



(Incorporated in Switzerland 1967)

Habib Bank AG Zurich

United Arab Emirates

Basel Pillar III Disclosures

For the period ended 30th September 2022

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1. Introduction:

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

2. Highlights:

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

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

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

- The Bank’s Common Equity Tier 1 (CET1) ratio of 17.76%, Tier 1 capital Ratio of 17.76%, Capital Adequacy Ratio of 18.88%, are all well ahead of the regulatory requirements.
- The Bank’s leverage ratio of 8.77% is well ahead of the current regulatory requirement.
- The Bank continues to manage its balance sheet proactively, with focus on sound RWA management.

3. Key Metrics (KM1)

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

	AED'000	AED'000	AED'000	AED'000	AED'000
	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Available capital (amounts)					
Common Equity Tier 1 (CET1)	1,246,312	1,292,324	1,333,143	1,417,935	1,427,828
Fully loaded ECL accounting model	1,246,312	1,292,324	1,333,143	1,417,935	1,427,828
Tier 1	1,246,312	1,292,324	1,333,143	1,417,935	1,427,828
Fully loaded ECL accounting model Tier 1	1,246,312	1,292,324	1,333,143	1,417,935	1,427,828
Total capital	1,324,411	1,373,542	1,416,735	1,496,627	1,510,334
Fully loaded ECL accounting model total capital	1,324,411	1,373,542	1,416,735	1,496,627	1,510,334
Risk-weighted assets (amounts)					
Total risk-weighted assets (RWA)	7,016,051	7,268,980	7,450,242	7,059,596	7,402,777
Risk-based capital ratios as a percentage of RWA					
Common Equity Tier 1 ratio (%)	17.76%	17.78%	17.89%	20.09%	19.29%
Fully loaded ECL accounting model CET1 (%)	17.76%	17.78%	17.89%	20.09%	19.29%
Tier 1 ratio (%)	17.76%	17.78%	17.89%	20.09%	19.29%
Fully loaded ECL accounting model Tier 1 ratio (%)	17.76%	17.78%	17.89%	20.09%	19.29%
Total capital ratio (%)	18.88%	18.90%	19.02%	21.20%	20.40%
Fully loaded ECL accounting model total capital ratio (%)	18.88%	18.90%	19.02%	21.20%	20.40%
Additional CET1 buffer requirements as a percentage of RWA					
Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
Countercyclical buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.50%	2.50%	2.50%	2.50%	2.50%
CET1 available after meeting the bank's minimum capital requirements (%)	8.38%	8.40%	8.52%	10.70%	9.90%

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	AED'000	AED'000	AED'000	AED'000	AED'000
	30 Sept 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021
Leverage Ratio					
Total leverage ratio measure	14,206,283	14,343,382	13,865,765	13,284,464	13,261,055
Leverage ratio (%) (row 2/row 13)	8.77%	9.01%	9.61%	10.67%	10.77%
Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.77%	9.01%	9.61%	10.67%	10.77%
Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.77%	9.01%	9.61%	10.67%	10.77%
Total HQLA	3,786,872	3,483,150	3,201,278	3,468,938	3,388,233
Total liabilities	12,111,954	12,361,467	11,771,159	11,278,896	11,252,566
Eligible Liquid Assets Ratio (ELAR) (%)	31.3%	28.2%	27.2%	30.8%	30.1%
ASRR					
Total available stable funding	11,422,336	11,636,302	11,277,814	10,999,580	10,881,586
Total Advances	4,417,206	4,737,407	4,623,138	4,333,993	4,066,241
Advances to Stable Resources Ratio (%)	38.7%	40.7%	41.0%	39.4%	37.4%

Overview of RWAs (OV1)

		AED'000	AED'000	AED'000
		RWA		Minimum capital requirements
		30 Sept 2022	30-Jun-22	30 Sept 2022
1	Credit risk (excluding counterparty credit risk)	6,243,141	6,494,276	655,530
2	Of which: standardised approach (SA)	6,243,141	6,494,276	655,530
6	Counterparty credit risk (CCR)	2,420	2,002	254
7	Of which: standardised approach for counterparty credit risk	2,420	2,002	254
10	Credit valuation adjustment (CVA)	2,321	1140,725	244
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	13,723	17,117	1,441
21	Of which: standardised approach (SA)	13,723	17,117	1,441
23	Operational risk	754,445	754,445	79,217
26	Total (1+6+10+11+12+13+14+15+16+20+23)	7,016,051	7,268,980	736,685

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

4. Leverage Ratio

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

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

		30 Sept 2022
1	Total consolidated assets as per financial statements	13,493,436
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	176,303
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	12,102
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)	524,443
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	-
13	Leverage ratio exposure measure	14,206,283

Leverage ratio common disclosure template (LR2)

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

		AED'000	AED'000
		30 Sept 2022	30 Jun 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	13,436,959	13,689,393
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)	176,303	119,715
7	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	13,613,262	13,809,108
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)	0	11
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	8,644	7,138
	CCR exposure for derivatives transactions (calculated as 1.4 x (Row 4+5))	12,102	10,009
10	(Exempted CCP leg of client-cleared trade exposures)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	Total derivative exposures (sum of rows 8 to 12)	12,102	10,009
Securities financing transactions			
14	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	Total securities financing transaction exposures (sum of rows 14 to 17)	-	-

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		AED'000	AED'000
		30 Sept 2022	30 Jun 2022
19	Off-balance sheet exposure at gross notional amount	2,493,422	1,955,714
20	(Adjustments for conversion to credit equivalent amounts)	-1,912,502	-1,431,448
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)	580,920	524,266
Capital and total exposures			
23	Tier 1 capital	1,246,312	1,292,324
24	Total exposures (sum of rows 7, 13, 18 and 22)	14,206,283	14,343,382
Leverage ratio			
25	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	8.8%	9.0%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	8.8%	9.0%
26	CBUAE minimum leverage ratio requirement	3.0%	3.0%
27	Applicable leverage buffers	5.8%	6.0%

5. Liquidity Risk

Eligible Liquid Assets Ratio

The following table provides a detailed breakdown of the components of the Eligible liquid Assets ratio.

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	2,194,554	
1.2	UAE Federal Government Bonds and Sukuks	1,592,318	
	Sub Total (1.1 to 1.2)	3,786,872	3,786,872
1.3	UAE local governments publicly traded debt securities		
1.4	UAE Public sector publicly traded debt securities		
	Sub total (1.3 to 1.4)	0	0
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks		0
1.6	Total	3,786,872	3,786,872
2	Total liabilities		12,111,954
3	Eligible Liquid Assets Ratio (ELAR)		31.3%

Advances to Stables Resource Ratio

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

		Items	Amount
1		Computation of Advances	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	3,611,787
	1.2	Lending to non-banking financial institutions	4,618
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	190,233
	1.4	Interbank Placements	610,568
	1.5	Total Advances	4,417,206
2		Calculation of Net Stable Ressources	
	2.1	Total capital + general provisions	1,448,504
		Deduct:	
	2.1.1	Goodwill and other intangible assets	
	2.1.2	Fixed Assets	47,009
	2.1.3	Funds allocated to branches abroad	
	2.1.5	Unquoted Investments	1,197
	2.1.6	Investment in subsidiaries, associates and affiliates	
	2.1.7	Total deduction	48,206
	2.2	Net Free Capital Funds	1,400,298
	2.3	Other stable resources:	
	2.3.1	Funds from the head office	0
	2.3.2	Interbank deposits with remaining life of more than 6 months	0
	2.3.3	Refinancing of Housing Loans	0
	2.3.4	Borrowing from non-Banking Financial Institutions	32,609
	2.3.5	Customer Deposits	9,989,429
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	
	2.3.7	Total other stable resources	10,022,038
	2.4	Total Stable Resources (2.2+2.3.7)	11,422,336
3		Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)	38.67