

HABIB BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022

1 CAPITAL ADEQUACY

1.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2022	2021	2022	2021
------(Rupees in '000)-----				
Credit Risk				
On-balance sheet				
Sovereigns	21,994,446	18,177,342	169,188,045	134,646,975
Public Sector Entities	4,500,414	4,676,223	34,618,570	34,638,689
Multilateral Development Banks	49,356	84,130	379,658	623,184
Banks	9,320,847	13,473,427	71,698,824	99,803,166
Corporates	78,404,295	69,812,539	603,109,959	517,129,917
Retail	33,945,747	29,387,007	261,121,134	217,681,533
Residential mortgages	1,133,047	942,216	8,715,744	6,979,380
Low Cost Housing	263,274	70,055	2,025,188	518,924
Past due loans	1,647,780	942,263	12,675,228	6,979,726
Listed equity investments	881,049	506,284	6,777,298	3,750,255
Unlisted equity investments	928,343	969,525	7,141,103	7,181,663
Significant investments and others	8,995,387	6,958,298	69,195,283	51,542,950
Operating fixed assets	14,803,315	13,321,306	113,871,657	98,676,342
Other assets	5,279,441	2,238,623	40,611,088	16,582,392
	182,146,741	161,559,238	1,401,128,779	1,196,735,096
Off-balance sheet				
Non-market related	14,026,405	16,969,284	107,895,419	125,698,401
Market related	366,151	858,283	2,816,544	6,357,655
	14,392,556	17,827,567	110,711,963	132,056,056
Market Risk				
Interest Rate Risk	2,568,807	2,458,374	32,110,088	30,729,675
Equity Position Risk	609,846	1,299,062	7,623,075	16,238,275
Foreign Exchange Risk	5,238,766	5,576,947	65,484,575	69,711,838
	8,417,419	9,334,383	105,217,738	116,679,788
Operational Risk	21,301,072	17,926,821	266,263,405	224,085,265
	<u>226,257,788</u>	<u>206,648,009</u>	<u>1,883,321,885</u>	<u>1,669,556,205</u>

Capital Adequacy Ratio

	2022	2021
	(Rupees in '000)	
Total eligible regulatory capital held	279,322,811	260,917,929
Total risk weighted assets	1,883,321,885	1,669,556,205
Capital adequacy ratio	14.83%	15.63%

1.2 Capital structure

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

	Note	2022	2021
		(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		46,044,309	42,549,449
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		178,467,639	158,441,418
Non-controlling interest arising from CET1 capital instruments issued to third parties by consolidated banking subsidiaries (amount allowed in CET1 capital of the consolidation group)		-	-
		1,969,443	2,699,363
CET 1 before Regulatory Adjustments		241,149,916	218,358,755
Total regulatory adjustments applied to CET1	1.3.1	(37,898,154)	(25,893,674)
Common Equity Tier 1		203,251,762	192,465,081

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

	Note	2022 (Rupees in '000)	2021
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium		18,874,000	12,374,000
of which: Classified as equity		-	-
of which: Classified as liabilities		18,874,000	12,374,000
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		328,650	413,111
of which: instrument issued by subsidiaries subject to phase out		-	-
AT1 before regulatory adjustments		<u>19,202,650</u>	<u>12,787,111</u>
Total of Regulatory Adjustment applied to AT1 capital	1.3.2	(109,225)	(180,351)
Additional Tier 1 capital after regulatory adjustments		<u>-</u>	<u>-</u>
Additional Tier 1 capital recognized for capital adequacy		<u>19,093,425</u>	<u>12,606,759</u>
Tier 1 Capital (CET1 + admissible AT1)		222,345,187	205,071,840
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
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 banking subsidiaries (amount allowed in tier 2)		517,266	506,005
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		13,911,505	11,008,308
Revaluation Reserves (net of taxes)		1,028,565	24,913,722
of which: Revaluation reserves on fixed assets		27,140,972	27,213,335
of which: Unrealized gains/losses on AFS		(26,112,407)	(2,299,613)
Foreign Exchange Translation Reserves		41,727,023	38,826,070
Tier 2 before regulatory adjustments		<u>57,184,359</u>	<u>75,254,105</u>
Total regulatory adjustment applied to T2 capital	1.3.3	<u>(206,735)</u>	<u>(380,625)</u>
Tier 2 after regulatory adjustments		56,977,624	74,873,480
Tier 2 capital not recognized for capital adequacy		-	(19,027,391)
Tier 2 capital recognized for capital adequacy		56,977,624	55,846,089
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		<u>56,977,624</u>	<u>55,846,089</u>
TOTAL CAPITAL (Tier 1 + admissible Tier 2)		<u>279,322,811</u>	<u>260,917,929</u>
Total Risk Weighted Assets		1,883,321,885	1,669,556,205
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		<u>10.79%</u>	<u>11.53%</u>
Tier-1 capital to total RWA		<u>11.81%</u>	<u>12.28%</u>
Total capital to RWA		<u>14.83%</u>	<u>15.63%</u>
Bank specific buffer requirement (minimum CET1 requirement plus CCB plus any other buffer requirement)		9.00%	9.50%
of which: capital conservation buffer requirement		1.50%	1.50%
of which: countercyclical buffer requirement		-	-
of which: D-SIB buffer requirement		1.50%	2.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		4.79%	5.53%
Other information:			
Minimum capital requirements prescribed by SBP			
CET1 minimum ratio		9.00%	9.50%
Tier 1 minimum ratio		10.50%	11.00%
Total capital minimum ratio		13.00%	13.50%

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

1.3 Regulatory Adjustments and Additional Information	<u>2022</u>	<u>2021</u>
1.3.1 Common Equity Tier 1 capital: Regulatory adjustments	----- (Rupees in '000) -----	
Goodwill (net of related deferred tax liability)	3,389,046	3,008,399
All other intangibles (net of any associated deferred tax liability)	14,696,393	9,334,062
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)	1,365,221	431,976
Defined-benefit pension fund net assets	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	2,888,574	3,596,705
Cash flow hedge reserve	-	-
Investment in own shares / CET1 instruments	-	111,525
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)	15,558,920	9,411,007
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	-	-
Total regulatory adjustments applied to CET1	<u>37,898,154</u>	<u>25,893,674</u>
1.3.2 Additional Tier-1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit [SBP specific	80,246	-
Investment in own AT1 capital instruments	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	28,979	180,351
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	-	-
Total regulatory adjustment applied to AT1 capital	<u>109,225</u>	<u>180,351</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	206,735	380,625
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>206,735</u>	<u>380,625</u>

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

1.3.4 Additional Information	2022	2021
	(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	5,264,706	4,673,322
Significant investments in the common stock of financial entities	21,881,068	20,187,609
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)	13,911,505	11,008,308
Cap on inclusion of provisions in Tier 2 under standardized approach	18,898,009	16,609,889
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	296,015,386	296,015,386
Balances with other banks	41,513,022	41,513,022
Lendings to financial institutions	254,593,287	254,593,287
Investments	1,948,801,042	1,948,801,042
Advances	1,782,497,923	1,782,497,923
Fixed assets	113,871,657	113,871,657
Intangible assets	18,422,200	18,422,200
Deferred tax assets	5,797,045	5,797,045
Other assets	177,294,549	177,294,549
Total assets	<u>4,638,806,111</u>	<u>4,638,806,111</u>
Liabilities & Equity		
Bills payable	52,001,577	52,001,577
Borrowings	583,771,399	583,771,399
Deposits and other accounts	3,469,342,252	3,469,342,252
Subordinated loan	18,874,000	18,874,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	-	-
Other liabilities	229,795,069	229,795,069
Total liabilities	4,353,784,297	4,353,784,297
Share capital	14,668,525	14,668,525
Reserves	87,771,332	87,771,332
Unappropriated profit	178,467,639	178,467,639
Non-controlling interest	2,878,949	2,878,949
Surplus on revaluation of assets	1,235,369	1,235,369
Total liabilities & equity	<u>4,638,806,111</u>	<u>4,638,806,111</u>

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

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	(j)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	46,044,309	(k)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	178,467,639	(m)
Non-controlling interest	1,969,443	(n)
CET 1 before Regulatory Adjustments	241,149,916	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill	3,389,046	(e) - (i)
All other intangibles	14,696,393	(f)
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)	1,365,221	(g)
Defined-benefit pension fund net assets	-	
Reciprocal cross holdings in Common Equity Tier 1 Capital instruments	2,888,574	portion of (c)
Cash flow hedge reserve	-	
Investment in own shares	-	
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)	15,558,920	(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	37,898,154	
Common Equity Tier 1	203,251,762	
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium	18,874,000	(h)
of which: Classified as equity	-	
of which: Classified as liabilities	18,874,000	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	328,650	(o)
of which: instrument issued by subsidiaries subject to phase out	-	
AT1 before regulatory adjustments	19,202,650	

	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)	80,246	(b)
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	28,979	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	109,225	
Additional Tier 1 capital	19,093,425	
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	19,093,425	
Tier 1 Capital (CET1 + admissible AT1)	<u>222,345,187</u>	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	
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)	517,266	(p)
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	13,911,505	(d)
Revaluation Reserves eligible for Tier 2	1,028,565	
of which: portion pertaining to Property	27,140,972	(q)
of which: portion pertaining to AFS securities	(26,112,407)	(r)
Foreign Exchange Translation Reserves	41,727,023	(l)
Tier 2 before regulatory adjustments	<u>57,184,359</u>	
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 Capital instruments	206,735	portion of (c)
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	206,735	
Tier 2 capital after regulatory adjustments	56,977,624	
Tier 2 capital not recognized for capital adequacy	-	
Tier 2 capital recognized for capital adequacy	56,977,624	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	56,977,624	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	<u><u>279,322,811</u></u>	

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

1.4.1 Detail of capital structure reconciliation

	As per published financial statements	Under regulatory scope of consolidation (Rupees in '000)	Reference
ASSETS			
Cash and balances with treasury banks	296,015,386	296,015,386	
Balances with other banks	41,513,022	41,513,022	
Lendings to financial institutions	254,593,287	254,593,287	
Investments	1,948,801,042	1,948,801,042	
<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>	15,558,920	15,558,920	(a)
<i>of which: Mutual Funds exceeding regulatory threshold</i>	80,246	80,246	(b)
<i>of which: reciprocal crossholding of capital instrument</i>	3,124,288	3,124,288	(c)
<i>of which: investment in own shares</i>	-	-	
Advances	1,782,497,923	1,782,497,923	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	
<i>General provisions reflected in Tier 2 capital</i>	13,911,505	13,911,505	(d)
Operating fixed assets	132,293,857	132,293,857	
<i>of which: Goodwill</i>	3,725,807	3,725,807	(e)
<i>of which: Intangibles</i>	14,696,393	14,696,393	(f)
Deferred Tax Assets	5,797,045	5,797,045	
<i>of which: DTAs excluding those arising from temporary differences</i>	1,365,221	1,365,221	(g)
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	
Other assets	177,294,549	177,294,549	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	-	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	
Total assets	4,638,806,111	4,638,806,111	
LIABILITIES & EQUITY			
Bills payable	52,001,577	52,001,577	
Borrowings	583,771,399	583,771,399	
Deposits and other accounts	3,469,342,252	3,469,342,252	
Subordinated loans	18,874,000	18,874,000	
<i>of which: eligible for inclusion in AT1</i>	18,874,000	18,874,000	(h)
<i>of which: eligible for inclusion in Tier 2</i>	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	336,761	336,761	(i)
<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>	1,365,221	1,365,221	(g)
Other liabilities	229,795,069	229,795,069	
Total liabilities	4,353,784,297	4,353,784,297	
Share capital	14,668,525	14,668,525	
<i>of which: amount eligible for CET1</i>	14,668,525	14,668,525	(j)
<i>of which: amount eligible for AT1</i>	-	-	
Reserves	87,771,332	87,771,332	
<i>of which: portion eligible for inclusion in CET1</i>	46,044,309	46,044,309	(k)
<i>of which: portion eligible for inclusion in Tier 2</i>	41,727,023	41,727,023	(l)
Unappropriated profit	178,467,639	178,467,639	(m)
Non-controlling interest	2,878,949	2,878,949	
<i>of which: portion eligible for inclusion in CET1</i>	1,969,443	1,969,443	(n)
<i>of which: portion eligible for inclusion in AT1</i>	328,650	328,650	(o)
<i>of which: portion eligible for inclusion in Tier 2</i>	517,266	517,266	(p)
Surplus on revaluation of assets	1,235,369	1,235,369	
<i>of which: Revaluation reserves on Property eligible for inclusion in Tier 2</i>	27,140,972	27,140,972	(q)
<i>of which: Unrealized Gains/Losses on AFS eligible for inclusion in Tier 2</i>	(26,112,407)	(26,112,407)	(r)
Total liabilities & Equity	4,638,806,111	4,638,806,111	

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

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	Additional Tier I Capital
Post-transitional Basel III rules	Common Equity Tier I	Additional Tier I Capital	Additional Tier I 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	6,500,000
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	December 28, 2022
Perpetual or dated	Perpetual	Perpetual	Perpetual
Original maturity date	Not applicable	Not applicable	Not applicable
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 five years from the issue date
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	3 months KIBOR + 2.00% per annum
Existence of a dividend stopper	No	No	No
Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Not applicable	Noncumulative	Noncumulative
Convertible or non-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 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").
If convertible, fully or partially	Not applicable	To be determined in case of trigger event, at the discretion of the SBP.	To be determined in case of trigger event, at the discretion of the SBP.
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 off 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 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 off 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.
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			
Subordinated to loans	Subordinated to all other indebtedness to the Bank including depositors except common shares	Subordinated to all other indebtedness to the Bank including depositors except common shares	Subordinated to all other indebtedness to the Bank including depositors except common shares
Non-compliant transitioned features	No	None	None
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

1.6 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2022			2021		
		(Rupees in '000)			(Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	82,013,322	-	82,013,322	54,802,681	-	54,802,681
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	1,132,148,331	61,214,183	1,070,934,148	1,209,811,940	58,680,547	1,151,131,393
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	947,875	-	947,875	26,742,915	-	26,742,915
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	56,786,094	-	56,786,094	44,206,342	-	44,206,342
	2	69,942,330	-	69,942,330	31,834,738	-	31,834,738
	3	5,392,721	-	5,392,721	4,812,402	-	4,812,402
	4,5	57,483,879	-	57,483,879	73,807,110	-	73,807,110
	6	63,346,226	-	63,346,226	34,711,144	-	34,711,144
	Unrated	-	-	-	-	-	-
		252,951,250	-	252,951,250	189,371,736	-	189,371,736
Corporates	1	365,394,262	10,022,826	355,371,436	257,291,311	8,953,464	248,337,847
	2	223,139,507	14,303,661	208,835,846	173,846,323	8,592,217	165,254,106
	3,4	10,491,435	615,798	9,875,637	8,117,631	513,061	7,604,570
	5,6	-	-	-	-	-	-
	Unrated-1	294,292,645	19,607,539	274,685,106	242,004,150	11,113,911	230,890,239
	Unrated-2	123,232,053	8,786,448	114,445,605	129,062,019	11,989,630	117,072,389
		1,016,549,902	53,336,272	963,213,630	810,321,434	41,162,283	769,159,151
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3	5,602,786	-	5,602,786	11,049,421	-	11,049,421
	4,5	11,090,805	-	11,090,805	5,733,388	-	5,733,388
	6	-	-	-	524,340	-	524,340
	Unrated	11,972,896	-	11,972,896	8,176,234	-	8,176,234
		28,666,487	-	28,666,487	25,483,383	-	25,483,383
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in funded in PKR	20%	254,593,287	254,034,838	558,449	89,570,659	64,948,926	24,621,733
Banks - others	1	59,343,288	-	59,343,288	79,731,896	-	79,731,896
	2,3	23,287,462	-	23,287,462	28,974,659	-	28,974,659
	4,5	15,225,475	-	15,225,475	22,569,217	-	22,569,217
	6	445,093	-	445,093	48,175	-	48,175
	Unrated	47,382,587	381,089	47,001,498	69,856,957	-	69,856,957
		145,683,905	381,089	145,302,816	201,180,904	-	201,180,904
Public Sector Entities	1	131,200,306	37,092,242	94,108,064	129,516,048	51,030,666	78,485,382
	2,3	3,570,254	-	3,570,254	10,537,501	1,463,211	9,074,290
	4,5	-	-	-	3,437,111	-	3,437,111
	6	1,357,201	-	1,357,201	-	-	-
	Unrated	194,923,730	170,971,675	23,952,055	156,427,061	134,492,346	21,934,715
		331,051,491	208,063,917	122,987,574	299,917,721	186,986,223	112,931,498
Retail portfolio	75%	358,642,214	10,480,701	348,161,513	300,065,018	9,822,974	290,242,044
Claims Fully Secured by Residential Mortgages	35%	24,902,125	-	24,902,125	19,941,085	-	19,941,085
Low Cost Housing	25%	8,100,752	-	8,100,752	2,075,694	-	2,075,694
Past due loans	50% - 150%	12,866,856	1,165,766	11,701,090	8,043,272	1,066,062	6,977,210
Equity investments	100% - 150%	11,538,033	-	11,538,033	8,538,030	-	8,538,030
Significant investments	250%	27,678,113	-	27,678,113	20,617,180	-	20,617,180
Fixed assets	100%	113,871,657	-	113,871,657	98,676,342	-	98,676,342
Others	100%	40,611,088	-	40,611,088	16,582,392	-	16,582,392
		<u>3,842,816,688</u>	<u>588,676,766</u>	<u>3,254,139,922</u>	<u>3,381,742,386</u>	<u>362,667,015</u>	<u>3,019,075,371</u>

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

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 Bank's current leverage ratio of 4.20% (2021: 4.38%) is above the current minimum requirement of 3.00% set by the SBP.

	2022	2021
	(Rupees in '000)	
Eligible Tier-1 Capital	222,345,187	205,071,840
Total Exposures	5,292,442,000	4,687,343,787
Leverage Ratio (%)	4.20%	4.38%
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 Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The objective of 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 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

	2022		2021	
	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)		1,609,446,790		1,477,650,149
2 Retail deposits and deposits from small business customers of which:				
2.1 Stable deposits	-	-	-	-
2.2 Less stable deposits	1,875,416,519	187,541,652	1,542,770,187	154,277,019
3 Unsecured wholesale funding of which:				
3.1 Operational deposits (all counterparties)	-	-	-	-
3.2 Non-operational deposits (all counterparties)	1,150,840,363	523,489,035	1,130,382,033	551,834,420
3.3 Unsecured debt	50,410,969	50,410,969	31,656,625	31,656,625
4 Secured wholesale funding	-	-	-	-
5 Additional requirements of which:				
5.1 Outflows related to derivative exposures and other Collateral requirements	2,362,386	2,362,386	1,625,207	1,625,207
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	-	-	-	-
6 Other contractual funding obligations	19,177,677	1,917,768	20,631,617	2,063,162
7 Other contingent funding obligations	1,462,783,817	32,632,098	1,108,229,631	24,752,153
8 TOTAL CASH OUTFLOWS		798,353,909		766,208,587
CASH INFLOWS				
9 Secured lending	-	-	-	-
10 Inflows from fully performing exposures	277,303,784	152,364,360	208,846,467	115,982,845
11 Other Cash inflows	128,092,287	13,428,632	84,017,390	11,859,718
12 TOTAL CASH INFLOWS		165,792,993		127,842,563
		Total Adjusted Value		Total Adjusted Value
TOTAL HIGH QUALITY LIQUID ASSETS		1,609,446,790		1,477,650,149
TOTAL NET CASH OUTFLOWS		632,560,916		638,366,023
LIQUIDITY COVERAGE RATIO		254.43%		231.47%

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)

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

3.2 Net Stable Funding Ratio

	2022				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	223,732,235	-	-	-	223,732,235
3 Other capital instruments	18,874,000	-	-	-	18,874,000
4 Retail deposits and deposit from small business customers:					
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	-	846,580,942	260,550,401	1,051,744,793	2,048,163,001
7 Wholesale funding:					
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	-	421,667,881	129,775,820	523,856,582	799,578,432
10 Other liabilities:					
11 NSFR derivative liabilities	-	-	-	6,032,401	-
12 All other liabilities and equity not included in other categories	-	611,682,235	13,892,746	222,696,003	134,764,281
13 Total ASF					3,225,111,950
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	-	268,088,052	-	-	27,483,543
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					
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	471,567,403	92,295,679	402,432,020	449,196,724
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities	-	184,830,710	8,013,087	77,657,801	172,294,518
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	-	543,996,341	364,444,194	1,941,771,631	1,434,810,957
28 Off-balance sheet items	-	561,877,024	425,020,298	262,199,655	87,773,306
29 Total RSF					2,171,559,048
30 Net Stable Funding Ratio (%)					148.52%

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

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022**

		2021				
		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	203,651,486	-	-	-	203,651,486
3	Other capital instruments	12,374,000	-	-	-	12,374,000
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	644,052,650	218,585,859	827,191,160	1,603,565,818
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	569,579,529	193,310,330	731,541,359	1,112,986,289
10	Other liabilities:					
11	NSFR derivative liabilities	-	-	-	798,189	-
12	All other liabilities and equity not included in other categories	-	398,075,196	70,900,303	151,048,910	114,333,864
		-	-	-	-	-
13	Total ASF					3,046,911,457
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	-	46,978,525	-	-	5,227,981
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	-	364,182,621	98,888,886	456,030,917	604,920,035
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	179,197,273	29,279,355	88,902,077	255,926,696
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	-	710,235,214	264,106,959	1,836,786,381	1,029,358,648
28	Off-balance sheet items	-	374,718,352	448,901,313	293,692,272	69,138,366
29	Total RSF					1,964,571,726
30	Net Stable Funding Ratio (%)					155.09%

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