

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, 2023 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	2023
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%.

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 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, 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, 2023 is 3.55 % (2022: 3.62%) calculated on average of three months exposure. The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan and subsequent FAQs issued in this regard.

As on December 31, 2023, Total Tier 1 capital of the Group amounts to PKR 125.8 billion (2022: PKR 98.2 billion) whereas the average total exposure measure amounts to PKR. 3,541.56 (2022: PKR 2,710.33 billion).

1.2.4 Risk Appetite

Risk Appetite Statement is an expression of the amount of risk. The Bank is prepared to take to achieve its strategic objectives. In line with the corporate goal, mission and strategy, bank's risk exposure is maintained within the risk appetite as defined by the Board of Directors. 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:

- Capital Adequacy plays key consideration for not only arriving at the business projections / plans but it is well monitored while undertaking transactions.
- The bank continues to remain sufficiently capitalized institution with the capital base above regulatory limits. Bank's total Capital Adequacy Ratio stands at 16.44% against the requirement of 11.50% (including CCB of 1.50%); while supporting credit growth and steady dividend payout stream.
- 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.
- The Bank enjoys strong sponsor support from Abu Dhabi Group, leading to increased investor confidence

1.3 Capital Adequacy Ratio as at December 31, 2023

	Note	2023	2022
(Rupees in '000)			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1		15,771,651	15,771,651
2		4,731,049	4,731,049
3		-	-
4		-	-
5		22,478,107	18,832,470
6		-	-
7		71,472,352	47,029,828
8		-	102,738
9		114,453,159	86,467,736
10		2,151,644	2,233,282
11		112,301,515	84,234,454
Additional Tier 1 (AT 1) Capital			
12		14,000,000	14,000,000
13		-	-
14		14,000,000	14,000,000
15		-	18,130
16		-	-
17		14,000,000	14,018,130
18		450,000	450,000
19		13,550,000	13,568,130
20		13,550,000	13,568,130
21		125,851,515	97,802,584
Tier 2 Capital			
22		-	-
23		-	-
24		-	6,931
25		-	-
26		9,793,367	7,951,404
27		11,186,044	4,764,596
28		12,088,444	12,321,092
29		(902,400)	(7,556,496)
30		14,191,974	10,719,682
31		-	-
32		35,171,385	23,442,613
33		-	-
34		35,171,385	23,442,613
35		35,171,385	23,442,613
36		-	-
37		35,171,385	23,442,613
38		161,022,900	121,245,197
39		979,175,334	885,715,872
Capital Ratios and buffers (in percentage of risk weighted assets)			
40		11.47%	9.51%
41		12.85%	11.04%
42		16.44%	13.69%
43		7.50%	7.50%
44		1.50%	1.50%
45		-	-
46		-	-
47		5.47%	3.51%
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	2023	2022
		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)		1,380,144	1,304,181
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		440,585	153,707
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities		330,915	620,534
7 Cash flow hedge reserve		-	-
8 Investment in own shares/ CET1 instruments		-	154,860
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		-	-
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)		2,151,644	2,233,282
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	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	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)		-	-
*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.			
		2023	2022
1.3.4 Additional Information		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		1,631,815	2,258,328
39 Significant investments in the common stock of financial entities		1,197,345	1,197,345
40 Deferred tax assets arising from temporary differences (net of related tax liability)		3,619,475	7,550,773
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)		9,793,367	7,951,404
42 Cap on inclusion of provisions in Tier 2 under standardized approach		9,793,367	9,437,559
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
	2023 (Rupees in '000)	
Assets		
Cash and balances with treasury banks	202,692,503	202,692,503
Balances with other banks	16,990,085	16,990,085
Lending to financial institutions	119,554,109	119,554,109
Investments	2,072,156,767	2,072,156,767
Advances	735,061,827	735,061,827
Operating fixed assets	61,821,048	61,821,048
Intangible assets	1,380,144	1,380,144
Deferred tax assets	3,619,475	3,619,475
Assets held for sale	-	-
Other assets	136,391,839	136,391,839
Total assets	3,349,667,797	3,349,667,797
Liabilities & Equity		
Bills payable	26,004,538	26,004,538
Borrowings	910,216,032	910,216,032
Deposits and other accounts	2,084,941,257	2,084,941,257
Sub-ordinated loans	14,000,000	14,000,000
Deferred tax liabilities	-	-
Liabilities directly associated with the assets held for sale	-	-
Other liabilities	174,882,732	174,882,732
Total liabilities	3,210,044,559	3,210,044,559
Share capital/ Head office capital account	15,771,651	15,771,651
Reserves	41,401,130	41,401,130
Unappropriated/ Unremitted profit/ (losses)	71,472,352	71,472,352
Minority Interest	(294,665)	(294,665)
Surplus on revaluation of assets	11,272,770	11,272,770
Total equity	139,623,238	139,623,238
Total liabilities & equity	3,349,667,797	3,349,667,797

1

Table: 1.4.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2023 (Rupees in '000)		
Assets			
Cash and balances with treasury banks	202,692,503	202,692,503	
Balanced with other banks	16,990,085	16,990,085	
Lending to financial institutions	119,554,109	119,554,109	
Investments	2,072,156,767	2,072,156,767	
<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	330,915	330,915	d
AT1	450,000	450,000	
T2	-	-	
<i>of which: others (mention details)</i>	-	-	e
Advances	735,061,827	735,061,827	
<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>	12,887,566	12,887,566	g
Fixed Assets	61,821,048	61,821,048	
<i>of which: Intangibles</i>	1,380,144	1,380,144	k
Deferred Tax Assets	3,619,475	3,619,475	

<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>	3,619,475	3,619,475	i
Assets held for sale	-	-	
Other assets	136,391,839	136,391,839	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Defined-benefit pension fund net assets</i>	440,585	440,585	l
Total assets	3,349,667,797	3,349,667,797	
Liabilities & Equity			
Bills payable	26,004,538	26,004,538	
Borrowings	910,216,032	910,216,032	
Deposits and other accounts	2,084,941,257	2,084,941,257	
Sub-ordinated loans	14,000,000	14,000,000	
<i>of which: eligible for inclusion in AT1</i>	13,550,000	13,550,000	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	174,882,732	174,882,732	
Total liabilities	3,210,044,559	3,210,044,559	
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	41,401,130	41,401,130	
<i>of which: portion eligible for inclusion in CET1</i>	27,209,156	27,209,156	
<i>General Reserve</i>	22,478,107	22,478,107	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>	14,191,974	14,191,974	v
Unappropriated profit/ (losses)	71,472,352	71,472,352	w
Minority Interest	(294,665)	(294,665)	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	11,272,770	11,272,770	
<i>of which: Revaluation reserves on Fixed Assets</i>	12,088,444	12,088,444	
<i>of which: Non-banking assets acquired in satisfaction of claims</i>	86,726	86,726	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(902,400)	(902,400)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total equity	139,623,238	139,623,238	
Total liabilities & Equity	3,349,667,797	3,349,667,797	

Table: 1.4.3

**Component of
regulatory capital
reported by bank
2023
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	22,478,107	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(w)
6 Unappropriated/unremitted profits/ (losses)	71,472,352	(x)
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)	-	
8 CET 1 before Regulatory Adjustments	114,453,159	
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)	1,380,144	(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	440,585	{{(l) - (q)} * 100%
14	Reciprocal cross holdings in CET1 capital instruments	330,915	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
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)	2,151,644	
31	Common Equity Tier 1	112,301,515	
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)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	14,000,000	
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		13,550,000.00	
47	Additional Tier 1 capital recognized for capital adequacy		13,550,000.00	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)		125,851,515	
	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)		-	(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		9,793,367	(g)
54	Revaluation Reserves		11,186,044	
55	of which: Revaluation reserves on fixed assets		12,088,444	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS		(902,400)	
57	Foreign Exchange Translation Reserves		14,191,974	(v)
58	Undisclosed/Other Reserves (if any)		-	
59	T2 before regulatory adjustments		35,171,385	
	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)		35,171,385	
67	Tier 2 capital recognized for capital adequacy		35,171,385	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		-	
69	Total Tier 2 capital admissible for capital adequacy		35,171,385	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)		161,022,900	

Disclosure template for main features of regulatory capital instruments				
S. No.	Main Features	Common Shares	ADT 1 (TFC 6)	ADT 1 (TFC 8)
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (ie 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
4	Regulatory treatment	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
5	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1	Additional Tier 1
6	Post-transitional Basel III rules	Standalone & Group	Standalone & Group	Standalone & Group
7	Eligible at solo/ group/ group&solo	Ordinary shares	Subordinated debt	Subordinated debt
8	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt
9	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	15,771,651	7,000,000	6,550,000.00
10	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
11	Accounting classification	Share holders' equity	Liability	Liability
12	Original date of issuance	Jun-92	Mar-18	Dec -22
13	Perpetual or dated	Perpetual	Perpetual	Perpetual
14	Original maturity date	not applicable	not applicable	not applicable
15	Issuer call subject to prior supervisory approval	not applicable	Yes	Yes
16	Optional call date, contingent call dates and redemption amount	not applicable	Mar - 23	Dec - 27
17	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
18	Coupons / dividends	not applicable	not applicable	not applicable
19	Fixed or floating dividend/ coupon	not applicable	Floating	Floating
20	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
21	Existence of a dividend stopper	No	Yes	Yes
22	Fully discretionary, partially discretionary or mandatory	not applicable	Fully discretionary	Fully discretionary
23	Existence of step up or other incentive to redeem	not applicable	No	No
24	Non-cumulative or cumulative	not applicable	Non-Cumulative	Non-Cumulative
25	Convertible or non-convertible	not applicable	Convertible	Convertible
26	If convertible, conversion trigger (s)	not applicable	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. 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. 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 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 Based on the above contingent events, SBP may ask the Bank to convert the TFCs into ordinary shares	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. 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. 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 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 Based on the above contingent events, SBP may ask the Bank to convert the TFCs into ordinary shares
27	If convertible, fully or partially	not applicable	May convert fully or partially	May convert fully or partially
28	If convertible, conversion rate	not applicable	To be determined in the case of trigger event	To be determined in the case of trigger event
29	If convertible, mandatory or optional conversion	not applicable	To be determined as per Basel III guidelines	To be determined as per Basel III guidelines
30	If convertible, specify instrument type convertible into	not applicable	Common Equity Tier 1	Common Equity Tier 1
31	If convertible, specify issuer of instrument it converts into	not applicable	BAFL	BAFL
32	Write-down feature	not applicable	Yes	Yes
33	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.
34	If write-down, full or partial	not applicable	Fully and Partially both	Fully and Partially both
35	If write-down, permanent or temporary	not applicable	Permanent	Permanent
36	If temporary write-down, description of write-up mechanism	not applicable	not applicable	not applicable
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	not applicable	Depositors and general creditors	Depositors and general creditors
38	Non-compliant transitioned features	not applicable	No	No
39	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	
	2023	2022	2023	2022
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	9,234,840	5,012,478	80,302,957	43,586,769
Public Sector entities	1,674,049	627,468	14,556,946	5,456,242
Banks	3,583,585	3,918,608	31,161,609	34,074,848
Corporate	36,590,345	40,533,983	318,176,912	352,469,416
Retail	11,423,605	11,314,559	99,335,694	98,387,470
Residential Mortgages	1,783,558	1,355,013	15,509,202	11,782,725
Past Due loans	351,949	386,415	3,060,430	3,360,130
Operating Fixed Assets	7,109,420	5,576,728	61,821,047	48,493,284
Other assets	4,907,193	4,831,879	42,671,244	42,016,340
	76,658,544	73,557,131	666,596,040	639,627,224
<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	4,910,759	4,968,482	42,702,251	43,204,189
Acceptances	-	-	-	-
Performance Related Contingencies	1,544,787	1,339,320	13,432,927	11,646,263
Trade Related Contingencies	1,850,165	1,980,749	16,088,395	17,223,908
	8,305,711	8,288,551	72,223,574	72,074,359
Market related				
Foreign Exchange contracts	96,899	129,960	842,602	1,130,083
Derivatives	342,549	154,868	2,978,686	1,346,674
	439,448	284,828	3,821,288	2,476,757
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	737,291	862,690	6,411,225	7,501,650
Unlisted Equity Investment	3,957,984	3,832,346	34,417,256	33,324,744
	4,695,275	4,695,036	40,828,481	40,826,394
Under Internal models approach				
	90,098,978	86,825,546	783,469,384	755,004,734
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	1,353,775	394,312	16,922,188	4,928,900
Equity position risk	39,685	85,349	496,063	1,066,863
Foreign Exchange risk	65,200	225,566	815,000	2,819,575
	1,458,660	705,227	18,233,250	8,815,338
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
<i>Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge (2021-70%)]*</i>				
<u>Capital Requirement for operational risks</u>	14,197,816	9,751,664	177,472,700	121,895,800
Total Risk Weighted Exposures	105,755,454	97,282,437	979,175,334	885,715,872

* 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	2023		2022	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	11.47%	6.00%	9.51%
Tier-1 capital to total RWA	7.50%	12.85%	7.50%	11.04%
Total capital to total RWA	11.50%	16.44%	11.50%	13.69%

Liquidity Coverage Ratio

	2023		2022	
	TOTAL UNWEIGHTED ^a VALUE (average)	TOTAL WEIGHTED ^b VALUE (average)	TOTAL UNWEIGHTED ^a VALUE (average)	TOTAL WEIGHTED ^b VALUE (average)
High Quality Liquid Assets	(Rupees in '000)		(Rupees in '000)	
1 Total high quality liquid assets (HQLA)		1,082,954,156		688,048,074
Cash Outflows				
2 Retail deposits and deposits from small business customers of which:	917,198,086	83,555,978	720,226,263	65,036,380
2.1 Stable deposit	163,276,617	8,163,831	139,724,931	6,986,247
2.2 Less stable deposit	753,921,469	75,392,147	580,501,331	58,050,133
3 Unsecured wholesale funding of which:	857,799,133	438,655,548	605,641,711	338,183,968
3.1 Operational deposits (all counterparties)	-	-	-	-
3.2 Non-operational deposits (all counterparties)	844,476,194	425,332,608	590,027,854	322,570,111
3.3 Unsecured debt	13,322,940	13,322,940	15,613,857	15,613,857
4 Secured wholesale funding	-	4,273,055	-	790,190
5 Additional requirements of which:	17,379,210	3,753,133	32,824,460	5,271,287
5.1 Outflows related to derivative exposures and other collateral requirements	2,239,124	2,239,124	2,209,823	2,209,823
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	15,140,086	1,514,009	30,614,637	3,061,464
6 Other contractual funding obligations	6,474,596	6,474,596	3,820,835	3,820,835
7 Other contingent funding obligations	879,157,106	17,441,602	580,001,220	15,456,534
8 TOTAL CASH OUTFLOWS	-	554,153,912	-	428,559,193
Cash Inflows				
9 Secured lending	60,282,523	-	48,232,153	-
10 Inflows from fully performing exposures	95,511,923	59,622,200	77,778,029	50,184,342
11 Other Cash inflows	21,789,804	6,143,458	19,675,031	6,427,467
12 TOTAL CASH INFLOWS		65,765,658		56,611,809
	TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE	
13 Total HQLA		1,082,954,156		688,048,074
14 Total Net Cash Outflows		488,388,254		371,947,384
15 Liquidity Coverage Ratio		222%		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).

Net Stable Funding Ratio - 2023

(Rupees. In '000)

	Unweighted value by residual maturity				Weighted value
	No Maturity	Below 6 months	6 months to below 1 yr	1 yr and above	
ASF Item					
1	Capital:				
2	Regulatory capital	161,264,646	-	-	161,264,646
3	Other capital instruments	-	-	-	-
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	175,721,037	-	-	166,934,985
6	Less stable deposits	735,829,881	64,770,928	21,613,606	758,778,449
7	Wholesale funding:				
8	Operational deposits	-	-	-	-
9	Other wholesale funding	387,063,710	239,547,617	170,071,969	410,393,881
10	Other liabilities:				
11	NSFR derivative liabilities			2,875,549	-
12	All other liabilities and equity not included in other categories	370,247,546	854,962,995	1,953,680	137,148,490
13	Total ASF				1,634,520,450
RSF item					
14	Total NSFR high-quality liquid assets (HQLA)				61,531,770
15	Deposits held at other financial institutions for operational purposes	16,617,834			8,308,917
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA	-	87,262,790	-	8,726,279
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	6,477,386	22,905	983,060
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:	-	350,536,273	69,826,985	376,111,606
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	117,578,951
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	7,652,097	3,698,592	24,920,425
22	Other assets:				
23	Physical traded commodities, including gold				-
24	Assets posted as initial margin for derivative contracts				-
25	NSFR derivative assets			6,782,072	-
26	NSFR derivative liabilities before deduction of variation margin posted			2,875,549	4,481,633
27	all other assets not included in other categories	206,822,413	725,529,968	6,008,160	146,023,503
28	Off-balance sheet items		172,066,518	161,293,683	622,931,248
29	Total RSF				1,012,638,563
30	Net Stable Funding Ratio (%)				161%

Net Stable Funding Ratio - 2022

(Rupees. In '000)

	Unweighted value by residual maturity				Weighted value	
	No Maturity	Below 6 months	6 months to below 1 yr	1 yr and above		
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%