Habib Bank AG Zurich

Annual disclosures according to Basel III (Year 2016)

Habib Bank AG Zurich

(Incorporated in Switzerland 1967)

30/4/2017

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1. Scope of consolidation

Scope of consolidation for capital adequacy purposes

The scope of consolidation for capital adequacy purposes consist of the following companies (hereafter referred to as "the Group"):

• Habib Bank AG Zurich	(hereafter referred to as "the Bank")
• Habib Canadian Bank Ltd., Canada	(100% ownership)
• HBZ Bank Limited, South Africa	(100% ownership)
• Habib Metropolitan Bank Ltd., Pakistan	(51% ownership)
• Habib Bank Zurich (Hong Kong) Ltd., Hong Kong	(51% ownership)
• Habib Bank Zurich Plc, UK	(100% ownership)

Scope and method of consolidation according to FINMA Circular 2015/1 "Accounting - Banks"

The Group's method of capital consolidation follows the purchase method. The scope of consolidation according to FINMA Circular 2015/1 "Accounting - Banks" additionally includes the subsidiary HBZ Services FZ-LLC (100% ownership) and Habib Europe Limited, Isle of Man (100%). HBZ Services FZ-LLC acts as a service provider for the Group and does not operate in the financial sector (please refer to the Annual Report 2016, page 35). Habib Europe Limited (former Habib European Bank Ltd.) is in liquidation.

2. Group risk principles

Risk & Control Framework

The Group's Risk & Control Framework is the cornerstone for risk management and control. It provides the basis to identify, assess and effectively manage risks within the Group. Furthermore, the Risk & Control Framework assigns the overall responsibility for a particular risk class, defines who manages risk and who performs independent risk control.

Risk organisation

The Board of Directors' responsibilities are the following:
- The Board of Directors is responsible for the strategic direction, supervision and control of the Group, and for defining our overall risk tolerance by means of a risk appetite statement and overall risk limits;
- The Risk & Control Committee supports the Board of Directors in fulfilling its oversight responsibilities by providing guidance regarding risk governance and the Group's risk profile, including the regular review of major risk exposures and overall risk limits; and
- The Audit Committee supports the Board of Directors in fulfilling its oversight responsibilities by monitoring General Management's approach with respect to financial reporting, internal controls and accounting. Additionally, the Audit Committee is responsible for ensuring independence and monitoring the performance of Group Internal Audit and the external auditors.

On an operational level, the Group operates with a three-line of defence model whereby business and revenue generation, risk management oversight and risk control are performed by functions independent of one another.

Furthermore, a clear distinction is made between "risk owners", "risk managers" and "risk controllers":
- Risk owners bear the overall supervision and responsibility for the management of specific risk classes or risk types;
- Risk managers focus on the monitoring and proactive management of risk. They initiate risk management measures and can change the risk profile;
- Risk controllers independently monitor and assess risk as well as highlight deviations from target risk parameters and non-compliance with policies.

Risk management principles

The following general principles are applied to maintain an appropriate balance between risk and return to:
- Protect the financial strength of the Group by monitoring our risk exposures and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate Group-wide level across all risk types;

- Protect our reputation through a sound risk culture characterised by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles;
- Systematically identify, classify and measure risks applying best practice;
- Ensure management accountability, whereby Business Line Management owns all risks assumed and is responsible for the active management of all risk exposures to ensure that risk and return are balanced;
- Set up independent risk control functions or units, which monitor effectiveness of risk management and oversee risk-taking activities;
- Disclose risks to the Board of Directors, regulators and other stakeholders in a comprehensive and transparent manner.

Internal controls

Internal controls are processes and instruments used to monitor and control operational and other business risks. In order to continuously enhance the Group's internal control system and the effectiveness of controls, results of actual control processes are reviewed and the outcome of the Group's Operational Risk Management processes is taken into account. The organisational units responsible for internal controls work closely with other organisational units within the Group.

Credit risk

Credit risk arises from the possibility that a counterparty, i.e. private and corporate clients, financial institutions as well as issuers or sovereigns, does not fulfil contractual obligations or the credit quality deteriorates. In order to manage potential default risk and other prevailing credit risks most effectively, it is divided into the following risk types: client credit risk, issuer credit risk, counterparty credit risk, country risk (including cross-border / transfer risk), settlement risk and credit concentration risk.

The Group Credit Management Committee is responsible for credit risks and credit decisions, which may be delegated to the respective Country Credit Management Committees. The Group manages its credit risk within a conservative framework by evaluating the creditworthiness of the borrowing counterparties, setting appropriate credit limits and obtaining collateral as deemed necessary. For each collateral type a minimum haircut is defined in order to account for the volatility in market values according to the nature and liquidity of the collateral. Around 41% of the Group's credit exposure is secured by property and only 15% is unsecured.

The Group's credit risk appetite is defined and monitored through a comprehensive system of credit limits.

The Group has its own rating system for corporate clients. Each credit is assessed as to the borrower's credit worthiness, collateral coverage and collateral quality, as well as the underlying transaction rationale, business potential and any additional risk mitigations. Personal credits are usually only granted on a fully collateralized basis. Collateral coverage is monitored on a regular basis and according to the prevailing market conditions.

Adequate and clear segregation of duties are established among the various organisational units involved in the acquisition of credit business, the analysis and approval of a credit request, and the subsequent administration.

Bank counterparties, issuers and sovereigns are analysed according to their financial performance and their external rating. Over 65% of the credit exposure to financial institutions is of investment grade quality and the remaining 35% consists mainly of short-term trade finance exposure in emerging markets, to which the Group has close links, and monitors the portfolio with a set of country limits.

Regarding non-performing loans, the Group is in a comfortable position: After taking the collateral at market value and the individual value adjustments into account, the net unsecured and un-provided position at the end of December 2016 was only CHF 4.3 million.

Country risks are monitored quarterly and are either protected by guarantees obtained from the World Bank (MIGA) or provided for in accordance with the guidelines of the Swiss Bankers Association using international ratings.

Liquidity Risk

The Group applies a prudent approach to liquidity risk management. The Group Asset & Liability Management Committee oversees liquidity and market risks regularly.

The Group grants advances and loans to clients both on a short-term basis and with tenors generally up to 5 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 Group's total deposits. Excess liquidity is held as bank placements or financial investments. The latter primarily consist of bond portfolios of sovereign issuers or other issuers of high quality.

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

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

The Group maintains a strong liquidity position, which is further supported by established repo functionalities. In addition, liquidity coverage ratio targets have been defined for all operating Group companies.

The short-term liquidity disposition and liquidity situation of individual countries are monitored by the respective country treasury functions. In addition, liquidity reserves are held both on Group and on country level and contingency funding plans are in place for the Group, all branches and subsidiaries.

Market risk

The Group is exposed to market interest rate risk, foreign exchange risk and, to a very limited extent, to equities and commodities risk.

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

The Group 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 risk most client advances are agreed on a 3- or 6-month base rate plus a credit spread.

In addition, branches and subsidiaries have placed excess liquidity in bank placements or in financial investments with tenors usually up to 3-5 years. While the volume of financial investments is kept limited, the average duration of the fixed income portfolios creates interest rate risk exposure given the absence of long-term wholesale financing.

For foreign exchange risks the Group pursues a risk-adverse approach and aims at keeping potential foreign exchange losses low. The Group does not pursue proprietary foreign exchange trading activities.

Profits earned in the Bank's branches are subject to exchange rate risk up to their remittance to Habib Bank AG Zurich, Zurich. These risks are monitored in the Head Office, and profits hedged as felt appropriate. Capital and reserves held in the branches are also subject to foreign exchange risk insofar as they are held in local currencies. Any foreign exchange translation gain or loss on these capital and reserves is taken to the income statement in the year in which it occurs.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events.

The Group makes use of six operational risk management processes, which consist of key risk indicators, change risk assessment, risk self-assessment, scenario analysis, risk event management and issue management & action tracking.

Furthermore, three types of risk mitigation measures are used and comprise, control enhancement, business continuity management and other mitigation measures (risk avoidance, risk reduction, risk transfer).

To pro-actively address risks related to potential business disruptions, business impact analyses, crisis management teams and business continuity plans have been established for the Group as well as for all branches and subsidiaries.

Table 1: Disclosure regulatory eligible capital according to FINMA Circular 2015/1 "Accounting - Banks"

in CHF 000's	31.12.16	31.12.15
Assets		
Liquid assets	1'300'845	1'042'715
Amounts due from banks	2'350'594	2'470'380
Amounts due from securities financing transactions	6'238	
Amounts due from customers	2'736'903	2'774'605
Mortgage loans	581'972	420'757
Trading portfolio assets	143	98
Positive replacement values of derivative financial instruments	10'340	8'092
Other financial instruments at fair value	2'781'867	2'437'957
Financial investments	1'316'772	1'139'177
Accrued income and prepaid expenses	196'107	123'623
Non-consolidated participations	88	88
Tangible fixed assets	87'975	86'936
Intangible assets	1'713	3'428
Other assets	77'672	74'783
- of which for deferred tax assets	*55'910*	*50'692*
Total assets	**11'449'229**	**10'582'639**
Liabilities		
Amounts due to banks	427'581	381'948
Amounts due to securities financing transactions	132'764	72'946
Amounts due in respect of customer deposits	9'314'314	8'695'754
Negative replacement values of derivative financial instruments	10'918	10'918
Accrued expenses and deferred income	231'346	142'945
Other liabilities	33'388	35'333
Provisions	6'815	17'991
- of which for deferred taxes	*3'129*	*3'478*
Total liabilities	**10'157'126**	**9'357'835**

in CHF 000's	31.12.16	31.12.15
Equity		
Reserves for general banking risks	545'708	556'136
Bank's capital	150'000	150'000
Retained earnings reserves	286'015	255'186
Currency translation reserves	2'038	-13'073
Minority interest in equity	215'909	188'326
Group profit / loss	92'433	88'229
Total equity	**1'292'103**	**1'224'804**

Table 2A: Eligible capital

in CHF 000's	31.12.16	31.12.15
Common equity Tier 1 capital (CET1)		
Reserves for general banking risks	545'708	556'136
Bank's capital	150'000	150'000
Retained earnings reserves	286'015	255'186
Currency translation reserves	2'038	-13'073
Minority interest in equity	215'909	188'326
Group profit / loss	92'433	88'229
Common equity Tier 1 capital before deductions	**1'292'103**	**1'224'804**
Deductions from common equity Tier 1 capital		
Presumed dividend (incl. payments to minority interests)	-28'760	-28'735
Non-consolidated participations	-88	-88
Deductions for deferred tax assets	-786	
Goodwill	-1'713	-3'428
Deductions for minority interests	-89'237	-79'963
Total deductions from common equity Tier 1 capital (CET1)	**-120'584**	**-112'214**
Eligible adjusted common equity Tier 1 capital (CET1)	1'171'519	1'112'590
Eligible additional Tier 1 capital (AT1)		
Eligible Tier 2 capital (T2)		
Total eligible capital	**1'171'519**	**1'112'590**

Table 2B: Capital requirements

risk weighted at 11.2%

in CHF 000's		31.12.16	31.12.15
Credit risk	SA-BIZ approach	523'052	495'242
Non-counterparty risks		24'713	23'507
Market risk	Standardised approach	37'568	34'000
- of which currencies		*37'545*	*34'000*
Operational risks	Basic indicator approach	82'318	73'769
Total minimum capital requirements		**667'651**	**626'518**

Table 2C: Capital ratio

in CHF 000's	31.12.16	31.12.15
Solvency ratio (%) in respect of minimal capital requirements	19.7%	19.9%
The minimal requirement is 11.2%		

Group:
As per 31 December 2016 the Group's has the following key capital quota's: CET1-Quota of 19.7%, Tier 1-Quota of 19.7% and total capital quota of 19.7%. FINMA set a minim target capital ratio of 11.2% in Swiss regulations for category 4 banks (CET1-target 7.4%, Tier 1-target 9.0%). The intervention level according FINMA Circular 2011/2 "Capital buffer and capital planning - banks" is 10.5%.

The Group has no capital requirement to cover excess on limits for participations and large exposures.

Table 3: Credit risk allocation according to counterparty

in CHF 000's		Sovereigns	Banks	Other institutions	Corporates	Retail	Equity	Other exposure	Total
Liquid assets		1'128'499	78'222					94'124	**1'300'845**
Amounts due from banks		57'383	2'290'441	4				2'766	**2'350'594**
Amounts due from securities financing transactions			6'238						**6'238**
Amounts due from customers		120'266		141'925	2'128'816	659'461		182	**3'050'650**
Mortgage loans					155'448	428'184			**583'632**
Trading portfolio assets									
Other financial instruments at fair value		2'683'750		4'755	5'852		87'510		**2'781'867**
Financial investments		574'677	306'688	141'369	280'765		488	13'535	**1'317'522**
Accrued income and prepaid expenses		141'676	403	240	8'242	968	477	44'101	**196'107**
Non-consolidated participations									
Other assets		408			11'575	641		9'141	**21'765**
Total credit risk exposure	**31.12.16**	**4'706'659**	**2'681'992**	**288'293**	**2'590'698**	**1'089'254**	**88'475**	**163'849**	**11'609'220**
Total credit risk exposure	31.12.15	4'046'075	2'733'844	207'569	2'466'240	1'051'034	89'941	82'144	10'676'847

in CHF 000's		Sovereigns	Banks	Other institutions	Corporates	Retail	Equity	Other exposure	Total
Contingent liabilities		2'795	141'230	45'082	868'671	276'491		8	**1'334'277**
Irrevocable commitments								1'380	**1'380**
Credit commitments			36'195	27	111'534	28'006			**175'762**
Total off balance sheet transactions	**31.12.16**	**2'795**	**177'425**	**45'109**	**980'205**	**304'497**		**1'388**	**1'511'419**
Total off balance sheet transactions	31.12.15	4'766	169'040	110'908	828'767	239'725		1'619	1'354'825

Table 4: Credit risk mitigation (CRM)

in CHF 000's		Sovereigns	Banks	Other institutions	Corporates	Retail	Equity	Other exposure	- whereof derivatives	Total
Exposure net of value adjustments and provisions, post application of credit conversion factors on off-balance sheet items		4'709'454	2'859'417	333'402	3'570'903	1'393'751	88'475	165'237	10'340	**13'120'639**
Exposure covered by guarantees					-594	-121				**-715**
Exposure covered by credit derivates										
Financial collateral: simple method		-118	-5	-80	-326	-575				**-1'104**
Net exposure	**31.12.16**	**4'709'336**	**2'859'412**	**333'322**	**3'569'984**	**1'393'055**	**88'475**	**165'237**	**10'340**	**13'118'820**
Net exposure	31.12.15	4'050'752	2'902'884	318'398	3'294'682	1'290'228	89'941	83'763	8'092	12'030'648

Table 5: Segmentation by risk weights (On + Off balance)

in CHF 000's		Sovereigns	Banks	Other institutions	Corporates	Retail	Equity	Other exposure	Total
0%		4'575'070		106'413				94'124	**4'775'607**
	of which without credit assessment								
20%		7'342	1'971'284	23'286	39'820				**2'041'732**
	of which without credit assessment		*398'623*						*398'623*
35%						21'625			**21'625**
50%		5'130	583'761		64'534			1'380	**654'805**
	of which without credit assessment		*151'553*						*151'553*
75%						1'058'741			**1'058'741**
100%		121'913	263'688	203'703	3'403'574	297'027	42'683	69'733	**4'402'320**
	of which without credit assessment	*1'026*	*226'789*	*190'680*	*2'985'397*				*3'403'892*
150%			40'684		62'975	16'358	45'792		**165'809**
	of which without credit assessment								
Total	**31.12.16**	**4'709'454**	**2'859'417**	**333'402**	**3'570'903**	**1'393'751**	**88'475**	**165'237**	**13'420'639**
Total	31.12.15	4'050'841	2'902'884	318'477	3'295'007	1'290'759	89'941	83'763	12'031'672

Rating category is based on the sovereign foreign currency long-term rating system from Fitch.

Table 6: Analysis of credit risk allocation by region

in CHF 000's		Europe	thereof Switzerland	Asia	Others	Total
Assets						
Central banks		177'906	55'653	1'090'200	23'179	**1'291'285**
Banks		821'438	365'226	1'768'836	334'665	**2'924'940**
Multilateral development banks		11'236		1'997	1'026	**14'259**
Financial corporations		27'346	13'054	501'733	14'047	**543'126**
Households		79'008	2'754	480'648	36'667	**596'323**
Non financial corporations		490'712	73'029	1'495'132	391'747	**2'377'591**
Public sector		151'475	26'848	2'825'212	202'138	**3'178'826**
Other sectors		21'405	10'779	297'347	204'128	**522'880**
Total	**31.12.16**	**1'780'526**	**547'343**	**8'461'105**	**1'207'598**	**11'449'229**
Total	31.12.15	1'874'885	545'808	7'776'128	931'625	10'582'638

in CHF 000's		Europe	thereof Switzerland	Asia	Others	Total
Off balance sheet						
Contingent liabilities		99'237	80'281	1'252'871	30'354	**1'382'463**
Irrevocable commitments		1'380	1'380			**1'380**
Credit commitments		19'024	16'833	152'260	4'479	**175'762**
Total	**31.12.16**	**119'641**	**98'494**	**1'405'131**	**34'833**	**1'559'605**
Total	31.12.15	218'701	107'744	1'129'408	48'210	1'396'319

Table 7: Impaired loans from customers by region

in CHF 000's		Impaired loans	Individual value adjustments
Europe		51'459	28'454
- of which Switzerland		*8'754*	*8'754*
Asia		331'965	227'680
Others		12'677	2'626
Total	**31.12.16**	**396'101**	**258'760**
Total	31.12.15	347'145	235'852

Table 8: Interest rate risk

	31.12.2016		**31.12.2015**	
in CHF 000's	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
Change in total equity given a shift in the interest rate curve of:	-68'187	+71'486	-50'870	52'745
in percent of total equity	-5.28%	+5.53%	-4.15%	4.31%

Table 9: Leverage ratio

		31.12.2016	31.12.2015
	Comparison between assets recognized in the balance sheet and the exposure measure for leverage ratio		
1	Total assets according to published accounting standards	11'449'229	10'582'638
2	Restatement of investments in banks, financial companies, insurers and commercial companies which are consolidated as per accounting standards but not for regulatory purposes (margin nos. 6-7 FINMA circ. 15/3) and adjustments as regards assets which are to be deducted from Tier 1 capital (margin nos. 16-17 FINMA circ. 15/3)	-16'232	-9'314
3	Restatement of fiduciary assets which are recognized in the balance sheet as per accounting standards but which do not need to be taken into consideration for leverage ratio (margin no. FINMA circ. 15/3)		
4	Restatement of derivatives (margin nos. 21-51, FINMA circ. 15/3)	29'186	29'971
5	Restatement of securities financing transactions (SFT) (margin nos. 52-73, FINMA circ. 15/3)		
6	Restatement of off-balance sheet transactions (conversion of off-balance sheet transactions into credit equivalents) (margin nos. 74-76, FINMA circ. 15/3)	889'315	582'021
7	Other restatements		
8	**Total exposure for leverage ratio (sum of lines 1-7)**	**12'351'498**	**11'185'316**
	Detailed presentation of leverage ratio		
	Balance sheet items		
1	Balance sheet items (without derivatives and SFT but including collateral) (margin nos. 14 - 15, FINMA circ. 15/3)	11'416'419	10'571'128
2	Assets which must be deducted from eligible Tier 1 capital) (margin nos. 7 and 16-17 FINMA circ. 15/3)		
3	**Total on-balance sheet items for leverage ratio (without derivatives and SFT (sum of lines 1 and 2)**	**11'416'419**	**10'571'128**
	Derivatives		
4	Positive replacement values for derivative transactions, including those for CCPs taking into consideration received margins and netting agreements (margin nos. 22-23 and 34-35 FINMA circ. 15/3)	10'340	8'092
5	Add-ons for all derivatives (margin nos. 22 and 25 FINMA circ. 15/3)	29'186	24'074
6	Reintegration of collateral posted for derivatives if their accounting treatment caused a reduction of assets (margin no. 27 FINMA 15/3)		
7	Deduction of receivables caused by cash variation margins posted as per margin no. 36 FINMA circ. 15/3)		
8	Deduction for trade exposures to qualified central counterparties (QCCP) if the institution is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions) (margin no. 39 FINMA circ. 15/3)		
9	The effective notional value of written credit derivatives after deducting any negative replacement values (margin no. 43 FINMA circ. 15/3)		
10	Offsetting of effective notional values of offsetting credit derivatives (margin nos. 44-50 FINMA circ. 15/3) and deduction of add-ons for written credit derivatives as per margin no. 51 FINMA circ. 15/3)		
11	**Total exposures from derivatives (sum of lines 4–10)**	**39'526**	**32'166**

Table 9: Leverage ratio

	in CHF 000's	31.12.2016	31.12.2015
	Securities financing transactions (SFT)		
12	Gross assets for SFT without offsetting (except in the case of novation with a QCCP as per margin no. 57 FINMA circ. 15/3), including those which were recorded as sale (margin no. 69 FINMA circ. 15/3), less the items stated in margin no. 58, FINMA circ. 15/3)	6'238	
13	Offsetting of cash payables and cash receivables related to SFT counterparties (margin nos. 59-62 FINMA circ. 15/3)		
14	Exposures to SFT counterparties (margin nos. 63-68 FINMA circ. 15/3)		
15	Exposures for SFT with the bank acting as agent (margin nos. 70-73 FINMA 15/3)		
16	**Total exposures from SFT (sum of lines 12-15)**	**6'238**	
	Other off-balance sheet items		
17	Off-balance sheet transactions as gross notional values prior to applying credit conversion factors	1'558'968	1'396'319
18	Restatement of conversion to credit equivalents (margin nos. 75-76, FINMA circ. 15/3)	-669'653	-814'298
19	**Total exposures from off-balance sheet items (sum of lines 17 and 18)**	**889'315**	**582'021**
	Eligible capital and exposure measure		
20	Tier 1 capital (margin no. 5, FINMA circ. 15/3)	1'171'519	1'112'109
21	Exposure measure (sum of lines 3, 11, 16 and 19)	12'351'498	11'185'316
	Leverage ratio		
22	Leverage Ratio (margin nos. 3–4, FINMA circ. 15/3)	9.5%	9.8%

The difference between total assets as per the financial statement and on-balance sheet items exposure (line 1 of "Detailed persentation of leverage ratio") reflects the derivative positions of CHF 10 million at 31 December 2016.

Table 10: Common LCR disclosures

	in CHF 000's	Quarter 1 2016 (1) Unweighted values	Quarter 1 2016 (1) Weighted values	Quarter 2 2016 (1) Unweighted values	Quarter 2 2016 (1) Weighted values	Quarter 3 2016 (1) Unweighted values	Quarter 3 2016 (1) Weighted values	Quarter 4 2016 (1) Unweighted values	Quarter 4 2016 (1) Weighted values
	High quality liquid assets (HQLA)								
1	**Total HQLA**		**1'505'249**		**2'361'507**		**2'498'847**		**3'235'549**
	Cash outflows								
2	Deposits from retail clients	4'648'791	538'959	5'497'995	662'528	4'379'480	638'505	4'781'257	529'441
3	*- of which stable deposits*	*97'299*	*4'865*	*87'661*	*4'383*	*86'972*	*4'349*	*68'780*	3'439
4	*- of which less stable deposits*	*4'551'492*	*534'094*	*5'410'334*	*658'145*	*5'239'612*	*634'156*	*4'712'477*	*526'002*
5	Unsecured funding provided by corporate or wholesale clients	2'928'620	1'384'987	2'954'940	1'903'476	3'366'541	2'160'438	4'284'545	2'764'749
6	*- of which operational deposits (all counterparties) and deposits with member institutions with their central institution*	*60'881*	*14'527*	*63'490*	*15'119*	*820*	*157*	*456*	*114*
7	*- of which non-operational deposits (all counterparties)*	*2'833'478*	*1'336'200*	*2'848'042*	*1'844'949*	*3'329'403*	*2'123'963*	*4'179'833*	*2'660'380*
8	*- of which unsecured debt instruments*	*34'260*	*34'260*	*43'407*	*43'407*	*36'318*	*36'318*	*104'255*	*104'255*
9	Secured funding provided by corporate or wholesale clients and collateral swaps		19'870						
10	Other cash outflows	32'383	4'448	28'441	4'327	23'919	4'232	225'833	196'212
11	*- of which cash outflows related to derivative and other transactions*	*634*	*634*	*938*	*938*	*1'432*	*1'432*	*192'308*	*192'308*
12	*- of which cash outflows due to losses in funding possibilities for asset-backed securities (ABS), covered bonds and other structured financing instruments, asset backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities*								
13	*- of which cash outflows from committed credit and liquidity facilities*	*31'749*	*3'813*	*27'504*	*3'389*	*22'488*	*2'801*	*33'525*	*3'905*
14	Other contractual funding agreements	176'651	89'222	162'840	89'064	170'684	84'487	161'833	45'396
15	Other contingent funding obligations	1'151'279	57'564	1'201'880	60'094	1'191'133	59'557	1'273'421	63'671
16	**Total cash outflows**		**2'095'051**		**2'719'488**		**2'947'219**		**3'599'470**

Table 10: Common LCR disclosures

		Quarter 1 2016 (1)		Quarter 2 2016 (1)		Quarter 3 2016 (1)		Quarter 4 2016 (1)	
	in CHF 000's	Unweighted values	Weighted values	Unweighted values	Weighted values	Unweighted values	Weighted values	Unweighted values	Weighted values
	Cash inflows								
17	Collateralized financing transactions (e.g. reverse repo transactions)	17'489	0	91'535	0	51'685	0		
18	Cash inflows from non-impaired receivables	1'251'968	778'032	1'139'413	383'566	1'071'384	587'841	1'080'653	539'152
19	Other cash inflows	25'617	25'617	19'663	19'663	32'883	32'883	35'195	35'195
20	**Total cash inflows**		**803'650**		**403'229**		**620'724**		**574'347**
	Net values								
21	Total high quality liquid assets (HQLA)		1'505'249		2'361'507		2'498'847		3'235'549
22	Total net cash outflow		1'291'401		2'316'259		2'326'495		3'025'123
23	Liquidity coverage ratio (LCR) (in %)		117%		102%		107%		107%

(1) simple average of figures at the end of the respective month in the quarter

Liquidity coverage ratio (LCR)

The Group's total "High quality liquid assets" (HQLA) increased by CHF 1'730 million or 115 % and the "Total cash inflows" decreased by CHF 229 million or 28 % from Quarter 1 2016 to Quarter 4 2016. On the other hand, the "Total cash outflows" increased by CHF 1'504 million or 72 %. Although the significant increase in HQLA, the Groups liquidity coverage ratio dropped during the reporting year from 117 % to 107 % from first to the fourth Quarter 2016 due to higher "Net cash outflows". The liquidity coverage ratio in CHF and USD is generally higher than for other currencies (e.g. PKR or AED) because almost all eligible bond investments in HQLA are denominated in these currencies.

The Group's total HQLA of CHF 3.2 billion in Quarter 4 2016 includes mainly balances with central banks in countries where the Group is active, investments in local government bonds in Pakistan and bond investments in Switzerland. Moreover, HQLA government bonds in Pakistan are only be considered up to the net cash outflow of the entity, which is in line with the FINMA Circular 2015/2 "Liquidity risks-Banks", margin 161.

The increase of "Total cash outflows" totalling to CHF 1.7 billion in 2016 is driven by the applied risk factors for operation and non-operational deposits.

Table 11: Parent-company disclosures according to appendix 4

According FINMA 2016/1 Habib Bank Zurich AG is required to present the following disclosures on Bank level.

in CHF 000's	**31.12.2016**
Minimal capital based on risk-weighted requirements	191'765
Eligible capital	637'563
- of which CET1	*637'563*
- of which Tier 1 capital (T1)	*637'563*
Risk-weighted assets (RWAs)	2'397'063
CET1 ratio (CET1 as a % of RWAs)	26.6%
T1 ratio (T1 capital as a % of RWAs)	26.6%
Total capital ratio (as a % of RWAs)	**26.6%**
Countercyclical buffer (as a % of RWAs)	0.00%
Target CET1 ratio (as a %) pursuant to Annex 8 CAO after countercyclical buffer	7.40%
Target T1 ratio (as a %) pursuant to Annex 8 CAO after countercyclical buffer	9.00%
Target total capital ratio (as a %) pursuant to Annex 8 CAO after countercyclical buffer	11.20%
Basel III leverage ratio (T1 capital as a % of total exposures)	12.16%
Total exposures leverage ratio	5'242'120
Q4 2016 LCR	106.83%
LCR numerator: stock of HQLAs	809'179
LCR denominator: net cash outflows	757'427
Q3 2016 LCR	122.16%
LCR numerator: stock of HQLAs	618'450
LCR denominator: net cash outflows	506'282
Q2 2016 LCR	110.50%
LCR numerator: stock of HQLAs	698'253
LCR denominator: net cash outflows	631'876
Q1 2016 LCR	140.45%
LCR numerator: stock of HQLAs	**412'437**
LCR denominator: net cash outflows	293'655