

**BANK AL HABIB LIMITED**

**CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED**

**AS AT 31 DECEMBER 2023**

**BANK AL HABIB LIMITED**  
**CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES- UNCONSOLIDATED**  
**AS AT 31 DECEMBER 2023**

**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 revised the instructions on the computation of CAR based on Basel III Capital Reform issued by the Basel Committee on Banking Supervision. Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in the financial statements.

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

	<b>2023</b>
Required CAR	<u>11.500%</u>
CAR on stand-alone basis	<u>15.842%</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 3.729% 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 subsidiaries) 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 subsidiaries, where the Bank holds more than 50% of voting shares as at December 31, 2023

<b>Name</b>	<b>Type of entity</b>	<b>Country of incorporation</b>
AL Habib Capital Markets (Private) Limited	Financial	Pakistan
AL Habib Asset Management Limited	Financial	Pakistan

The assets, liabilities, income, expenses and cash flows of above subsidiaries 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.

	2023	2022
	(Rupees in '000)	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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	23,366,512	19,834,574
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	72,595,629	58,838,596
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
<b>CET 1 before Regulatory Adjustments</b>	<b>107,076,395</b>	<b>89,787,424</b>
Total regulatory adjustments applied to CET1 (Note 42.3.2)	(327,836)	(1,263,895)
<b>Common Equity Tier 1 (a)</b>	<b>106,748,559</b>	<b>88,523,529</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 capital instruments plus any related share premium	14,000,000	14,000,000
of which: Classified as equity	-	-
of which: Classified as liabilities	14,000,000	14,000,000
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	-	-
<b>AT1 before regulatory adjustments</b>	<b>14,000,000</b>	<b>14,000,000</b>
Total regulatory adjustment applied to AT1 capital (Note 42.3.3)	(850,585)	(668,970)
Additional Tier 1 capital after regulatory adjustments	13,149,415	13,331,030
<b>Additional Tier 1 capital recognized for capital adequacy (b)</b>	<b>13,149,415</b>	<b>13,331,030</b>
<b>Tier 1 Capital (CET1 + admissible AT1) (c=a+b)</b>	<b>119,897,974</b>	<b>101,854,559</b>
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	15,169,200	15,972,400
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	9,731,469	8,753,159
Revaluation Reserves (net of taxes)	14,575,634	821,222
of which: Revaluation reserves on fixed assets	13,445,607	6,448,791
of which: Unrealised gains/(losses) on AFS	1,130,027	(5,627,569)
Foreign Exchange Translation Reserves	4,818,360	4,556,842
Undisclosed / Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	<b>44,294,663</b>	<b>30,103,624</b>
Total regulatory adjustment applied to T2 capital (Note 42.3.4)	(62,136)	(21,610)
Tier 2 capital (T2) after regulatory adjustments	44,232,527	30,082,013
Tier 2 capital recognised for capital adequacy	38,239,758	30,082,013
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
<b>Total Tier 2 capital admissible for capital adequacy (d)</b>	<b>38,239,758</b>	<b>30,082,013</b>
<b>TOTAL CAPITAL (T1 + admissible T2) (e=c+d)</b>	<b>158,137,732</b>	<b>131,936,573</b>
<b>Total Risk Weighted Assets (RWA) (Note 42.6) (f)</b>	<b>998,209,406</b>	<b>895,167,074</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
<b>CET1 to total RWA (a/f)</b>	<b>10.694%</b>	<b>9.889%</b>
<b>Tier-1 capital to total RWA (c/f)</b>	<b>12.011%</b>	<b>11.378%</b>
<b>Total capital to total RWA (e/f)</b>	<b>15.842%</b>	<b>14.739%</b>

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	2023	2022
	(Rupees in '000)	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	<u>7.500%</u>	<u>7.500%</u>
of which: capital conservation buffer requirement	<u>1.500%</u>	<u>1.500%</u>
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)	<u>4.694%</u>	<u>3.889%</u>
<b>National minimum capital requirements prescribed by SBP</b>		
CET1 minimum ratio	<u>6.000%</u>	<u>6.000%</u>
Tier 1 minimum ratio	<u>7.500%</u>	<u>7.500%</u>
Total capital minimum ratio	<u>11.500%</u>	<u>11.500%</u>

**Common Equity Tier 1 capital: Regulatory adjustments**

Goodwill (net of related deferred tax liability)	-	-
All other intangibles (net of any associated deferred tax liability)	(124,462)	(364,466)
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	(151,000)	(111,314)
Cash flow hedge reserve	-	-
Investment in own shares/ CET1 instruments	(52,374)	(34,945)
Securitisation 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)	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(753,170)
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	<u>(327,836)</u>	<u>(1,263,895)</u>

**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	(850,585)	(668,970)
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	<u>(850,585)</u>	<u>(668,970)</u>

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	2023	2022
	(Rupees in '000)	
<b>Tier 2 Capital: regulatory adjustments</b>		
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	(60,270)	(20,000)
Investment in own Tier 2 capital instrument	(1,866)	(1,610)
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	-	-
<b>Total regulatory adjustment applied to T2 capital</b>	<b>(62,136)</b>	<b>(21,610)</b>
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>		
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	-	-
	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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)	-	-
	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	10,745,512	8,753,159
Cap on inclusion of provisions in Tier 2 under standardized approach	9,731,469	8,753,159
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	-	-
<b>Capital Structure Reconciliation</b>		
<b>Reconciliation of accounting and regulatory scope of consolidation</b>		
	2023	2023
	<b>As per published financial statements</b>	<b>Under regulatory scope for capital adequacy</b>
<b>Assets</b>		
Cash and balances with treasury banks	141,815,998	141,815,998
Balances with other banks	6,580,672	6,580,672
Lendings to financial institutions	1,649,716	1,649,716
Investments	1,503,895,348	1,503,895,348
Advances	869,458,809	869,458,809
Operating fixed assets	79,697,016	79,697,016
Deferred tax assets	1,792,112	1,792,112
Other assets	136,130,442	136,130,442
<b>Total assets</b>	<b>2,741,020,113</b>	<b>2,741,020,113</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	48,083,103	48,083,103
Borrowings	477,438,034	477,438,034
Deposits and other accounts	1,934,036,510	1,934,036,510
Sub-ordinated loans	29,985,200	29,985,200
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	124,870,473	124,870,473
<b>Total liabilities</b>	<b>2,614,413,320</b>	<b>2,614,413,320</b>
Share capital/ Head office capital account	11,114,254	11,114,254
Reserves	28,184,872	28,184,872
Unappropriated/ Unremitted profits/ (losses)	72,595,629	72,595,629
Minority Interest	-	-
Surplus on revaluation of assets	14,712,038	14,712,038
<b>Total equity</b>	<b>126,606,793</b>	<b>126,606,793</b>
<b>Total liabilities &amp; equity</b>	<b>2,741,020,113</b>	<b>2,741,020,113</b>

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Reference	2023	
	As per published financial statements	Under regulatory scope for capital adequacy
(Rupees in '000)		
<b>Reconciliation for balance sheet items that require capital adjustments</b>		
<b>Assets</b>		
Cash and balances with treasury banks	141,815,998	141,815,998
Balances with other banks	6,580,672	6,580,672
Lendings to financial institutions	1,649,716	1,649,716
Investments	1,503,895,348	1,503,895,348
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) 151,000	151,000
of which: reciprocal crossholding of capital instrument of T 2	(e) 60,270	60,270
Advances	869,458,809	869,458,809
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) -	-
general provisions reflected in Tier 2 capital	(g) 9,731,469	9,731,469
Fixed Assets	79,697,016	79,697,016
of which: Intangibles	(h) 124,462	124,462
Deferred Tax Assets	1,792,112	1,792,112
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	136,130,442	136,130,442
of which: Goodwill	(k) -	-
of which: Defined-benefit pension fund net assets	(l) -	-
<b>Total assets</b>	<b>2,741,020,113</b>	<b>2,741,020,113</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	48,083,103	48,083,103
Borrowings	477,438,034	477,438,034
Deposits and other accounts	1,934,036,510	1,934,036,510
Sub-ordinated loans	29,985,200	29,985,200
of which: eligible for inclusion in AT1	(m) 14,000,000	14,000,000
of which: eligible for inclusion in Tier 2	(n) 15,169,200	15,169,200
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
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	124,870,473	124,870,473
<b>Total liabilities</b>	<b>2,614,413,320</b>	<b>2,614,413,320</b>
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	28,184,872	28,184,872
of which: portion eligible for inclusion in CET1	(u) 23,366,512	23,366,512
of which: portion eligible for inclusion in Tier 2	(v) 4,818,360	4,818,360
Unappropriated profits / (losses)	(w) 72,595,629	72,595,629
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	14,712,038	14,712,038
of which: Revaluation reserves on Properties	(aa) 13,582,011	13,582,011
of which: Unrealised Gains/(Losses) on AFS	1,130,027	1,130,027
In case of Deficit on revaluation (deduction from CET1)	(ab) -	-
<b>Total Equity</b>	<b>126,606,793</b>	<b>126,606,793</b>
<b>Total liabilities &amp; equity</b>	<b>2,741,020,113</b>	<b>2,741,020,113</b>

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**Reconciliation of computation of capital with balance sheet of the Bank**

		2023
		Component of regulatory capital reported by bank
		(Rupees in '000)
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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		23,366,512
Gains / (Losses) on derivatives held as Cash Flow Hedge	(u)	-
Unappropriated/unremitted profits / (losses)	(w)	72,595,629
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)	-
<b>CET 1 before Regulatory Adjustments</b>		<b>107,076,395</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
Goodwill (net of related deferred tax liability)	(k)-(o)	-
All other intangibles (net of any associated deferred tax liability)	(h)-(p)	(124,462)
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)	(151,000)
Cash flow hedge reserve		-
Investment in own shares/ CET1 instruments		(52,374)
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		<b>(327,836)</b>
<b>Common Equity Tier 1</b>		<b>106,748,559</b>

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		2023
		Component of regulatory capital reported by bank
		(Rupees in '000)
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 instruments plus any related share premium		14,000,000
of which: Classified as equity	(t)	-
of which: Classified as liabilities	(m)	14,000,000
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)	-
<b>AT1 before regulatory adjustments</b>		<b>14,000,000</b>
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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		(850,585)
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		-
<b>Total of Regulatory Adjustment applied to AT1 capital</b>		<b>(850,585)</b>
Additional Tier 1 capital		13,149,415
<b>Additional Tier 1 capital recognised for capital adequacy</b>		<b>13,149,415</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		<b>119,897,974</b>
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		15,169,200
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)	9,731,469
Revaluation Reserves eligible for Tier 2		14,575,634
of which: portion pertaining to Property	portion of (aa)	13,445,607
of which: portion pertaining to AFS securities		1,130,027
Foreign Exchange Translation Reserves	(v)	4,818,360
Undisclosed/Other Reserves (if any)		-
<b>T2 before regulatory adjustments</b>		<b>44,294,663</b>
<b>Tier 2 Capital: regulatory adjustments</b>		
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		(60,270)
Investment in own Tier 2 capital instrument		(1,866)
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)	-
<b>Amount of Regulatory Adjustment applied to T2 capital</b>		<b>(62,136)</b>
<b>Tier 2 capital (T2)</b>		<b>44,232,527</b>
Tier 2 capital recognised for capital adequacy		38,239,758
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		38,239,758
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		<b>158,137,732</b>



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**Main Features of Regulatory Capital Instruments**

Main Features	Common Shares	Additional Tier 1 Sub-ordinated Debt	Additional Tier 1 Sub-ordinated Debt	Tier 2 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	Bank AL Habib Limited	Bank AL Habib Limited
2. Unique identifier (e.g. PSX Symbol or Bloomberg identifier etc.)	BAHL	BAHLAT1TFC6	BAHLAT1TFC9	BAHLTFC7	BAHLTFC8	BAHLTFC10
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)	Laws of Pakistan (SBP & SECP)	Laws of Pakistan (SBP & SECP)
Regulatory treatment						
4. Transitional Basel III rules	CET-1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2
5. Post - transitional Basel III rules	CET-1	Additional Tier 1	Additional Tier 1	Tier 2	Tier 2	Tier 2
6. Eligible at solo / group / group & solo	Group & Standalone	Group & Standalone	Group & Standalone	Group & Standalone	Group & Standalone	Group & Standalone
7. Instrument type	Ordinary Shares	Sub-ordinated Debt	Sub-ordinated Debt	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	7,000,000	3,190,400	4,990,000	6,988,800
9. Par value of instrument	Rs 10	Rs 5,000	Rs 5,000	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	Liability - Sub -ordinated Loans	Liability - Sub -ordinated Loans
11. Original date of issuance	January, 1992	20 December 2017	25 April 2022	06 December 2018	30 September 2021	23 December 2022
12. Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated
13. Original maturity date	N/A	N/A	N/A	06 December 2028	30 September 2031	23 December 2032
14. Issuer call subject to prior supervisory approval	No	Yes	Yes	Yes	Yes	Yes
15. Optional call date, contingent call dates and redemption amount	N/A	20 December 2022	25 April 2027	06 December 2023	30 September 2026	23 December 2027
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.	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	Floating	Floating
18. Coupon rate and any related index / benchmark	N/A	6 months Kibor + 1.50% p.a.	6 months Kibor + 1.65% p.a.	6 months Kibor + 1.00% p.a.	6 months Kibor + 0.75% p.a.	6 months Kibor + 1.35% p.a.
19. Existence of a dividend stopper	No	No	No	No	No	No
20. Fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory	Mandatory
21. Existence of step up or other incentive to redeem	N/A	No	No	No	No	No
22. Noncumulative or cumulative	N/A	Noncumulative	Noncumulative	N/A	N/A	N/A
23. Convertible or non - convertible	N/A	Convertible	Convertible	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) 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	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	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	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	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	Common Equity Tier 1	Common Equity Tier 1
29.	If convertible, specify issuer of instrument it converts into	N/A	BAHL	BAHL	BAHL	BAHL	BAHL
30.	Write - down feature	N/A	Yes	Yes	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) 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	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	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	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	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 & 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	Subordinate to all other debts, including deposits, but excluding Tier 1 TFCs
36.	Non - compliant transitioned features	No	No	No	No	No	No
37.	If yes, specify non - compliant features	N/A	N/A	N/A	N/A	N/A	N/A

**BANK AL HABIB LIMITED**  
**CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES- UNCONSOLIDATED**  
**AS AT 31 DECEMBER 2023**

Capital Requirements		Risk Weighted Assets	
2023	2022	2023	2022

(Rupees in '000)

**Credit Risk**

**On-Balance sheet**

Portfolios subject to standardised approach (Comprehensive)

Sovereign	5,082,645	3,531,042	50,826,449	35,310,425
Public sector enterprises	711,761	508,682	7,117,615	5,086,818
Banks	1,233,125	1,616,347	12,331,254	16,163,468
Corporate	41,841,269	41,794,245	418,412,694	417,942,453
Retail	4,299,133	4,212,232	42,991,325	42,122,320
Residential mortgages	781,588	666,460	7,815,877	6,664,603
Past due loans	632,010	241,750	6,320,104	2,417,500
Equity portfolio	1,547,726	764,789	15,477,256	7,647,893
Operating fixed assets	7,957,255	6,207,508	79,572,554	62,075,079
Other assets	2,280,034	3,544,559	22,800,341	35,445,595
	<b>66,366,547</b>	<b>63,087,615</b>	<b>663,665,468</b>	<b>630,876,153</b>

**Off-Balance sheet**

**Non-market related**

Direct Credit Substitutes / Acceptances / Standby LCs	4,222,466	4,179,837	42,224,662	41,798,366
Transaction Related Contingent Liabilities	3,092,233	3,287,784	30,922,330	32,877,837
Trade Related Contingent Liabilities	3,480,842	2,454,358	34,808,423	24,543,580
Other Commitments	398,075	368,058	3,980,750	3,680,585
	<b>11,193,617</b>	<b>10,290,037</b>	<b>111,936,165</b>	<b>102,900,367</b>

**Market related**

Outstanding Foreign Exchange Contracts	291,592	218,117	2,915,918	2,181,171
	<b>11,485,208</b>	<b>10,508,154</b>	<b>114,852,083</b>	<b>105,081,538</b>

**Market Risk**

Capital Requirement for portfolios subject to Standardised Approach

Interest rate risk/Equity Price Risk				
General market risk	349,153	171,225	4,364,418	2,140,316
Specific market risk	256,532	108,734	3,206,651	1,359,171
Foreign exchange risk	1,201,464	671,165	15,018,297	8,389,559
	<b>1,807,149</b>	<b>951,124</b>	<b>22,589,366</b>	<b>11,889,046</b>

**Operational Risk**

Capital Requirement for operational risks

	15,768,199	11,785,627	197,102,489	147,320,337
	<b>95,427,104</b>	<b>86,332,519</b>	<b>998,209,406</b>	<b>895,167,074</b>

**Capital Adequacy Ratios**

	Required		Actual	
	2023	2022	2023	2022
CET1 to total RWA	6.000%	6.000%	10.694%	9.889%
Tier-1 capital to total RWA	7.500%	7.500%	12.011%	11.378%
Total capital to total RWA	11.500%	11.500%	15.842%	14.739%
Leverage Ratio	3.000%	3.000%	3.729%	3.713%

**BANK AL HABIB LIMITED**  
**CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES- UNCONSOLIDATED**  
**AS AT 31 DECEMBER 2023**

**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 (rated and unrated)	Credit Risk Mitigation (CRM) deduction	Net amount
	(Rupees in '000)		
0%	1,694,802,488	55,594,672	1,639,207,816
20%	122,250,625	12,228,655	110,021,971
25%	4,118,453	-	4,118,453
35%	19,441,513	52,189	19,389,324
50%	381,442,441	91,397,925	290,044,516
75%	86,114,629	19,043,498	67,071,132
100%	458,961,186	70,206,542	388,754,644
125%	94,800,773	17,508,894	77,291,880
150%	44,476,994	5,545,089	38,931,905
250%	2,675,362	-	2,675,362
	<u>2,909,084,465</u>	<u>271,577,464</u>	<u>2,637,507,001</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)

	2023		2022	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
(Rupees in '000)				
<b>High quality liquid assets</b>				
Total high quality liquid assets (HQLA)	-	955,564,193	-	741,159,604
<b>Cash outflows</b>				
<b>Retail deposits and deposits from small business customers of which:</b>				
Stable deposit	-	-	-	-
Less stable deposit	1,404,120,492	140,412,049	1,092,368,113	109,236,811
	1,404,120,492	140,412,049	1,092,368,113	109,236,811
<b>Unsecured wholesale funding of which:</b>				
Operational deposits (all counterparties)	-	-	-	-
Non - operational deposits (all counterparties)	423,051,514	194,781,495	374,830,396	171,998,604
Unsecured debt	34,782,932	34,782,932	25,782,214	25,782,214
	457,834,446	229,564,426	400,612,610	197,780,818
<b>Secured wholesale funding</b>	-	2,559,027	-	6,892,610
<b>Additional requirements of which:</b>				
Outflows related to derivative exposures and other collateral requirements	8,332,970	8,332,970	19,210,968	19,210,968
Outflows related to loss of funding on debt products	-	-	-	-
Credit and liquidity facilities	4,253,260	425,326	4,118,300	411,830
	12,586,230	8,758,296	23,329,268	19,622,798
<b>Other contractual funding obligations</b>	47,402,851	47,402,851	36,844,453	36,844,453
<b>Other contingent funding obligations</b>	1,323,519,218	39,837,227	1,222,172,122	35,899,689
<b>Total cash outflows</b>		468,533,876		406,277,179
<b>Cash inflows</b>				
Secured lending	-	-	-	-
Inflows from fully performing exposures	186,509,875	106,275,216	167,765,967	90,801,510
Other cash inflows	20,842,777	8,092,987	11,085,353	5,884,233
<b>Total cash inflows</b>		114,368,202		96,685,743
<b>Total High Quality Liquid Assets (HQLA)</b>		955,564,193		741,159,604
<b>Total Net Cash Outflows</b>		354,165,673		309,591,436
<b>Liquidity Coverage Ratio</b>		269.807%		239.399%

Net Stable Funding Ratio (NSFR)

	2023				Weighted value
	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	(Rupees in '000)				
<b>ASF Item</b>					
<b>Capital</b>					
Regulatory capital	106,748,559	-	-	-	106,748,559
Other capital instruments	14,000,000	-	-	15,169,200	29,169,200
<b>Retail deposits and deposit from small business customers:</b>					
Stable deposits	-	-	-	-	-
Less stable deposits	1,343,507,976	144,474,891	66,344,784	7,710,702	1,489,455,247
<b>Wholesale funding</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	247,984,808	50,615,992	17,328,101	48,034	234,474,467
<b>Other liabilities:</b>					
NSFR derivative liabilities	-	-	-	80,402,990	-
All other liabilities and equity not included in other categories	54,546,220	534,858,143	19,455,678	97,552,791	143,801,189
<b>Total ASF</b>					<b>2,003,648,662</b>
<b>RSF item</b>					
Total NSFR high - quality liquid assets (HQLA)					369,795,233
Deposits held at other financial institutions for operational purposes	6,481,081	-	-	-	3,240,541
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans to financial institutions	-	27,899,722	683,819	173,939	4,700,807
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	571,040,618	47,784,630	163,220,107	449,836,448
				56,813,627	36,928,858
Securities that are not in default and do not qualify as HQLA including exchange - traded equities.				13,951,222	11,858,539
<b>Other assets:</b>					
NSFR derivative assets	-	-	-	123,771,146	43,368,156
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	80,402,990	16,080,598
All other assets not included in the above categories	99,591	160,214,817	10,102,174	66,871,196	224,091,756
Off - balance sheet items					66,156,132
<b>Total RSF</b>					<b>1,226,057,068</b>
<b>Net Stable Funding Ratio (%)</b>					<b>163.422%</b>

	2022				Weighted value
	Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
	(Rupees in '000)				
<b>ASF Item</b>					
<b>Capital</b>					
Regulatory capital	89,787,424	-	-	-	89,787,424
Other capital instruments	14,000,000	-	-	15,972,400	29,972,400
<b>Retail deposits and deposit from small business customers:</b>					
Stable deposits	-	-	-	-	-
Less stable deposits	1,039,405,264	100,595,282	76,976,364	28,800,071	1,188,175,947
<b>Wholesale funding</b>					
Operational deposits	-	-	-	-	-
Other wholesale funding	205,935,810	58,790,006	8,334,118	219,900	200,246,741
<b>Other liabilities:</b>					
NSFR derivative liabilities	-	-	-	36,400,812	-
All other liabilities and equity not included in other categories	-	433,289,524	16,460,155	135,223,027	143,453,105
<b>Total ASF</b>					<b>1,651,635,617</b>
<b>RSF item</b>					
Total NSFR high - quality liquid assets (HQLA)					146,954,017
Deposits held at other financial institutions for operational purposes	4,394,895	-	-	-	2,197,448
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
Performing loans to financial institutions secured by non - Level 1 HQLA and unsecured performing loans	-	22,292,830	49,285	-	3,368,567
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	-	507,019,299	55,827,851	192,380,935	444,947,370
				43,183,898	28,069,534
Securities that are not in default and do not qualify as HQLA including exchange - traded equities.				15,868,611	13,488,319
<b>Other assets:</b>					
NSFR derivative assets	-	-	-	78,111,678	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	36,400,812	-
All other assets not included in the above categories	10,672,367	113,691,847	4,949,276	54,603,252	227,781,544
Off - balance sheet items					55,447,451
<b>Total RSF</b>					<b>922,254,250</b>
<b>Net Stable Funding Ratio (%)</b>					<b>179.087%</b>