

BANK AL HABIB LIMITED

CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED

AS AT 31 DECEMBER 2022

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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 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:

	2022
Required CAR	<u>11.500%</u>
CAR on stand-alone basis	<u><u>14.739%</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 3.713% 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, 2022

Name	Type of entity	Country of incorporation
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.

	2022	2021
	(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	19,834,574	18,177,551
Gains / (losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits / (losses)	58,838,596	51,798,069
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	89,787,424	81,089,874
Total regulatory adjustments applied to CET1 (Note 42.3.2)	(1,263,895)	(448,608)
Common Equity Tier 1	(a) 88,523,529	80,641,266
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	14,000,000	7,000,000
of which: Classified as equity	-	-
of which: Classified as liabilities	14,000,000	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	14,000,000	7,000,000
Total regulatory adjustment applied to AT1 capital (Note 42.3.3)	(668,970)	(429,266)
Additional Tier 1 capital after regulatory adjustments	13,331,030	6,570,734
Additional Tier 1 capital recognized for capital adequacy	(b) 13,331,030	6,570,734
Tier 1 Capital (CET1 + admissible AT1)	(c=a+b) 101,854,559	87,212,000
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	15,972,400	8,984,400
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	8,753,159	7,946,909
Revaluation Reserves (net of taxes)	821,222	6,361,575
of which: Revaluation reserves on fixed assets	6,448,791	7,020,016
of which: Unrealised gains/(losses) on AFS	(5,627,569)	(658,441)
Foreign Exchange Translation Reserves	4,556,842	2,478,915
Undisclosed / Other Reserves (if any)	-	-
T2 before regulatory adjustments	30,103,624	25,771,799
Total regulatory adjustment applied to T2 capital (Note 42.3.4)	(21,610)	(21,260)
Tier 2 capital (T2) after regulatory adjustments	30,082,013	25,750,539
Tier 2 capital recognised for capital adequacy	30,082,013	25,750,539
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	(d) 30,082,013	25,750,539
TOTAL CAPITAL (T1 + admissible T2)	(e=c+d) 131,936,573	112,962,539
Total Risk Weighted Assets (RWA) (Note 42.6)	(f) 895,167,074	837,676,792
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	(a/f) 9.889%	9.627%
Tier-1 capital to total RWA	(c/f) 11.378%	10.411%
Total capital to total RWA	(e/f) 14.739%	13.485%

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	2022	2021
	(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>3.889%</u>	<u>3.627%</u>
National minimum capital requirements prescribed by SBP		
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)	(364,466)	(268,246)
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	(111,314)	(139,645)
Cash flow hedge reserve	-	-
Investment in own shares/ CET1 instruments	(34,945)	(40,717)
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	(1,263,895)	(448,608)
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	(668,970)	(429,266)
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustment applied to AT1 capital	(668,970)	(429,266)

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	2022	2021
	(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	(20,000)	(20,000)
Investment in own Tier 2 capital instrument	(1,610)	(1,260)
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	(21,610)	(21,260)
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)	8,753,159	8,789,195
Cap on inclusion of provisions in Tier 2 under standardized approach	8,753,159	7,946,909
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		
	2022	2022
	As per published financial statements	Under regulatory scope for capital adequacy
Assets		
Cash and balances with treasury banks	94,163,585	94,163,585
Balances with other banks	15,067,261	15,067,261
Lendings to financial institutions	15,568,607	15,568,607
Investments	1,158,520,697	1,158,520,697
Advances	813,534,790	813,534,790
Operating fixed assets	62,439,545	62,439,545
Deferred tax assets	9,680,840	9,680,840
Other assets	103,092,411	103,092,411
Total assets	2,272,067,736	2,272,067,736
Liabilities & Equity		
Bills payable	44,855,837	44,855,837
Borrowings	418,989,460	418,989,460
Deposits and other accounts	1,568,138,055	1,568,138,055
Sub-ordinated loans	29,991,600	29,991,600
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	114,850,833	114,850,833
Total liabilities	2,176,825,785	2,176,825,785
Share capital/ Head office capital account	11,114,254	11,114,254
Reserves	24,391,414	24,391,414
Unappropriated/ Unremitted profits/ (losses)	58,838,598	58,838,598
Minority Interest	-	-
Surplus on revaluation of assets	897,685	897,685
Total equity	95,241,951	95,241,951
Total liabilities & equity	2,272,067,736	2,272,067,736

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Reference	2022	2022
	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	94,163,585	94,163,585
Balances with other banks	15,067,261	15,067,261
Lendings to financial institutions	15,568,607	15,568,607
Investments	1,158,520,697	1,158,520,697
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) 111,314	111,314
of which: reciprocal crossholding of capital instrument of T 2	(e) 20,000	20,000
Advances	813,534,790	813,534,790
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	(f) -	-
general provisions reflected in Tier 2 capital	(g) 8,753,159	8,753,159
Fixed Assets	62,439,545	62,439,545
of which: Intangibles	(h) 364,466	364,466
Deferred Tax Assets	9,680,840	9,680,840
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) 753,170	753,170
Other assets	103,092,411	103,092,411
of which: Goodwill	(k) -	-
of which: Defined-benefit pension fund net assets	(l) -	-
Total assets	2,272,067,736	2,272,067,736
Liabilities & Equity		
Bills payable	44,855,837	44,855,837
Borrowings	418,989,460	418,989,460
Deposits and other accounts	1,568,138,055	1,568,138,055
Sub-ordinated loans	29,991,600	29,991,600
of which: eligible for inclusion in AT1	(m) 14,000,000	14,000,000
of which: eligible for inclusion in Tier 2	(n) 15,991,600	15,991,600
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	114,850,833	114,850,833
Total liabilities	2,176,825,785	2,176,825,785
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	24,391,414	24,391,414
of which: portion eligible for inclusion in CET1	(u) 19,834,574	19,834,574
of which: portion eligible for inclusion in Tier 2	(v) 4,556,840	4,556,840
Unappropriated profits / (losses)	(w) 58,838,598	58,838,598
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	897,685	897,685
of which: Revaluation reserves on Properties	(aa) 6,525,255	6,525,255
of which: Unrealised Gains/(Losses) on AFS	(5,627,570)	(5,627,570)
In case of Deficit on revaluation (deduction from CET1)	(ab) -	-
Total Equity	95,241,951	95,241,951
Total liabilities & equity	2,272,067,736	2,272,067,736

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Reconciliation of computation of capital with balance sheet of the Bank

		2022
		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)	19,834,574
Gains / (Losses) on derivatives held as Cash Flow Hedge		-
Unappropriated/unremitted profits / (losses)	(w)	58,838,596
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		89,787,424
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)	(364,466)
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)	(111,314)
Cash flow hedge reserve		-
Investment in own shares/ CET1 instruments		(34,945)
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)	(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 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		(1,263,895)
Common Equity Tier 1		88,523,529

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		2022
		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		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)	-
AT1 before regulatory adjustments		14,000,000
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		(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)	(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		(668,970)
Additional Tier 1 capital		13,331,030
Additional Tier 1 capital recognised for capital adequacy		13,331,030
Tier 1 Capital (CET1 + admissible AT1)		101,854,559
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium		15,972,400
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)	8,753,159
Revaluation Reserves eligible for Tier 2		821,222
of which: portion pertaining to Property	portion of (aa) {	6,448,791
of which: portion pertaining to AFS securities		(5,627,569)
Foreign Exchange Translation Reserves	(v)	4,556,842
Undisclosed/Other Reserves (if any)		-
T2 before regulatory adjustments		30,103,624
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		(20,000)
Investment in own Tier 2 capital instrument		(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)	(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		(21,610)
Tier 2 capital (T2)		30,082,013
Tier 2 capital recognised for capital adequacy		30,082,013
Excess Additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy		30,082,013
TOTAL CAPITAL (T1 + admissible T2)		131,936,573

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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	3,993,600	4,998,000	7,000,000
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 2022

Capital Requirements		Risk Weighted Assets	
2022	2021	2022	2021

(Rupees in '000)

Credit Risk

On-Balance sheet

Portfolios subject to standardised approach (Comprehensive)

Sovereign	3,531,042	2,875,336	35,310,425	28,753,364
Public sector enterprises	508,682	442,823	5,086,818	4,428,229
Banks	1,616,347	1,588,877	16,163,468	15,888,767
Corporate	41,794,245	41,802,061	417,942,453	418,020,611
Retail	4,212,232	4,472,387	42,122,320	44,723,872
Residential mortgages	666,460	398,770	6,664,603	3,987,705
Past due loans	241,750	128,513	2,417,500	1,285,135
Equity portfolio	764,789	651,429	7,647,893	6,514,293
Operating fixed assets	6,207,508	5,569,278	62,075,079	55,692,777
Other assets	3,544,559	1,364,550	35,445,595	13,645,499
	63,087,615	59,294,025	630,876,153	592,940,252

Off-Balance sheet

Non-market related

Direct Credit Substitutes / Acceptances / Standby LCs	4,179,837	4,385,341	41,798,366	43,853,410
Transaction Related Contingent Liabilities	3,287,784	2,651,277	32,877,837	26,512,768
Trade Related Contingent Liabilities	2,454,358	3,404,599	24,543,580	34,045,993
Other Commitments	368,058	290,472	3,680,585	2,904,717
	10,290,037	10,731,689	102,900,367	107,316,887

Market related

Outstanding Foreign Exchange Contracts	218,117	287,845	2,181,171	2,878,445
	10,508,154	11,019,533	105,081,538	110,195,332

Market Risk

Capital Requirement for portfolios subject to Standardised Approach

Interest rate risk/Equity Price Risk				
General market risk	171,225	212,327	2,140,316	2,654,089
Specific market risk	108,734	369,010	1,359,171	4,612,622
Foreign exchange risk	671,165	780,537	8,389,559	9,756,717
	951,124	1,361,874	11,889,046	17,023,428

Operational Risk

Capital Requirement for operational risks

	11,785,627	9,401,423	147,320,337	117,517,781
	86,332,520	81,076,854	895,167,074	837,676,793

Capital Adequacy Ratios

	Required		Actual	
	2022	2021	2022	2021
CET1 to total RWA	6.000%	6.000%	9.889%	9.627%
Tier-1 capital to total RWA	7.500%	7.500%	11.378%	10.411%
Total capital to total RWA	11.500%	11.500%	14.739%	13.485%
Leverage Ratio	3.000%	3.000%	3.713%	3.736%

BANK AL HABIB LIMITED

CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY DISCLOSURES- UNCONSOLIDATED

AS AT 31 DECEMBER 2022

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)	(Rupees in '000)		
0%	1,267,118,975	32,760,331	1,234,358,644	
20%	118,814,885	18,451,119	100,363,766	
25%	4,239,114	-	4,239,114	
35%	16,046,927	33,142	16,013,785	
50%	338,191,496	74,844,830	263,346,666	
75%	81,958,044	18,881,297	63,076,747	
100%	455,924,417	75,755,536	380,168,881	
125%	77,363,328	8,546,308	68,817,020	
150%	29,755,822	4,861,945	24,893,877	
250%	9,810,920	-	9,810,920	
	2,399,223,926	234,134,507	2,165,089,419	

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)

	2022		2021	
	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)	-	741,159,604	-	631,288,320
Cash outflows				
Retail deposits and deposits from small business customers of which:				
Stable deposit	-	-	-	-
Less stable deposit	1,092,368,113	109,236,811	912,576,697	91,257,670
	1,092,368,113	109,236,811	912,576,697	91,257,670
Unsecured wholesale funding of which:				
Operational deposits (all counterparties)	-	-	-	-
Non - operational deposits (all counterparties)	374,830,396	171,998,604	314,438,986	136,959,103
Unsecured debt	25,782,214	25,782,214	14,865,696	14,865,696
	400,612,610	197,780,818	329,304,682	151,824,799
Secured wholesale funding	-	6,892,610	-	2,528,053
Additional requirements of which:				
Outflows related to derivative exposures and other collateral requirements	19,210,968	19,210,968	10,305,767	10,305,767
Outflows related to loss of funding on debt products	-	-	-	-
Credit and liquidity facilities	4,118,300	411,830	6,874,483	687,448
	23,329,268	19,622,798	17,180,250	10,993,215
Other contractual funding obligations	36,844,453	36,844,453	31,553,579	31,553,579
Other contingent funding obligations	1,222,172,122	35,899,689	964,322,997	27,494,208
Total cash outflows		406,277,179		315,651,524
Cash inflows				
Secured lending	-	-	-	-
Inflows from fully performing exposures	167,765,967	90,801,510	125,446,332	68,204,839
Other cash inflows	11,085,353	5,884,233	6,032,758	2,610,425
Total cash inflows		96,685,743		60,911,009
Total High Quality Liquid Assets (HQLA)		741,159,604		631,288,320
Total Net Cash Outflows		309,591,436		244,836,260
Liquidity Coverage Ratio		239.399%		257.841%

Net Stable Funding Ratio (NSFR)

	2022				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	89,787,424	-	-	-	89,787,424
Other capital instruments	14,000,000	-	-	15,972,400	29,972,400
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	1,039,405,264	100,595,282	76,976,364	28,800,071	1,188,175,947
Wholesale funding					
Operational deposits	-	-	-	-	-
Other wholesale funding	205,935,810	58,790,006	8,334,118	219,900	200,246,741
Other liabilities:					
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
Total ASF					1,651,635,617
RSF item					
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 to financial institutions	-	22,292,830	49,285	-	3,368,567
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	-	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
Other assets:					
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
Total RSF					922,254,250
Net Stable Funding Ratio (%)					179.087%

	2021				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	81,089,874	-	-	-	81,089,874
Other capital instruments	7,000,000	-	-	8,984,400	15,984,400
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	897,266,254	83,939,788	25,727,079	-	961,571,228
Wholesale funding					
Operational deposits	-	-	-	-	-
Other wholesale funding	167,802,696	91,408,588	13,062,525	-	183,909,607
Other liabilities:					
NSFR derivative liabilities	-	-	-	58,723,317	-
All other liabilities and equity not included in other categories	-	314,221,989	27,057,459	123,598,312	137,127,041
Total ASF					1,379,682,140
RSF item					
Total NSFR high - quality liquid assets (HQLA)					153,443,080
Deposits held at other financial institutions for operational purposes	4,911,554	-	-	-	2,455,777
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	-	24,117,608	1,016,468	-	4,125,875
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	-	434,745,457	62,096,893	181,621,154	402,799,156
				33,120,153	21,528,099
Securities that are not in default and do not qualify as HQLA including exchange - traded equities.		-	-	15,154,884	12,881,651
Other assets:					
NSFR derivative assets	-	-	-	72,497,648	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	58,723,317	-
All other assets not included in the above categories	1,828,454	102,739,798	15,806,721	48,460,400	176,836,971
Off - balance sheet items					51,679,231
Total RSF					825,749,840
Net Stable Funding Ratio (%)					167.082%