

HABIB BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED
AS AT DECEMBER 31, 2020

1 CAPITAL ADEQUACY

1.1 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2020	2019	2020	2019
------(Rupees in '000)-----				
Credit Risk				
On-balance sheet				
Sovereigns	10,895,969	8,940,183	94,747,557	71,521,466
Public Sector Entities	2,071,268	3,259,496	18,011,023	26,075,964
Multilateral Development Banks	-	25,052	-	200,412
Banks	4,949,155	4,833,519	43,036,132	38,668,155
Corporates	46,111,494	48,088,921	400,969,512	384,711,371
Retail	16,734,899	15,232,035	145,520,860	121,856,280
Residential mortgages	565,395	423,012	4,916,475	3,384,099
Past due loans	817,712	579,265	7,110,543	4,634,118
Commercial entities investment exceeding 10%	-	-	-	-
Listed equity investments	366,866	338,055	3,190,141	2,704,442
Unlisted equity investments	744,149	794,981	6,470,858	6,359,849
Significant investments and others	5,084,967	5,291,825	44,217,100	42,334,600
Operating fixed assets	9,700,310	9,442,721	84,350,518	75,541,769
Other assets	1,002,466	2,518,349	8,717,093	20,146,788
	99,044,650	99,767,414	861,257,812	798,139,313
Off-balance sheet				
Non-market related	8,204,479	8,126,949	71,343,296	65,015,594
Market related	327,227	461,223	2,845,452	3,689,782
	8,531,706	8,588,172	74,188,748	68,705,376
Market Risk				
Interest Rate Risk	2,877,500	3,264,389	35,968,750	40,804,865
Equity Position Risk	1,210,774	1,398,994	15,134,675	17,487,425
Foreign Exchange Risk	4,642,510	3,240,698	58,031,374	40,508,721
	8,730,784	7,904,081	109,134,799	98,801,011
Operational Risk				
	15,355,850	13,444,349	191,948,129	168,054,363
	131,662,990	129,704,016	1,236,529,488	1,133,700,063

Capital Adequacy Ratio

	2020	2019
	(Rupees in '000)	
Total eligible regulatory capital held	237,404,190	193,569,420
Total risk weighted assets	1,236,529,488	1,133,700,063
Capital adequacy ratio	19.20%	17.07%

1.2 Capital structure

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

	Note	2020	2019
		(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		37,163,342	34,010,974
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated profit		129,262,746	104,668,407
CET 1 before Regulatory Adjustments		181,094,613	153,347,906
Total regulatory adjustments applied to CET1	1.3.1	(8,154,249)	(10,367,619)
Common Equity Tier 1		172,940,364	142,980,287

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	Note	2020	2019
		(Rupees in '000)	
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium		12,374,000	12,374,000
of which: Classified as equity		-	-
of which: Classified as liabilities		12,374,000	12,374,000
Total of Regulatory Adjustment applied to AT1 capital	1.3.2	<u>(1,935,937)</u>	<u>(103,110)</u>
Additional Tier 1 capital recognized for capital adequacy		10,438,063	12,270,890
Tier 1 Capital (CET1 + admissible AT1)		183,378,427	155,251,177
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	9,974,000
Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel 3 rules		-	-
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		9,498,565	3,292,615
Revaluation Reserves (net of taxes)		35,543,262	24,646,551
of which: Revaluation reserves on fixed assets		27,073,220	21,073,196
of which: Unrealized gains/losses on AFS		8,470,042	3,573,355
Foreign Exchange Translation Reserves		25,877,296	23,263,185
Tier 2 before regulatory adjustments		<u>70,919,123</u>	<u>61,176,351</u>
Total regulatory adjustment applied to T2 capital	1.3.3	<u>(3,319,047)</u>	<u>(4,645,428)</u>
Tier 2 after regulatory adjustments		67,600,076	56,530,923
Tier 2 capital not recognized for capital adequacy		(16,893,360)	(18,212,680)
Tier 2 capital recognized for capital adequacy		54,025,763	38,318,243
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy		<u>54,025,763</u>	<u>38,318,243</u>
TOTAL CAPITAL (Tier 1 + admissible Tier 2)		<u>237,404,190</u>	<u>193,569,420</u>
Total Risk Weighted Assets		1,236,529,488	1,133,700,063
Capital Ratios and buffers (in percentage of risk weighted assets)			
CET1 to total RWA		<u>13.99%</u>	<u>12.61%</u>
Tier-1 capital to total RWA		<u>14.83%</u>	<u>13.69%</u>
Total capital to RWA		<u>19.20%</u>	<u>17.07%</u>
Bank specific buffer requirement (minimum CET1 requirement plus CCB plus any other buffer requirement)		9.50%	10.50%
of which: capital conservation buffer requirement		1.50%	2.50%
of which: countercyclical buffer requirement		-	-
of which: D-SIB or G-SIB buffer requirement		2.00%	2.00%
CET1 available to meet buffers (as a percentage of risk weighted assets)		7.99%	6.61%
Other information:			
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		7.50%	8.50%
Tier 1 minimum ratio		9.00%	10.00%
Total capital minimum ratio		11.50%	12.50%

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1.3	Regulatory Adjustments and Additional Information	<u>2020</u>	<u>2019</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)	4,596,807	3,528,218
	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)	-	-
	Defined-benefit pension fund net assets	-	-
	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,821,183	1,463,099
	Cash flow hedge reserve	-	-
	Investment in own shares / CET1 instruments	47,164	37,873
	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)	1,689,095	5,338,429
	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>8,154,249</u>	<u>10,367,619</u>
1.3.2	Additional Tier-1 Capital: regulatory adjustments		
	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
	Investment in own AT1 capital instruments	-	-
	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	337,593	103,110
	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	1,598,344	-
	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>1,935,937</u>	<u>103,110</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	122,359	-
	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	3,196,688	4,645,428
	Total regulatory adjustment applied to T2 capital	<u>3,319,047</u>	<u>4,645,428</u>

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1.3.4 Additional Information	2020	2019
	(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	3,383,210	3,537,801
Significant investments in the common stock of financial entities	17,462,946	14,831,872
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)	9,498,565	3,292,615
Cap on inclusion of provisions in Tier 2 under standardized approach	11,693,082	10,835,559
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	347,988,749	347,988,749
Balances with other banks	38,422,719	38,422,719
Lendings to financial institutions	30,154,193	30,154,193
Investments	1,912,237,993	1,912,237,993
Advances	1,117,320,960	1,117,320,960
Fixed assets	84,350,518	84,350,518
Intangible assets	4,596,807	4,596,807
Deferred tax assets	-	-
Other assets	108,639,781	108,639,781
Total assets	<u>3,643,711,720</u>	<u>3,643,711,720</u>
Liabilities & Equity		
Bills payable	46,122,344	46,122,344
Borrowings	540,095,253	540,095,253
Deposits and other accounts	2,669,490,716	2,669,490,716
Subordinated loan	22,356,000	22,356,000
Liabilities against assets subject to finance lease	-	-
Deferred tax liability	2,968,857	2,968,857
Other liabilities	119,953,785	119,953,785
Total liabilities	3,400,986,955	3,400,986,955
Share capital	14,668,525	14,668,525
Reserves	63,040,638	63,040,638
Unappropriated profit	129,262,746	129,262,746
Surplus on revaluation of assets	35,752,856	35,752,856
Total liabilities & equity	<u>3,643,711,720</u>	<u>3,643,711,720</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	347,988,749	347,988,749	
Balances with other banks	38,422,719	38,422,719	
Lendings to financial institutions	30,154,193	30,154,193	
Investments	1,912,237,993	1,912,237,993	
<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>	1,689,095	1,689,095	(a)
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	(b)
<i>of which: reciprocal crossholding of capital instrument</i>	2,281,135	2,281,135	(c)
<i>of which: investment in own shares</i>	-	-	(d)
Advances	1,117,320,960	1,117,320,960	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	
<i>General provisions reflected in Tier 2 capital</i>	9,498,565	9,498,565	(e)
Operating fixed assets	88,947,325	88,947,325	
<i>of which: Goodwill</i>	-	-	(f)
<i>of which: Intangibles</i>	4,596,807	4,596,807	(g)
Deferred Tax Assets	-	-	
<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	108,639,781	108,639,781	
<i>of which: Goodwill</i>	-	-	
<i>of which: Intangibles</i>	-	-	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	
Total assets	<u>3,643,711,720</u>	<u>3,643,711,720</u>	
LIABILITIES & EQUITY			
Bills payable	46,122,344	46,122,344	
Borrowings	540,095,253	540,095,253	
Deposits and other accounts	2,669,490,716	2,669,490,716	
Subordinated loans	22,356,000	22,356,000	
<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>	-	-	(i)
<i>Liabilities against assets subject to finance lease</i>	-	-	
Deferred tax liabilities	2,968,857	2,968,857	
<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	119,953,785	119,953,785	
Total liabilities	3,400,986,955	3,400,986,955	
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	63,040,638	63,040,638	
<i>of which: portion eligible for inclusion in CET1</i>	37,163,342	37,163,342	(m)
<i>of which: portion eligible for inclusion in Tier 2</i>	25,877,296	25,877,296	(n)
Unappropriated profit	129,262,746	129,262,746	(o)
Surplus on revaluation of assets	35,752,856	35,752,856	
<i>of which: Revaluation reserves on Property</i>	27,073,220	27,073,220	(p)
<i>of which: Unrealized Gains/Losses on AFS</i>	8,470,042	8,470,042	(q)
Total liabilities & Equity	<u>3,643,711,720</u>	<u>3,643,711,720</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	37,163,342	(m)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated profit	129,262,746	(o)
CET 1 before Regulatory Adjustments	181,094,613	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill	-	(f) - (j)
All other intangibles	4,596,807	(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	1,821,183	portion of (c)
Cash flow hedge reserve	-	
Investment in own shares	47,164	(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)	1,689,095	(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	8,154,249	
Common Equity Tier 1	172,940,364	
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	12,374,000	
of which: instrument issued by subsidiaries subject to phase out	-	
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)	-	(b)
Investment in own AT1 capital instruments	-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	337,593	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	1,598,344	
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	-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
Total of Regulatory Adjustment applied to AT1 capital	1,935,937	
Additional Tier 1 capital	10,438,063	
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	10,438,063	
Tier 1 Capital (CET1 + admissible AT1)	183,378,426	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	(i)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) 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	9,498,565	(e)
Revaluation Reserves eligible for Tier 2	35,543,262	
of which: portion pertaining to Property	27,073,220	(p)
of which: portion pertaining to AFS securities	8,470,042	(q)
Foreign Exchange Translation Reserves	25,877,296	(n)
Tier 2 before regulatory adjustments	70,919,123	
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	122,359	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	122,359	
Tier 2 capital	70,796,764	
Tier 2 capital not recognized for capital adequacy	(16,771,001)	
Tier 2 capital recognized for capital adequacy	54,025,763	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
Total Tier 2 capital admissible for capital adequacy	54,025,763	
TOTAL CAPITAL (Tier 1 + admissible Tier 2)	237,404,190	

(i) Qualifying Tier 2 Capital instruments under Basel III has been reported as Nil. This is because of the expected redemption as detailed Note 17.1.1 of Unconsolidated Financial Statements.

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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	0
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	Actual call date is February 19, 2021 and redemption amount (Currency in PKR thousands) is Rs. 9,982,000
Subsequent call dates, if applicable	Not applicable	On any coupon payment date after 5th anniversary from the date of issue.	n/a
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			
If convertible, conversion trigger (s)	Not applicable	Convertible 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").	Convertible 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 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 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			
Non-compliant transitioned features	Subordinated to loans	Ranks junior to all other claims except common shares.	Subordinated to all other indebtedness to the Bank including deposits
If yes, specify non-compliant features	No	None	None
	Not applicable	Not applicable	Not applicable

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1.6 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2020			2019		
		(Rupees in '000)			(Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	57,566,869	-	57,566,869	35,632,063	-	35,632,063
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	1,241,612,116	43,428,520	1,198,183,596	915,071,658	46,157,386	868,914,272
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	-	-	-	-	-	-
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	5,059,894	-	5,059,894	4,098,568	-	4,098,568
	2	17,144,541	-	17,144,541	29,187,773	-	29,187,773
	3	6,237,561	-	6,237,561	6,443,340	-	6,443,340
	4,5	58,559,820	-	58,559,820	52,394,179	-	52,394,179
	6	19,187,954	-	19,187,954	5,766,989	-	5,766,989
	Unrated	858,117	-	858,117	1,417,578	-	1,417,578
		107,047,887	-	107,047,887	99,308,427	-	99,308,427
Corporates	1	224,081,276	8,456,822	215,624,454	179,770,531	18,589,183	161,181,348
	2	119,442,639	2,651,910	116,790,729	125,718,154	71,632	125,646,522
	3,4	8,558,553	200,038	8,358,515	18,891,599	967,876	17,923,723
	5,6	-	-	-	-	-	-
	Unrated-1	164,316,869	7,966,501	156,350,368	165,873,757	11,814,046	154,059,711
	Unrated-2	122,915,883	15,123,584	107,792,299	106,348,345	12,213,620	94,134,725
		639,315,220	34,398,855	604,916,365	596,602,386	43,656,357	552,946,029
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3	1,452,825	-	1,452,825	2,182,532	-	2,182,532
	4,5	5,720,159	-	5,720,159	3,897,102	-	3,897,102
	6	-	-	-	-	-	-
	Unrated	2,908,448	-	2,908,448	4,424,911	-	4,424,911
		10,081,432	-	10,081,432	10,504,545	-	10,504,545
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	20%	17,896,835	17,894,101	2,734	24,514,015	24,283,687	230,328
Banks - others	1	45,286,415	6,999,700	38,286,715	33,445,801	-	33,445,801
	2,3	11,171,970	-	11,171,970	12,345,308	-	12,345,308
	4,5	11,767,739	-	11,767,739	10,502,921	-	10,502,921
	6	-	-	-	-	-	-
	Unrated	28,584,366	-	28,584,366	24,375,452	-	24,375,452
		96,810,490	6,999,700	89,810,790	80,669,482	-	80,669,482
Public Sector Entities	1	77,801,669	27,380,360	50,421,309	79,942,906	12,129,145	67,813,761
	2,3	2,987,489	1,783,130	1,204,359	8,695,037	2,117,350	6,577,687
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	196,315,188	181,666,027	14,649,161	176,352,184	157,903,448	18,448,736
		277,104,346	210,829,517	66,274,829	264,990,127	172,149,943	92,840,184
Retail portfolio	75%	198,189,448	4,161,635	194,027,813	166,264,861	3,789,822	162,475,039
Claims Fully Secured by Residential Mortgages	35%	14,047,070	-	14,047,070	9,668,854	-	9,668,854
Past due loans	50% - 150%	8,382,967	1,068,001	7,314,966	5,995,314	1,075,365	4,919,949
Equity investments	100% - 150%	7,504,046	-	7,504,046	6,944,341	-	6,944,341
Significant investments	250%	17,686,840	-	17,686,840	16,933,840	-	16,933,840
Fixed assets	100%	84,350,518	-	84,350,518	75,541,769	-	75,541,769
Others	100%	8,717,094	-	8,717,094	20,146,788	-	20,146,788
		2,786,313,178	318,780,329	2,467,532,849	2,328,788,470	291,112,560	2,037,675,910

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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 Bank's current leverage ratio of 4.40% (2019: 4.54%) is above the current minimum requirement of 3.00% set by the SBP.

	2020	2019
	(Rupees in '000)	
Eligible Tier-1 Capital	183,378,427	155,251,177
Total Exposures	4,167,230,907	3,417,160,879
Leverage Ratio (%)	4.40%	4.54%
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

	2020		2019	
	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)		1,343,833,391		906,731,376
2 Retail deposits and deposits from small business customers of which:				
2.1 stable deposit	-	-	-	-
2.2 Less stable deposit	1,392,208,580	139,220,858	1,140,661,834	114,066,183
3 Unsecured wholesale funding of which:				
3.1 Operational deposits (all counterparties)	-	-	-	-
3.2 Non-operational deposits (all counterparties)	943,172,398	432,077,348	892,258,590	480,491,105
3.3 Unsecured debt	32,156,462	32,156,462	78,877,995	78,877,995
4 Secured wholesale funding	-	-	-	1,482,728
5 Additional requirements of which:				
5.1 Outflows related to derivative exposures and other collateral requirements	2,224,274	2,224,274	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	3,243,168	324,317	2,339,939	233,994
7 Other contingent funding obligations	887,605,991	16,695,836	768,335,853	14,890,063
8 TOTAL CASH OUTFLOWS		622,699,095		691,458,462
CASH INFLOWS				
9 Secured lending	-	-	-	-
10 Inflows from fully performing exposures	166,081,295	86,264,867	141,898,575	72,609,319
11 Other Cash inflows	46,447,521	10,807,387	147,680,396	33,559,097
12 TOTAL CASH INFLOWS		97,072,254		106,168,416
		Total Adjusted Value³		Total Adjusted Value³
TOTAL HQLA		1,343,833,391		906,731,376
TOTAL NET CASH OUTFLOWS		525,626,841		585,290,046
LIQUIDITY COVERAGE RATIO		255.66%		154.92%

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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		2020				
		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	172,940,364	-	-	-	172,940,364
3	Other capital instruments	22,356,000	-	-	-	22,356,000
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	529,827,098	167,154,729	782,272,878	1,409,556,522
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	427,977,890	135,022,404	627,235,718	908,735,865
10	Other liabilities:					
11	NSFR derivative liabilities	-	-	-	3,904,469	-
12	All other liabilities and equity not included in other categories	-	545,797,154	15,662,876	152,865,601	124,376,598
13	Total ASF					2,637,965,349
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	-	31,012,091	-	-	3,756,972
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:	-	304,618,528	71,148,740	445,295,734	380,770,004
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	22,802	30,860	158,866,258	103,263,068
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	-	1,325,798,988	450,575,833	1,867,336,897	908,160,343
28	Off-balance sheet items	-	478,847,680	261,470,204	258,643,606	52,301,976
29	Total RSF					1,448,252,363
30	Net Stable Funding Ratio (%)					182.15%

* 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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		2019				
		Unweighted Value By Residual Maturity *				Weighted Value
ASF Item		No Maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	
----- (Rupees in '000) -----						
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	1,240,182,380
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	193,875,095	79,910,057	768,666,372	905,558,948
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	43,203,030
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:					
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	297,440,533	71,915,773	419,729,438	532,902,699
		-	17,704	33,996	155,813,115	101,278,525
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	655,800,880
28	Off-balance sheet items	-	396,642,236	256,106,899	152,060,107	44,587,064
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.