

As mentioned in Note 46.1 of Financial Statements, Full Disclosure on the Capital Adequacy, leverage Ratio & liquidity Requirements as per SBP Instructions has been placed below

1 CAPITAL ASSESSMENT AND ADEQUACY

1.1 Scope of Applications

Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Group at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and also on stand alone basis. While calculating Consolidated Capital Adequacy for the Group, Subsidiaries are included using full consolidation method whereas associates in which the Group has significant influence, are included on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, higher of Alternate Standardized Approach (ASA) or 70% of Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

1.2 Capital Management

1.2.1 Objectives and goals of managing capital

The Group manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by Banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover major risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

1.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) of all locally incorporated Banks to be raised to PKR 10 billion. The paid up capital of the Bank for the year ended December 31, 2021 stands at PKR 17.77 billion and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Group is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation by December 31, 2019. Under Basel III guidelines Banks are required to maintain the following ratios on an ongoing basis:

Existing Minimum Capital Requirements:

Sr. No	Ratio	2021*
1	CET 1	6.0%
2	ADT 1	1.5%
3	Tier 1	7.5%
4	Total Capital	10.0%
5	CCB	1.50%
6	Total Capital Plus CCB	11.50%

In light of COVID-19 situation the Capital Conversation Buffer (CCB) as prescribed vide BPRD Circular No. 6 of August 15, 2013 has been reduced, for the time being, from its existing level of 2.50% to 1.50%, till further instructions; thereby resulting in CAR requirement of 11.50%

Group's regulatory capital is analysed into three tiers

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net reserves on revaluation of fixed assets, equity investments and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

The required capital adequacy ratio was achieved by the Group through improvement in the capital base, asset quality, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group. As the Group carry on the business in multiple jurisdiction and segments, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations. The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group's management of capital during the year.

1.2.3 Leverage Ratio

Leverage ratio is defined as ratio of Group's Eligible Tier 1 Capital to Total Exposure. The leverage ratio of the Group as at December 31, 2021 is 3.71 % (2020: 4.29%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2021; Total Tier 1 capital of the Group amounts to PKR 84.94 billion (2020: PKR 78.81 billion) whereas the total exposure measure amounts to PKR. 2,292.53 (2020: PKR 1,836.89 billion).

1.2.4 Risk Appetite

In line with the corporate goal, mission and strategy, bank's risk exposure is maintained within the risk appetite of the stakeholders as defined by the Board of Directors. Risk Appetite Statement is an expression of the amount of risk that is prepared to achieve its strategic objectives. In effect, it is the maximum threshold beyond which bank does not take any additional risk. The Bank has defined its risk appetite in the form of 'Risk Appetite Statement' which has duly been approved by the Board & monitored on quarterly basis. ☐

1.2.5 Stress Testing

Stress testing examines the sensitivity of Bank's Capital for Regulatory as well as Economic capital under a number of scenarios and ensures that emerging risks stemming into its portfolio are appropriately accounted. The scope of this exercise has been expanded to incorporate internally developed scenarios based on macroeconomic situation & portfolio composition as well.

1.2.6 Capital Adequacy

Group's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

- a. Capital Adequacy plays key consideration for not only arriving at the business projections / plans but it is well monitored while undertaking transactions.
- b. The bank continues to remain sufficiently capitalized institution with the capital base above regulatory limits. Bank's total Capital Adequacy Ratio stands at 14.32% against the requirement of 11.50% (including CCB of 1.50%); while supporting credit growth and steady dividend payout stream.
- c. The capital base forms the fundamental constituent of Bank's business plans; which is at sufficient level to support the envisaged business growth and this would be monitored regularly.
- d. The Bank enjoys strong sponsor support from Abu Dhabi Group and IFC, leading to increased investor confidence

1.3 Capital Adequacy Ratio as at December 31, 2021

	Note	2021	2020
		(Rupees in '000)	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	17,771,651	17,771,651
2	Balance in Share Premium Account	4,731,049	4,731,050
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	17,011,825	15,590,149
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	42,578,350	36,572,971
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	78,090	70,834
9	CET 1 before Regulatory Adjustments	82,170,965	74,736,655
10	Total regulatory adjustments applied to CET1 (Note 46.4.1)	4,242,866	2,942,305
11	Common Equity Tier 1	77,928,098	71,794,350
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	7,000,000	7,000,000
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	7,000,000	7,000,000
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	13,781	12,500
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	7,013,781	7,012,500
18	Total regulatory adjustment applied to AT1 capital (Note 46.4.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	7,013,781	7,012,500
20	Additional Tier 1 capital recognized for capital adequacy	7,013,781	7,012,500
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	84,941,879	78,806,850
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	22,968	20,834
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	4,171,312	5,412,207
27	Revaluation Reserves (net of taxes)	c=a+b 12,580,193	10,460,344
28	of which: Revaluation reserves on fixed assets	a 12,580,193	7,197,353
29	of which: Unrealized gains/losses on AFS	b -	3,262,991
30	Foreign Exchange Translation Reserves	8,211,089	7,358,823
31	Undisclosed/Other Reserves (if any)	-	-
32	T2 before regulatory adjustments	24,985,562	23,252,207
33	Total regulatory adjustment applied to T2 capital (Note 46.4.3)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	24,985,562	23,252,207
35	Tier 2 capital recognized for capital adequacy	24,985,562	23,252,207
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	24,985,562	23,252,207
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	109,927,441	102,059,057
39	Total Risk Weighted Assets (RWA) {for details refer Note 46.7}	767,403,796	623,526,025
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	10.15%	11.51%
41	Tier-1 capital to total RWA	11.07%	12.64%
42	Total capital to total RWA	14.32%	16.37%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.50%	7.50%
44	of which: capital conservation buffer requirement	1.50%	1.50%
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	4.15%	5.51%
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio (Inclusive of 1.5% CCB for 2021 (2020: 1.5%))	11.50%	11.50%

Regulatory Adjustments and Additional Information	Note	2021	2020
		Amount	Amount
		Amounts subject to Pre-Basel III treatment* (Rupees in '000)	Amounts subject to Pre-Basel III treatment*
1.3.1 Common Equity Tier 1 capital: Regulatory adjustments			
1 Goodwill (net of related deferred tax liability)		-	-
2 All other intangibles (net of any associated deferred tax liability)		1,119,389	1,287,735
3 Shortfall in provisions against classified assets		-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		-	-
5 Defined-benefit pension fund net assets		744,324	692,399
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities		994,037	896,402
7 Cash flow hedge reserve		-	-
8 Investment in own shares/ CET1 instruments		157,481	65,769
9 Securitization gain on sale		-	-
10 Capital shortfall of regulated subsidiaries		-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS		1,227,635	-
12 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)		-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		-	-
15 Amount exceeding 15% threshold		-	-
16 of which: significant investments in the common stocks of financial entities		-	-
17 of which: deferred tax assets arising from temporary differences		-	-
18 National specific regulatory adjustments applied to CET1 capital		-	-
19 Investments in TFCs of other banks exceeding the prescribed limit		-	-
20 Any other deduction specified by SBP (mention details)		-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		-	-
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)		4,242,866	2,942,305
1.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]		-	-
24 Investment in own AT1 capital instruments		-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities		-	-
26 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)		-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-
28 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		-	-
29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-
30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)		-	-
1.3.3 Tier 2 Capital: regulatory adjustments			
31 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		-	-
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities		-	-
33 Investment in own Tier 2 capital instrument		-	-
34 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)		-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)		-	-

*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

1.3.4 Additional Information		2021	2020
		Amount	Amount
		(Rupees in '000)	(Rupees in '000)
Risk Weighted Assets subject to pre-Basel III treatment			
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		-	535,632,669
(i) of which: deferred tax assets		-	-
(ii) of which: Defined-benefit pension fund net assets		-	-
(iii) of which: Recognized 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		-	896,207
(iv) of which: Recognized 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)			
38 Non-significant investments in the capital of other financial entities		546,990	896,207
39 Significant investments in the common stock of financial entities		983,837	958,089
40 Deferred tax assets arising from temporary differences (net of related tax liability)		1,157,470.00	-
Applicable caps on the inclusion of provisions in Tier 2			
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		4,171,312	5,412,207
42 Cap on inclusion of provisions in Tier 2 under standardized approach		8,249,680	6,706,611
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-	-

1.4 Capital Structure Reconciliation

Table: 1.4.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2021	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	105,606,930	105,606,930
Balances with other banks	9,981,307	9,981,307
Lending to financial institutions	35,982,065	35,982,065
Investments	811,923,246	811,923,246
Advances	673,883,285	673,883,285
Operating fixed assets	39,561,952	39,561,952
Intangible assets	1,119,389	1,119,389
Deferred tax assets	1,157,470	1,157,470
Assets held for sale	-	-
Other assets	57,557,447	57,557,447
Total assets	1,736,773,091	1,736,773,091
Liabilities & Equity		
Bills payable	22,825,500	22,825,500
Borrowings	384,108,872	384,108,872
Deposits and other accounts	1,139,009,620	1,139,009,620
Sub-ordinated loans	7,000,000	7,000,000
Deferred tax liabilities	-	-
Liabilities directly associated with the assets held for sale	-	-
Other liabilities	81,955,000	81,955,000
Total liabilities	1,634,898,992	1,634,898,992
Share capital/ Head office capital account	17,771,651	17,771,651
Reserves	29,953,963	29,953,963
Unappropriated/ Unremitted profit/ (losses)	42,578,350	42,578,350
Minority Interest	129,889	129,889
Surplus on revaluation of assets	11,440,246	11,440,246
Total equity	101,874,099	101,874,099
Total liabilities & equity	1,736,773,091	1,736,773,091

Table: 1.4.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2021		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	105,606,930	105,606,930	
Balanced with other banks	9,981,307	9,981,307	
Lending to financial institutions	35,982,065	35,982,065	
Investments	811,923,246	811,923,246	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	
CET1	994,037	994,037	d
AT1	-	-	
T2	-	-	
<i>of which: others (mention details)</i>	-	-	e
Advances	673,883,285	673,883,285	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	4,171,312	4,171,312	g
Fixed Assets	39,561,952	39,561,952	
<i>of which: Intangibles</i>	1,119,389	1,119,389	k
Deferred Tax Assets	1,157,470	1,157,470	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,157,470	1,157,470	i
Assets held for sale	-	-	
Other assets	57,557,447	57,557,447	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Defined-benefit pension fund net assets</i>	744,324	744,324	l
Total assets	1,736,773,091	1,736,773,091	

Liabilities & Equity

Bills payable	22,825,500	22,825,500	
Borrowings	384,108,872	384,108,872	
Deposits and other accounts	1,139,009,620	1,139,009,620	
Sub-ordinated loans	7,000,000	7,000,000	
<i>of which: eligible for inclusion in AT1</i>	7,013,781	7,013,781	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Liabilities directly associated with the assets held for sale	-	-	
Other liabilities	81,955,000	81,955,000	
Total liabilities	1,634,898,992	1,634,898,992	
Share capital	17,771,651	17,771,651	
<i>of which: amount eligible for CET1</i>	17,771,651	17,771,651	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	29,953,963	29,953,963	
<i>of which: portion eligible for inclusion in CET1</i>	21,742,874	21,742,874	
General Reserve	17,011,825	17,011,825	u
Reserve For Employee Stock Option Scheme	-	-	
Share Premium	4,731,049	4,731,049	
<i>of which: portion eligible for inclusion in Tier 2</i>	8,211,089	8,211,089	v
Unappropriated profit/ (losses)	42,578,350	42,578,350	w
Minority Interest	129,889	129,889	
<i>of which: portion eligible for inclusion in CET1</i>	78,090	78,090	x
<i>of which: portion eligible for inclusion in AT1</i>	13,781	13,781	y
<i>of which: portion eligible for inclusion in Tier 2</i>	22,968	22,968	z
Surplus on revaluation of assets	11,440,247	11,440,247	
<i>of which: Revaluation reserves on Fixed Assets</i>	12,580,193	12,580,193	
<i>of which: Non-banking assets acquired in satisfaction of claims</i>	87,688	87,688	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(1,227,635)	(1,227,635)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	1,227,635	1,227,635	ab
Total equity	101,874,100	101,874,100	
Total liabilities & Equity	1,736,773,092	1,736,773,092	

Table: 1.4.3

	Component of regulatory capital reported by bank 2021 Rupees in '000	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	17,771,651	
2 Balance in Share Premium Account	4,731,049	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	17,011,825	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	42,578,350	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	78,090	(x)
8 CET 1 before Regulatory Adjustments	82,170,965	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,119,389	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{{(h) - (r)} * 100%
13 Defined-benefit pension fund net assets	744,324	{{(l) - (q)} * 100%
14 Reciprocal cross holdings in CET1 capital instruments	994,037	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	157,481	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	1,227,635	(ab)
20 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)
21 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)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	4,242,866	
31 Common Equity Tier 1	77,928,098	

Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	7,000,000
33	of which: Classified as equity	- (t)
34	of which: Classified as liabilities	7,000,000 (m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	13,781 (y)
36	of which: instrument issued by subsidiaries subject to phase out	-
37	AT1 before regulatory adjustments	7,013,781
Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-
39	Investment in own AT1 capital instruments	-
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-
41	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)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (ad)
43	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	-
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)	-
46	Additional Tier 1 capital	7,013,780.54
47	Additional Tier 1 capital recognized for capital adequacy	7,013,780.54
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	84,941,879
Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	- (n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	22,968 (z)
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	4,171,312 (g)
54	Revaluation Reserves	12,580,193
55	of which: Revaluation reserves on fixed assets	12,580,193
56	of which: Unrealized Gains/Losses on AFS	- portion of (aa)
57	Foreign Exchange Translation Reserves	8,211,089 (v)
58	Undisclosed/Other Reserves (if any)	-
59	T2 before regulatory adjustments	24,985,562

Tier 2 Capital: regulatory adjustments

60	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-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	24,985,562	
67	Tier 2 capital recognized for capital adequacy	24,985,562	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	24,985,562	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	109,927,441	

1.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments			
S. No.	Main Features	Common Shares	ADT 1
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BAFL	BAFL TFC 6
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
4	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
6	Eligible at solo/ group/ group&solo	Standalone & Group	Standalone & Group
7	Instrument type	Ordinary shares	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	17,771,651	7,000,000
9	Par value of instrument	Rs. 10	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability
11	Original date of issuance	Jun-92	Mar-18
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	not applicable	not applicable
14	Issuer call subject to prior supervisory approval	not applicable	Yes
15	Optional call date, contingent call dates and redemption amount	not applicable	26-Mar-23
16	Subsequent call dates, if applicable	not applicable	On any date after 60 months from the date of issuance, subject to regulatory approval
17	Coupons / dividends	not applicable	
17	Fixed or floating dividend/ coupon	not applicable	Floating
18	Coupon rate and any related index/ benchmark	not applicable	6-Months KIBOR (ask side) plus 150 bps per annum
19	Existence of a dividend stopper	No	Yes
20	Fully discretionary, partially discretionary or mandatory	not applicable	Fully discretionary
21	Existence of step up or other incentive to redeem	not applicable	No
22	Noncumulative or cumulative	not applicable	Non-Cumulative
23	Convertible or non-convertible	not applicable	Convertible
24	If convertible, conversion trigger (s)	not applicable	<p>Upon occurrence of the PONV Trigger Event, CET 1 Trigger Event or Lock-in Clause, if directed by the SBP, the TFCs shall be converted into ordinary shares or permanently written off.</p> <p>1. Point of Non-Viability Trigger Event (PONV Trigger Event) shall be earlier of: a. A decision made by the SBP that a conversion or permanent write-off is necessary without which the Issuer would become nonviable; or b. The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become nonviable, as determined by SBP The SBP will have full discretion in declaring the PONV Trigger Event.</p> <p>2. CET 1 Trigger Event: The pre-specified trigger for loss absorption through conversion shall be the Issuer's Shareholders Equity Tier 1 ratio falling to or below 6.625% of Risk Weighted Assets ("CET 1 Trigger Event"). The Issuer shall immediately notify the SBP upon the occurrence of the CET 1 Trigger Event</p> <p>3. Lock-in Clause: any inability to exercise the lock-in clause or non-cumulative feature will subject these TFCs to mandatory conversion into ordinary shares/write off at the discretion of SBP</p> <p>Based on the above contingent events, SBP may ask the Bank to convert the TFCs into ordinary shares</p>
25	If convertible, fully or partially	not applicable	May convert fully or partially
26	If convertible, conversion rate	not applicable	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	not applicable	To be determined as per Basel III guidelines
28	If convertible, specify instrument type convertible into	not applicable	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	not applicable	BAFL
30	Write-down feature	not applicable	Yes
31	If write-down, write-down trigger(s)	not applicable	<p>The Issuer shall, if directed by the SBP, write-off the Relevant Amount of the TFCs (i) upon the PONV Trigger Event; (ii) upon the CET 1 Trigger Event; (iii) upon the Lock-In Event; or (iv) if it is not possible to convert the TFCs into ordinary shares upon the CET 1 Trigger Event. A write off due to PONV Trigger Event shall occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.</p>
32	If write-down, full or partial	not applicable	Fully and Partially both
33	If write-down, permanent or temporary	not applicable	Permanent
34	If temporary write-down, description of write-up mechanism	not applicable	not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	not applicable	Depositors and general creditors
36	Non-compliant transitioned features	not applicable	No
37	If yes, specify non-compliant features	not applicable	not applicable

43.7 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

Capital Requirements		Risk Weighted Assets	
2021	2020	2021	2020

(Rupees in '000)

Credit Risk

On-Balance sheet

Portfolios subject to standardized approach (Simple or Comprehensive)

Cash & cash equivalents	-	-	-	-
Sovereign	5,241,519	4,867,272	45,578,428	42,324,103
Public Sector entities	696,247	590,665	6,054,322	5,136,214
Banks	2,713,313	2,140,397	23,594,029	18,612,148
Corporate	37,007,948	29,982,500	321,808,241	260,717,387
Retail	11,412,902	8,240,050	99,242,626	71,652,612
Residential Mortgages	940,656	651,704	8,179,618	5,666,989
Past Due loans	224,404	734,555	1,951,338	6,387,438
Operating Fixed Assets	4,549,624	3,595,247	39,561,952	31,263,017
Other assets	2,072,253	1,452,197	18,019,589	12,627,801
	64,858,866	52,254,587	563,990,141	454,387,709

Portfolios subject to Internal Rating Based (IRB) Approach

e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.

Off-Balance sheet

Non-market related

Financial guarantees	4,537,918	3,449,399	39,460,155	29,994,774
Acceptances	-	-	-	-
Performance Related Contingencies	1,096,134	1,081,559	9,531,600	9,404,862
Trade Related Contingencies	2,054,311	1,711,934	17,863,570	14,886,379
	7,688,363	6,242,892	66,855,325	54,286,014

Market related

Foreign Exchange contracts	194,719	111,447	1,693,211	969,106
Derivatives	1,218	8,092	10,591	70,367
	195,937	119,539	1,703,802	1,039,473

Equity Exposure Risk in the Banking Book

Under simple risk weight method

Listed Equity Investment	449,429	632,625	3,908,081	5,501,088
Unlisted Equity Investment	2,704,465	2,451,178	23,517,085	21,314,591
	3,153,894	3,083,803	27,425,166	26,815,679

Under Internal models approach

	75,897,060	61,700,821	659,974,433	536,528,875
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Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	573,057	789,611	7,163,213	9,870,138
Equity position risk	159,527	79,316	1,994,088	991,450
Foreign Exchange risk	338,542	76,778	4,231,775	959,725
	1,071,126	945,705	13,389,075	11,821,313

Capital Requirement for portfolios subject to Internal Models Approach

Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge (2021-70%)]*

	7,523,223	6,014,067	94,040,288	75,175,838
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Total Risk Weighted Exposures

	84,491,409	68,660,593	767,403,796	623,526,025
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* SBP has accorded approval to the bank vide SBP letter No. BPRD/ BA&CP/ 614/ 17838/2013 dated December 03, 2013 for adoption of ASA based on the following capital floor

i.e. operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under Basic Indicator Approach (BIA)

Capital Floor (for operational risk capital charge only)		
Year 2013 & 2014	Year 2015	From Year 2016 onwards
90%	80%	70%

Capital Adequacy Ratios	2021		2020	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	10.15%	6.00%	11.51%
Tier-1 capital to total RWA	7.50%	11.07%	7.50%	12.64%
Total capital to total RWA	11.50%	14.32%	11.50%	16.37%

1 Liquidity Coverage Ratio for the year 2021

	Unweighted ^a value by residual maturity	TOTAL WEIGHTED ^b VALUE (average)
High Quality Liquid Assets	(Rupees in '000)	
1 Total high quality liquid assets (HQLA)		474,660,774
Cash Outflows		
2 Retail deposits and deposits from small business customers of which:	598,421,218	55,099,836
2.1 Stable deposit	94,845,722	4,742,286
2.2 Less stable deposit	503,575,495	50,357,550
3 Unsecured wholesale funding of which:	424,786,769	239,174,972
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	412,088,095	226,476,298
3.3 Unsecured debt	12,698,674	12,698,674
4 Secured wholesale funding	-	4,371,552
5 Additional requirements of which:	37,213	6,414,757
5.1 Outflows related to derivative exposures and other collateral requirements	2,992,723	2,992,723
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	34,220,346	3,422,035
6 Other contractual funding obligations	606	606,045
7 Other contingent funding obligations	1,079,050,387	13,629,448
8 TOTAL CASH OUTFLOWS	-	319,296,609
Cash Inflows		
9 Secured lending	18,477,444	-
10 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured po	62,937,780	40,719,713
11 Other Cash inflows	14,673,801	2,911,643
12 TOTAL CASH INFLOWS		43,631,356
	TOTAL ADJUSTED VALUE	
13 Total HQLA		474,660,774
14 Total Net Cash Outflows		275,665,253
15 Liquidity Coverage Ratio		172%

a unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on Inflows)

2 Liquidity Coverage Ratio for the year 2020

	Unweighted ^a value by residual maturity	TOTAL WEIGHTED ^b VALUE (average)
High Quality Liquid Assets	(Rupees in '000)	
1 Total high quality liquid assets (HQLA)		285,456,439
Cash Outflows		
2 Retail deposits and deposits from small business customers of which:	514,690,497	47,771,474
2.1 Stable deposit	73,951,518	3,697,576
2.2 Less stable deposit	440,738,979	44,073,898
3 Unsecured wholesale funding of which:	321,836,816	169,598,023
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	312,976,186	160,737,393
3.3 Unsecured debt	8,860,630	8,860,630
4 Secured wholesale funding	-	6,436,467
5 Additional requirements of which:	34,256,700	6,667,600
5.1 Outflows related to derivative exposures and other collateral requirements	3,602,144	3,602,144
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	30,654,556	3,065,456
6 Other contractual funding obligations	703,226	703,226
7 Other contingent funding obligations	797,387,417	8,415,269
8 TOTAL CASH OUTFLOWS	-	239,592,058
Cash Inflows		
9 Secured lending	21,173,858	-
10 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured po	52,765,780	37,814,737
11 Other Cash inflows	8,825,698	2,461,035
12 TOTAL CASH INFLOWS		40,275,772
	TOTAL ADJUSTED VALUE	
13 Total HQLA		372,270,246
14 Total Net Cash Outflows		199,316,286
15 Liquidity Coverage Ratio		187%

a unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on Inflows

c

3 Net Stable Funding Ratio for the year 2021

(Rupees. In '000)		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	112,314,218				112,314,218
3	Other capital instruments					
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	128,240,081	-	-	-	121,828,077
6	Less stable deposits	462,347,437	45,269,607	9,775,745	1,519,759	467,173,269
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	284,603,154	176,684,770	29,847,204	756,849	183,376,807
10	Other liabilities:					
11	NSFR derivative liabilities		1,212,697			-
12	All other liabilities and equity not included in other categories	105,009,733	234,594,973	25,974,933	120,237,415	133,224,881
13	Total ASF					1,017,917,252
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					64,022,401
15	Deposits held at other financial institutions for operational purposes	9,782,518				4,891,259
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		11,190,981			1,119,098
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		12,490,222	2,160,289	-	2,953,678
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		334,212,317	48,896,947	204,729,634	365,574,821
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	71,873,758	46,717,943
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.		6,542,710	1,237,880	30,799,381	30,069,769
22	Other assets:					
23	Physical traded commodities, including gold					-
24	Assets posted as initial margin for derivative contracts					-
25	NSFR derivative assets		2,249,270			-
26	NSFR derivative liabilities before deduction of variation margin posted		1,212,697			1,279,113
27	Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)	104,620,911	175,092,178	12,256,139	59,468,381	181,772,966
28	Adjusted values must be calculated after the application of both		303,769,259	12,973,196	794,271,370	55,550,691
29	Total RSF					753,951,739
30	Net Stable Funding Ratio (%)					135%

4 Net Stable Funding Ratio for the year 2020

(Rupees. In '000)		Unweighted value by residual maturity				Weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	103,507,491				103,507,491
3	Other capital instruments					
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	75,429,621	-	-	-	71,658,140
6	Less stable deposits	423,470,062	41,606,278	9,018,538	2,162,478	428,847,868
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	146,836,952	78,607,161	47,736,284	900,745	137,490,944
10	Other liabilities:					
11	NSFR derivative liabilities		3,068,199			-
12	All other liabilities and equity not included in other categories	127,731,591	219,307,771	4,061,145	106,841,443	108,872,016
13	Total ASF					850,376,458
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					60,332,271
15	Deposits held at other financial institutions for operational purposes	5,667,840				2,833,920
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		51,833,504			5,183,350
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		5,224,262	473,858	-	1,020,568
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:		239,671,726	91,980,830	175,790,438	315,248,150
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	61,898,796	40,234,217
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.		-	2,100,546	27,996,113	24,846,969
22	Other assets:					
23	Physical traded commodities, including gold					-
24	Assets posted as initial margin for derivative contracts		-			-
25	NSFR derivative assets		1,319,187			-
26	NSFR derivative liabilities before deduction of variation margin posted		3,068,199			613,640
27	Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)		89,214,293	167,742,265	8,920,958	18,101,933
28	Adjusted values must be calculated after the application of bo		73,700,610	83,664,121	862,622,214	50,999,347
29	Total RSF					626,269,922
30	Net Stable Funding Ratio (%)					136%