Habib Bank Limited, United Arab Emirates

Pillar III Disclosures

As of June 30, 2024

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1. Introduction and overview

Legal Status and activities

Habib Bank Limited - UAE Branches operates as a branch of Habib Bank Limited with its Head Office ("Head Office") in Pakistan. In the United Arab Emirates ("UAE"), it operates through its six branches (2023: six branches) located in the emirates of Abu Dhabi, Dubai and Sharjah under a license issued by the Central Bank of the UAE ("UAE Central Bank"). Habib Bank Limited, is listed on the Pakistan Stock Exchange.

The principal activities of Habib Bank Limited - UAE Branches (hereafter these branches are referred to as the "Bank") are to provide retail and corporate banking services in the UAE. The registered address of the Bank is P.O. Box 888, Dubai, UAE.

Purpose and basis of preparation

The Bank is regulated by the Central Bank of the United Arab Emirates ("CBUAE") and follows the Pillar III disclosure requirement guidelines issued by the CBUAE. In February 2017, new Basel III capital regulations issued by CBUAE came into effect for all Banks in the UAE. Additional guidelines for Basel III were issued over the course of 2019/2020 in consultations with the UAE Banks.

This document presents Pillar III disclosures in line with CBUAE guidance which complements the Basel III minimum capital requirements and the supervisory review process of the Bank. These disclosures have been prepared in line with the disclosure templates introduced by the CBUAE guidelines on disclosure requirements (CBUAE/BSD/N/2020/4980 and CBUAE CBUAE/BSD/N/2021/5508) published in November 2020 and November 21 respectively.

1.1 Applicability of Pillar III disclosure templates

Below is the list of the CBUAE prescribed Pillar III disclosure templates which are not mandatory / applicable to the Bank and have not been included in this document.

Topic	Table	Information Overview
Prudential valuation adjustments	PV1	Prudent valuation adjustments
Leverage ratio	LR1	Summary comparison of accounting assets vs leverage ratio exposure measure (January 2014 standard)
Credit risk	CRC	Qualitative information on the mitigation of credit risk
	CR3	Credit risk mitigation techniques - overview
	CRD	Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk
Counterparty credit risk (CCR)	CCRA	Qualitative disclosure related to CCR
	CCR1	Analysis of CCR by approach
	CCR2	Credit valuation adjustment capital charge
	CCR3	Standardised approach - CCR exposures by regulatory portfolio and risk weights
	CCR5	Composition of collateral for CCR exposure
	CCR6	Credit derivatives exposures
	CCR8	Exposures to central counterparties
Securitisation	SECA	Qualitative disclosures related to securitisation exposures
	SEC1	Securitisation exposures in the banking book
	SEC2	Securitisation exposures in the trading book
	SEC3	Securitisation exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor
	SEC4	Securitisation exposures in the trading book and associated capital requirements - bank acting as investor
Remuneration Policy	REM2	Special payments
	REM3	Deferred remuneration

2. Overview of Risk Management and RWA

2.1 Key metrics (KM1)

AED in '000

		Jun 30, 2024	Mar 31, 2024	Dec 31, 2023
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	304,074	281,179	280,986
1a	Fully loaded ECL accounting model	302,562	279,667	279,002
2	Tier 1	304,074	281,179	280,986
2a	Fully loaded ECL accounting model Tier 1	302,562	279,667	279,002
3	Total capital	326,352	301,998	301,600
3a	Fully loaded ECL accounting model total capital	324,840	300,486	299,616
	Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	1,928,601	1,811,408	1,798,571
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	15.77%	15.52%	15.62%
5a	Fully loaded ECL accounting model CET1 (%)	15.69%	15.44%	15.51%
6	Tier 1 ratio (%)	15.77%	15.52%	15.62%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	15.69%	15.44%	15.51%
7	Total capital ratio (%)	16.92%	16.67%	16.77%
7a	Fully loaded ECL accounting model total capital ratio (%)	16.84%	16.59%	16.66%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.01%	0.02%	0.01%
10	Bank D-SIB additional requirements (%)	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.51%	2.52%	2.51%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.42%	6.17%	6.27%
	Leverage Ratio			
13	Total leverage ratio measure	3,623,713	3,467,803	2,883,783
14	Leverage ratio (%) (row 2/row 13)	8.39%	8.11%	9.74%
14a	Fully loaded ECL accounting model leverage ratio (%) (row 2A/row 13)	8.35%	8.06%	9.67%
14b	Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank reserves)	8.39%	8.11%	9.74%
	Liquidity Coverage Ratio *			
15	Total HQLA			
16	Total net cash outflow			
17	LCR ratio (%)			
	Net Stable Funding Ratio *			
18	Total available stable funding			
19	Total required stable funding			
20	NSFR ratio (%)			
	ELAR			
21	Total HQLA	1,530,292	1,579,658	1,219,543
22	Total liabilities	3,100,844	2,942,358	2,533,906
23	Eligible Liquid Assets Ratio (ELAR) (%)	49.35%	53.69%	48.13%
	ASRR			
24	Total available stable funding	2,973,297	2,723,681	2,397,946
25	Total Advances	1,301,063	1,016,704	1,077,266
26	Advances to Stable Resources Ratio (%)	43.76%	37.33%	44.92%

**As per CBUAE regulations, Liquidity Coverage Ratio and Net Stable Funding Ratio are not applicable on the bank being a branch of a foreign bank. The bank uses Eligible Liquid Asset Ratio (ELAR) and Lending to Stable Resources Ratio (LSRR) as an alternate.*

The capital ratio as of June 30, 2024 increased by 25 bps in comparison to March 31, 2024 mainly due to capitalization of H1'24 profit, reaching up to 16.92% and remained above the regulatory requirement of 13.01% (including 2.5% capital conservation buffer and 0.01% of countercyclical buffer).

The Bank's leverage ratio requirement remains comfortably above the minimum 3%. Liquidity ratios (ELAR and ASRR) also remain well-buffered.

2.2 Bank risk management approach (OVA)

Business and Overall Risk Profile

Habib Bank Limited UAE (hereafter "HBL-UAE" or 'the Bank'), foreign branch of Habib Bank Limited Pakistan (hereafter "HBL"), principal revenue stream is generated through wholesale banking model in addition to other products offer by the Bank to the customer. The Bank also offers traditional deposit products such as current and savings accounts to the customers, which are mainly used to finance the asset book. The bank also considers deploying liquidity in FI which are low risk assets, in fixed income securities and other treasury products to generate revenues and maintain a balanced risk profile.

The primary risks to the Bank arise from extending credit to corporate and institutional banking. While carrying the business the Bank is also exposed to a range of other risk types which includes market, operational, liquidity, compliance, reputational, country and legal risk. The Bank is proactively monitoring and enhancing the risk management strategies that drive the direction of its risk management processes, product range and risk diversification strategies.

Corporate and Risk Governance

HBL-UAE overall risk management responsibility resides with the Board of Directors (hereafter "the Board", "BOD") of Habib Bank Limited. The Board ensures effective risk governance, control and oversight of the Bank processes with the help of Board and management level committees at Head Office and through HBL-UAE management committees. Though, Board remains the ultimate responsible for the domestic and foreign branch operations and the financial stability of the Bank.

In order to effectively discharge this responsibility, the Board is assisted by various Board Committees based on their respective Board approved 'Term of Reference' (TOR), namely Board Audit Committee (BAC), Board Risk Management Committee (BRMC), Board Human Resource and Remuneration Committee (BHRRC), Board IT Committee (BITC), Board Strategy Input and Monitoring Committee (BSIMC), Board Compliance and Conduct Committee (BCNC), Board Development Finance Committee (BDFC) and Board Nomination and Remuneration Committee (BNRC). These committees are supported by the management level committees formalized at Habib Bank Limited Pakistan which are also responsible to oversee the international operations and respective committees.

HBL-UAE management actively manages risk, primarily through the risk department with oversight by the Management Committee (MANCOM), Integrated Risk Management Committee (IRMC), Assets & Liabilities Committee (ALCO), Compliance Committee of Management (CCM), Information Technology Steering Committee (ITSC) and Branch Risk and Control Committee (BRCC). To ensure overall governance is in placed the Bank has formalized UAE Corporate Governance (UAEGC) committee which comprises of HBL-UAE management and HBL Pakistan members.

Risk Management Function

The Bank has a well-developed and robust risk management framework in line with the Group Risk Management and HBL-UAE local regulatory requirement which is developed and implemented based on the local operations, size and complexity, and target market diversification. The Bank's risk management framework is based on strong Board oversight, multi-tier management supervision, efficient systems, documented risk appetite, and clearly articulated policies and procedures.

The Board of Directors provides the strategic direction for effective risk management and ensures that a robust risk management framework is in place including the required human resources, policies, procedures and systems. It is supported in this task by the Board Risk Management Committee (BRMC) as well as by various management committees.

For effective implementation of the risk management framework, the Risk Management function, headed by the Chief Risk Officer (CRO), operates independently of business units within the HBL. Risk Management is responsible for the development and implementation of risk policies and for monitoring the risks associated with various activities of the Bank. The CRO reports to the President, with a functional reporting line to the BRMC.
CRO is responsible for ensure effective functioning of Risk Management and implementation of ERM framework across the bank. CRO has been delegated by the BRMC to ensure development & implementation of risk policies,

processes, tools and systems, in light of regulations and best market practice. Leading risk strategy and risk appetite framework of the bank, CRO remain responsible for active contribution in key decision-making processes of the bank. To discharge the responsibility of effective risk management, CRO ensure strong, independent and dynamic risk management function with all required financial, system and physical resources.

For international operations, CRO has a dedicated direct report Head of International & FI Risk at HBL who remains responsible for risk management implementation across international locations of Habib Bank Limited. Head of Risk Management UAE monitor the overall risk profile and manage the risk function within the HBL-UAE branch in line with CBUAE requirement. To maintain the independence, Head of Risk Management UAE reports to Head of International & FI Risk.

The Risk Management function comprises of the following areas:
- Credit Policy & Analytics
- Credit Approvals
- Credit Administration
- Market & Liquidity Risk Management
- Enterprise Risk Management

Due to the branch operations, some of the role remain centralized at HBL, however, for all local HBL UAE requirement the deliverables are oversighted by Head Risk Management UAE and Head International & FI Risk. This structure enables the knowledge enrichment and broaden the understanding to consider the implementation of best market practices.

Risk Management Framework

The management of HBL UAE is committed to manage processes with effective risk management and compliance to ensure a viable balance sheet for long term. The Board of Directors has ultimate responsibility for setting HBL UAE risk appetite for ensuring risk is managed effectively. The Board and management foster a risk and compliance culture and follows the 'three line of defense' which ensure the segregation between risk owner, risk oversight and assurance role. Board have empowered all level employees to raise grievances, improper behavior by using whistle blowing mechanism and Operational risk incident reporting. Management is also flexible and promote suggestions to purse the Bank's strategic goals. The management believes in transparency and acknowledgement of risk and accordingly take necessary action to ensure risk is timely mitigated and managed within the Bank's approved risk appetite.

Risk Management Framework is developed to ensure a comprehensive management of risk throughout the Bank, HBL employs a risk management framework that is applicable to all levels of the organization with strong Board oversight. A Risk Governance function is also in place at HBL, whose role is to formulate credit policies and procedures and provide oversight related to portfolio management and automation. The Bank has strong credit management practices that include regular Early Alert Committee meetings and rapid portfolio reviews to help ensure the strength and resilience of its credit portfolio. In order to further strengthen usage of internal credit risk rating framework, Obligor Risk Rating model implemented by the Bank has also been validated to ensure its efficiency and effectiveness.

Risk management systems continue to evolve to facilitate business growth whilst limiting the effect of any residual risks. Market and liquidity risk indicators are reviewed on a monthly basis by Asset Liability Committee (ALCO) of HBL UAE and Global ALCO Sub-Committee for Market & Liquidity Risk – Head Office. A comprehensive structure is in place to ensure that the Bank does not exceed its tolerance for market and liquidity risk. Policies and procedures are in place to govern operational risk management practices in a systematic and consistent manner. Key tools such as Risk & Control Self-Assessment/Integrated Risk and Control Repository, Key Risk Indicators and Operational Loss Data Management are used to gauge the likelihood and severity of operational risk incidents. The Bank's operational risk profile and fraud risk assessment are regularly shared with the senior management and the Board as and where deemed necessary.

The Enterprise Risk Management (ERM) process applies to all functions within HBL, ensuring a robust and consistent approach to risk management at all levels of the organization. HBL's ERM framework outlines the components, key principles and concepts of ERM; suggests a common risk language; and provides a clear direction and guidance for integrated risk management within the Bank. This is expected to bring synergies across the various risk management components and strengthen the risk identification, monitoring and controlling mechanism across HBL including

foreign branches. Within the ERM, a New Product Initiative Assessment process is implemented which comprehensively identify, assess and mitigate all risks within new products and services, to ensure that they are adequately addressed before launch.
Other risks are also managed by HBL under various explicit frameworks available which include but not limited to Anti-Money Laundering and Information Security risk.

For Basel reporting, the Bank has adopted the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. In addition, the Bank has adopted the simple approach for recognizing eligible collateral for credit risk mitigation. The Bank's goal is to develop resources internally to embed Basel related processes and methodologies in its risk practices. The Bank follows the Standardized Approach for market risk. The Bank has various other internal tools / MIS used for risk assessment and management reporting.

Stress Testing

Stress testing is an important tool of risk management and is considered an integral part of the Internal Capital Adequacy Assessment Process (ICAAP) under regulatory requirement. Stress testing is based on the concept of ‘proportionality and complexity’ and its applicability to the Bank. Relevant factors in this concept are size of the Bank, sophistication and diversification of its activities, materiality of different risk types and the Bank’s vulnerability to them.

The Bank has developed various stress scenarios based on qualitative analysis and expert judgment. For stressing of risks that are driven by factors internal to the bank or risks that do not have any external/macroeconomic dependency, appropriate parameters are used to define mild, medium and severe stress scenarios and a sensitivity approach is used to determine and quantify the level of risk based on fixed parameters. This included developing scenarios with a risk focus to determine how the particular scenario could disrupt the Banks performance and capital position. The risks and associated capital value are aggregated together without any diversification benefit being applied and the shock / parameter sensitivity is applied independently to each risk factor, based on a top down approach with some sensitivity analysis being conducted to determine the level of shock to be applied to each risk factor independently.

2.3 Overview of RWA (OV1)

The Risk Weighted Assets (RWAs) of the Bank witnessed increase during Q2 ‘24 as compared to last quarter due increase in funded advances.

AED '000

		RWA		Minimum capital requirements
		Jun 30, 2024	Mar 31, 2024	Jun 30, 2024
1	Credit risk (excluding counterparty credit risk)	1,744,026	1,628,463	226,898
2	Of which: standardised approach (SA)	1,744,026	1,628,463	226,898
3	Of which: foundation internal ratings-based (F-IRB) approach	-	-	-
4	Of which: supervisory slotting approach	-	-	-
5	Of which: advanced internal ratings-based (A-IRB) approach	-	-	-
6	Counterparty credit risk (CCR)	38,197	37,075	4,969
7	Of which: standardised approach for counterparty credit risk	38,197	37,075	4,969
8	Of which: Internal Model Method (IMM)	-	-	-
9	Of which: other CCR	-	-	-
10	Credit valuation adjustment (CVA)	-	-	-
11	Equity positions under the simple risk weight approach	-	-	-
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	-	-	-
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	-	-	-
18	Of which: securitisation external ratings-based approach (SEC-ERBA)	-	-	-
19	Of which: securitisation standardised approach (SEC-SA)	-	-	-
20	Market risk	3,005	2,497	391
21	Of which: standardised approach (SA)	3,005	2,497	391
22	Of which: internal models approach (IMA)	-	-	-
23	Operational risk	143,373	143,373	18,653
24	Amounts below thresholds for deduction (subject to 250% risk weight)	4,721	5,566	614
25	Floor adjustment	-	-	-
26	**Total (1+6+10+11+12+13+14+15+16+20+23)**	**1,928,601**	**1,811,408**	**250,911**

3. Composition of Capital

3.1 Composition of regulatory capital (CC1)

The capital base of the Bank primarily consists of office assigned capital, accumulated reserves, general provisions net of capital deductions (intangibles, deferred tax assets).

AED '000

	30 June 2024	a	b
		Amounts	**CC2 reference**
	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	-	
2	Retained earnings	(57,419)	
3	Accumulated other comprehensive income (and other reserves)	6,427	
4	*companies)*	-	
5	Common share capital issued by third parties (amount allowed in group CET1)	373,072	**(a)**
6	**Common Equity Tier 1 capital before regulatory deductions**	**322,080**	
	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)	1,198	**(b)**
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	3,450	**(c)**
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)	-	
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	13,358	
24	**Total regulatory adjustments to Common Equity Tier 1**	**18,006**	
25	**Common Equity Tier 1 capital (CET1)**	**304,074**	
	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	*Directly issued capital instruments subject to phase-out from additional Tier 1*	-	
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	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
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)**	**304,074**	

30 June 2024		AED '000 a Amounts	b CC2 reference
	Tier 2 capital: instruments and provisions		
40	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
41	*Directly issued capital instruments subject to phase-out from Tier 2*	-	
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)	-	
43	*Of which: instruments issued by subsidiaries subject to phase-out*	-	
44	Provisions	22,278	
45	**Tier 2 capital before regulatory adjustments**	**22,278**	
	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)**	**22,278**	
52	**Total regulatory capital (TC = T1 + T2)**	**326,352**	
53	**Total risk-weighted assets**	**1,928,601**	
	Capital ratios and buffers		
54	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	15.77%	
55	**Tier 1 (as a percentage of risk-weighted assets)**	15.77%	
56	**Total capital (as a percentage of risk-weighted assets)**	16.92%	
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)**	2.50%	
58	**Of which: capital conservation buffer requirement**	2.50%	
59	**Of which: bank-specific countercyclical buffer requirement**	0.01%	
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.**	6.42%	
	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%	
	Amounts below the thresholds for deduction (before risk weighting)		
65	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
66	Significant investments in common stock of financial entities	-	
67	Mortgage servicing rights (net of related tax liability)		
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)	-	
70	Cap on inclusion of provisions in Tier 2 under standardised approach	-	
71	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
72	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	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)*	-	

3.2 Reconciliation of regulatory capital to balance sheet (CC2)

The below table is to be read in conjunction with LI1 and LI2 where each asset and liability item on the Balance sheet along with relevant treatment under capital adequacy standards is specified:

AED '000

30 June 2024	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period-end	As at period-end	
Assets			
Cash and balances with the UAE Central Bank	590,151	590,151	
Due from other banks	161,358	161,358	
Due from the Head Office and other branches	61,836	61,836	
Loans and advances - net	1,206,258	1,206,258	
Investment securities	1,329,817	1,329,817	
Customer acceptances	10,884	10,884	
Deferred tax asset	8,171	4,721	**(c)**
Other assets	70,142	70,142	
Property and equipment	9,552	8,354	**(b)**
Total assets	**3,448,169**	**3,443,521**	
Liabilities			
Due to other banks	288	288	
Due to the Head Office and other branches	116,424	116,424	
Customer deposits	2,887,294	2,887,294	
Customer acceptances	10,884	10,884	
Other liabilities	90,855	90,855	
Total liabilities	**3,105,745**	**3,105,745**	
Shareholders' equity			
Allocated capital	373,072	373,072	**(a)**
Statutory reserve	26,405	26,405	
Retained earnings	(57,419)	(62,067)	
Fair value and other reserve	366	366	
Total shareholders' equity	**342,424**	**337,776**	

3.3 Main features of regulatory capital instruments (CCA)

The capital of HBLUAE branch represents the amount received from the Head Office as "Allocated capital" in accordance with the Federal Law No 2 of 2015, Decretal Federal Law no 14 of 2018 and the Minimum Capital for Banks Regulation (Circular No. 12/2021) issued by the Central Bank of the UAE ("CBUAE"). Relevant details as below:

30 Jun 2024		**Quantitative / qualitative information**
1	Issuer	Habib Bank Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Federal Law No 2 of 2015 Federal Law No 14 of 2018 Circular No 12/2021 of CBUAE
	Regulatory treatment	
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 373.072 million
10	Accounting classification	Assigned Capital

Item 4-6 and 11-31 are not applicable for the Bank, hence, the same has been excluded in the above template.

4. Geographical distribution of credit exposures used in the countercyclical buffer

AED '000

Geographical breakdown	Countercyclical capital buffer rate	Risk-weighted assets	Weighted average
United Kingdom	2%	9,183	1%
Others	0%	1,233,882	99%
Total private exposure		**1,243,065**	**100%**
Countercyclical buffer			**0.01%**

Based on CCyB issued by Basel Committee on Banking Supervision.

5. Leverage Ratio

5.1 Leverage ratio common disclosure template (LR2)

AED '000

		Jun 30, 2024	Dec 31, 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,436,858	2,677,673
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)	(4,648)	(5,997)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**3,432,210**	**2,671,676**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	3,230	512
9	Add-on amounts for PFE associated with *all* derivatives transactions	51,858	56,181
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)**	**55,088**	**56,693**
Securities financing transactions			
14	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	CCR exposure for SFT assets	-	-
17	Agent transaction exposures	-	-
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**	-	-
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	617,368	733,547
20	(Adjustments for conversion to credit equivalent amounts)	(480,953)	(578,133)
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)**	**136,415**	**155,413**
Capital and total exposures			
23	**Tier 1 capital**	**304,074**	**280,986**
24	**Total exposures (sum of rows 7, 13, 18 and 22)**	**3,623,713**	**2,883,782**
Leverage ratio			
25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	**8.39%**	**9.74%**
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**8.39%**	**9.74%**
26	CBUAE minimum leverage ratio requirement	**3.00%**	**3.00%**
27	**Applicable leverage buffers**	-	-

6. Liquidity

6.1 Eligible Liquidity Asset Ratio (ELAR)

The following table presents the breakdown of the Bank's available high-quality liquid assets (HQLA), as measured and defined according to the CBUAE Liquidity Regulations.

AED '000

1	High Quality Liquid Assets	Nominal amount	Eligible Liquid Asset
1.1	Physical cash in hand at the bank + balances with the CBUAE	436,518	
1.2	UAE Federal Government Bonds and Sukuks	884,354	
	Sub Total (1.1 to 1.2)	1,320,872	1,320,872
1.3	UAE local governments publicly traded debt securities	53,077	
1.4	UAE Public sector publicly traded debt securities	-	
	Sub total (1.3 to 1.4)	53,077	53,077
1.5	Foreign Sovereign debt instruments or instruments issued by their respective central banks	-	-
1.6	**Total**	**1,373,949**	**1,373,949**
2	Total liabilities		3,003,805
3	**Eligible Liquid Assets Ratio (ELAR)**		**45.74%**

The above represents simple average of 3 monthly returns submitted to CBUAE from April '24 to June '24.

6.2 Advances to Stable Resources Ratio (ASRR)

The following table presents the breakdown of the Bank's Advances to Stable Resources Ratio (ASRR), as per the CBUAE Liquidity Regulations.

AED '000

		Items	Amount
1		**Computation of Advances**	
	1.1	Net Lending (gross loans - specific and collective provisions + interest in suspense)	435,959
	1.2	Lending to non-banking financial institutions	-
	1.3	Net Financial Guarantees & Stand-by LC (issued - received)	2,194
	1.4	Interbank Placements	828,677
	1.5	**Total Advances**	1,266,830
2		**Calculation of Net Stable Ressources**	
	2.1	Total capital + general provisions	351,352
		Deduct:	
	2.1.1	Goodwill and other intangible assets	-
	2.1.2	Fixed Assets	9,462
	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**	9,462
	2.2	**Net Free Capital Funds**	341,890
	2.3	**Other stable resources:**	
	2.3.1	Funds from the head office	4,058
	2.3.2	Interbank deposits with remaining life of more than 6 months	-
	2.3.3	Refinancing of Housing Loans	-
	2.3.4	Borrowing from non-Banking Financial Institutions	46,897
	2.3.5	Customer Deposits	2,475,208
	2.3.6	Capital market funding/ term borrowings maturing after 6 months from reporting date	-
	2.3.7	**Total other stable resources**	2,526,163
	2.4	**Total Stable Resources (2.2+2.3.7)**	2,868,053
3		**Advances TO STABLE RESOURCES RATIO (1.6/ 2.4*100)**	**44.17**

The above represents simple average of 3 monthly returns submitted to CBUAE from April '24 to June '24.

7. Credit Risk

7.1 General qualitative information about credit risk (CRA)

Credit risk is defined as the risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Credit risk arises from the bank's dealings with individuals, businesses, financial institutions, sovereigns etc. While loans are the largest and most obvious source of credit risk; it also stems from activities both on and off-balance sheet. In the Bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement, and other financial transactions. Alternatively, losses may result from reduction in the portfolio value due to actual or perceived deterioration in credit quality.

Credit Policy of the bank identifies the sources of credit risk in the bank's business operations in terms of business areas, product types, collateral etc. Credit Risk carries out the following main activities pertaining to credit risk management:
- Formulation of credit risk framework comprising policies, procedures, methodologies, tools and MIS etc.
- Credit Approvals as per CAA
- Management of implementation of tools for measuring credit risk (ORR, etc.) and systems

Measurement of Credit Risk

The risk identification process starts at the credit origination stage based on the underwriting rules and guidelines defined in the Credit Policy. Detailed analysis is carried out for all credit proposals originating from business functions including assessment of credit risk of the customers covering aspects such as their business operations, financials, regulatory environment, macro-economic factors etc.

The tools used at this stage are the internal Obligor Risk Rating (ORR) framework, risk appetite approved for credit risk and regulatory requirement for Large exposure and any other regulatory requirement, as applicable.

Based on a comprehensive reporting framework, continuous monitoring of the credit portfolio and the risks attached thereto is carried out at different levels including businesses, BRR, CAD, Risk and HOK.

The monitoring mechanism includes Large exposure (Per Party), Past Due Obligation Statements, Early Warning Mechanism, Classification and Provisioning on a regular basis.

Obligor Risk Rating (ORR) Framework

The Bank has an obligor credit rating framework for borrowers. Internal Obligor Risk Rating is also being performed for externally non-rated financial institution customers.

The obligor ratings are assigned at the time of credit initiation and then reviewed on an annual basis. An interim review is carried out in case there is any material adverse change in the industry or borrower's business. A higher review frequency may be followed for borrowers on watch list or considered high-risk.

While the originating unit proposes a credit rating, the final decision on the risk rating of a particular customer rests with Credit Risk Management function. Credit Risk Management based on its credit judgment based on including but not limited to industry and/or customer outlook or on the basis of recommendation by Business Unit (with proper justification) can assign an ORR different than the derived ORR. Original approval authority (within Credit Risk Management) can approve upgrade of derived ORR by 1 notch. Two (2) or more notches upgrade can only be approved by CRO or the President in HBL Head office (Pakistan). The ratings only become effective once approved by Credit Risk Management.

Business Risk Review (BRR) reviews and validates these ratings periodically as part of their Credit Review process. For definition of default please refer note 2.3(d) of annual financial statements.

7.2 Credit quality of assets (CR1)

AED '000

30 June 2024		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	
1	Loans	240,632	1,219,852	254,226	240,632	13,594	1,206,258
2	Debt securities	-	1,329,817	20,344	-	20,344	1,309,473
3	Off-balance sheet exposures	-	219,344	238	-	238	219,106
4	**Total**	**240,632**	**2,769,013**	**274,808**	**240,632**	**34,176**	**2,734,837**

7.3 Changes in stock of defaulted loans (CR2)

30 June 2024		AED '000
1	**Defaulted loans and debt securities at the end of the previous reporting period**	252,831
2	Loans and debt securities that have defaulted since the last reporting period	-
3	Returned to non-default status	-
4	Amounts written off	13,506
5	Other changes	1,307
6	**Defaulted loans and debt securities at the end of the reporting period (1+2-3-4±5)**	**240,632**

7.4 Standardised approach - credit risk exposure and Credit Risk Mitigation (CRM) effects (CR4)

The table below identifies the exposures broken down into Basel asset categories along with credit risk mitigation impacts and related RWA. The RWA density below reflects the RWA as a proportion of exposures post CCF and CRM.

AED '000

30 June 2024		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	1,713,383	-	1,713,383	-	215,853	12.6%
2	Public Sector Entities	36,730	-	36,730	-	18,365	50.0%
3	Multilateral development banks	-	-	-	-	-	0.0%
4	Banks	1,191,392	-	1,191,392	-	1,021,081	85.7%
5	Securities firms	-	-	-	-	-	0.0%
6	Corporates	406,555	261,068	468,195	81,099	475,142	86.5%
7	Regulatory retail portfolios	1,543	-	1,543	-	1,543	100.0%
8	Secured by residential property	-	-	-	-	-	0.0%
9	Secured by commercial real estate	-	-	-	-	-	0.0%
10	Equity Investment in Funds (EIF)	-	-	-	-	-	0.0%
11	Past-due loans	243,520	-	-	-	-	0.0%
12	Higher-risk categories	-	-	-	-	-	0.0%
13	Other assets	64,285	-	64,285	-	50,239	78.2%
14	**Total**	**3,657,408**	**261,068**	**3,475,528**	**81,099**	**1,782,223**	**50.1%**

7.5 Standardised approach – exposures by asset classes and risk weights (CR5)

The table below identifies the exposures broken down by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to standardised approach).

AED '000

30 June 2024		a	b	c	d	e	f	g	h	i
	Risk weight / Asset classes	0%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	1,511,412	18,066	-	-	-	127,235	56,670	-	1,713,383
2	Public Sector Entities	-	-	-	36,730	-	-	-	-	36,730
3	Multilateral development banks	-	-	-	-	-	-	-	-	-
4	Banks	15,329	144,958	-	195,124	-	718,889	117,092	-	1,191,392
5	Securities firms	-	-	-	-	-	-	-	-	-
6	Corporates	87,794	-	-	-	-	371,185	32,536	57,779	549,294
7	Regulatory retail portfolios	-	-	-	-	2	1,541	-	-	1,543
8	Secured by residential property	-	-	-	-	-	-	-	-	-
9	Secured by commercial real estate	-	-	-	-	-	-	-	-	-
10	Equity Investment in Funds (EIF)	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	-	-	-
12	Higher-risk categories	-	-	-	-	-	-	-	-	-
13	Other assets	21,127	-	-	-	-	38,438	-	4,720	64,285
14	**Total**	**1,635,662**	**163,024**	**-**	**231,854**	**2**	**1,257,288**	**206,298**	**62,499**	**3,556,627**

8. Market Risk

8.1 General qualitative disclosure requirements related to market risk (MRA)

Market Risk is the risk that the value of positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to the earnings and capital.

The Bank manages its market risk exposure arising due to volatility in market driven variable, such as foreign exchange rates. The Bank uses mark-to-market to assess securities and FX portfolio on daily basis.

HBL-UAE does not invest in trading portfolio therefore the Bank's portfolio comprises of instruments which are not held with trading intent and include financial investment in debt instruments measured at fair value through other comprehensive income.

The Bank's exposure to market risk is governed by a policy approved by the Board. The policy helps in institutionalizing market risk identification, measurement, monitoring and reporting. The Bank has also in place Board approved risk appetite thresholds. Limits and market risk exposures are reviewed by ALCO, ALCO Sub-Committee for Market & Liquidity Risk – Head Office and Integrated Risk Management Committee (IRMC) at regular intervals.

HBLUAE has a dedicated resource to monitor the market risk profile of the Bank. Breaches of limit is reported and escalated to the Senior Management as and where deemed required.

Measurement of Market Risk

The Bank has separate and clear definitions of trading and investment books. Currently all activities of HBL UAE fall into the Investment/ Banking Book classification.

Trading activities are generally restricted to Foreign Exchange and are executed in the market based on the underlying client activities. This is controlled through Net Open Position (NOP) Limit, duly assigned by HBL- Head Office and is monitored at regular intervals. In addition, bank's assets that are funded by liabilities in different currencies are funded through short duration swaps, eliminating the currency risk on the same.

Market Risk Management provides a dynamic and proactive approach to market risk monitoring, including the use of tools such as Value at Risk, Earnings at Risk, stress testing and the use of Limits.

8.2 Market risk under the standardised approach (MR1)

The following table provides the components of capital requirement under the standardized approach for market risk:

AED '000

	30 June 2024	RWA
1	General Interest rate risk (General and Specific)	-
2	Equity risk (General and Specific)	-
3	Foreign exchange risk	3,005
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	
8	Securitisation	-
9	**Total**	**3,005**