchases minus forward sales) by currency. Precious metals («PMET») exposures to gold, silver, platinum and palladium (XAU, XAG, XPT and XPD) are treated like another currency. PMET net exposures include physical PMET positions held for risk of the Bank, metal accounts claims from banks, metal account liabilities to clients and open PMET forward purchases and sales. Individual PMET net exposures are to be included in the FX transaction exposure like net exposures for individual currencies.
Equities risk measurement	For equities risk exposure calculation and risk limit adherence, shares, participation certificates, equities funds and options as well as perpetual bonds are included at prevailing market values (sum of long and short positions without netting). Funds invested in equities as well as mixed funds, which include equities investments, are to be counted as equities positions in their entirety for the purpose of the exposure calculation.
Commodities price risk measurement	For commodities price risk exposure calculation commodities are included at prevailing market values (sum of long and short positions without netting). For commodities risk measurement purposes individual commodities exposures cannot be netted when terms do not match.
Other market price risk measurement	For other market price risk exposure calculation real estate and real estate funds are included at prevailing market values (sum of long and short positions without netting).

Market risk under the standardized approach (MR1)

		31 st December 2025 AED'000
		RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	11,873
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7		-
8	Securitisation	-
9	Total	11,873

IRRBB risk management objectives and policies (IRRBBA)

Habib Bank AG Zurich Parent Group («hereinafter The Group») introduced the Interest Rate Risk in the Banking Book (IRRBB) approach in 2019 and considers both the value and the earnings perspective. For both IRRBB and the combined trading book and banking book, Economic Value of Equity (EVE) sensitivity limits have been defined by the Board of Directors. EVE sensitivity limits are in place for all countries and limit adherence is monitored by the Group Asset & Liability Management Committee.

1. Description of how the bank defines IRRBB for the purpose of managing and measuring risk

For Interest Rate Risk in the Banking Book (IRRBB) the Group considers all interest rate sensitive positions in the banking book. For interest rate risk management and control purposes, both value and earnings impact are determined. Thereby the focus is on two measures: Economic Value of Equity (EVE) as well as Net Interest Income (NII) sensitivity.

2. Description of the overall strategy of the bank to manage and mitigate IRRBB

For IRRBB management and risk mitigation purposes, EVE and NII sensitivities are reported to the Group Asset & Liability Committee (GALC) and the respective Country Asset & Liability Committee (CALC). In addition, several IRRBB stress tests are performed. Furthermore, a front-independent unit checks that the worst case regulatory IRRBB stress test result is within the defined risk limits. Models used for IRRBB computation purposes form part of the Group's model inventory, require a model description and undergo a periodic model validation process. Model validation results are reported to the Group Risk & Control Committee (GRCC).

3. Frequency of calculation of the bank's IRRBB metrics and description of the specific metrics the bank uses to estimate its sensitivity to IRRBB

The Group focuses on two measures: EVE sensitivity (EVE change / EVE) as well as the NII sensitivity (NII change / NII), which are computed on a quarterly basis.

4. Description of the interest shock and stress scenarios the bank uses to estimate in economic value and earnings

The Group performs several IRRBB stress tests (parallel up / down, flattener / steepener, short term up / down) based on regulatory required as well as internally defined stress factors.

5. Differences between the model assumptions used in the bank's internal interest risk measurement system and the model assumptions prescribed to disclosure in Table IRRBB1

For internal IRRBB computations, other stress factors are applied for individual Emerging Markets currencies to better reflect recent developments and economic realities. For example, no 300 basis points stress is applied for the AED as the currency is pegged to the USD (for which a 200 basis points stress is prescribed by FINMA)

6. Overall description of how the bank hedges its IRRBB and the associates accounting treatment

At present, the Group does not employ interest rate derivatives to hedge its IRRBB exposure. When necessary, EVE sensitivity deemed is reduced by changing the duration of the Group's fixed income portfolio through purchase and sale of securities as well as changing the composition of repurchase / reverse repurchase positions.

7. Key modelling assumptions and calculation parameters used to calculate Δ EVE and Δ NII in Table IRRBB1.

1	Change in net present value of capital (Δ EVE)	Calculation of cash flows: Recognition of interest rate margins and other components	Interest cash flows used for EVE change computation include client credit spreads
2	Change in net present value of capital (Δ EVE)	Mapping: Description of the cash flow mapping used	Interest cash flows and repricing positions are included in the respective time bucket in accordance with the date of the interest payment or the date of repricing, respectively. However, for EVE change computations, actual payment or repricing dates are applied.
3	Change in net present	Discount rates:	For discounting purposes, the risk-free yield curve in the respective currency plus credit spread by asset

	value of capital (Δ EVE)	Description of the (product specific) discount rates or interpolation assumptions	class is used. This ensures an economically consistent computation in line with the chosen approach under 1 above.
4	Changes to planned income (Δ NII)	Description of the procedure and central assumptions in the model for calculating future income	<p>NII change is computed based on NII resulting from prevailing contractually agreed positions (run-off balance sheet) and future transactions, which fall into the defined 12-month horizon. Given the constant volume, lifetime and margin assumption, actual transactions reaching maturity are rolled over or "renewed" and modelled as future transactions.</p> <p>For the NII change computation, new interest rates for floating rate positions, fixed rate instruments and Non-Maturing Balances (NMB) are determined based on the prevailing risk-free yield for the currency, the respective forward adjustment and the defined interest rate stress factors for the currency (parallel shift up and down).</p>
5	Variable exposures	Description of the procedure and central assumptions and parameters for determining the interest rate reset date and cash flows of variable exposures	For Non-Maturing Balances (NMB), the interest repricing dates are determined based on internal models.
6	Exposures with repayment options	Description of the assumptions and procedures for recognizing behavior-related early repayment options	The Group has no material asset positions with early repayment features. Most loans are granted as floating or managed rate loans. Therefore, no related optionality is considered.
7	Term deposits	Description of the assumptions and procedures for recognizing behavior-related early withdrawals	Early withdrawals of deposits are not very frequent. In addition, a penalty payment applies in most cases when an early deposit repayment is made. This largely compensates for potential unrealized gains foregone. Therefore, early withdrawal options are not considered for the Group's IRRBB computation.
8	Automatic interest rate options	Description of the assumptions and procedures for recognizing automatic, behavior-independent interest rate options	Except for very few bonds held with a prepayment option by the issuer, there are no automatic interest rate options. The prepayment options are not modelled for IRRBB purposes in view of immateriality.
9	Derivative exposures	Description of purpose, assumptions and procedure for linear and non-linear interest rate derivatives	The Group does not make use of interest rate derivatives at the present time.
10	Other assumptions	Description of other assumptions and procedures affecting the calculation of figures in Tables IRRBB1, e.g. aggregation across currencies and correlation assumptions for interest rates	The EVE change results by currency are simply added up based on regulatory requirements (FINMA Circular 2019/2 "Interest rate risk - Banks"). This aggregation does not consider correlations.

Sensitivity of economic value of equity and NII (IRRBB1)

The following table indicates the economic value of equity and net interest income under the prescribed interest rate shock scenarios.

In reporting currency (AED in '000)	ΔEVE		ΔNII	
	31 st Dec 2025 AED'000	31 st Dec 2024 AED'000	31 st Dec 2025 AED'000	31 st Dec 2024 AED'000
Parallel up	20,698	40,865	87,165	94,534
Parallel down	23,613	(20,648)	(74,091)	(85,407)
Flattener	40,003	20,643		
Steeper	(25,383)	(4,795)		
Short rate up	36,982	30,346		
Short rate down	(22,237)	(21,355)		
Maximum	(25,383)	(21,355)		
Period	31st Dec 2025		31st Dec 2024	
Tier 1 capital	1,531,355		1,679,200	

12 Operational Risk

Definition and Scope:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. This includes legal risks such as regulatory fines and settlements but excludes strategic and reputational risks.

Independent Operational Risk Department:

The Bank has established an independent unit within the risk management department dedicated to managing operational risks. This unit is responsible for:

Developing Strategies: Formulating strategies for the identification, assessment, monitoring, control, and mitigation of operational risks.

Method Development: Creating and implementing methods to assess and report operational risks.

Data Collection: Systematically collecting operational risk data relevant to the Bank's operations.

Integration with Overall Risk Management:

The Bank has an independent unit in charge of managing operational risks. This unit is responsible for developing strategies to identify, assess, monitor, control, and mitigate operational risks. It also develops and implements methods to assess and report operational risks, systematically collecting relevant data for the Bank's operations.

The operational risk unit is an integral part of the Bank's overall risk management strategy. The Bank maintains comprehensive documentation of all standard procedures, policies, and standardized approaches for key processes. This ensures consistency and clarity in managing operational risks.

A significant portion of operational risk management is achieved through system controls. These controls automate processes, monitor activities, and ensure compliance with regulatory requirements and internal policies. This approach

demonstrates the Bank's commitment to robust operational risk management and regulatory compliance, ensuring operational resilience.

The total Pillar 1 RWA for Operational Risk as at 31 December 2025 is AED 1.43 billions as per BIA Basel approach.

13 Liquidity Risk

The Bank applies a prudent approach to liquidity risk management. The Bank Asset & Liability Management Committee and Risk Management Committee regularly monitor liquidity risks.

The Bank grants advances and loans to clients both on a short-term basis and with tenors generally of up to five years. Funding is primarily obtained through deposits, which are mainly at sight or short-term deposits. Wholesale funding is not significant, and deposits are well diversified. No single depositor accounts for more than 5% of the Bank's total deposits. Excess liquidity is held as bank placements or financial investments. The latter primarily consists of bond portfolios of sovereign issuers or other issuers that are high quality.

The contractual maturities of the Bank's financial assets exceed the contractual maturities of the financial liabilities. However, when determining maturity gaps, the stickiness of deposits or economic maturities are considered, which significantly reduces the contractual gaps. Furthermore, individual client Banks in different countries will not act in the same way and at the same time.

In general, the Bank is exposed to potentially larger deposit outflows and sudden adverse market developments. Therefore, related scenarios have been analysed as part of three liquidity stress tests performed throughout the Bank. The stress test results showed that the liquid assets available could absorb projected outflows in all cases.

The Bank has a strong liquidity position, which is further supported by established repo functionalities. In addition, liquidity coverage ratio and net stable funding ratio targets have been defined. Both funding and liquidity management are performed on a decentralised basis. The short-term liquidity disposition and liquidity situation of the bank is monitored by the treasury functions. In addition, liquidity reserves are held at the Bank level, and contingency funding plans are in place for the Bank. The Bank distinguishes several risk classes and defines the risk class «liquidity risk» as follows

Risk of inability to fund assets or meet obligations at a reasonable price. Liquidity risk is the inability of a bank to fund increases in assets or to meet obligations when they become due, without incurring unacceptable losses. The fundamental role of the Bank in the maturity transformation of short-term deposits into long-term loans makes banks inherently vulnerable to liquidity risk, both of an institution-specific nature and that which affects markets as a whole.

The risk class «liquidity risk» is further divided into the following risk types:

Risk types	Description
Funding liquidity risk	Risk of insufficient liquidity when obligations become due Possibility that over a specific horizon the Bank will become unable to settle obligations with immediacy
Market liquidity risk	Risk of illiquidity of assets or significant market price impact Risk that the Bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruptions. This is particularly important for illiquid markets, which are characterized by wide bid/offer spreads, lack of transparency and large movements in price after a deal of any size.
Liquidity concentration risk	Risk of partial illiquidity or insufficient funding due to asset or liabilities concentrations A concentration in assets can disrupt the Bank's ability to generate cash in times of illiquidity or reduced market liquidity. A funding concentration exists when the funding structure of the Bank makes it vulnerable to a single event or single factor such as a significant and sudden withdrawal of funds or inadequate access to new funding

Liquidity risk appetite

The BOD reviews the liquidity risk appetite at least annually as part of the Risk Assessment. The risk appetite is an integral part of the Risk Assessment.

Liquidity risk principles

The Bank shall adhere to the following prudent liquidity risk principles

Topic	Principles
Overall liquidity	Ensure a holistic view of liquidity Early warning indicators, actual liquidity positions and liquidity reserves shall be closely monitored in order to identify potential liquidity shortfalls at an early stage.
Short-term liquidity	Monitor liquidity closely <ul style="list-style-type: none"> Short-term liquidity shall be planned carefully, and due consideration shall be given to intraday liquidity risk and short-term liquidity flow mismatches. Group Liquidity coverage ratio («LCR») targets defined by the Group Asset & Liability Committee shall be met at all times. Regulatory liquidity ratios/requirements shall be met at all times.
Repo-eligible securities	Facilitate immediate take up of liquidity <ul style="list-style-type: none"> A minimum stock of repo-eligible securities is to be defined and held in order to quickly take up liquidity at low cost, when needed. Preferably repo-eligible securities shall not be provided as securities collateral (e.g. under collateralized arrangements for open FX forward and other derivative transactions).
Money market placements	Adhere to tenor limits for short-term placements Asset & Liability Committees define tenor limits for money market placements to enhance short-term liquidity.
Long-term assets	Limit long-term assets As long-term loans and financial investments are often not refinanced at corresponding tenors, the volume of long-term assets shall be monitored and kept limited:

Term financing	Strengthen term financing <ul style="list-style-type: none"> Client term deposits shall be promoted / incentivized to increase the overall tenor of liabilities. The regulatory net stable funding ratio requirement («NSFR») established by Group ALCO shall be satisfied at all times.
Liability structure	Avoid currency mismatches and funding concentration risk <ul style="list-style-type: none"> Currency matched funding: FX exposure limits (as defined by ALCO, local Board of Directors or local regulators) shall be adhered to at all times. Wholesale funding: no counterparty source of funding shall exceed 25% of total wholesale funding (if total wholesale funding is greater than 10% of equity). A single funding source shall not exceed 5% of total wholesale financing, total securities financing transactions («SFT») and total deposits.

Approach to Liquidity risk management

The Bank shall perform several liquidity risk analyses and stress tests in order to better understand its liquidity risk profile. Subsequently, liquidity risk management («LRM») measures shall be implemented, which comprise of liquidity holdings in appropriate forms, specific contingency funding measures and agreed liquidity support. Furthermore, risk limit adherence shall be controlled and reported in the quarterly Group Risk Highlights Report and key liquidity risks shall be outlined in the Group Risk Report.

LRM key elements	LRM instruments
LRM analysis	Early warning indicators
	Liquidity coverage ratio
	Deposit coverage ratio
	Net stable funding ratio
	Maturity gap analysis
	Funding concentration risk analysis
	Regulatory liquidity requirements
	Liquidity stress tests
LRM measures	Liquidity planning
	Overall liquidity reserve
	Freely disposable liquidity
	Contingency funding plan
	Recovery plan
LRM control	Risk limit adherence control
	Group Risk Highlights Report
	Group Risk Report

The TREASURY FUNCTION, FINANCIAL CONTROL FUNCTION and RISK CONTROL FUNCTION shall analyse future cash flows, funding gaps and funding concentration risk at bank level. In addition, they shall project and plan the liquidity and support ALCO in identifying potential liquidity shortfalls at an early stage. This shall allow for a clear assessment of liquidity risks and to initiate necessary measures at bank level on a timely basis

Furthermore, the bank shall monitor and manage the unencumbered central bank eligible collateral or other collateral (e.g. repo-eligible securities), which can be used for short-term funding.

Habib Bank AG Zurich
 Basel III – Pillar III Disclosures – 31st December 2025

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 31 December 2025</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	1,285,001	350,000	-	-	1,446,960	3,081,961
Due from banks	1,136,966	209,626	-	-	203,676	1,550,268
Due from related parties	39,399	-	-	-	55,418	94,817
Loans and receivables	1,949,847	546,394	605,476	1,515,835	363,121	4,980,673
Investments	1,523,428	1,612,465	2,384,805	-	-	5,520,698
Property and equipment	-	-	-	-	34,032	34,032
Right-of-use assets	-	-	-	-	45,520	45,520
Customers' indebtedness for acceptances	66,251	-	-	-	-	66,251
Deferred tax assets	-	-	-	-	46,257	46,257
Other assets	-	-	-	-	94,340	94,340
Total assets	6,000,892	2,718,485	2,990,281	1,515,835	2,289,324	15,514,817
Liabilities, capital and reserves						
Deposits from customers	3,303,194	1,320,575	53,894	-	8,517,179	13,194,842
Due to banks	-	-	-	-	89,392	89,392
Due to related parties	4,500	-	-	-	5,028	9,528
Liabilities under acceptances	66,251	-	-	-	-	66,251
Lease liabilities	2,811	12,904	1,128	-	-	16,843
Other liabilities	-	-	-	-	306,440	306,440
Deferred tax liabilities	-	-	-	-	4,363	4,363
Capital and reserves	-	-	-	-	1,827,158	1,827,158
Total liabilities and capital and reserves	3,376,756	1,333,479	55,022	-	10,749,560	15,514,817
Maturity gap						
2025-On Balance Sheet	2,624,136	1,385,006	2,935,259	1,515,835	(8,460,236)	-
Off Balance Sheet	495,617	164,211	14,709	8,461	-	682,998
Maturity gap 2025 (Incl Off-Balance)	2,128,519	1,220,795	2,920,550	1,507,374	(8,460,236)	(682,998)

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	3,081,960	
1.2	UAE Federal Government Bonds and Sukuks	2,444,401	
	Sub Total (1.1 to 1.2)	5,526,361	5,526,361
1.3	UAE local governments publicly traded debt securities	37,928	
1.4	UAE Public sector publicly traded debt securities		
	Sub total (1.3 to 1.4)	37,928	37,928
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	258,607	258,607
1.6	Total	5,822,896	5,822,896
2	Total liabilities		13,666,432
3	Eligible Liquid Assets Ratio (ELAR)		42.61%

Advances to Stables Resource Ratio

		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	4,923,551
	1.2	Lending to non-banking financial institutions	451
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	173,748
	1.4	Interbank Placements	209,626
	1.5	Total Advances	5,307,376
2		Calculation of Net Stable Resources	
	2.1	Total capital + general provisions	1,953,685
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	34,032
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	-
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	Total deduction	34,032
	2.2	Net Free Capital Funds	1,919,653
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	-
	2.3.2	Interbank deposits with remaining life of more than 6 months	1,300
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	13,897
	2.3.5	Customer Deposits	11,298,387
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	Total other stable resources	11,313,584
	2.4	Total Stable Resources (2.2+2.3.7)	13,233,237
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	40.11%

14 Remuneration Policy

Remuneration policy (REMA)

1. Information relating to the bodies that oversee remuneration.

Annual salary review

Human Resources Function conducts annual salary reviews to ensure that compensation positioning remains competitive in line with the strategy, as well as to ensure fairness and consistency. The process for all eligible staff members shall be conducted effective 1st January, unless otherwise specified.

Salaries are reviewed by Human Resource Function and approved by Country Manager based on the recommendation of Business Line Managers and Heads of Support Functions, keeping in view the following criteria:

- Market and economic indicators
- Staff member's performance appraisal record
- Staff member's compensation in relation to internal equity
- Prevailing business conditions and competition.

The specific guidelines on increments, merit adjustment and promotion shall be communicated at the time of the annual performance management exercise conducted by Human Resources Function with the concurrence and validation from Group Human Resources. All compensation for VP and above staff members across the Group is discussed, finalized and approved at the GHRC annually.

2. Information relating to the design and structure of remuneration processes.

Compensation framework

The Bank compensation framework is designed to be transparent and supports the Bank's business strategy. It allows the Bank to attract and retain key talent by maintaining a salary structure that is competitive towards the external job market while maintaining an internal equity and consistency across the diverse functions of the Bank. It should motivate staff members to perform at the best of their competencies, abilities and skill sets, retain key talent, reward high performing staff members and provide the foundation for a performance-based pay culture.

The Bank's compensation framework is based on the following principles and rules:

- Cost management, affordability, market considerations, Bank performance and need for expertise shall be taken into account in establishing reward levels and spend.
- Overall compensation structure shall be determined based on respective country's market data, determined against a suitable peer group of banks and using well-established benchmarking tools as and when decided by the HR Committee.
- The pay system is merit-based, and pay increases and awards are allocated on the basis of demonstrated performance and tenure of service
- Performance bonus payments, if applicable, are restricted to higher levels of individual performance based on individual objectives, Key Performance Indicators (KPIs), the organizational unit's performance and Bank's performance. All performance bonus payments shall have prior approval of GM on the recommendation of CEO & Group Head HR, to be done transparently and tabulated on periodic intervals during the year. The final disbursement will only happen after it has been discussed at the time of the Human Resources Committee (HRC).
- All reward and benefit arrangements fully comply with UAE labour laws and applicable regulatory requirements.

Design and Structure of Remuneration

Salary ranges / bands

Human Resources Function develops and maintains salary bands based on remuneration survey data and defines a salary band for each grade with minimum, midpoint and maximum salary range, so that different positions can be catered within the same band. This needs to be shared with Group Human Resources for necessary review and concurrence.

Internal salaries by grade /bands shall be reviewed and data updated if required, as per management discretion or at least every 5 years, in order to compare the internal reality against the external market.

Fixed remuneration primarily consists of the basic salary and allowances provided to employees as part of their overall compensation package.

- Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include an overview of the key risks, their measurement and how these measures affect remuneration.**

Senior Management

The Senior Management are identified as the executive management of the Bank for the sound and prudent day-to-day management of the Bank.

Members
CEO
Head of Branches
Chief Operating Officer
Head of Corporate Banking
Head of Compliance
Chief Credit Officer
Head of Treasury
Chief Risk Officer
Chief Financial Officer
Head of Human Resources
Head of Business Development

Material Risk Takers (MRT)

MRT is defined as whose work is deemed to have significant impact on the overall Risk Profile of the Bank and who has the potential to take or commit the bank to significant risk including reputation and other forms:

Members
CEO
Head of Branches
Chief Operating Officer
Head of Corporate Banking
Head of Compliance
Chief Credit Officer
Head of Human Resources
Chief Financial Officer
Chief Risk Officer
Head of Treasury
Head of Business Development
Head of Priority Banking
Head of Customer Relationships
Branch Managers

As per CB mandate with effect from Jan 2022, variable bonus payout with a deferred portion is designed for MRT:

Performance ratings	Upfront	Year 1	Year 3
A++	34%	33%	33%
A+	34%	33%	33%
A	34%	33%	33%

The UAE Branch shall reserve the right to reduce, reverse or claw back any unvested portion of the variable remuneration based on the realized risks or performance of the UAE Branch and the business lines, including violations of laws, regulations, code of conduct, or other policies in any years during the vesting period.

4. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration

Performance management

Performance management is a continuous process where Business Line Managers and staff members work together in defining staff members’ objectives /key performance indicators (KPIs) and in reviewing the subsequent performance.

The objectives / KPIs and the outcome of the staff members’ performance is captured on the performance appraisal form (PAF).

Performance appraisals are generally conducted on a bi-annual basis (i.e. at mid-year and year-end). However, the review of a staff member’s performance is not restricted to twice a year discussion.

This process helps to:

- Establish clear expectations
- Give feedback and provide coaching
- Assess and evaluate contribution
- Identify learning and development needs.

During this process, an on-going and two-way dialogue between Business Line Manager and staff member is critical in order to achieve the above.

Performance appraisal process

There is one formal discussion required within the performance appraisal process. The year-end performance appraisal between December and January. Group Human Resources will confirm timings to Country Human Resources Function for the performance appraisal cycle each year.

The year-end performance appraisals are recorded on the PAF. At these times, an assessment is made of the staff member’s performance against the set objectives /KPIs. Performance consists of the following two elements:

	Performance = 100%	
Elements	Results = 70% (Based on KPIs, objectives, etc.)	Behaviors = 30% (in accordance with the Group core values)

Weightages set for the respective performance year are stated in the PAF and / or advised by Country Human Resources each year with a total not exceeding 100%.

Self-assessment

The year-end performance appraisal starts with the staff member completing the self-assessment on the PAF. It is important to capture the staff members’ perspective on the contributions made and their capabilities. The staff member documents achieved results (not efforts), highlight achievements for each of the specified objectives and includes the rating the staff member considers appropriate for the level of output attained. The staff member also assesses and records the level of competence demonstrated for each of the behavioral aspects required and in accordance with the Bank core values. In addition, the staff member should record any progress and achievements stated in the development plan agreed at the beginning of the year.

Business Line Manager’s assessment

The Business Line Manager assesses and records their perspective of the staff member’s performance on the PAF. It is important for the Business Line Manager to consider the staff member’s comments and ratings (self-assessment), to refer to the information collected during the performance year, and to reflect on the staff member’s performance for the entire year from all possible perspectives. Where applicable, the Business Line Manager will solicit written feedback from key stakeholders in the Bank (e.g. functional management, etc.) to which the staff member has had interactions with.

Performance dialogue

The Business Line Manager and staff member shall meet to clarify any questions regarding the staff member’s input. This shall also offer the Business Line Manager the opportunity to provide feedback on the staff member’s performance and to identify any potential development needs. There is no discussion regarding the performance rating at this stage.

The Business Line Manager then completes / finalizes the assessment of objectives /KPIs, the progress against the development plan and the staff member’s demonstrated behavior on the PAF, including any changes, which have been agreed in the performance dialogue.

The following further rules also apply:

- Mid-year appraisal:

The Line Managers and the staff members shall sign the PAF and the Heads/Manager shall forward a copy of such to Country Human Resources Function as per the respective Local Functional Guidelines.

- Year-end appraisal:

The Line Manager shall finalize and sign the PAF and forward a copy of such to the Country Human Resources Function. The staff member does not sign the PAF at this stage as the PAF will be signed by the staff member once calibration and the year-end performance rating dialogue has been concluded.

Bell curve

Country Human Resources Function will ensure that Business Line Managers rate staff members through relative positioning, which should generally result in a bell curve. Country Human Resources Function should aim to align to the following distribution, as far as practicably possible:

A++	A+	A	B	C	Total
5%	15%	60%	15%	5%	100%

The irregular bell curve may result due to the following reasons:

- Distribution of staff performance ratings will be directly linked with overall unit/function/branch performance.
- Staff strength is not reasonable enough to be captured in the bell curve.

Any deviation in the bell curve will be duly approved by the Country Manager.

Year-end calibration process

Once all the year-end performance ratings have been received, the Country Manager / Head of Support Functions and the Business Line Managers review the ratings in order to ensure the distribution follows the bell curve. Country Human Resources Function will facilitate this process.

Year-end performance rating dialogue

The year-end performance rating dialogue is a formal discussion, and therefore it must be conducted with proper scheduling and in an uninterrupted environment. It shall take place after the ratings have been reviewed, calibrated and approved (including those for vice president (VP) grades and above, which are reviewed at the annual meeting of the Group Human Resources Committee (GHRC)).

The Line Manager shall provide the staff member with any final feedback not already discussed, both on the objectives / KPIs as well as on any behavioral aspects. This is the time to appreciate good performance and confirm any performance gaps during the year. The Business Line Manager shall then communicate and explain the overall approved performance rating to the staff member.

In cases where there is a disagreement on the performance rating, staff members may record their concern on the PAF and discuss the same with the Country Human Resources Function.

Developmental discussion

The development discussion provides clarity on the areas of required improvement or growth for the staff member in the upcoming performance year and beyond. Developmental activities can be related to improving skills and /or behaviors, as well as other technical requirements of the job.

On conclusion of the year-end rating and developmental dialogue the final PAF, duly signed by the Line Manager and staff member, is forwarded to the Country Human Resources Function.

Outcomes of the performance appraisal process

The following are the outcomes of the performance appraisal process:

- Performance rewards (increments and performance bonus- wherever applicable)
- Training and development initiatives
- Promotions
- Talent reviews and talent management
- Performance improvement plan.

Performance rewards

Country Human Resources Function is required to obtain the salary increment budget from Financial Control Function and divide the same as follows:

Performance increase	the budget to be used towards merit increases
PIMAT (promotional increment, market adjustment and talent)	the budget to be used for promotional increments and market adjustments including training & development initiatives

Remuneration awarded during the financial year (REM1)

31 st December 2025 (AED'000)				
	Remuneration Amount		Senior Management	Other Material Risk-takers
1	Fixed Remuneration	Number of employees	11	9
2		Total fixed remuneration (3 + 5 + 7)	13,684	7,400
3		Of which: cash-based	13,684	7,400
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable Remuneration	Number of employees	11	9
10		Total variable remuneration (11 + 13 + 15)	2,038	903
11		Of which: cash-based	680	273
12		Of which: deferred	1,358	629
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	Total Remuneration (2+10)		15,722	8,303

Special payments (REM 2)

This section is not applicable for HBZ-UAE branches.

Deferred Remuneration (REM3)

Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	31 December 2025 (AED '000)	
				Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management	11				
Cash	1,358	1,358			680
Shares					
Cash-linked instruments					
Other					
Other material risk-takers	9				
Cash	629	629			272
Shares					
Cash-linked instruments					
Other					
Total	1,987	1,987			952

Details of Not Applicable Tables

S No	Table	Information Overview	Topic
1	PV1	Prudent valuation adjustments	Prudential valuation adjustments
2	LIQ1	Liquidity Coverage Ratio	Liquidity
3	LIQ2	Net Stable Funding Ratio	
4	CCR5	Composition of collateral for CCR exposure	Counterparty credit risk (CCR)
5	CCR6	Credit derivatives exposures	
6	SECA	Qualitative disclosures related to securitisation exposures	Securitisation
7	SEC1	Securitisation exposures in the banking book	
8	SEC2	Securitisation exposures in the trading book	
9	SEC3	Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor	
10	SEC4	Securitisation exposures in the trading book and associated capital requirements - bank acting as investor	
11	REM2	Special payments	Remuneration Policy