

HABIB BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2018

1 CAPITAL ADEQUACY

1.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2018	2017	2018	2017
------(Rupees in '000)-----				
Credit Risk				
On-balance sheet				
Other sovereigns, GOP, PG, SBP other than PKR	6,313,616	5,999,412	53,055,595	53,209,865
PSEs	2,650,341	1,170,309	22,271,777	10,379,682
Multilateral Development Banks	8,394	21,524	70,542	190,897
Banks	6,799,061	5,028,036	57,134,965	44,594,558
Corporates	46,503,799	41,290,805	390,788,224	366,215,563
Retail	16,551,548	14,081,217	139,088,637	124,888,845
Residential mortgages	314,524	242,293	2,643,057	2,148,939
Past due loans	1,203,619	779,747	10,114,445	6,915,720
Commercial entities exceeding 10%	-	-	-	-
Listed equity investments	444,694	17,286	3,736,926	153,311
Unlisted equity investments	567,774	457,882	4,771,212	4,061,039
Significant investments and others	4,762,172	4,340,089	40,018,250	38,493,025
Fixed assets	7,625,910	6,363,874	64,083,277	56,442,342
Other assets	2,426,209	1,697,037	20,388,307	15,051,330
	96,171,661	81,489,511	808,165,214	722,745,116
Off-balance sheet				
Non-market related	7,402,452	7,180,071	62,205,478	63,681,339
Market related	408,466	241,187	3,432,486	2,139,131
	7,810,918	7,421,258	65,637,964	65,820,470
Market Risk				
Interest Rate Risk	3,312,088	7,043,417	41,401,100	88,042,713
Equity Position Risk	2,098,992	3,128,122	26,237,400	39,101,525
Foreign Exchange Risk	5,201,458	5,969,256	65,018,225	74,615,700
	10,612,538	16,140,795	132,656,725	201,759,938
Operational Risk	13,843,382	13,814,276	173,042,280	172,678,453
	128,438,499	118,865,840	1,179,502,183	1,163,003,977
Capital Adequacy Ratio				
Total eligible regulatory capital held	190,817,939	185,637,530		
Total risk weighted assets	1,179,502,183	1,163,003,977		
Capital adequacy ratio	16.18%	15.96%		

1.2 Capital structure

The risk weighted assets to capital ratio is calculated in accordance with the SBP's guidelines on capital adequacy.

	Note	2018	2017
(Rupees in '000)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital		14,668,525	14,668,525
Balance in Share Premium Account		-	-
Reserve for issue of Bonus Shares		-	-
Discount on Issue of shares		-	-
General and Capital Reserves		39,429,649	38,001,452
Gain / (losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		101,606,320	97,105,942
Non-controlling interest arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		1,610,326	1,815,859
CET 1 before Regulatory Adjustments		157,314,820	151,591,778
Total regulatory adjustments applied to CET1	1.3.1	(16,071,552)	(12,103,812)
Common Equity Tier 1		141,243,268	139,487,966

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	Note	2018 (Rupees in '000)	2017
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium		-	-
of which: Classified as equity		-	-
of which: Classified as liabilities		-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		284,175	197,365
of which: instrument issued by subsidiaries subject to phase out		-	-
AT1 before regulatory adjustments		<u>284,175</u>	<u>197,365</u>
Total of Regulatory Adjustment applied to AT1 capital	1.3.2	(223,140)	(197,365)
Additional Tier 1 capital after regulatory adjustments		<u>-</u>	<u>-</u>
Additional Tier 1 capital recognized for capital adequacy		61,035	-
Tier 1 Capital (CET1 + admissible AT1)		141,304,303	139,487,966
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share		9,978,000	9,982,000
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel 3 rules		-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		264,032	120,243
of which: instruments issued by subsidiaries subject to phase out		-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		3,528,347	3,088,343
Revaluation Reserves (net of taxes)			
of which: Revaluation reserves on fixed assets		21,436,787	19,056,816
of which: Unrealized gains/losses on AFS		(7,326,886)	(362,806)
		14,109,901	18,694,010
Foreign Exchange Translation Reserves		25,005,594	14,264,968
Tier 2 before regulatory adjustments		<u>52,885,874</u>	<u>46,149,564</u>
Total regulatory adjustment applied to T2 capital	1.3.3	-	-
Tier 2 capital not recognized for capital adequacy		(3,372,238)	-
Tier 2 capital recognized for capital adequacy		<u>49,513,636</u>	<u>46,149,564</u>
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		<u>49,513,636</u>	<u>46,149,564</u>
TOTAL CAPITAL (Tier 1 + admissible Tier 2)		<u>190,817,939</u>	<u>185,637,530</u>
Total Risk Weighted Assets		1,179,502,183	1,163,003,977
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		11.97%	11.99%
Tier-1 capital to total RWA		11.98%	11.99%
Total capital to RWA		16.18%	15.96%
Bank specific buffer requirement (minimum CET1 requirement plus CCB plus any other buffer requirement)		7.900%	7.275%
of which: capital conservation buffer requirement		1.900%	1.275%
of which: countercyclical buffer requirement		-	-
of which: D-SIB or G-SIB buffer requirement		-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)		4.07%	4.72%
Other information:			
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		7.900%	7.275%
Tier 1 minimum ratio		9.400%	8.775%
Total capital minimum ratio		11.900%	11.275%

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1.3 Regulatory Adjustments and Additional Information	2018		2017	
	Basel III Transit	Pre- Basel III treatment	Basel III Transit	Pre- Basel III treatment
1.3.1 Common Equity Tier 1 capital: Regulatory adjustments	----- (Rupees in '000) -----			
Goodwill (net of related deferred tax liability)	2,381,314	-	2,113,894	-
All other intangibles (net of any associated deferred tax liability)	5,326,601	-	4,154,914	-
Shortfall in provisions against classified assets	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	333,487	-	81,065	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	2,122,968	-	2,852,702	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	94,083	-	447,632	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	-
Investments in the capital instruments 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)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	5,813,099	-	613,243	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold	-	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	1,840,362	-
Total regulatory adjustments applied to CET1	<u>16,071,552</u>	-	<u>12,103,812</u>	-
1.3.2 Additional Tier-1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	144,123	-	2,037,727	-
Investment in own AT1 capital instruments	-	-	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	79,017	-	-	-
Investments in the capital instruments 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)	-	-	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Transfer to CET1 due to insufficient AT1 to cover deductions	-	-	(1,840,362)	-
Total regulatory adjustment applied to AT1 capital	<u>223,140</u>	-	<u>197,365</u>	-
1.3.3 Tier 2 Capital: regulatory adjustments				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
Investments in the capital instruments 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)	-	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
Total regulatory adjustment applied to T2 capital	<u>-</u>	-	<u>-</u>	-

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1.3.4 Additional Information	2018 (Rupees in '000)	2017 (Rupees in '000)
Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	19,682,544	15,631,586
of which: deferred tax assets	333,487	81,065
of which: Defined-benefit pension fund net assets	-	-
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	3,736,926	153,311
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	15,612,131	15,397,210
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	4,478,165	1,613,336
Significant investments in the common stock of financial entities	14,705,637	14,150,345
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,528,347	3,088,343
Cap on inclusion of provisions in Tier 2 under standardized approach	10,922,540	9,857,070
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
1.4 Capital structure reconciliation	As per published financial statements	Under regulatory scope of consolidation
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	279,460,688	279,460,688
Balances with other banks	42,642,022	42,642,022
Lendings to financial institutions	51,277,336	51,277,336
Investments	1,390,052,464	1,390,052,464
Advances	1,080,440,220	1,080,440,220
Fixed assets	64,083,277	64,083,277
Intangible assets	7,865,361	7,865,361
Deferred tax assets	570,717	570,717
Other assets	109,461,065	109,461,065
Total assets	3,025,853,150	3,025,853,150
Liabilities & Equity		
Bills payable	42,460,568	42,460,568
Borrowings	523,319,055	523,319,055
Deposits and other accounts	2,137,293,065	2,137,293,065
Liabilities against assets subject to finance lease	-	-
Subordinated debt	9,990,000	9,990,000
Deferred tax liabilities	-	-
Other liabilities	113,538,251	113,538,251
Total liabilities	2,826,600,939	2,826,600,939
Share capital	14,668,525	14,668,525
Reserves	64,435,243	64,435,243
Unappropriated profit	101,606,320	101,606,320
Non-controlling interest	4,010,480	4,010,480
Surplus on revaluation of assets	14,531,643	14,531,643
Total liabilities & equity	3,025,853,150	3,025,853,150

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1.4.1 Detail of capital structure reconciliation

	As per published financial statements (Rupees in '000)	Under regulatory scope of consolidation	Reference
ASSETS			
Cash and balances with treasury banks	279,460,688	279,460,688	
Balances with other banks	42,642,022	42,642,022	
Lendings to financial institutions	51,277,336	51,277,336	
Investments	1,390,052,464	1,390,052,464	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	5,813,099	5,813,099	(a)
<i>of which: Mutual Funds exceeding regulatory threshold</i>	144,123	144,123	(b)
<i>of which: reciprocal crossholding of capital instrument</i>	2,201,985	2,201,985	(c)
<i>of which: investment in own shares</i>	94,083	94,083	(d)
Advances	1,080,440,220	1,080,440,220	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under general provisions reflected in Tier 2 capital</i>	-	-	
<i>3,528,347</i>	3,528,347	3,528,347	(e)
Fixed assets and intangible assets	71,948,638	71,948,638	
<i>of which: Goodwill</i>	2,381,314	2,381,314	(f)
<i>of which: Intangibles</i>	5,326,601	5,326,601	(g)
Deferred tax assets	570,717	570,717	
<i>of which: DTAs excluding those arising from temporary differences</i>	333,487	333,487	(h)
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	237,230	237,230	
Other assets	109,461,065	109,461,065	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	-	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	
Total assets	<u>3,025,853,150</u>	<u>3,025,853,150</u>	
LIABILITIES & EQUITY			
Bills payable	42,460,568	42,460,568	
Borrowings	523,319,055	523,319,055	
Deposits and other accounts	2,137,293,065	2,137,293,065	
Liabilities against assets subject to finance lease	-	-	
Subordinated debt	9,990,000	9,990,000	
<i>of which: eligible for inclusion in AT1</i>	-	-	
<i>of which: eligible for inclusion in Tier 2</i>	9,978,000	9,978,000	(i)
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	(j)
<i>of which: DTLs related to intangible assets</i>	157,939	157,939	
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	
<i>of which: DTAs that rely on future profitability excl. those arising from temporary differences (net of related tax liability)</i>	-	-	(k)
Other liabilities	113,538,251	113,538,251	
Total liabilities	2,826,600,939	2,826,600,939	
Share capital	14,668,525	14,668,525	
<i>of which: amount eligible for CET1</i>	14,668,525	14,668,525	(l)
<i>of which: amount eligible for AT1</i>	-	-	
Reserves	64,435,243	64,435,243	
<i>of which: portion eligible for inclusion in CET1</i>	39,429,649	39,429,649	(m)
<i>of which: portion eligible for inclusion in Tier 2</i>	25,005,594	25,005,594	(n)
Unappropriated profit	101,606,320	101,606,320	(o)
Non-controlling interest	4,010,480	4,010,480	
<i>of which: portion eligible for inclusion in CET1</i>	1,610,326	1,610,326	(p)
<i>of which: portion eligible for inclusion in AT1</i>	284,175	284,175	(q)
<i>of which: portion eligible for inclusion in Tier 2</i>	264,032	264,032	(r)
Surplus on revaluation of assets	14,531,643	14,531,643	
<i>of which: Revaluation reserves on Property</i>	21,436,787	21,436,787	(s)
<i>of which: Unrealized Gains/Losses on AFS</i>	(7,326,886)	(7,326,886)	(t)
Total liabilities & Equity	<u>3,025,853,150</u>	<u>3,025,853,150</u>	

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1.4.2 Component of capital reported by the Group

	Rupees in '000	Source based on reference number
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital	14,668,525	(l)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	39,429,649	(m)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	101,606,320	(o)
Non-controlling interest	1,610,326	(p)
CET 1 before Regulatory Adjustments	157,314,820	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill	2,381,314	(f) - (j)
All other intangibles	5,326,601	(g)
Shortfall of provisions against classified assets	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	333,487	(h)
Defined-benefit pension fund net assets	-	
Reciprocal cross holdings	2,122,968	portion of (c)
Cash flow hedge reserve	-	
Investment in own shares	94,083	(d)
Securitization gain on sale	-	
Capital shortfall of regulated subsidiaries	-	
Deficit on account of revaluation from bank's holdings of property/ AFS	-	
Investments in the capital instruments 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)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	5,813,099	(a)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding 15% threshold	-	
of which: significant investments in the common stocks of financial entities	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments applied to CET1 capital	-	
Investment in TFCs of other banks exceeding the prescribed limit	-	
Any other deduction specified by SBP (mention details)	-	
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
Total regulatory adjustments applied to CET1	16,071,552	
Common Equity Tier 1	141,243,268	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	-	
of which: Classified as equity	-	
of which: Classified as liabilities	-	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	284,175	(q)
of which: instrument issued by subsidiaries subject to phase out	-	
AT1 before regulatory adjustments	284,175	

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	Rupees in '000	Source based on reference number
Additional Tier 1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	144,123	(b)
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	79,017	portion of (c)
Investments in the capital instruments 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)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Adjustment in AT1 in respect of NCI share of excess capital held by subsidiaries	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total of Regulatory Adjustment applied to AT1 capital	223,140	
Additional Tier 1 capital	61,035	
Transfer to CET1 due to insufficient AT1 to cover deductions	-	
Additional Tier 1 capital recognized for capital adequacy	61,035	
Tier 1 Capital (CET1 + admissible AT1)	141,304,303	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	9,978,000	(i)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	264,032	(r)
of which: instruments issued by subsidiaries subject to phase out	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	3,528,347	(e)
Revaluation Reserves eligible for Tier 2	-	
of which: portion pertaining to Property	21,436,787	(s)
of which: portion pertaining to AFS securities	(7,326,886)	(t)
	14,109,901	
Foreign Exchange Translation Reserves	25,005,594	(n)
Tier 2 before regulatory adjustments	52,885,874	
Tier 2 Capital: regulatory adjustments		
Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
Reciprocal cross holdings in Tier 2 instruments	-	
Investment in own Tier 2 capital instrument	-	
Investments in the capital instruments 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)	-	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	
Amount of Regulatory Adjustment applied to Tier 2 capital	-	
Tier 2 capital	52,885,874	
Tier 2 capital not recognized for capital adequacy	(3,372,238)	
Tier 2 capital recognized for capital adequacy	49,513,636	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	49,513,636	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	190,817,939	

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1.5 Main Features of Regulatory Capital Instruments

	Common Shares	Debt Instruments
Issuer	Habib Bank Limited	Habib Bank Limited
Unique identifier	HBL	HBL
Governing law(s) of the instrument	Relevant Capital Market Laws	Laws applicable in Pakistan
Regulatory treatment		
Transitional Basel III rules	Common Equity Tier 1	Tier II Capital
Post-transitional Basel III rules	Common Equity Tier 1	Tier II Capital
Eligible at solo / group / group & solo	Group and Standalone	Group and Standalone
Instrument type	Ordinary shares	Term Finance Certificates
Amount recognized in regulatory capital (Currency in PKR thousands)	14,668,525	9,978,000
Par value of instrument	Rs. 10 per share	PKR 100,000 and in multiples thereof
Accounting classification	Shareholders' equity	Subordinated loan
Original date of issuance	1947	February 19, 2016
Perpetual or dated	Perpetual	Dated
Original maturity date	Not applicable	February 19, 2026
Issuer call subject to prior supervisory approval	Not applicable	Yes
Optional call date, contingent call dates and redemption amount	Not applicable	Anytime after the first call date in 2021
Subsequent call dates, if applicable	Not applicable	On any coupon payment date after 5th anniversary from the date of issue.
Coupons/dividends		
Fixed or floating dividend/coupon	Not applicable	Floating
Coupon rate and any related index/benchmark	Not applicable	6 months KIBOR + 0.50% per annum
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	Not applicable	Not applicable
Convertible or non-convertible		
If convertible, conversion trigger (s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may, at its option, fully and permanently convert the TFCs into common shares of the Bank.
If convertible, fully or partially	Not applicable	Fully
If convertible, conversion rate	Not applicable	To be determined in case of trigger event(s)
If convertible, mandatory or optional conversion	Not applicable	Mandatory
If convertible, specify instrument type convertible into	Not applicable	Common Shares
If convertible, specify issuer of instrument it converts into	Not applicable	Habib Bank Limited
Write-down feature		
If write-down, write-down trigger(s)	Not applicable	The instrument will be subject to loss absorbency clause as stipulated in terms of the Basel III Guidelines wherein upon the occurrence of a Point of Non-Viability ("PONV") event as defined in the Guidelines, SBP may, at its option, have them immediately written down.
If write-down, full or partial	Not applicable	May be written down fully or partially
If write-down, permanent or temporary	Not applicable	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable
Position in subordination hierarchy in liquidation		
	Subordinated	Subordinated to all other indebtedness to the Bank including deposits
Non-compliant transitioned features	Not applicable	None
If yes, specify non-compliant features	Not applicable	Not applicable

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1.6 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2018			2017		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
----- (Rupees in '000) -----							
Cash and cash equivalents	-	36,273,859	-	36,273,859	30,237,167	-	30,237,167
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	456,075,411	56,316,349	399,759,062	456,533,924	46,051,729	410,482,195
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	24,659,751	-	24,659,751	21,296,118	-	21,296,118
Claims on other sovereigns and on Government of Pakistan or Provincial Governments or SBP denominated in currencies other than PKR	1 2 3 4,5 6 Unrated	16,795,609 9,534,004 10,087,518 38,304,931 4,752,258 671,717	- - - - - -	16,795,609 9,534,004 10,087,518 38,304,931 4,752,258 671,717	21,456,228 22,488,625 9,953,242 29,577,766 9,438,502 -	- - - - - -	21,456,228 22,488,625 9,953,242 29,577,766 9,438,502 -
		80,146,037	-	80,146,037	92,914,363	-	92,914,363
Corporates	1 2 3,4 5,6 Unrated-1 Unrated-2	173,456,517 85,833,840 12,067,749 798,879 173,112,227 149,422,616	16,836,039 1,316,593 - - 16,513,027 31,550,427	156,620,478 84,517,247 12,067,749 798,879 156,599,200 117,872,189	106,985,096 35,561,620 7,171,895 989,467 172,915,665 147,972,740	3,655,000 250,000 - - 12,780,232 20,690,976	103,330,096 35,311,620 7,171,895 989,467 160,135,433 127,281,764
		594,691,828	66,216,086	528,475,742	471,596,483	37,376,208	434,220,275
Claims on banks with maturity less than 3 and denominated in foreign currency	1,2,3 4,5 6 Unrated	10,441,347 2,692,841 44,438 8,090,898	- - - -	10,441,347 2,692,841 44,438 8,090,898	10,987,592 2,659,438 - 9,467,548	- - - -	10,987,592 2,659,438 - 9,467,548
		21,269,524	-	21,269,524	23,114,578	-	23,114,578
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in funded in PKR	20%	58,171,815	37,262,201	20,909,614	38,891,760	31,785,507	7,106,253
Banks - others	1 2,3 4,5 6 Unrated	58,572,714 31,407,231 7,504,002 786,245 23,605,055	- - - - -	58,572,714 31,407,231 7,504,002 786,245 23,605,055	23,487,001 22,533,999 3,984,432 - 35,989,249	- - - - -	23,487,001 22,533,999 3,984,432 - 35,989,249
		121,875,247	-	121,875,247	85,994,681	-	85,994,681
Public sector enterprises	1 2,3 4,5 6 Unrated	74,986,341 4,849,329 - - 151,890,393	10,482,555 3,300,000 - - 134,697,684	64,503,786 1,549,329 - - 17,192,709	38,298,110 7,967,518 - - 115,056,985	3,696,695 2,578,125 - - 113,527,580	34,601,415 5,389,393 - - 1,529,405
		231,726,063	148,480,239	83,245,824	161,322,613	119,802,400	41,520,213
Retail	75%	192,463,358	7,011,842	185,451,516	172,545,384	6,026,923	166,518,461
Residential mortgages	35%	7,551,591	-	7,551,591	6,139,826	-	6,139,826
Past due loans	50% - 150%	12,203,019	1,065,990	11,137,029	9,428,217	1,122,671	8,305,546
Equity investments	100% - 150%	6,917,734	-	6,917,734	2,860,670	-	2,860,670
Significant investments and others	250%	16,007,300	-	16,007,300	15,397,210	-	15,397,210
Operating fixed assets	100%	64,083,277	-	64,083,277	56,442,342	-	56,442,342
Others	100%	20,388,307	-	20,388,307	15,051,330	-	15,051,330
		<u>1,944,504,121</u>	<u>316,352,707</u>	<u>1,628,151,414</u>	<u>1,659,766,666</u>	<u>242,165,438</u>	<u>1,417,601,228</u>

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2 Leverage Ratio

The leverage ratio is the ratio of Tier 1 capital to total exposure, including off-balance sheet exposures adjusted by regulatory credit conversion factors. The Group's current leverage ratio of 3.82% (2017: 4.16%) is above the current minimum requirement of 3.00% set by the SBP.

	2018	2017
	(Rupees in '000)	
Eligible Tier-1 Capital	141,304,303	139,487,966
Total Exposures	3,695,613,262	3,353,769,007
Leverage Ratio (%)	3.82%	4.16%
Minimum Requirement (%)	3.00%	3.00%

3 LIQUIDITY STANDARDS

The SBP has introduced two liquidity standards through its guidelines on Basel III: Liquidity Standards. These are the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). The objective of the LCR is to ensure that banks have an adequate stock of unencumbered high quality liquid assets (HQLA) to survive a significant stress scenario. The objective of the NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on an ongoing basis.

3.1 Liquidity Coverage Ratio

	2018		2017	
	Total unweighted¹ value (average)	Total weighted² value (average)	Total unweighted¹ value (average)	Total weighted² value (average)
	----- (Rupees in '000) -----			
HIGH QUALITY LIQUID ASSETS				
1 Total high quality liquid assets (HQLA)		987,612,556		962,730,144
2 Retail deposits and deposits from small business customers of which:				
2.1 stable deposit	-	-	-	-
2.2 Less stable deposit	1,039,620,419	103,962,042	970,519,870	97,051,987
3 Unsecured wholesale funding of which:				
3.1 Operational deposits (all counterparties)	-	-	-	-
3.2 Non-operational deposits (all counterparties)	872,771,063	444,242,580	853,369,779	431,476,023
3.3 Unsecured debt	52,107,873	52,107,873	21,813,357	21,813,357
4 Secured wholesale funding	-	10,197,721	-	1,136,324
5 Additional requirements of which:				
5.1 Outflows related to derivative exposures and other collateral requirements	-	-	126,653	126,653
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	-	-	-	-
6 Other contractual funding obligations	28,060,404	2,806,040	33,053,097	3,305,310
7 Other contingent funding obligations	722,157,454	15,684,388	500,328,917	16,002,027
8 TOTAL CASH OUTFLOWS		629,000,644		570,911,681
CASH INFLOWS				
9 Secured lending	39,373,100	-	54,808,452	-
10 Inflows from fully performing exposures	94,276,259	48,217,417	90,510,254	49,380,788
11 Other Cash inflows	25,708,946	9,489,203	13,046,866	589,368
12 TOTAL CASH INFLOWS		57,706,620		49,970,156
		Total Adjusted Value ³		Total Adjusted Value ³
TOTAL HQLA		987,612,556		962,730,144
TOTAL NET CASH OUTFLOWS		571,294,024		520,941,525
LIQUIDITY COVERAGE RATIO		172.87%		184.81%

1 Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

2 Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

3 Adjusted values are calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows)

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3.2 Net Stable Funding Ratio

2018

Unweighted Value By Residual Maturity *				Weighted Value
No Maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	

(Rupees in '000)

ASF Item

- 1 Capital:
- 2 Regulatory capital
- 3 Other capital instruments
- 4 Retail deposits and deposit from small business customers:
- 5 Stable deposits
- 6 Less stable deposits
- 7 Wholesale funding:
- 8 Operational deposits
- 9 Other wholesale funding
- 10 Other liabilities:
- 11 NSFR derivative liabilities
- 12 All other liabilities and equity not included in other categories

134,409,557	-	-	-	134,409,557
42,389,281	-	-	-	42,389,281
-	-	-	-	-
-	199,741,472	80,783,790	831,254,612	1,083,727,347
-	-	-	-	-
-	172,322,802	69,694,535	666,210,768	787,219,437
-	-	-	-	-
-	588,116,340	12,359,048	68,781,981	55,206,723

13 Total ASF

2,102,952,345

RSF item

- 14 Total NSFR high-quality liquid assets (HQLA)
- 15 Deposits held at other financial institutions for operational purposes
- 16 Performing loans and securities:
- 17 Performing loans to financial institutions secured by Level 1 HQLA
- 18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions
- 19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:
- 20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk
- 21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.
- 22 Other assets:
- 23 Physical traded commodities, including gold
- 24 Assets posted as initial margin for derivative contracts
- 25 NSFR derivative assets
- 26 NSFR derivative liabilities before deduction of variation margin posted
- 27 All other assets not included in the above categories
- 28 Off-balance sheet items

-	-	-	-	-
-	-	-	-	-
-	42,445,810	-	-	4,689,581
-	-	-	-	-
-	303,217,750	104,405,087	388,307,914	245,790,571
-	139,874,059	3,511,641	104,574,728	67,973,573
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,582,531	1,582,531
-	-	-	-	-
-	1,036,181,805	163,202,128	593,743,532	1,114,152,885
-	462,609,338	175,102,495	474,084,625	56,632,292

29 Total RSF

1,490,821,433

30 Net Stable Funding Ratio (%)

141.06%

* The unweighted value by residual maturity is based on working prepared by Assets and Liabilities Management Committee (ALCO) of the Bank.

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		2017				
		Unweighted Value By Residual Maturity *				Weighted Value
		No Maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	
		----- (Rupees in '000) -----				
ASF Item						
1	Capital:					
2	Regulatory capital	139,500,269	-	-	-	139,500,269
3	Other capital instruments	43,366,400	-	-	-	43,366,400
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	225,888,228	93,331,982	818,118,957	1,105,417,146
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	213,449,091	88,192,408	460,530,769	611,351,518
10	Other liabilities:					
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in other categories		412,868,673	9,862,220	57,176,447	47,177,152
13	Total ASF					1,946,812,485
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					
15	Deposits held at other financial institutions for operational purposes					
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	32,285,507	-	-	3,303,551
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of	-	231,499,186	50,018,410	328,367,966	513,073,258
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	67,493,215	1,871,183	57,459,925	82,435,810
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities					
22	Other assets:					
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-			3,062,607	3,062,607
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	-	802,951,147	144,962,532	842,145,046	571,456,041
28	Off-balance sheet items	-	749,049,538	174,072,172	200,702,061	56,191,189
29	Total RSF					1,229,522,456
30	Net Stable Funding Ratio (%)					158.34%

* The unweighted value by residual maturity is based on working prepared by Assets and Liabilities Management Committee (ALCO) of the Bank.