

As mentioned in Note 48.1 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 bank both at the Standalone and consolidated level (comprising of wholly/partially owned subsidiaries & associates). While calculating Consolidated Capital Adequacy for the Group, Subsidiaries are included using full consolidation method whereas associates in which the Bank 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, 2024** 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	2024
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

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.

SBP in BPRD circular letter no 02 of 2025 allowed banks to recognize Foreign Exchange Translation reserves as part of Common Equity Tier-1 (CET-1) Capital with effect from December 31, 2024.

1.2.3 IFRS 9 - 'Financial Instruments'

As per SBP BPRD Circular Letter No. 07 of 2023 dated April 13, 2023, IFRS 9 is applicable on banks with effect from January 01, 2024. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of accounting for financial liabilities. To determine appropriate classification and measurement category, IFRS 9 requires all financial assets, except equity instruments, to be assessed based on combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The adoption of IFRS 9 has also fundamentally changed the impairment method of financial assets with a forward-looking Expected Credit Losses (ECL) approach.

The SBP through its BPRD Circular Letter No. 16 dated July 29, 2024 has made certain amendments and extended the timelines of some of SBP's IFRS 9 Application Instructions to address the matters raised by the banks with a direction to ensure compliance by the extended timelines.

Treatments of some aspects of IFRS 9 are still under deliberation with the SBP. The Bank has adopted treatment discussed in meeting of Pakistan Bank Association and SBP for such matters which includes modification of loans from 2020 onwards, unlisted equity instruments where fair value not available to be accounted for at lower of cost or breakup value in respect of these matters in the prior periods till the time SBP issues the relevant guidance / clarification.

Impact of IFRS /9 on Regulatory Capital:

The introduction of IFRS 9 has resulted in reduction in regulatory capital of the Banks, which has reduced their lending capacity and ability to support their clients. In order to mitigate the impact of ECL models on capital, SBP has determined that it may be appropriate for the banks to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP has detailed the transitional arrangement.

The transitional arrangement applies only to provisions for stage 1 and stage 2 financial assets. The transitional arrangement must adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e., added back) to CET1 capital over the "transition period" of five years.

Moreover, SBP has allowed to adjust the amount of Stage 1 and Stage 2 provisions in Tier 2 Capital that have not been added back to CET 1 and vice versa as per Annexure-A of BPRD Circular no 16 of 2024.

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, 2024 is 3.93 % (2023: 3.55%) 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, 2024; Total Tier 1 capital of the Group amounts to PKR 160.3 billion (2023: PKR 125.8 billion) whereas the average total exposure measure amounts to PKR. 4,077.78 (2023: PKR 3,541.56 billion).

1.2.4 Risk Appetite

Risk Appetite (RA) defines the maximum level of risk the Bank is willing to accept in pursuit of its strategic and business objectives, as set by the Board of Directors. In establishing RA—including tolerance levels and limits—the Bank ensures that resources, including capital, are effectively allocated, and risk exposures remain within the boundaries of the risk management framework. The Risk Appetite Statement (RAS) maintains a balance between the Bank's strategic ambitions, growth objectives, operational plans, capital adequacy, and material risks, in line with regulatory requirements.

The RAS is reviewed periodically, taking into account historical trends, regulatory expectations, stress test outcomes, and senior management's assessment of economic conditions in relation to business objectives. To enhance the adaptability of the RA framework, the Bank has defined various economic zones based on the country risk matrix, assigning distinct tolerance thresholds and limits to key risk parameters for each zone.

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 17.76% 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, 2024

	Note	2024	2023
(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		38,735,876	22,478,107
6		-	-
7		91,296,242	71,472,352
8		5,679	-
9		150,540,496	114,453,159
10		3,798,372	2,151,644
11		146,742,124	112,301,515
Additional Tier 1 (AT 1) Capital			
12		14,000,000	14,000,000
13		-	-
14		14,000,000	14,000,000
15		1,002	-
16		-	-
17		14,001,002	14,000,000
18		450,000	450,000
19		13,551,002	13,550,000
20		13,551,002	13,550,000
21		160,293,126	125,851,515
Tier 2 Capital			
22		-	-
23		-	-
24		1,670	-
25		-	-
26		10,748,711	9,793,367
27		33,505,764	11,186,044
28		17,553,045	12,088,444
29		15,952,719	(902,400)
30		-	14,191,974
31		-	-
32		44,256,145	35,171,385
33		-	-
34		44,256,145	35,171,385
35		44,256,145	35,171,385
36		-	-
37		44,256,145	35,171,385
38		204,549,271	161,022,900
39		1,151,447,563	979,175,334
Capital Ratios and buffers (in percentage of risk weighted assets)			
40		12.74%	11.47%
41		13.92%	12.85%
42		17.76%	16.44%
43		7.50%	7.50%
44		1.50%	1.50%
45		-	-
46		-	-
47		6.74%	5.47%
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	2024	2023
		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)		1,559,640	1,380,144
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		1,331,990	440,585
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities		906,742	330,915
7 Cash flow hedge reserve		-	-
8 Investment in own shares/ CET1 instruments		-	-
9 Securitization gain on sale		-	-
10 Capital shortfall of regulated subsidiaries		-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ FVOCI/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)		3,798,372	2,151,644
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.			
1.3.4 Additional Information		2024	2023
Risk Weighted Assets subject to pre-Basel III treatment		Amount	Amount
		(Rupees in '000)	
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		4,819,770	1,631,815
39 Significant investments in the common stock of financial entities		1,980,485	1,197,345
40 Deferred tax assets arising from temporary differences (net of related tax liability)		-	3,619,475
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)		10,748,711	9,793,367
42 Cap on inclusion of provisions in Tier 2 under standardized approach		10,748,711	9,793,367
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		-	-

Capital Adequacy Ratio, Leverage Ratio and Liquidity Requirements

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1.4 Capital Structure Reconciliation

Table: 1.4.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2024	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	227,868,901	227,868,901
Balances with other banks	19,713,246	19,713,246
Lending to financial institutions	100,998,323	100,998,323
Investments	1,996,182,261	1,996,182,261
Advances	1,109,376,542	1,109,376,542
Operating fixed assets	89,039,548	89,039,548
Intangible assets	1,559,640	1,559,640
Deferred tax assets	-	-
Assets held for sale	-	-
Other assets	172,317,236	172,317,236
Total assets	3,717,055,697	3,717,055,697
Liabilities & Equity		
Bills payable	41,768,326	41,768,326
Borrowings	1,142,200,709	1,142,200,709
Deposits and other accounts	2,136,104,698	2,136,104,698
Sub-ordinated loans	14,000,000	14,000,000
Deferred tax liabilities	19,459,032	19,459,032
Liabilities directly associated with the assets held for sale	-	-
Other liabilities	182,136,235	182,136,235
Total liabilities	3,535,669,000	3,535,669,000
Share capital/ Head office capital account	15,771,651	15,771,651
Reserves	43,466,925	43,466,925
Unappropriated/ Unremitted profit/ (losses)	88,305,939	88,305,939
Minority Interest	21,703	21,703
Surplus on revaluation of assets	33,820,479	33,820,479
Total equity	181,386,697	181,386,697
Total liabilities & equity	3,717,055,697	3,717,055,697

Capital Adequacy Ratio, Leverage Ratio and Liquidity Requirements

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Table: 1.4.2

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2024 (Rupees in '000)		
Assets			
Cash and balances with treasury banks	227,868,901	227,868,901	
Balanced with other banks	19,713,246	19,713,246	
Lending to financial institutions	100,998,323	100,998,323	
Investments	1,996,182,261	1,996,182,261	
<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	906,742	906,742	d
AT1	450,000	450,000	
T2	-	-	
<i>of which: others (mention details)</i>	-	-	e
Advances	1,109,376,542	1,109,376,542	
<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>	10,748,711	10,748,711	g
Fixed Assets	89,039,548	89,039,548	
<i>of which: Intangibles</i>	1,559,640	1,559,640	k
Deferred Tax Assets	-	-	
<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>	-	-	i
Assets held for sale	-	-	
Other assets	172,317,236	172,317,236	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Defined-benefit pension fund net assets</i>	1,331,990	1,331,990	l
Total assets	3,717,055,697	3,717,055,697	
Liabilities & Equity			
Bills payable	41,768,326	41,768,326	
Borrowings	1,142,200,709	1,142,200,709	
Deposits and other accounts	2,136,104,698	2,136,104,698	
Sub-ordinated loans	14,000,000	14,000,000	
<i>of which: eligible for inclusion in AT1</i>	13,551,002	13,551,002	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	19,459,032	19,459,032	
<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	182,136,235	182,136,235	
Total liabilities	3,535,669,000	3,535,669,000	
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	43,466,925	43,466,925	

Capital Adequacy Ratio, Leverage Ratio and Liquidity Requirements

<i>of which: portion eligible for inclusion in CET1</i>	43,466,925	43,466,925	
<i>General Reserve</i>	38,735,876	38,735,876	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>	-	-	v
Unappropriated profit/ (losses)	88,305,939	88,305,939	w
Minority Interest	21,703	21,703	
<i>of which: portion eligible for inclusion in CET1</i>	5,679	5,679	x
<i>of which: portion eligible for inclusion in AT1</i>	1,002	1,002	y
<i>of which: portion eligible for inclusion in Tier 2</i>	1,670	1,670	z
Surplus on revaluation of assets	33,820,479	33,820,479	
<i>of which: Revaluation reserves on Fixed Assets</i>	17,553,045	17,553,045	
<i>of which: Non-banking assets acquired in satisfaction of claims</i>	314,715	314,715	aa
<i>of which: Unrealized Gains/Losses on FVOCI</i>	15,952,719	15,952,719	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total equity	181,386,697	181,386,697	
Total liabilities & Equity	3,717,055,697	3,717,055,697	

Capital Adequacy Ratio, Leverage Ratio and Liquidity Requirements

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Table: 1.4.3

	Component of regulatory capital reported by bank 2024 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	38,735,876	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	91,296,242	(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)	5,679	(x)
8 CET 1 before Regulatory Adjustments	150,540,496	
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)	1,559,640	(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	1,331,990	{(l) - (q)} * 100%
14 Reciprocal cross holdings in CET1 capital instruments	906,742	(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/ FVOCI	-	(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)	3,798,372	
31 Common Equity Tier 1	146,742,124	

Capital Adequacy Ratio, Leverage Ratio and Liquidity Requirements

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)	1,002	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	14,001,002	

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	13,551,002.09	
47	Additional Tier 1 capital recognized for capital adequacy	13,551,002.09	

48 **Tier 1 Capital (CET1 + admissible AT1) (31+47)** **160,293,126**

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)	1,670	(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	10,748,711	(g)
54	Revaluation Reserves	33,505,764	
55	of which: Revaluation reserves on fixed assets	17,553,045	portion of (aa)
56		15,952,719	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	44,256,145	

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	-	

Capital Adequacy Ratio, Leverage Ratio and Liquidity Requirements

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)	-	
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)	44,256,145	
67	Tier 2 capital recognized for capital adequacy	44,256,145	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	<u><u>44,256,145</u></u>	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	<u><u>204,549,271</u></u>	

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 (TFC 6)	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
4	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	6,550,000.00
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
17	Coupons / dividends	not applicable		
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	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
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	
	2024	2023	2024	2023
(Rupees in '000)				
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	7,450,485	9,234,840	64,786,823	80,302,957
Public Sector entities	2,395,847	1,674,049	20,833,450	14,556,946
Banks	2,577,079	3,583,585	22,409,381	31,161,609
Corporate	37,537,514	36,590,345	326,413,166	318,176,912
Retail	16,194,945	11,423,605	140,825,606	99,335,694
Residential Mortgages	2,286,372	1,783,558	19,881,495	15,509,202
Past Due loans	193,141	351,949	1,679,484	3,060,430
Operating Fixed Assets	10,234,468	7,109,420	88,995,370	61,821,047
Other assets	3,864,965	4,907,193	33,608,388	42,671,244
	82,734,816	76,658,544	719,433,163	666,596,040
<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	5,136,025	4,910,759	44,661,090	42,702,251
Acceptances	-	-	-	-
Performance Related Contingencies	1,694,070	1,544,787	14,731,045	13,432,927
Trade Related Contingencies	2,353,722	1,850,165	20,467,146	16,088,395
	9,183,817	8,305,711	79,859,281	72,223,574
Market related				
Foreign Exchange contracts	65,752	96,899	571,755	842,602
Derivatives	167,009	342,549	1,452,253	2,978,686
	232,761	439,448	2,024,008	3,821,288
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	1,991,683	737,291	17,318,980	6,411,225
Unlisted Equity Investment	4,745,063	3,957,984	41,261,418	34,417,256
	6,736,746	4,695,275	58,580,398	40,828,481
Under Internal models approach				
	98,888,140	90,098,978	859,896,850	783,469,384
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	3,204,813	1,353,775	40,060,163	16,922,188
Equity position risk	573,589	39,685	7,169,863	496,063
Foreign Exchange risk	54,533	65,200	681,663	815,000
	3,832,935	1,458,660	47,911,688	18,233,250
<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 (2021-70%)]*				
	19,491,122	14,197,816	243,639,025	177,472,700
<u>Capital Requirement for operational risks</u>				
	19,491,122	14,197,816	243,639,025	177,472,700
Total Risk Weighted Exposures	122,212,197	105,755,454	1,151,447,563	979,175,334

* 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		2024		2023	
		Required	Actual	Required	Actual
CET1 to total RWA		6.00%	12.74%	6.00%	11.47%
Tier-1 capital to total RWA		7.50%	13.92%	7.50%	12.85%
Total capital to total RWA		11.50%	17.76%	11.50%	16.44%

1 Liquidity Coverage Ratio for the year 2024

	2024		2023	
	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)		1,197,167,258		1,082,954,156
Cash Outflows				
2 Retail deposits and deposits from small business customers of which:	1,083,598,944	97,988,696	917,198,086	83,555,978
2.1 Stable deposit	207,423,970	10,371,199	163,276,617	8,163,831
2.2 Less stable deposit	876,174,973	87,617,497	753,921,469	75,392,147
3 Unsecured wholesale funding of which:	1,035,456,861	559,896,791	857,799,133	438,655,548
3.1 Operational deposits (all counterparties)	460,740	112,178	-	-
3.2 Non-operational deposits (all counterparties)	1,023,475,874	548,264,366	844,476,194	425,332,608
3.3 Unsecured debt	11,520,247	11,520,247	13,322,940	13,322,940
4 Secured wholesale funding	-	10,061,453	-	4,273,055
5 Additional requirements of which:	18,287,451	4,383,614	17,379,210	3,753,133
5.1 Outflows related to derivative exposures and other collateral requirements	2,838,743	2,838,743	2,239,124	2,239,124
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	15,448,708	1,544,871	15,140,086	1,514,009
6 Other contractual funding obligations	16,388,331	16,388,331	6,474,596	6,474,596
7 Other contingent funding obligations	987,710,978	18,509,745	879,157,106	17,441,602
8 TOTAL CASH OUTFLOWS	-	707,228,630	-	554,153,912
Cash Inflows				
9 Secured lending	35,787,586	-	60,282,523	-
10 Inflows from fully performing exposures	111,021,105	75,067,425	95,511,923	59,622,200
11 Other Cash inflows	19,807,076	6,104,400	21,789,804	6,143,458
12 TOTAL CASH INFLOWS		81,171,825		65,765,658
	TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE	
13 Total HQLA		1,197,167,258		1,082,954,156
14 Total Net Cash Outflows		626,056,805		488,388,254
15 Liquidity Coverage Ratio		191%		222%

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 2024

(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	205,146,292	-	-	-	205,146,292
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	280,934,885	-	-	-	266,888,140
6	Less stable deposits	741,082,634	96,476,916	11,576,738	1,173,838	765,396,498
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	430,743,879	255,639,640	11,530,111	7,350,615	356,307,429
10	Other liabilities:					
11	NSFR derivative liabilities				1,159,938	-
12	All other liabilities and equity not included in other categories	452,691,075	1,084,155,449	62,551,994	65,740,092	97,016,089
13	Total ASF					1,690,754,449
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					36,323,056
15	Deposits held at other financial institutions for operational purposes	18,475,498				9,237,749
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	98,703,967	-	-	9,870,397
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	15,640,667	201,000	-	2,446,600
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:	-	389,543,729	365,162,914	208,358,388	554,457,952
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	156,164,602	101,506,991
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	3,378,761	70,189,486	29,823,535	62,134,128
22	Other assets:					
23	Physical traded commodities, including gold					-
24	Assets posted as initial margin for derivative contracts					-
25	NSFR derivative assets				4,417,319	-
26	NSFR derivative liabilities before deduction of variation margin posted				1,159,938	3,489,369
27	all other assets not included in other categories	261,596,908	1,902,992,433	82,327,281	199,526,671	508,986,649
28	Off-balance sheet items		158,188,911	195,265,653	697,325,597	52,539,008
29	Total RSF					1,340,991,900
30	Net Stable Funding Ratio (%)					126%

3 Net Stable Funding Ratio for the year 2023

(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	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	18,785,475	758,778,449
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	387,063,710	239,547,617	170,071,969	12,052,232	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	136,171,649	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	195,211,737	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	76,426,318
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	7,652,097	3,698,592	22,641,271	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	403,333,983
28	Off-balance sheet items		172,066,518	161,293,683	622,931,248	47,814,572
29	Total RSF					1,012,638,563
30	Net Stable Funding Ratio (%)					161%