

As mentioned in Note 44.1 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, 2022 stands at PKR 15.771 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	2022
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%

**Starting March 2020, Capital Conversation Buffer (CCB) as prescribed vide BPRD Circular No. 6 of August 15, 2013 has been reduced from its existing level of 2.50% to 1.50%, till further instructions; thereby resulting in CAR requirement of 11.50%. The relaxation was provided on account of COVID-19 situation in the country*

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 / TFCs and share premium resulting from the issuance of preference shares, after all regulatory adjustments

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, adequate risk profile of asset mix, ensuring better recovery management and maintaining acceptance profit margins. 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, 2022 is 3.62 % (2021: 3.71%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on December 31, 2022; Total Tier 1 capital of the Group amounts to PKR 98.2 billion (2021: PKR 84.94 billion) whereas the total exposure measure amounts to PKR. 2,710.33 (2021: PKR 2,292.53 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. 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 is 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 13.69% 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, leading to increased investor confidence

1.3 Capital Adequacy Ratio as at December 31, 2022

	Note	2022	2021
(Rupees in '000)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1		15,771,651	17,771,651
2		4,731,049	4,731,049
3		-	-
4		-	-
5		18,832,470	17,011,825
6		-	-
7		47,029,828	42,578,350
8		102,738	78,090
9		86,467,736	82,170,965
10		2,233,282	4,242,866
11		84,234,454	77,928,098
Additional Tier 1 (AT 1) Capital			
12		14,000,000	7,000,000
13		-	-
14		14,000,000	7,000,000
15		18,130	13,781
16		-	-
17		14,018,130	7,013,781
18		450,000	-
19		13,568,130	7,013,781
20		13,568,130	7,013,781
21		97,802,584	84,941,879
Tier 2 Capital			
22		-	-
23		-	-
24		6,931	22,968
25		-	-
26		7,951,404	4,171,312
27		4,764,596	12,580,193
28	c=a+b	12,321,092	12,580,193
29	a	(7,556,496)	
30	b	10,719,682	8,211,089
31		-	-
32		23,442,613	24,985,562
33		-	-
34		23,442,613	24,985,562
35		23,442,613	24,985,562
36		-	-
37		23,442,613	24,985,562
38		121,245,197	109,927,441
39		885,715,871	767,403,796
Capital Ratios and buffers (in percentage of risk weighted assets)			
40		9.51%	10.15%
41		11.04%	11.07%
42		13.69%	14.32%
43		7.50%	7.50%
44		1.50%	1.50%
45		-	-
46		-	-
47		3.51%	4.15%
National minimum capital requirements prescribed by SBP			
48		6.00%	6.00%
49		7.50%	7.50%
50		11.50%	11.50%

Regulatory Adjustments and Additional Information	Note	2022	2021
		Amount	Amount
		Amounts subject to Pre- Basel III treatment*	Amounts subject to Pre- Basel III treatment*
		(Rupees in '000)	
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)		1,304,181	1,119,389
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		153,707	744,324
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities		620,534	994,037
7 Cash flow hedge reserve		-	-
8 Investment in own shares/ CET1 instruments		154,860	157,481
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)		2,233,282	4,242,866
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		450,000	-
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)		450,000	-
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)		-	-
1.3.4 Additional Information		2022	2021
		Amount	Amount
		(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)		-	-
(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		-	-
(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		2,258,328	546,990
39 Significant investments in the common stock of financial entities		1,197,345	983,837
40 Deferred tax assets arising from temporary differences (net of related tax liability)		7,550,773	1,157,470
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)		7,951,404	4,171,312
42 Cap on inclusion of provisions in Tier 2 under standardized approach		9,437,559	8,249,680
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		-	-

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

1.4 Capital Structure Reconciliation

Table: 1.4.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2022	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	140,613,751	140,613,751
Balances with other banks	10,105,449	10,105,449
Lending to financial institutions	115,353,599	115,353,599
Investments	1,117,616,363	1,117,616,363
Advances	732,385,815	732,385,815
Operating fixed assets	48,493,284	48,493,284
Intangible assets	1,304,181	1,304,181
Deferred tax assets	7,550,773	7,550,773
Assets held for sale	-	-
Other assets	83,296,493	83,296,493
Total assets	2,256,719,708	2,256,719,708
Liabilities & Equity		
Bills payable	40,033,806	40,033,806
Borrowings	491,649,941	491,649,941
Deposits and other accounts	1,486,836,260	1,486,836,260
Sub-ordinated loans	14,000,000	14,000,000
Deferred tax liabilities	-	-
Liabilities directly associated with the assets held for sale	-	-
Other liabilities	122,136,332	122,136,332
Total liabilities	2,154,656,339	2,154,656,339
Share capital/ Head office capital account	15,771,651	15,771,651
Reserves	34,283,201	34,283,201
Unappropriated/ Unremitted profit/ (losses)	47,033,616	47,033,616
Minority Interest	127,800	127,800
Surplus on revaluation of assets	4,847,101	4,847,101
Total equity	102,063,369	102,063,369
Total liabilities & equity	2,256,719,708	2,256,719,708

Table: 1.4.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2022 (Rupees in '000)		
Assets			
Cash and balances with treasury banks	140,613,751	140,613,751	
Balances with other banks	10,105,449	10,105,449	
Lending to financial institutions	115,353,599	115,353,599	
Investments	1,117,616,363	1,117,616,363	
<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	620,534	620,534	d
AT1	450,000	450,000	
T2	-	-	
<i>of which: others (mention details)</i>	-	-	e
Advances	732,385,815	732,385,815	
<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>	7,951,404	7,951,404	g
Fixed Assets	49,797,465	48,493,284	
<i>of which: Intangibles</i>	1,304,181	1,304,181	k
Deferred Tax Assets	7,550,773	7,550,773	
<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>	7,550,773	7,550,773	i
Assets held for sale	-	-	
Other assets	83,296,493	83,296,493	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Defined-benefit pension fund net assets</i>	153,707	153,707	l
Total assets	2,258,023,889	2,256,719,708	
Liabilities & Equity			
Bills payable	40,033,806	40,033,806	
Borrowings	491,649,941	491,649,941	
Deposits and other accounts	1,486,836,260	1,486,836,260	
Sub-ordinated loans	14,000,000	14,000,000	
<i>of which: eligible for inclusion in AT1</i>	13,568,130	13,568,130	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	122,136,332	122,136,332	
Total liabilities	2,154,656,339	2,154,656,339	
Share capital	15,771,651	15,771,651	
<i>of which: amount eligible for CET1</i>	15,771,651	15,771,651	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	34,283,201	34,283,201	
<i>of which: portion eligible for inclusion in CET1</i>	23,563,519	23,563,519	
<i>General Reserve</i>	18,832,470	18,832,470	u
<i>Reserve For Employee Stock Option Scheme</i>	-	-	
<i>Share Premium</i>	4,731,049	4,731,049	
<i>of which: portion eligible for inclusion in Tier 2</i>	10,719,682	10,719,682	v
Unappropriated profit/ (losses)	47,033,616	47,033,616	w
Minority Interest	127,800	127,800	
<i>of which: portion eligible for inclusion in CET1</i>	102,738	102,738	x
<i>of which: portion eligible for inclusion in AT1</i>	18,130	18,130	y
<i>of which: portion eligible for inclusion in Tier 2</i>	6,931	6,931	z
Surplus on revaluation of assets	4,847,101	4,847,101	
<i>of which: Revaluation reserves on Fixed Assets</i>	12,321,092	12,321,092	
<i>of which: Non-banking assets acquired in satisfaction of claims</i>	82,505	82,505	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(7,556,496)	(7,556,496)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total equity	102,063,369	102,063,369	
Total liabilities & Equity	2,256,719,708	2,256,719,708	

Table: 1.4.3

	Component of regulatory capital reported by bank 2022 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	15,771,651	
2 Balance in Share Premium Account	4,731,049	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	18,832,470	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	47,029,828	(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)	102,738	(x)
8 CET 1 before Regulatory Adjustments	86,467,736	
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)	1,304,181	(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	153,707	{(l) - (q)} * 100%
14 Reciprocal cross holdings in CET1 capital instruments	620,534	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	154,860	
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	-	(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)	2,233,282	
31 Common Equity Tier 1	84,234,454	
Additional Tier 1 (AT 1) Capital		
32 Qualifying Additional Tier-1 instruments plus any related share premium	14,000,000	
33 of which: Classified as equity	-	(t)
34 of which: Classified as liabilities	14,000,000	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	18,130	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before regulatory adjustments	14,018,130	
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	450,000	
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)	450,000	
46 Additional Tier 1 capital	13,568,130	
47 Additional Tier 1 capital recognized for capital adequacy	13,568,130	
48 Tier 1 Capital (CET1 + admissible AT1) (31+47)	97,802,584	

Tier 2 Capital

49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	6,931	(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	7,951,404	(g)
54	Revaluation Reserves	4,764,596	
55	of which: Revaluation reserves on fixed assets	12,321,092	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	(7,556,496)	
57	Foreign Exchange Translation Reserves	10,719,682	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	23,442,613	
	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)	23,442,613	
67	Tier 2 capital recognized for capital adequacy	23,442,613	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	23,442,613	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	121,245,197	

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	ADT 1 (TFC 8)
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg KSE Symbol or Bloomberg Identifier etc.)	BAFL	BAFL TFC 6	BAFL TFC 8
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
	Regulatory treatment			
4	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Eligible at solo/group/ group & solo	Standalone & Group	Standalone & Group	Standalone & Group
7	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	15,771,651	7,000,000	6,550,000
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability	Liability
11	Original date of issuance	Jun-92	Mar-18	Dec -22
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	not applicable	not applicable	not applicable
14	Issuer call subject to prior supervisory approval	not applicable	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	not applicable	Mar - 23	Dec - 27
16	Subsequent call dates, if applicable	not applicable	On any date after 60 months from the date of issuance, subject to regulatory approval	On any date after 60 months from the date of issuance, subject to regulatory approval
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	not applicable	Floating	Floating
18	Coupon rate and any related index/ benchmark	not applicable	6-Months KIBOR (ask side) plus 150 bps per annum	- 6-Months KIBOR (ask side) plus 200 bps per annum
19	Existence of a dividend stopper	No	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	not applicable	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	not applicable	No	No
22	Noncumulative or cumulative	not applicable	Non-Cumulative	Non-Cumulative
23	Convertible or non-convertible	not applicable	Convertible	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>	<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	May convert fully or partially
26	If convertible, conversion rate	not applicable	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	not applicable	To be determined as per Basel III guidelines	To be determined as per Basel III guidelines
28	If convertible, specify instrument type convertible into	not applicable	Common Equity Tier 1	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	not applicable	BAFL	BAFL
30	Write-down feature	not applicable	Yes	Yes
31	If write-down, write-down trigger(s)	not applicable	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.	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.
32	If write-down, full or partial	not applicable	Fully and Partially both	Fully and Partially both
33	If write-down, permanent or temporary	not applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	not applicable	not applicable	not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	not applicable	Depositors and general creditors	Depositors and general creditors
36	Non-compliant transitioned features	not applicable	No	No
37	If yes, specify non-compliant features	not applicable	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	
	2022	2021	2022	2021
(Rupees in '000)				
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	5,012,478	5,241,519	43,586,769	45,578,428
Public Sector entities	627,468	696,247	5,456,242	6,054,322
Banks	3,918,608	2,713,313	34,074,848	23,594,029
Corporate	40,533,983	37,007,948	352,469,416	321,808,241
Retail	11,314,559	11,412,902	98,387,470	99,242,626
Residential Mortgages	1,355,013	940,656	11,782,725	8,179,618
Past Due loans	386,415	224,404	3,360,130	1,951,338
Operating Fixed Assets	5,576,728	4,549,624	48,493,284	39,561,952
Other assets	4,831,879	2,072,253	42,016,340	18,019,589
	73,557,131	64,858,866	639,627,224	563,990,141
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees	4,968,482	4,537,918	43,204,189	39,460,155
Acceptances	-	-	-	-
Performance Related Contingencies	1,339,320	1,096,134	11,646,262	9,531,600
Trade Related Contingencies	1,980,749	2,054,311	17,223,907	17,863,570
	8,288,551	7,688,363	72,074,358	66,855,325
Market related				
Foreign Exchange contracts	129,960	194,719	1,130,083	1,693,211
Derivatives	154,868	1,218	1,346,674	10,591
	284,828	195,937	2,476,757	1,703,802
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	862,690	449,429	7,501,650	3,908,081
Unlisted Equity Investment	3,832,346	2,704,465	33,324,744	23,517,085
	4,695,036	3,153,894	40,826,394	27,425,166
Under Internal models approach				
	86,825,546	75,897,060	755,004,734	659,974,433
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	394,312	573,057	4,928,900	7,163,213
Equity position risk	85,349	159,527	1,066,863	1,994,088
Foreign Exchange risk	225,566	338,542	2,819,575	4,231,775
	705,227	1,071,126	8,815,338	13,389,075
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge]*				
<u>Capital Requirement for operational risks</u>	9,751,664	7,523,223	121,895,800	94,040,288
Total Risk Weighted Exposures	97,282,437	84,491,409	885,715,871	767,403,796

* 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		2022		2021	
		Required	Actual	Required	Actual
CET1 to total RWA		6.00%	9.51%	6.00%	10.15%
Tier-1 capital to total RWA		7.50%	11.04%	7.50%	11.07%
Total capital to total RWA		11.50%	13.69%	11.50%	14.32%

1 Liquidity Coverage Ratio for the year 2022

	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)		688,048,074
Cash Outflows		
2 Retail deposits and deposits from small business customers of which:	720,226,263	65,036,380
2.1 Stable deposit	139,724,931	6,986,247
2.2 Less stable deposit	580,501,331	58,050,133
3 Unsecured wholesale funding of which:	605,641,711	338,183,968
3.1 Operational deposits (all counterparties)	-	-
3.2 Non-operational deposits (all counterparties)	590,027,854	322,570,111
3.3 Unsecured debt	15,613,857	15,613,857
4 Secured wholesale funding	-	790,190
5 Additional requirements of which:	32,824,460	5,271,287
5.1 Outflows related to derivative exposures and other collateral requirements	2,209,823	2,209,823
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	30,614,637	3,061,464
6 Other contractual funding obligations	3,820,835	3,820,835
7 Other contingent funding obligations	580,001,220	15,456,534
8 TOTAL CASH OUTFLOWS	-	428,559,193
Cash Inflows		
9 Secured lending	48,232,153	-
10 Inflow from fully performing exposures	77,778,029	50,184,342
11 Other Cash inflows	19,675,031	6,427,467
12 TOTAL CASH INFLOWS		56,611,809
	TOTAL ADJUSTED VALUE	
13 Total HQLA		688,048,074
14 Total Net Cash Outflows		371,947,384
15 Liquidity Coverage Ratio		185%

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)

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:	37,213,069	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	606,045	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 Inflow from fully performing exposures	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)

3 Net Stable Funding Ratio for the year 2022

(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	121,883,523	-	-	-	121,883,523
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	157,781,240	-	-	-	149,892,178
6	Less stable deposits	560,870,547	58,483,212	18,690,706	1,597,766	575,837,785
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	275,563,703	195,778,790	86,556,548	1,980,053	280,929,573
10	Other liabilities:					
11	NSFR derivative liabilities				455,164	-
12	All other liabilities and equity not included in other categories	250,682,039	380,976,145	4,827,084	145,021,611	147,435,153
13	Total ASF					1,275,978,211
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					63,491,938
15	Deposits held at other financial institutions for operational purposes	9,485,379				4,742,689
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	74,969,700	-	-	7,496,970
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	10,870,589	441,167	-	1,851,172
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:	-	362,394,689	29,344,628	232,937,091	393,866,186
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	98,733,490	64,176,768
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	5,456,999	-	30,030,749	28,254,636
22	Other assets:					
23	Physical traded commodities, including gold					-
24	Assets posted as initial margin for derivative contracts					-
25	NSFR derivative assets				5,684,178	-
26	NSFR derivative liabilities before deduction of variation margin posted				455,164	5,320,047
27	all other assets not included in other categories	142,838,486	296,512,698	9,012,648	75,567,306	241,776,165
28	Off-balance sheet items		125,243,752	162,391,960	479,635,233	38,367,004
29	Total RSF					849,343,576
30	Net Stable Funding Ratio (%)					150%

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	all other assets not included in other categories	104,620,911	175,092,178	12,256,139	59,468,381	181,772,966
28	Off-balance sheet items		303,769,259	12,973,196	794,271,370	55,550,691
29	Total RSF					753,951,739
30	Net Stable Funding Ratio (%)					135%