



Habib Canadian Bank
Basel II Pillar 3 Supplemental Disclosures
as of Q4 - end 2023

Dec-23

KM1: Key metrics (at consolidated group level)

		Dec-23	Sep-23	Jun-23	Mar-23	Dec-22
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	39,486	38,485	37,284	36,127	35,049
1a	Common Equity Tier 1 with transitional arrangements for ECL provisioning not applied	39,486	38,485	37,284	36,127	34,863
2	Tier 1	39,486	38,485	37,284	36,127	35,049
2a	Tier 1 with transitional arrangements for ECL provisioning not applied	39,486	38,485	37,284	36,127	34,863
3	Total capital	41,543	40,542	39,209	37,893	36,533
3a	Total capital with transitional arrangements for ECL provisioning not applied (%)	41,543	40,542	39,209	37,893	36,533
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	289,688	284,430	280,294	257,875	255,108
4a	Total risk-weighted assets (pre-floor)	289,688	284,430	280,294	257,875	255,108
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	13.63	13.53	13.30	14.01	13.74
5a	Common Equity Tier 1 ratio with transitional arrangements for ECL provisioning not applied	13.63	13.53	13.30	14.01	13.67
5b	CET1 ratio (%) (pre-floor ratio)	13.63	13.53	13.30	14.01	13.74
6	Tier 1 ratio (%)	13.63	13.53	13.30	14.01	13.74
6a	Tier 1 ratio with transitional arrangements for ECL provisioning not applied (%)	13.63	13.53	13.30	14.01	13.67
6b	Tier 1 ratio (%) (pre-floor ratio)	13.63	13.53	13.30	14.01	13.74
7	Total capital ratio (%)	14.34	14.25	13.99	14.69	14.32
7a	Total capital ratio with transitional arrangements for ECL provisioning not applied (%)	14.34	14.25	13.99	14.69	14.32
7b	Total capital ratio (%) (pre-floor ratio)	14.34	14.25	13.99	14.69	14.32
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50	2.50	2.50	2.50	2.50
9	Countercyclical buffer requirement (%)	-	-	-	-	-
10	Bank G-SIB and/or D-SIB additional requirements (%) [Not applicable for SMSBs]					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.50	2.50	2.50	2.50	2.50
12	CET1 available after meeting the bank's minimum capital requirements (%)	9.13	9.03	8.80	9.51	9.24
Basel III Leverage ratio						
13	Total Basel III leverage ratio exposure measure	401,030	373,559	348,369	325,508	338,714
14	Basel III leverage ratio (row 2 / row 13)	9.85%	10.30%	10.70%	11.10%	10.35%
14a	Basel III leverage ratio (row 2a / row 13) with transitional arrangements for ECL provisioning not applied	9.85%	10.30%	10.70%	11.10%	10.29%

Instructions

Row number	Explanation
4a	For pre-floor total RWA, the disclosed amount should exclude any adjustment made to total RWA from the application of the output floor.
5a, 6a, 7a, 14a	For fully loaded ECL ratios (%) in rows 5a, 6a, 7a and 14a, the denominator (RWA, Basel III leverage ratio exposure measure) is also "Fully loaded ECL", ie as if ECL transitional arrangements were not applied.
5b, 6b, 7b	For pre-floor risk based ratios in rows 5b, 6b and 7b, the disclosed ratios should exclude the impact of the output floor in the calculation of RWA.

12	CET1 available after meeting the bank's minimum capital requirements (as a percentage of RWA); it may not necessarily be the difference between row 5 and the minimum CET1 requirement of 4.5% because CET1 capital may be used to meet the bank's Tier 1 and/or total capital ratio requirements. See instructions to [CC1:68/a].
13	Total Basel III leverage ratio exposure measure: The amounts may reflect period-end values or averages depending on local implementation.

Modified CCI – Composition of capital for SMSBs

		Dec-23
		Amounts
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	30,000
2	Retained earnings	9,486
3	Accumulated other comprehensive income (and other reserves)	-
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)</i>	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-
6	Common Equity Tier 1 capital before regulatory adjustments	39,486
Common Equity Tier 1 capital: regulatory adjustments		
28	Total regulatory adjustments to Common Equity Tier 1	39,486
29	Common Equity Tier 1 capital (CET1)	39,486
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	-
31	of which: classified as equity under applicable accounting standards	-
32	of which: classified as liabilities under applicable accounting standards	-
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)</i>	-
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-
35	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	-
36	Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to additional Tier 1 capital	-
44	Additional Tier 1 capital (AT1)	-
45	Tier 1 capital (T1 = CET1 + AT1)	39,486
Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-
47	<i>Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)</i>	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-
49	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	-
50	Collective allowances	2,057
51	Tier 2 capital before regulatory adjustments	2,057
Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	-
58	Tier 2 capital (T2)	2,057
59	Total capital (TC = T1 + T2)	41,543
60	Total risk-weighted assets	289,688
60a	Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)	N/A
Capital ratios		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.63
62	Tier 1 (as a percentage of risk-weighted assets)	13.63
63	Total capital (as a percentage of risk-weighted assets)	14.34
OSFI target		
69	Common Equity Tier 1 target ratio	7.0%
70	Tier 1 capital target ratio	8.5%
71	Total capital target ratio	10.5%
Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)		
80	Current cap on CET1 instruments subject to phase-out arrangements	N/A
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	N/A
82	Current cap on AT1 instruments subject to phase-out arrangements	N/A
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	N/A
84	Current cap on Tier 2 instruments subject to phase-out arrangements	N/A

85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	N/A
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Explanation of each row of the Composition of Capital Template

Row #	Explanation
1	Common shares issued directly by the institution that meet the criteria for classification as common shares for regulatory purposes and share premium resulting from the issuance of instruments included in Common Equity Tier 1, as per paragraph 3 of Chapter 2 of OSFI's CAR Guideline 2023. All instruments issued by subsidiaries of the consolidated group should be excluded from this row.
2	Retained earnings, prior to all regulatory adjustments, as per paragraph 3 of Chapter 2 of OSFI's CAR Guideline 2023.
3	Accumulated other comprehensive income and other disclosed reserves, prior to all regulatory adjustments, as per paragraph 3 of Chapter 2 of OSFI's CAR Guideline 2023.
4	Directly issued capital instruments subject to phase-out from CET1 in accordance with the requirements of paragraph 107-109 of Chapter 2 of OSFI's CAR Guideline 2023.
5	Common share capital issued by subsidiaries and held by third parties that meet the criteria for inclusion in CET1 as per section 2.1.1.3 of OSFI's CAR Guideline 2023.
6	Sum of rows 1 to 5.
28	Total regulatory adjustments to Common Equity Tier 1, to be calculated as the sum of rows 7 to 22 plus rows 26 and 27. Reported as a negative amount.
29	Common Equity Tier 1 capital (CET1), to be calculated as row 6 plus row 28.
30	Additional Tier 1 capital instruments issued by the institution directly that meet the criteria in section 2.1.2.1 of OSFI's CAR Guideline 2023 and any related stock surplus as set out in paragraph 10 of Chapter 2 of OSFI's CAR Guideline 2023. All instruments issued by subsidiaries of the consolidated group should be excluded from this row. This row may include Additional Tier 1 capital issued by an SPV of the parent company only if it meets the requirements set out in section 2.1.2.3 of OSFI's CAR Guideline 2023.
31	The amount in row 30 classified as equity under applicable accounting standards.
32	The amount in row 30 classified as liabilities under applicable accounting standards.
33	Directly issued capital instruments subject to phase out from Additional Tier 1 in accordance with the requirements of section 2.4 of OSFI's CAR Guideline 2023. The amount reported here should be the amount included in regulatory capital.
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties, the amount allowed in consolidated AT1 in accordance with section 2.1.2.2 of OSFI's CAR Guideline 2023. The amount of non-qualifying Additional Tier 1 instruments issued by subsidiaries to third parties included in regulatory capital should also be reported here.
35	The amount reported in row 34 that relates to instruments subject to phase out from AT1 in accordance with the requirements of section 2.4 of OSFI's CAR Guideline 2023.
36	The sum of rows 30, 33 and 34.
43	The sum of rows 37 to 42. Reported as a negative amount.
44	Additional Tier 1 capital, to be calculated as row 36 plus row 43.
45	Tier 1 capital, to be calculated as row 29 plus row 44.
46	Tier 2 instruments issued by the institution directly that meet all of the criteria set out in section 2.1.3.1 of OSFI's CAR Guideline 2023 and any related stock surplus as set out in paragraph 26 of Chapter 2 of OSFI's CAR Guideline 2023. All instruments issued by subsidiaries of the consolidated group should be excluded from this row. This row may include Tier 2 capital issued by an SPV of the parent company only if it meets the requirements set out in section 2.1.3.3 of OSFI's CAR Guideline 2023.
47	Directly issued capital instruments subject to phase out from Tier 2 in accordance with the requirements of section 2.4 of OSFI's CAR Guideline 2023. The amount reported here should be the amount included in regulatory capital.
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 32) issued by subsidiaries and held by third parties (amount allowed in group Tier 2), in accordance with section 2.1.3.2 of OSFI's CAR Guideline 2023. The amount of non-qualifying Tier 2 instruments issued by subsidiaries to third parties included in regulatory capital should also be reported here.
49	The amount reported in row 48 that relates to instruments subject to phase out from Tier 2 in accordance with the requirements of section 2.4 of OSFI's CAR Guideline 2023.
50	Collective allowances included in Tier 2, calculated in accordance with section 2.1.3.7 of OSFI's CAR Guideline 2023.
51	The sum of rows 46 to 48 and row 50.
57	The sum of rows 52 to 56. Reported as a negative amount.
58	Tier 2 capital, to be calculated as row 51 plus row 57.
59	Total capital, to be calculated as row 45 plus row 58.
60	Total risk weighted assets (after capital floor) of the institution.
60a	Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)
61	Common Equity Tier 1 (as a percentage of risk weighted assets), to be calculated as row 29 divided by row 60 (expressed as a percentage).
62	Tier 1 ratio (as a percentage of risk weighted assets), to be calculated as row 45 divided by row 60 (expressed as a percentage).
63	Total capital ratio (as a percentage of risk weighted assets), to be calculated as row 59 divided by row 60 (expressed as a percentage).
69	On the template, OSFI's 7% CET1 target ratio. (Minimum CET1 requirement plus capital conservation buffer)
70	On the template, OSFI's 8.5% Tier 1 capital target ratio. (Minimum Tier 1 capital requirement plus capital conservation buffer)
71	On the template, OSFI's 10.5% Total capital target ratio. (Minimum Total capital requirement plus capital conservation buffer)
80	Current cap on CET1 instruments subject to phase out arrangements, see chapter 2, paragraph 109 of OSFI's CAR Guideline 2023.
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities), see chapter 2, paragraph 109 of OSFI's CAR Guideline 2023.
82	Current cap on AT1 instruments subject to phase out arrangements, see chapter 2, section 2.4 of OSFI's CAR Guideline 2023.
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities), see chapter 2, section 2.4 of OSFI's CAR Guideline 2023.
84	Current cap on T2 instruments subject to phase out arrangements, see chapter 2, section 2.4 of OSFI's CAR Guideline 2023.
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities), see section 2.4 of OSFI's CAR Guideline 2023.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities.

The Bank manages credit risk through specific credit policies that are approved by the Board. These policies set out the procedures for identifying and measuring credit risk, evaluating and approving credit, ongoing monitoring and managing such risk.

The Bank's Credit Committee is responsible for the oversight of credit risk. The Bank has a separate Credit Function that reports to the Bank's Credit Committee and is responsible for managing the Bank's credit risk, including the following:

- (i) Implementation of credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- (ii) Adherence to the authorization structure set for the approval and renewal of credit facilities.
- (iii) Authorization limits are allocated to designated senior management officers. Larger facilities require approval by the Bank's Credit Committee, the Board of Directors, or the Parent Bank's Credit Committee, as appropriate.
- (iv) Reviewing and assessing credit risk: the Bank's Credit Function assesses all credit exposures in excess of designated limits, before facilities are committed to customers. Renewals and reviews of facilities are subject to the same review process.
- (v) Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances, financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities and banks), as appropriate.
- (vi) Developing and maintaining the Bank's risk gradings to categorize exposures according to the degree of risk of default.
- (vii) Maintaining of and adherence to the Bank's processes for measuring ECL: This includes processes for:
 - (a) determining and monitoring significant increase in credit risk; and
 - (b) incorporation of forward-looking information.
- (viii) Reviewing compliance with agreed exposure limits, including those for selected industries, country risk and product types as set by the Bank's credit policies. Regular reports on the credit quality of the portfolios are provided to Bank's Credit Committee, which may require appropriate corrective action to be taken. This includes reports containing estimates of ECL allowances.
- (ix) Providing advice, guidance and specialist skills to promote best practices throughout the Bank in the management of credit risk.

The Credit Function is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Bank Credit Committee and Board of Directors. The Bank has a Senior Credit Risk Officer who reports on all credit-related matters to senior management and the Bank Credit Committee. The Credit Function is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Parent Bank's Credit Committee approval.

Regular audits of Bank credit processes are undertaken by the Parent Bank's Internal Audit group.

Operational risk

Operational risk is the risk of loss resulting from external events, human error or from inadequate or failed internal processes and systems, cyber security and regulatory compliance.

The Bank has established policies that have been approved by the Board to manage and control this risk. Operations and the handling of day-to-day risks are the responsibility of management. In this regard, detailed operating procedures have been developed with built-in checks and balances.

LR2: Leverage ratio

		Dec-23	Sep-23
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives, SFTs and grandfathered securitization exposures but including collateral)	381,917	359,065
2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS)	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-	-
4	(Asset amounts deducted in determining Tier 1 capital)	-	-
5	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 to 4)	381,917	359,065
Derivative exposures			
6	Replacement cost associated with all derivative transactions	-	-
7	Add-on amounts for potential future exposure associated with all derivative transactions	-	-
8	(Exempted central counterparty-leg of client cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	Total derivative exposures (sum of lines 6 to 10)	-	-
Securities financing transaction exposures			
12	Gross SFT assets recognised for accounting purposes (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk (CCR) exposure for SFTs	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	34,043	24,629
18	(Adjustments for conversion to credit equivalent amounts)	- 14,930	- 10,135
19	Off-balance sheet items (sum of lines 17 and 18)	19,113	14,494
Capital and total exposures			
20	Tier 1 capital	39,486	38,485
21	Total Exposures (sum of lines 5, 11, 16 and 19)	401,030	373,559
Leverage ratio			
22	Basel III leverage ratio	9.85%	10.30%
Disclosure of mean values			

The following provides the Basel LR Framework description (with references to OSFI's Leverage Requirements Guideline) for each line item in Template LR2.

Institutions should disclose the row numbers as indicated below to ensure that market participants can easily compare institutions. Where there is no value in a box, the row can be N/A or Nil but the row number must not change.

Row number	Explanation
1	On-balance sheet assets (excluding derivatives and SFTs but including collateral) according to paragraphs 24 and 34-36 of the LR guideline.
2	Grossed-up amount for collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework (IFRS).
3	Deductions of receivables assets from cash variation margin provided in derivative transactions according to paragraph 38 of the LR guideline, reported as negative amounts.
4	Deductions from Basel III Tier 1 capital determined by paragraphs 4, 25-26 of the LR guideline and excluded from the leverage ratio exposure measure, reported as negative amounts.
5	Sum of lines 1 to 4.
6	Replacement cost (RC) associated with all derivative transactions, (including exposure resulting from transactions described in paragraph 40 of the LR guideline), according to paragraph 37 of the LR guideline.
7	Add-on amount for all derivatives exposure according to paragraphs 37 - 50 of the LR guideline.
8	Exempted trade exposures associated with the central counterparty-leg of derivative transactions resulting from client cleared transactions according to paragraphs 39 of the LR guideline, reported as negative amounts.
9	Adjusted effective notional amount (i.e. the effective notional amount reduced by any negative change in fair value) for written credit derivatives according to paragraphs 43-47 of the LR guideline.
10	Adjusted effective notional offsets of written credit derivatives according to paragraphs 43 - 47 of the LR guideline and deducted add-on amounts relating to written credit derivatives according to paragraph 49 of the LR guideline, reported as negative amounts.
11	Sum of lines 6 to 10.
12	Gross SFT assets recognised for accounting purposes with no recognition of any netting other than novation with qualifying central counterparties (QCCPs) as set out in footnote 20 of the LR guideline, removing certain securities received as determined by paragraph 53 (i) of the LR guideline and adjusting for any sales accounting transactions as determined by paragraph 56 of the LR guideline.
13	Cash payables and cash receivables of Gross SFT assets netted according to paragraph 53 (i) of the LR guideline, reported as negative amounts.
14	Measure of counterparty credit risk for SFTs as determined by paragraph 53 (ii) of the LR guideline.
15	Agent transaction exposure amount determined according to paragraphs 57-60 of the LR guideline.
16	Sum of rows 12 to 15.
17	Total off-balance sheet exposure amounts on a gross notional basis, before any adjustment for credit conversion factors according to paragraphs 61 to 75 of the LR guideline.
18	Reduction in gross amount of off-balance sheet exposures due to the application of credit conversion factors in paragraphs 61 - 75 of the LR guideline.
19	Sum of rows 17 to 18.
20	Tier 1 capital as determined by paragraph 17 of the LR guideline.
21	Sum of lines 5, 11, 16 and 19.
22	Basel III leverage ratio according to paragraph 5 of the LR guideline. (Line 20/21)