

HABIB BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED
AS AT DECEMBER 31, 2019

1 CAPITAL ADEQUACY

1.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2019	2018	2019	2018
------(Rupees in '000)-----				
Credit Risk				
On-balance sheet				
Sovereigns	8,940,183	5,549,718	71,521,466	46,636,283
Public Sector Entities	3,259,496	2,650,341	26,075,964	22,271,777
Multilateral Development Banks	25,052	8,394	200,412	70,542
Banks	4,833,519	4,505,184	38,668,155	37,858,686
Corporates	48,088,921	43,235,722	384,711,371	363,325,397
Retail	15,232,035	14,074,284	121,856,280	118,271,298
Residential mortgages	423,012	314,524	3,384,099	2,643,057
Past due loans	579,265	962,876	4,634,118	8,091,393
Commercial entities investment exceeding 10%	-	-	-	-
Listed equity investments	338,055	454,097	2,704,442	3,815,943
Unlisted equity investments	794,981	567,774	6,359,849	4,771,212
Significant investments and others	5,291,825	6,350,016	42,334,600	53,361,483
Operating fixed assets	9,442,721	7,439,541	75,541,769	62,517,154
Other assets	2,518,349	2,221,238	20,146,788	18,665,863
	99,767,414	88,333,709	798,139,313	742,300,088
Off-balance sheet				
Non-market related	8,126,949	7,272,356	65,015,594	61,112,233
Market related	461,223	374,863	3,689,782	3,150,112
	8,588,172	7,647,219	68,705,376	64,262,345
Market Risk				
Interest Rate Risk	3,264,389	3,303,542	40,804,865	41,294,269
Equity Position Risk	1,398,994	2,087,464	17,487,425	26,093,300
Foreign Exchange Risk	3,240,698	3,311,697	40,508,721	41,396,217
	7,904,081	8,702,703	98,801,011	108,783,786
Operational Risk				
	13,444,349	13,109,669	168,054,363	163,870,862
	<u>129,704,016</u>	<u>117,793,300</u>	<u>1,133,700,063</u>	<u>1,079,217,081</u>
Capital Adequacy Ratio			2019	2018
			(Rupees in '000)	
Total eligible regulatory capital held			193,569,420	176,802,837
Total risk weighted assets			1,133,700,063	1,079,217,081
Capital adequacy ratio			17.07%	16.38%

1.2 Capital structure

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

	Note	2019	2018
		(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		34,010,974	38,578,367
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		104,668,407	91,882,814
CET 1 before Regulatory Adjustments		<u>153,347,906</u>	<u>145,129,706</u>
Total regulatory adjustments applied to CET1	1.3.1	(10,367,619)	(10,720,150)
Common Equity Tier 1		<u>142,980,287</u>	<u>134,409,556</u>

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	Note	2019 (Rupees in '000)	2018
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium		12,374,000	-
of which: Classified as equity		-	-
of which: Classified as liabilities		12,374,000	-
Total of Regulatory Adjustment applied to AT1 capital	1.3.2	(103,110)	-
Additional Tier 1 capital after regulatory adjustments		-	-
Additional Tier 1 capital recognized for capital adequacy		<u>12,270,890</u>	<u>-</u>
Tier 1 Capital (CET1 + admissible AT1)		155,251,177	134,409,556
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		9,974,000	9,978,000
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)		-	-
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		3,292,615	3,083,530
Revaluation Reserves (net of taxes)		24,646,551	14,140,723
of which: Revaluation reserves on fixed assets		21,073,196	21,316,266
of which: Unrealized gains/losses on AFS		3,573,355	(7,175,543)
Foreign Exchange Translation Reserves		23,263,185	19,356,885
Tier 2 before regulatory adjustments		<u>61,176,351</u>	<u>46,559,138</u>
Total regulatory adjustment applied to T2 capital	1.3.3	(4,645,428)	(4,165,857)
Tier 2 capital recognized for capital adequacy		56,530,923	42,393,281
Tier 2 capital not recognized for capital adequacy		(18,212,680)	-
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		<u>38,318,243</u>	<u>42,393,281</u>
TOTAL CAPITAL (Tier 1 + admissible Tier 2)		<u><u>193,569,420</u></u>	<u><u>176,802,837</u></u>
Total Risk Weighted Assets		1,133,700,063	1,079,217,081
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		12.61%	12.45%
Tier-1 capital to total RWA		<u>13.69%</u>	<u>12.45%</u>
Total capital to RWA		<u>17.07%</u>	<u>16.38%</u>
Bank specific buffer requirement (minimum CET1 requirement plus CCB plus any other buffer requirement)		10.50%	7.90%
of which: capital conservation buffer requirement		2.50%	1.90%
of which: countercyclical buffer requirement		-	-
of which: D-SIB or G-SIB buffer requirement		2.00%	-
CET1 available to meet buffers (as a percentage of risk weighted assets)		6.61%	6.45%
Other information:			
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		10.50%	7.90%
Tier 1 minimum ratio		12.00%	9.40%
Total capital minimum ratio		14.50%	11.90%

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1.3	Regulatory Adjustments and Additional Information	<u>2019</u>	<u>2018</u>
1.3.1	Common Equity Tier 1 capital: Regulatory adjustments	----- (Rupees in '000) -----	
	Goodwill (net of related deferred tax liability)	-	-
	All other intangibles (net of any associated deferred tax liability)	3,528,218	2,718,556
	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)	-	249,991
	Defined-benefit pension fund net assets	-	-
	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,463,099	1,231,845
	Cash flow hedge reserve	-	-
	Investment in own shares / CET1 instruments	37,873	91,903
	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)	5,338,429	6,244,422
	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	-	183,433
	Total regulatory adjustments applied to CET1	<u>10,367,619</u>	<u>10,720,150</u>
1.3.2	Additional Tier-1 Capital: regulatory adjustments		
	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	104,416
	Investment in own AT1 capital instruments	-	-
	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	103,110	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	-	(183,433)
	Total regulatory adjustment applied to AT1 capital	<u>103,110</u>	<u>-</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	4,645,428	4,165,857
	Total regulatory adjustment applied to T2 capital	<u>4,645,428</u>	<u>4,165,857</u>

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1.3.4 Additional Information	2019	2018
	(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)	-	-
of which: deferred tax assets	-	-
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	-	-
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	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	3,537,801	4,478,165
Significant investments in the common stock of financial entities	14,831,872	14,083,741
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)	3,292,615	3,083,530
Cap on inclusion of provisions in Tier 2 under standardized approach	10,835,559	10,082,030
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	337,241,623	337,241,623
Balances with other banks	32,139,733	32,139,733
Lendings to financial institutions	45,303,199	45,303,199
Investments	1,351,961,513	1,351,961,513
Advances	1,073,018,669	1,073,018,669
Fixed assets	75,541,769	75,541,769
Intangible assets	3,528,218	3,528,218
Deferred tax assets	1,898,828	1,898,828
Other assets	133,100,201	133,100,201
Total assets	<u>3,053,733,753</u>	<u>3,053,733,753</u>
Liabilities & Equity		
Bills payable	29,534,303	29,534,303
Borrowings	382,071,512	382,071,512
Deposits and other accounts	2,301,899,086	2,301,899,086
Subordinated loan	22,360,000	22,360,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	116,446,906	116,446,906
Total liabilities	<u>2,852,311,807</u>	<u>2,852,311,807</u>
Share capital	14,668,525	14,668,525
Reserves	57,274,159	57,274,159
Unappropriated profit	104,668,407	104,668,407
Surplus on revaluation of assets	24,810,855	24,810,855
Total liabilities & equity	<u>3,053,733,753</u>	<u>3,053,733,753</u>

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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	337,241,623	337,241,623	
Balances with other banks	32,139,733	32,139,733	
Lendings to financial institutions	45,303,199	45,303,199	
Investments	1,351,961,513	1,351,961,513	
<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>	5,338,429	5,338,429	(a)
<i>of which: significant investment in Tier-2 instruments of financial sector entities</i>	4,645,428	4,645,428	(b)
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	
<i>of which: reciprocal crossholding of capital instrument</i>	1,566,209	1,566,209	(c)
<i>of which: investment in own shares</i>	-	-	(d)
Advances	1,073,018,669	1,073,018,669	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB general provisions reflected in Tier 2 capital</i>	3,292,615	3,292,615	(e)
Operating fixed assets	79,069,987	79,069,987	
<i>of which: Goodwill</i>	-	-	(f)
<i>of which: Intangibles</i>	3,528,218	3,528,218	(g)
Deferred Tax Assets	1,898,828	1,898,828	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	
Other assets	133,100,201	133,100,201	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	-	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	
Total assets	3,053,733,753	3,053,733,753	
LIABILITIES & EQUITY			
Bills payable	29,534,303	29,534,303	
Borrowings	382,071,512	382,071,512	
Deposits and other accounts	2,301,899,086	2,301,899,086	
Subordinated loans	22,360,000	22,360,000	
<i>of which: eligible for inclusion in AT1</i>	12,374,000	12,374,000	(h)
<i>of which: eligible for inclusion in Tier 2</i>	9,974,000	9,974,000	(i)
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	(j)
<i>of which: DTLs related to intangible assets</i>	-	-	
<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	116,446,906	116,446,906	
Total liabilities	2,852,311,807	2,852,311,807	
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	57,274,159	57,274,159	
<i>of which: portion eligible for inclusion in CET1</i>	34,010,974	34,010,974	(m)
<i>of which: portion eligible for inclusion in Tier 2</i>	23,263,185	23,263,185	(n)
Unappropriated profit	104,668,407	104,668,407	(o)
Surplus on revaluation of assets	24,810,855	24,810,855	
<i>of which: Revaluation reserves on Property</i>	21,073,196	21,073,196	(p)
<i>of which: Unrealized Gains/Losses on AFS</i>	3,573,355	3,573,355	(q)
Total liabilities & Equity	3,053,733,753	3,053,733,753	

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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	34,010,974	(m)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	<u>104,668,407</u>	(o)
CET 1 before Regulatory Adjustments	153,347,906	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill	-	(f) - (j)
All other intangibles	3,528,218	(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)	-	(k)
Defined-benefit pension fund net assets	-	
Reciprocal cross holdings	1,463,099	portion of (c)
Cash flow hedge reserve	-	
Investment in own shares	37,873	(through Mutual Funds)
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)	5,338,429	(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	<u>10,367,619</u>	
Common Equity Tier 1	142,980,287	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	12,374,000	(h)
of which: Classified as equity	-	
of which: Classified as liabilities	<u>12,374,000</u>	
AT1 before regulatory adjustments	12,374,000	

	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)	-	0
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	103,110	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	103,110	
Additional Tier 1 capital	12,270,890	
Additional Tier 1 capital not recognized for capital adequacy	-	
Transfer to CET1 due to insufficient AT1 to cover deductions	-	
Additional Tier 1 capital recognized for capital adequacy	12,270,890	
Tier 1 Capital (CET1 + admissible AT1)	155,251,177	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	9,974,000	(i)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	3,292,615	(e)
Revaluation Reserves eligible for Tier 2	24,646,551	
of which: portion pertaining to Property	21,073,196	(p)
of which: portion pertaining to AFS securities	3,573,355	(q)
Foreign Exchange Translation Reserves	23,263,185	(n)
Tier 2 before regulatory adjustments	61,176,351	
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	4,645,428	(b)
Amount of Regulatory Adjustment applied to Tier 2 capital	4,645,428	
Tier 2 capital	56,530,923	
Tier 2 capital not recognized for capital adequacy	(18,212,680)	
Tier 2 capital recognized for capital adequacy	38,318,243	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	38,318,243	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	193,569,420	

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1.5 Main Features of Regulatory Capital Instruments

	Common Shares	Debt Instruments	Debt Instruments
Issuer	Habib Bank Limited	Habib Bank Limited	Habib Bank Limited
Unique identifier	HBL	HBL	HBL
Governing law(s) of the instrument	Relevant Capital Market Laws	Laws applicable in Pakistan	Laws applicable in Pakistan
Regulatory treatment			
Transitional Basel III rules	Common Equity Tier I	Additional Tier I Capital	Tier II Capital
Post-transitional Basel III rules	Common Equity Tier I	Additional Tier I Capital	Tier II Capital
Eligible at solo / group / group & solo	Group and Standalone	Group and Standalone	Group and Standalone
Instrument type	Ordinary shares	Term Finance Certificates	Term Finance Certificates
Amount recognized in regulatory capital (Currency in PKR thousands)	14,668,525	12,374,000	9,974,000
Par value of instrument	Rs. 10 per share	PKR 100,000 and in multiples thereof	PKR 100,000 and in multiples thereof
Accounting classification	Shareholders' equity	Subordinated loan	Subordinated loan
Original date of issuance	1947	September 26, 2019	February 19, 2016
Perpetual or dated	Perpetual	Perpetual	Dated
Original maturity date	Not applicable	Not applicable	February 19, 2026
Issuer call subject to prior supervisory approval	Not applicable	Yes	Yes
Optional call date, contingent call dates and redemption amount	Not applicable	Anytime after five years from the issue date	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.	On any coupon payment date after 5th anniversary from the date of issue.
Coupons/dividends			
Fixed or floating dividend/coupon	Not applicable	Floating	Floating
Coupon rate and any related index/benchmark	Not applicable	3 months KIBOR + 1.60% per annum	6 months KIBOR + 0.50% per annum
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Not applicable	Noncumulative	Not applicable
Convertible or non-convertible			
Convertible or non-convertible	Not applicable	Convertible	Convertible
If convertible, conversion trigger (s)	Not applicable	The TFCs are subject to the the loss absorbency clause as stipulated in the Basel III guidelines under which the TFCs shall, if so directed by the SBP, be permanently converted into ordinary shares upon: (i) the CET 1 Trigger Event ; (ii) the Point of No Viability (PONV) Event; or (iii) failure by the Issuer to comply with the Lock-In Clause or the Non-Cumulative Feature of the TFCs ("Lock-In Event").	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	To be determined in case of trigger event, at the discretion of the SBP.	Fully
If convertible, conversion rate	Not applicable	To be determined in case of trigger event(s)	To be determined in case of trigger event(s)
If convertible, mandatory or optional conversion	Not applicable	Mandatory	Mandatory
If convertible, specify instrument type convertible into	Not applicable	Common Shares	Common Shares
If convertible, specify issuer of instrument it converts into	Not applicable	Habib Bank Limited	Habib Bank Limited
Write-down feature			
If write-down, write-down trigger(s)	Not applicable	The TFCs are subject to the the loss absorbency clause as stipulated in the Basel III guidelines under which the TFCs shall, if so directed by the SBP, be written up upon: (i) the PONV Trigger Event; (ii) the CET 1 Trigger Event; (iii) the Lock-In Event; or (iv) if it is not possible to convert the TFCs into ordinary shares upon the CET 1 Trigger Event	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	May be written down fully or partially
If write-down, permanent or temporary	Not applicable	Permanent	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not Applicable	Not Applicable
Position in subordination hierarchy in liquidation			
Position in subordination hierarchy in liquidation	Subordinated to loans	Ranks junior to all other claims except common shares.	Subordinated to all other indebtedness to the Bank including deposits
Non-compliant transitioned features	No	None	None
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

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1.7 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2019 (Rupees in '000)			2018 (Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	35,632,063	-	35,632,063	34,871,954	-	34,871,954
Claims on Federal and Provincial Governments and SBP, denominated in PKR		915,071,658	46,157,386	868,914,272	454,503,687	56,316,349	398,187,338
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	-	-	-	24,659,751	-	24,659,751
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	4,098,568 29,187,773 6,443,340 52,394,179 5,766,989 1,417,578	- - - - - -	4,098,568 29,187,773 6,443,340 52,394,179 5,766,989 1,417,578	5,059,964 9,534,004 8,402,062 34,805,499 3,367,490 671,717	- - - - - -	5,059,964 9,534,004 8,402,062 34,805,499 3,367,490 671,717
		99,308,427	-	99,308,427	61,840,736	-	61,840,736
Corporates	1 2 3,4 5,6 Unrated-1 Unrated-2	179,770,531 125,718,154 18,891,599 - 165,873,757 106,348,345	18,589,183 71,632 967,876 - 11,814,046 12,213,620	161,181,348 125,646,522 17,923,723 - 154,059,711 94,134,725	170,721,179 83,967,039 3,868,204 - 154,355,377 149,422,616	16,836,039 1,316,593 - - 14,340,671 31,550,427	153,885,140 82,650,446 3,868,204 - 140,014,706 117,872,189
		596,602,386	43,656,357	552,946,029	562,334,415	64,043,730	498,290,685
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	2,182,532 3,897,102 - 4,424,911	- - - -	2,182,532 3,897,102 - 4,424,911	5,365,180 2,692,841 - 6,702,897	- - - -	5,365,180 2,692,841 - 6,702,897
		10,504,545	-	10,504,545	14,760,918	-	14,760,918
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	20%	24,514,015	24,283,687	230,328	57,816,521	37,262,201	20,554,320
Banks - others	1 2,3 4,5 6 Unrated	33,445,801 12,345,308 10,502,921 - 24,375,452	- - - - -	33,445,801 12,345,308 10,502,921 - 24,375,452	33,016,390 16,998,406 7,504,002 - 14,903,690	- - - - -	33,016,390 16,998,406 7,504,002 - 14,903,690
		80,669,482	-	80,669,482	72,422,488	-	72,422,488
Public Sector Entities	1 2,3 4,5 6 Unrated	79,942,906 8,695,037 - - 176,352,184	12,129,145 2,117,350 - - 157,903,448	67,813,761 6,577,687 - - 18,448,736	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
		264,990,127	172,149,943	92,840,184	231,726,063	148,480,239	83,245,824
Retail	75%	166,264,861	3,789,822	162,475,039	163,772,792	6,077,728	157,695,064
Residential mortgages	35%	9,668,854	-	9,668,854	7,551,591	-	7,551,591
Past due loans	50% - 150%	5,995,314	1,075,365	4,919,949	8,371,177	1,065,990	7,305,187
Equity investments	100% - 150%	6,944,341	-	6,944,341	6,996,751	-	6,996,751
Significant investments and deferred tax assets	250%	16,933,840	-	16,933,840	21,344,593	-	21,344,593
Fixed assets	100%	75,541,769	-	75,541,769	62,517,154	-	62,517,154
Others	100%	20,146,788	-	20,146,788	18,665,863	-	18,665,863
		<u>2,328,788,470</u>	<u>291,112,560</u>	<u>2,037,675,910</u>	<u>1,804,156,454</u>	<u>313,246,237</u>	<u>1,490,910,217</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 4.54% (2018: 3.78%) is above the current minimum requirement of 3.00% set by the SBP.

	2019	2018
	(Rupees in '000)	
Eligible Tier-1 Capital	155,251,177	134,409,556
Total Exposures	3,417,160,879	3,552,227,144
Leverage Ratio (%)	4.54%	3.78%
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

	2019		2018	
	Total unweighted ¹ value (average)	Total weighted ² value (average)	Total unweighted ¹ value (average)	Total weighted ² value (average)
	(Rupees in '000)			
HIGH QUALITY LIQUID ASSETS				
1 Total high quality liquid assets (HQLA)		906,731,376		987,612,556
2 Retail deposits and deposits from small business customers of which:				
2.1 stable deposit	-	-	-	-
2.2 Less stable deposit	1,140,661,834	114,066,183	1,039,620,419	103,962,042
3 Unsecured wholesale funding of which:				
3.1 Operational deposits (all counterparties)	-	-	-	-
3.2 Non-operational deposits (all counterparties)	892,258,590	480,491,105	872,771,063	444,242,580
3.3 Unsecured debt	78,877,995	78,877,995	52,107,873	52,107,873
4 Secured wholesale funding	-	1,482,728	-	10,197,721
5 Additional requirements of which:				
5.1 Outflows related to derivative exposures and other collateral requirements	1,416,394	1,416,394	-	-
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	-	-	-	-
6 Other contractual funding obligations	2,339,939	233,994	28,060,404	2,806,040
7 Other contingent funding obligations	768,335,853	14,890,063	722,157,454	15,684,388
8 TOTAL CASH OUTFLOWS		691,458,462		629,000,644
CASH INFLOWS				
9 Secured lending	-	-	39,373,100	-
10 Inflows from fully performing exposures	141,898,575	72,609,319	94,276,259	48,217,417
11 Other Cash inflows	147,680,396	33,559,097	25,708,946	9,489,203
12 TOTAL CASH INFLOWS		106,168,416		57,706,620
		Total Adjusted Value³		Total Adjusted Value³
TOTAL HQLA		906,731,376		987,612,556
TOTAL NET CASH OUTFLOWS		585,290,046		571,294,024
LIQUIDITY COVERAGE RATIO		154.92%		172.87%

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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2019					
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	142,980,287	-	-	142,980,287
3	Other capital instruments	22,360,000	-	-	22,360,000
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	-	-	-	-
6	Less stable deposits	-	220,641,678	90,942,517	947,863,367
7	Wholesale funding:				
8	Operational deposits	-	-	-	-
9	Other wholesale funding	-	193,875,095	79,910,057	768,666,372
10	Other liabilities:				
11	NSFR derivative liabilities	-	-	3,030,614	-
12	All other liabilities and equity not included in other categories	-	442,717,036	16,076,610	69,865,169
13	Total ASF				2,354,284,645
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	-	24,939,015	-	2,515,152
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:	-	297,440,533	71,915,773	419,729,438
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	17,704	33,996	155,813,115
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	-	738,806,515	406,418,534	938,619,130
28	Off-balance sheet items	-	396,642,236	256,106,899	152,060,107
29	Total RSF				1,337,084,320
30	Net Stable Funding Ratio (%)				176.08%

* 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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3.2 Net Stable Funding Ratio

	2018				Weighted Value
	Unweighted Value By Residual Maturity *				
	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	134,409,557	-	-	-	134,409,557
3 Other capital instruments	42,389,281	-	-	-	42,389,281
4 Retail deposits and deposit from small business customers:					
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	-	199,741,472	80,783,790	831,254,612	1,083,727,347
7 Wholesale funding:					
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	172,322,802	69,694,535	666,210,768	787,219,437
10 Other liabilities:					
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in other categories	-	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	-	42,445,810	-	-	4,689,581
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	-	303,217,750	104,405,087	388,307,914	245,790,571
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	139,874,059	3,511,641	104,574,728	67,973,573
22 Other assets:					
23 Physical traded commodities, including gold	-	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
25 NSFR derivative assets	-	1,582,531			1,582,531
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27 All other assets not included in the above categories	-	1,036,181,805	163,202,128	593,743,532	1,114,152,885
28 Off-balance sheet items	-	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.