

BANK AL HABIB LIMITED

CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED

AS AT 31 DECEMBER 2019

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CAPITAL ASSESSMENT AND ADEQUACY

Capital adequacy

As per requirements of SBP, the Bank is required to comply with the capital adequacy framework which comprises the following capital standards :

i) Minimum Capital Requirement (MCR):

The MCR standard sets the paid-up capital that the Bank is required to hold at all times.

As of the statement of financial position date, the Bank's paid-up capital stands at Rs.11.114 billion as against the required MCR of Rs. 10 billion.

ii) Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks. The banks are required to comply with the CAR as specified by the State Bank of Pakistan on standalone as well as consolidated basis.

During the year 2013, SBP issued revised instructions on the computation of CAR based on Basel III Capital Reform as issued by the Basel Committee on Banking Supervision. These instructions became effective from 31 December 2013 with full implementation intended by 31 December 2019.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the financial statements on the basis of Basel III requirements as prescribed by SBP.

The CAR on the basis of above framework works out to be as follows:

	2019
Required CAR	<u>12.500%</u>
CAR on stand-alone basis	<u><u>14.353%</u></u>

It is the Bank's policy that the level of capital maintained by it should be such that it maximises the return to shareholders while providing sufficient buffer to absorb risks, including those from any unexpected events. Therefore, the Bank carefully monitors its capital adequacy ratio with a view to ensuring that growth in risk assets is accompanied by commensurate growth in capital, and endeavours to maintain the capital adequacy ratio at a level sufficiently higher than the minimum regulatory requirement. Stress testing of capital adequacy is carried out periodically.

Based on its experience over the years, the Bank expects to be able to raise the required capital internally through its operations as well as in the capital markets.

The Bank has a risk management framework commensurate with its size and the nature of its business. The Board of Directors has approved risk management policies covering key areas of activities, including a Risk Tolerance Statement and Recovery Plan for the guidance of management and staff of the Bank.

The Bank calculates capital requirement as per Basel III regulatory framework, using the following approaches:

Credit Risk	Standardised Approach
Market Risk	Standardised Approach
Operational Risk	Basic Indicator Approach

iii) Leverage Ratio:

The leverage ratio comprises Tier 1 capital to total exposure, which includes on balance sheet exposures and credit equivalent of certain off balance sheet exposures adjusted by the regulatory credit conversion factors. The Bank's current leverage ratio is 3.984% which is above the current minimum requirement of 3% set by SBP.

Scope of application

The Basel III Framework for capital adequacy is applicable to the Bank both at the consolidated level (including subsidiary) and also on standalone basis. Bank AL Habib Limited is the only bank in the Group to which Basel III capital adequacy framework applies. The Bank has ownership in the following subsidiary, where the Bank holds more than 50% of voting shares as at December 31, 2019

Name	Type of entity	Country of incorporation
AL Habib Capital Markets (Private) Limited	Financial	Pakistan

The assets, liabilities, income, expenses and cash flows of above subsidiary are included in the consolidated financial statements and also consolidated for regulatory capital adequacy purposes.

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Capital structure

The Bank's Tier 1 capital comprises paid-up capital, statutory reserve, special reserve, general reserve, unappropriated profit, perpetual non-cumulative term finance certificates, and is adjusted for deductions in respect of intangible assets, shortfall in provision against classified assets, deficit on revaluation of investments, deferred tax asset, direct or indirect investment in own shares, CAP 2 deductions, investment in mutual funds exceeding the prescribed limit, and is adjusted for reciprocal cross holdings in Tier 1 instruments.

The Bank's Tier 2 capital includes subordinated loans, general provisions, revaluation reserves, and exchange translation reserve and is adjusted for reciprocal cross holdings in Tier 2 instruments, CAP 2 deductions, and direct or indirect investment in own TFCs.

	2019	2018
	(Rupees in '000)	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital	11,114,254	11,114,254
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General / Statutory Reserves	14,526,167	13,409,293
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	27,907,758	20,411,694
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	53,548,179	44,935,241
Total regulatory adjustments applied to CET1 (Note 42.3.2)	(587,164)	(1,657,153)
Common Equity Tier 1	(a) 52,961,015	43,278,088
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	7,000,000	-
of which: Classified as equity	-	-
of which: Classified as liabilities	7,000,000	7,000,000
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	7,000,000	7,000,000
Total regulatory adjustment applied to AT1 capital (Note 42.3.3)	(309,443)	(309,443)
Additional Tier 1 capital after regulatory adjustments	6,690,557	6,690,557
Additional Tier 1 capital recognized for capital adequacy	(b) 6,690,557	6,690,557
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 59,651,572	50,028,088
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	7,983,200	7,986,400
Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	3,660,167	3,414,358
Revaluation Reserves (net of taxes)	5,984,873	4,517,518
of which: Revaluation reserves on fixed assets	4,446,001	4,517,518
of which: Unrealised gains/(losses) on AFS	1,538,873	-
Foreign Exchange Translation Reserves	1,941,115	1,348,237
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	19,569,355	17,266,513
Total regulatory adjustment applied to T2 capital (Note 42.3.4)	(185,992)	(185,992)
Tier 2 capital (T2) after regulatory adjustments	19,383,363	17,081,269
Tier 2 capital recognised for capital adequacy	16,537,708	17,081,269
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	(d) 16,537,708	14,242,570
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 76,189,280	64,270,657
Total Risk Weighted Assets (RWA) (Note 42.6)	(f) 530,820,592	478,732,687
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	(a/f) 9.977%	9.040%
Tier-1 capital to total RWA	(c/f) 11.238%	10.450%
Total capital to total RWA	(e/f) 14.353%	13.425%

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	2019	2018
	(Rupees in '000)	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	8.500%	7.900%
of which: capital conservation buffer requirement	2.500%	1.900%
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	3.977%	3.040%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.000%	6.000%
Tier 1 minimum ratio	7.500%	7.500%
Total capital minimum ratio	12.500%	11.900%

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-
All other intangibles (net of any associated deferred tax liability)	(365,428)	(166,930)
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	(173,458)	(165,499)
Cash flow hedge reserve	-	-
Investment in own shares/ CET1 instruments	(48,279)	(45,215)
Securitisation gain on sale	-	-
Capital shortfall of regulated subsidiaries	-	-
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(1,279,509)
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)	-	-
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	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments applied to CET1	(587,165)	(1,657,153)

Additional Tier-1 & 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	(309,443)	(250,000)
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-BaseI 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	-	-
Total regulatory adjustment applied to AT1 capital	(309,443)	(250,000)

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	2019	2018
	(Rupees in '000)	
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	(172,727)	(173,714)
Investment in own Tier 2 capital instrument	(13,265)	(11,530)
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	(185,992)	(185,244)
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: Recognised 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: Recognised 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	-	-
Significant investments in the common stock of financial entities	-	-
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 standardised approach (prior to application of cap)	3,660,167	3,414,358
Cap on inclusion of provisions in Tier 2 under standardized approach	3,660,167	3,414,358
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	-	-
	-	-
Capital Structure Reconciliation		
Reconciliation of accounting and regulatory scope of consolidation		
	2019	2019
	As per published financial statements	Under regulatory scope for capital adequacy
Assets		
Cash and balances with treasury banks	113,838,791	113,838,791
Balances with other banks	9,523,969	9,523,969
Lendings to financial institutions	1,857,575	1,857,575
Investments	586,140,504	586,140,504
Advances	488,669,447	488,669,447
Operating fixed assets	36,927,936	36,927,936
Deferred tax assets	-	-
Other assets	61,723,889	61,723,889
Total assets	1,298,682,111	1,298,682,111
Liabilities & Equity		
Bills payable	20,131,529	20,131,529
Borrowings	228,745,034	228,745,034
Deposits and other accounts	903,739,926	903,739,926
Sub-ordinated loans	14,992,800	14,992,800
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	1,380,189	1,380,189
Other liabilities	68,189,523	68,189,523
Total liabilities	1,237,179,001	1,237,179,001
Share capital/ Head office capital account	11,114,254	11,114,254
Reserves	16,467,282	16,467,282
Unappropriated/ Unremitted profits/ (losses)	27,907,758	27,907,758
Minority Interest	-	-
Surplus on revaluation of assets	6,013,816	6,013,816
Total equity	61,503,110	61,503,110
Total liabilities & equity	1,298,682,111	1,298,682,111

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Reference	2019	2019
	As per published financial statements	Under regulatory scope for capital adequacy

(Rupees in '000)

Reconciliation for balance sheet items that require capital adjustments

Assets

Cash and balances with treasury banks		113,838,791	113,838,791
Balances with other banks		9,523,969	9,523,969
Lendings to financial institutions		1,857,575	1,857,575
Investments		586,140,504	586,140,504
of which: Non-significant capital investments in capital instruments of banking, financial and insurance entities exceeding 10% threshold	(a)	-	-
of which: Significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	(b)	-	-
of which: Mutual Funds exceeding regulatory threshold	(c)	-	-
of which: reciprocal crossholding of capital instrument of CET 1	(d)	173,458	173,458
of which: reciprocal crossholding of capital instrument of T 2	(e)	172,727	172,727
Advances		488,669,447	488,669,447
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f)	-	-
general provisions reflected in Tier 2 capital	(g)	3,660,167	3,660,167
Fixed Assets		36,927,936	36,927,936
of which: Intangibles	(h)	365,428	365,428
Deferred Tax Assets		-	-
of which: DTAs that rely on future profitability excluding those arising from temporary differences	(i)	-	-
of which: DTAs arising from temporary differences exceeding regulatory threshold	(j)	-	-
Other assets		61,723,889	61,723,889
of which: Goodwill	(k)	-	-
of which: Defined-benefit pension fund net assets	(l)	-	-
Total assets		1,298,682,111	1,298,682,111

Liabilities & Equity

Bills payable		20,131,529	20,131,529
Borrowings		228,745,034	228,745,034
Deposits and other accounts		903,739,926	903,739,926
Sub-ordinated loans		14,992,800	14,992,800
of which: eligible for inclusion in AT1	(m)	7,000,000	7,000,000
of which: eligible for inclusion in Tier 2	(n)	7,992,800	7,992,800
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		1,380,189	1,380,189
of which: DTLs related to goodwill	(o)	-	-
of which: DTLs related to intangible assets	(p)	-	-
of which: DTLs related to defined pension fund net assets	(q)	-	-
of which: other deferred tax liabilities	(r)	-	-
Other liabilities		68,189,523	68,189,523
Total liabilities		1,237,179,001	1,237,179,001

Share capital		11,114,254	11,114,254
of which: amount eligible for CET1	(s)	11,114,254	11,114,254
of which: amount eligible for AT1	(t)	-	-
Reserves		16,467,282	16,467,282
of which: portion eligible for inclusion in CET1	(u)	14,526,167	14,526,167
of which: portion eligible for inclusion in Tier 2	(v)	1,941,115	1,941,115
Unappropriated profits / (losses)	(w)	27,907,758	27,907,758
Minority Interest		-	-
of which: portion eligible for inclusion in CET1	(x)	-	-
of which: portion eligible for inclusion in AT1	(y)	-	-
of which: portion eligible for inclusion in Tier 2	(z)	-	-
Surplus on revaluation of assets		6,013,816	6,013,816
of which: Revaluation reserves on Properties		4,474,942	4,474,942
of which: Unrealised Gains/(Losses) on AFS	(aa)	1,538,874	1,538,874
In case of Deficit on revaluation (deduction from CET1)	(ab)	-	-
Total Equity		61,503,110	61,503,110

Total liabilities & equity

1,298,682,111 **1,298,682,111**

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Reconciliation of computation of capital with balance sheet of the Bank

		2019
		Component of regulatory capital reported by bank
		(Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP		11,114,254
Balance in Share Premium Account	(s)	-
Reserve for issue of Bonus Shares		-
General / Statutory Reserves	(u)	14,526,167
Gains / (Losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	27,907,758
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	(x)	-
CET 1 before Regulatory Adjustments		53,548,179
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(365,428)
Shortfall of provisions against classified assets	(f)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(i-r) * x %	-
Defined-benefit pension fund net assets	(l-q) * x %	-
Reciprocal cross holdings in CET1 capital instruments	(d)	(173,458)
Cash flow hedge reserve		-
Investment in own shares/ CET1 instruments		(48,279)
Securitisation gain on sale		-
Capital shortfall of regulated subsidiaries		-
Deficit on account of revaluation from bank's holdings of properties/ AFS	(ab)	-
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)	(a) - (ac) - (ae)	-
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)	(b) - (ad) - (af)	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i)	-
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		-
of which: Investment in TFCs of other banks exceeding the prescribed limit		-
of which: Any other deduction specified by SBP		-
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-
Total regulatory adjustments applied to CET1		(587,165)
Common Equity Tier 1		52,961,015

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		2019
		Component of regulatory capital reported by bank (Rupees in '000)
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 instruments plus any related share premium		7,000,000
of which: Classified as equity	(t)	-
of which: Classified as liabilities	(m)	7,000,000
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)		
of which: instrument issued by subsidiaries subject to phase out	(y)	-
AT1 before regulatory adjustments		7,000,000
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		(309,443)
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)	(ac)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
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		-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-
Total of Regulatory Adjustment applied to AT1 capital		(309,443)
Additional Tier 1 capital		6,690,557
Additional Tier 1 capital recognised for capital adequacy		6,690,557
Tier 1 Capital (CET1 + admissible AT1)		59,651,572
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		7,983,200
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	(n)	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	(z)	-
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	(g)	3,660,167
Revaluation Reserves eligible for Tier 2		5,984,873
of which: portion pertaining to Property		4,446,001
of which: portion pertaining to AFS securities	portion of (aa)	1,538,873
Foreign Exchange Translation Reserves	(v)	1,941,115
Undisclosed/Other Reserves (if any)		-
T2 before regulatory adjustments		19,569,355
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		-
Reciprocal cross holdings in Tier 2 instruments		(172,727)
Investment in own Tier 2 capital instrument		(13,265)
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)	(ae)	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
Amount of Regulatory Adjustment applied to T2 capital		(185,992)
Tier 2 capital (T2)		19,383,363
Tier 2 capital recognised for capital adequacy		16,537,708
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		16,537,708
TOTAL CAPITAL (T1 + admissible T2)		76,189,280

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Main Features of Regulatory Capital Instruments

Main Features	Common Shares	Additional Tier 1 Sub-ordinated Debt	Tier 2 Sub-ordinated Debt	Tier 2 Sub-ordinated Debt
1. Issuer	Bank AL Habib Limited	Bank AL Habib Limited	Bank AL Habib Limited	Bank AL Habib Limited
2. Unique identifier (e.g. PSX Symbol or Bloomberg identifier etc.)	BAHL	BAHLAT1TFC	BAHLTFC5	BAHLTFC7
3. Governing law(s) of the instrument (Regulatory Authorities)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)
Regulatory treatment				
4. Transitional Basel III rules	CET-1	Additional Tier 1	Tier 2	Tier 2
5. Post - transitional Basel III rules	CET-1	Additional Tier 1	Tier 2	Tier 2
6. Eligible at solo / group / group & solo	Group & Standalone	Group & Standalone	Group & Standalone	Group & Standalone
7. Instrument type	Ordinary Shares	Sub-ordinated Debt	Sub-ordinated Debt	Sub-ordinated Debt
8. Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	11,114,254	7,000,000	3,989,600	3,993,600
9. Par value of instrument	Rs 10	Rs 5,000	Rs 5,000	Rs 5,000
10. Accounting classification	Shareholders' Equity	Liability - Sub -ordinated Loans	Liability - Sub -ordinated Loans	Liability - Sub -ordinated Loans
11. Original date of issuance	January, 1992	20 December 2017	17 March 2016	06 December 2018
12. Perpetual or dated	Perpetual	Perpetual	Dated	Dated
13. Original maturity date	N/A	N/A	17 March 2026	06 December 2028
14. Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes
15. Optional call date, contingent call dates and redemption amount	N/A	20 December 2022	17 March 2021	06 December 2023
16. Subsequent call dates, if applicable	N/A	On any coupon payment date after 60 months from the date of issue.	On any coupon payment date after 60 months from the date of issue.	On any coupon payment date after 60 months from the date of issue.
Coupons / dividends				
17. Fixed or floating dividend / coupon	N/A	Floating	Floating	Floating
18. Coupon rate and any related index / benchmark	N/A	6 months Kibor + 1.50% p.a.	6 months Kibor + 0.75% p.a.	6 months Kibor + 1.00% p.a.
19. Existence of a dividend stopper	No	No	No	No
20. Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21. Existence of step up or other incentive to redeem	N/A	No	No	No
22. Noncumulative or cumulative	N/A	Noncumulative	N/A	N/A
23. Convertible or non - convertible	N/A	Convertible	Convertible	Convertible
24. If convertible, conversion trigger (s)	N/A	Upon occurrence of a Point of Non Viability (PONV) or Pre Specified Trigger (PST) event or non-compliance with lock-in clause or non-cumulative feature, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated in SBP's Basel III Instructions
25. If convertible, fully or partially	N/A	Fully or Partially: To be determined as per SBP's Basel III instructions	Fully or Partially: To be determined as per SBP's Basel III instructions	Fully or Partially: To be determined as per SBP's Basel III instructions
26. If convertible, conversion rate	N/A	To be determined in the case of trigger event	To be determined in the case of trigger event	To be determined in the case of trigger event
27. If convertible, mandatory or optional conversion	N/A	To be determined as per SBP's Basel III instructions	To be determined as per SBP's Basel III instructions	To be determined as per SBP's Basel III instructions
28. If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
29. If convertible, specify issuer of instrument it converts into	N/A	BAHL	BAHL	BAHL
30. Write - down feature	N/A	Yes	Yes	Yes
31. If write - down, write - down trigger(s)	N/A	Upon occurrence of a Point of Non Viability (PONV) or Pre Specified Trigger (PST) event or non-compliance with lock-in clause or non-cumulative feature, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated in SBP's Basel III Instructions	Upon occurrence of a Point of Non Viability (PONV) event, as stipulated in SBP's Basel III Instructions
32. If write - down, full or partial	N/A	Full or Partial: To be determined as per SBP's Basel III instructions	Full or Partial: To be determined as per SBP's Basel III instructions	Full or Partial: To be determined as per SBP's Basel III instructions
33. If write - down, permanent or temporary	N/A	Permanent or Temporary: To be determined as per SBP's Basel III instructions	Permanent or Temporary: To be determined as per SBP's Basel III instructions	Permanent or Temporary: To be determined as per SBP's Basel III instructions
34. If temporary write - down, description of write - up mechanism	N/A	Subject to Regulatory Instructions / Approval	Subject to Regulatory Instructions / Approval	Subject to Regulatory Instructions / Approval
35. Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Sub -ordinated Loans	Subordinate to all other debts, including deposits & Tier 2 TFCs	Subordinate to all other debts, including deposits, but excluding Tier 1 TFCs	Subordinate to all other debts, including deposits, but excluding Tier 1 TFCs
36. Non - compliant transitioned features	No	No	No	No
37. If yes, specify non - compliant features	N/A	N/A	N/A	N/A

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

Capital Requirements		Risk Weighted Assets	
2019	2018	2019	2018

(Rupees in '000)

Credit Risk

On-Balance sheet

Portfolios subject to standardised approach (Comprehensive)

Sovereign	1,752,753	1,107,407	17,527,535	11,074,065
Public sector enterprises	179,208	270,588	1,792,076	2,705,878
Banks	1,307,969	1,045,809	13,079,687	10,458,089
Corporate	26,315,776	25,871,776	263,157,762	258,717,764
Retail	2,627,952	2,612,054	26,279,517	26,120,538
Residential mortgages	226,583	196,893	2,265,825	1,968,926
Past due loans	115,031	93,334	1,150,313	933,337
Equity portfolio	504,158	551,215	5,041,585	5,512,155
Operating fixed assets	3,656,251	2,618,315	36,562,508	26,183,149
Other assets	527,570	494,794	5,275,701	4,947,939
	37,213,251	34,862,184	372,132,509	348,621,840

Off-Balance sheet

Non-market related

Direct Credit Substitutes / Acceptances / Standby LCs	3,357,528	2,582,827	33,575,279	25,828,269
Transaction Related Contingent Liabilities	1,686,007	1,747,792	16,860,073	17,477,917
Trade Related Contingent Liabilities	1,647,878	1,313,299	16,478,780	13,132,994
Other Commitments	202,943	230,820	2,029,431	2,308,201
	6,894,356	5,874,738	68,943,563	58,747,381

Market related

Outstanding Foreign Exchange Contracts	247,240	133,237	2,472,398	1,332,370
	7,141,596	6,007,975	71,415,960	60,079,751

Market Risk

Capital Requirement for portfolios subject to Standardised Approach

Interest rate risk/Equity Price Risk				
General market risk	246,141	127,952	3,076,764	1,599,394
Specific market risk	101,336	72,331	1,266,706	904,142
Foreign exchange risk	640,029	486,978	8,000,367	6,087,219
	987,506	687,261	12,343,837	8,590,755

Operational Risk

Capital Requirement for operational risks

	5,994,263	4,915,227	74,928,286	61,440,341
	51,336,617	46,472,647	530,820,592	478,732,687

Capital Adequacy Ratios

	Required		Actual	
	2019	2018	2019	2018
CET1 to total RWA	6.000%	6.000%	9.977%	9.040%
Tier-1 capital to total RWA	7.500%	7.500%	11.238%	10.450%
Total capital to total RWA	12.500%	11.900%	14.353%	13.425%
Leverage Ratio	3.000%	3.000%	3.984%	4.066%

BANK AL HABIB LIMITED

CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES- UNCONSOLIDATED

AS AT 31 DECEMBER 2019

Credit risk: Disclosures on portfolio subject to Standardised Approach - Basel Specific

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its local currency exposures and ratings issued by Moody's, S&P, and Fitch for its foreign currency exposures. These External Credit Assessments Institutions (ECAIs) have been approved by SBP.

For foreign currency claims on sovereigns, the Bank also uses risk scores of Export Credit Agencies (ECAs).

Types of exposures	JCR-VIS	PACRA	Moody's, S&P, and Fitch	ECA Score
	(local currency)	(local currency)	(foreign currency)	(foreign currency)
Corporates	✓	✓	-	-
Banks	✓	✓	✓	-
Sovereigns	-	-	✓	✓
Small and Medium Enterprises	-	-	-	-
Securitisations	-	-	-	-
Others (public sector enterprises)	✓	✓	-	-

The Bank has not transferred public issue ratings onto comparable assets in the banking book in its calculations. ECAI ratings and ECA scores are aligned with risk buckets as determined by SBP.

Credit exposures subject to Standardised Approach

Risk buckets	Amount outstanding/ credit equivalent		Credit Risk Mitigation (CRM) deduction	Net amount
	(rated and unrated)	(rated and unrated)		
	(Rupees in '000)			
0%	710,780,999	34,573,576		676,207,423
20%	70,523,268	12,873,021		57,650,247
35%	6,481,864	20,350		6,461,514
50%	183,000,389	40,035,282		142,965,106
75%	48,017,074	8,385,647		39,631,427
100%	314,766,811	38,747,809		276,019,003
125%	42,307,766	3,216,569		39,091,197
150%	372,909	44,329		328,579
250%	281,000	-		281,000
	<u>1,376,532,080</u>	<u>137,896,583</u>		<u>1,238,635,496</u>

Credit risk: Disclosures on CRM for Standardised Approach – Basel Specific

Eligible collaterals used by the Bank for credit risk mitigation are cash margins and cash deposits, government securities, financial guarantees, listed shares, and other listed, quoted or rated securities. The Bank requires perfection of collaterals by marking lien on cash margins and deposits, pledging of shares and other securities and verifying the authenticity of guarantees received. Shares and securities including marketable government securities are taken at market value and other government securities are taken at encashment value. Appropriate hair - cuts are applied as per Basel regulatory framework. Among the mitigants used by the Bank, there is concentration in cash margins, cash deposits, and sovereign guarantees.

Liquidity Coverage Ratio (LCR)

	2019		2018	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
(Rupees in '000)				
High quality liquid assets				
Total high quality liquid assets (HQLA)	-	363,806,793	-	360,946,772
Cash outflows				
Retail deposits and deposits from small business customers of which:				
Stable deposit	-	-	-	-
Less stable deposit	654,289,757	65,428,976	569,825,040	56,982,504
	654,289,757	65,428,976	569,825,040	56,982,504
Unsecured wholesale funding of which:				
Operational deposits (all counterparties)	-	-	-	-
Non - operational deposits (all counterparties)	201,963,317	84,920,948	185,560,098	77,302,378
Unsecured debt	17,893,058	17,893,058	12,857,615	12,857,615
	219,856,375	102,814,006	198,417,713	90,159,993
Secured wholesale funding	-	1,318,154	-	1,368,560
Additional requirements of which:				
Outflows related to derivative exposures and other collateral requirements	-	-	-	-
Outflows related to loss of funding on debt products	-	-	-	-
Credit and liquidity facilities	2,463,469	276,347	280,514,671	616,722
	2,463,469	276,347	280,514,671	616,722
Other contractual funding obligations	4,400,606	4,400,606	2,598,113	2,598,113
Other contingent funding obligations	592,178,495	19,626,191	281,525,447	14,076,272
Total cash outflows		193,864,279		165,802,164
Cash inflows				
Secured lending	-	-	-	-
Inflows from fully performing exposures	100,755,324	55,505,795	83,175,411	49,269,187
Other cash inflows	8,420,899	5,405,214	7,062,786	4,976,680
Total cash inflows		60,911,009		54,245,868
Total High Quality Liquid Assets (HQLA)		363,806,793		360,946,772
Total Net Cash Outflows		132,953,270		111,556,296
Liquidity Coverage Ratio		273.635%		323.556%

Net Stable Funding Ratio (NSFR)

	2019				Weighted value
	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	(Rupees in '000)				
ASF Item					
Capital					
Regulatory capital	53,548,179	-	-	-	53,548,179
Other capital instruments	7,000,000	-	-	7,983,200	14,983,200
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	599,330,862	43,250,356	32,335,908	-	606,150,456
Wholesale funding					
Operational deposits	-	-	-	-	-
Other wholesale funding	97,509,019	79,740,873	17,181,261	-	97,923,886
Other liabilities:					
NSFR derivative liabilities	-	-	-	91,139,975	-
All other liabilities and equity not included in other categories	-	-	6,954,768	31,961,618	35,439,002
Total ASF					808,044,723
RSF item					
Total NSFR high - quality liquid assets (HQLA)					126,348,489
Deposits held at other financial institutions for operational purposes	2,163,906	-	-	-	1,081,953
Performing loans and					
Performing loans to financial institutions secured by Level 1 HQLA	-	11,995,481	95,238	14,730	1,861,671
Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	318,643,034	33,239,784	109,399,456	266,540,365
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	15,281,724	9,933,121
Securities that are not in default and do not qualify as HQLA including exchange - traded equities.	3,508,569	-	-	16,384,747	16,909,319
Other assets:					
NSFR derivative assets	-	-	-	106,385,578	15,564,824
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	91,139,975	18,227,995
All other assets not included in the above categories	7,360,063	75,110,012	7,635,257	28,411,873	118,517,205
Off - balance sheet items					31,327,344
Total RSF					606,312,286
Net Stable Funding Ratio (%)					133.272%

	2018				Weighted value
	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	(Rupees in '000)				
ASF Item					
Capital					
Regulatory capital	44,935,241	-	-	-	44,935,241
Other capital instruments	7,000,000	-	-	7,986,400	14,986,400
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	531,115,425	43,450,511	21,181,138	-	536,172,367
Wholesale funding					
Operational deposits	-	-	-	-	-
Other wholesale funding	105,530,463	64,636,312	13,486,560	-	91,826,668
Other liabilities:					
NSFR derivative liabilities	-	-	-	33,036,647	-
All other liabilities and equity not included in other categories	-	-	4,562,898	17,699,730	19,981,178
Total ASF					707,901,854
RSF item					
Total NSFR high - quality liquid assets (HQLA)					44,896,690
Deposits held at other financial institutions for operational purposes	2,787,440	-	-	-	1,393,720
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	21,796,577	21,974	1,115,788	4,396,262
Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans	-	-	-	-	-
Performing loans to non- financial corporate clients, loans to retail and small business customers, and With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	310,986,523	38,747,942	103,511,815	262,852,275
Securities that are not in default and do not qualify as HQLA including exchange - traded equities.	2,535,750	-	-	14,125,546	14,162,102
Other assets:					
NSFR derivative assets	-	-	-	70,584,066	37,547,419
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	33,036,647	6,607,329
All other assets not included in the above categories	4,401,222	55,906,328	8,070,104	12,343,559	79,320,129
Off - balance sheet items					27,311,487
Total RSF					482,005,370
Net Stable Funding Ratio (%)					146.866%