HBL HABIB BANK

Ref no. SECP/ADT-1/2019/DEC1

December 24, 2019

Mr. Abid Hussain
The Executive Director
Corporate Supervision Department
Securities & Exchange Commission of Pakistan
Islamabad.

SUBJECT: **APPLICATION FOR FURTHER ISSUE OF SHARES BY WAY OF OTHER THAN RIGHT UNDER SECTION 83(1) (b) OF THE COMPANIES ACT 2017 READ WITH THE COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS 2018.**

Dear Sir,

We write with reference to your letter No.CSD/CI/25/2019-130 dated December 19, 2019 in respect of the above mentioned matter; and respectfully thank the Commission for the same.

We would like to clarify the following:

1. Approval was granted by the State Bank of Pakistan (SBP) and by the shareholders of Habib Bank Limited (the **"Bank"**), in June 2019 for the issuance of fully Paid-Up, Rated, Privately Placed (subsequently Listed), Perpetual, Unsecured, Sub-ordinated, Non-Cumulative and Contingent Convertible debt instrument in the nature of Term Finance Certificates ("TFCs") issued as instruments of redeemable capital under Section 66 of the Companies Act, upto an amount of PKR 15 Billion, to be qualified as Additional Tier 1 Capital, as outlined in the relevant SBP circulars (**"TFC Issue"**) .

2. The TFC Issue comprises of two subscriptions of TFCs for an aggregate amount of PKR 12,374,000,000 (Pak Rupees Twleve Billion Three Hundred Seventy Four Million Only) having been completed by September 26, 2019.

3. As per the terms of the TFC Issue, the TFCs are subject to a mandatory conversion upon the occurrence of certain events; however this conversion, is strictly subject to the occurrence of the following events:

    a. **CET 1 Trigger Event:** The pre-specified trigger for loss absorption through conversion shall be the Issuer's Common Equity Tier 1 ratio falling to or below 6.625% of Risk Weighted Assets.

    b. **PONV Trigger Event:** The Point of Non-Viability Trigger Event shall be the earlier of:

        i. A decision made by the SBP that a conversion or permanent write-off is necessary without which the Issuer would become non-viable; or

        ii. The decision to make a public-sector injection of capital or equivalent support, without which the Issuer would become non-viable, as determined by SBP.

    c. **Lock In Event:** Mark-up will only be paid from the Issuer's current year's earning and if the Issuer is in compliance with regulatory MCR, CAR and LR requirements set by the SBP from time to time. Any inability to exercise lock-in clause or non-cumulative feature, will subject

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these TFCs to mandatory conversion into ordinary shares / write-off at the discretion of the State Bank of Pakistan.

d. A Mandatory Conversion Event will only be triggered if the Issuer's position falls below the minimum threshold of the financial ratios and requirements mentioned below:

	Requirement
MCR	*10 Billion*
CET 1 Ratio	*9.90%*
Tier 1 Ratio	*11.40%*
CAR	*13.90%*
LR	*3.00%*

We hereby confirm that we shall comply with the Terms and Conditions of the Trust Deed as well as of the TFCs as approved by the SBP. We also confirm that we will comply with all conditions as specified by the Commission.

Yours sincerely,

For and on behalf of Habib Bank Limited

Farhan Talib
Head Corporate and Investment Banking

Neelofar Hameed
Company Secretary

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