Credit Risk



137,551 360,483

-566,517 101,317 775,253

-470,779

Portfolio subject to standardized approach (simple or comprehensive) <u>On-balance sheet</u> Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR Claims on Public Sector Entities in Pakistan Claims on Banks Claims, denominated in foreign currency, on banks with original maturity of 3 months or less Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR

Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	566,517	470,779
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	1,457,778	1,252,403
Claims on Corporate (excluding equity exposures)	24,887,877	30,499,526
Claims categorized as retail portfolio Claims fully secured by residential property	6,911,311 1,801,115	6,714,369 1,696,252
	1,001,115	1,090,232
Past Due loans:	5 000 505	5 500 530
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	5,299,596	5,509,539
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	1,311,120	204,709
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	116,931	193,144
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired	79,876	115,013
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against more than 20% of outstanding amount.	is 14,431	2,011
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	-	
Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)	3,924,241	4,069,971
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.		-
Unlisted equity investments (other than that deducted from capital) held in banking book	-	-
All other assets	8,652,306	7,613,121
Off Delever Chert New Medica selected Environment	55,521,133	59,217,407
Off- Balance Sheet - Non Market related Exposures		
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	6,646,674	6,907,406
Performance related Contingencies Trade Related contingencies / Other Commitments with original maturity of one year or less	11,301,037	10,641,897
	1,506,675	1,120,513
Off- Balance Sheet - Market related Exposures	19,454,386	18,669,816
Foreign Exchange Contracts with SBP		
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-
Foreign Exchange Contracts*	33,023	91,579
	33,023	91,579
Total Credit Risk (A)	75,008,452	77,978,803
Market Risk		
Capital Requirement for portfolios subject to Standardized Approach Interest rate risk	1,077,433	13.922.450
Equity position risk etc.	13,850	409,813
Foreign exchange risk etc.	20,203	362,325
Total Market Risk (B)	13,893,580	14,694,592
Operational Risk	20,243,274	15,132,319
Basic Indicator Approach-Total of operational risk (C)	20,243,274	15,132,319
Total (A + B + C)	109,145,306	107,805,714
Capital Adequacy Ratio		
	10.020.050	
Total eligible regulatory capital held (a) Total Risk Weighted Assets (b)	19,920,878 109,145,306	16,043,118 107,805,714
Capital Adequacy Ratio (b)		107,805,714 14.88%
Leverage Ratio	December 31, 2023 (Rupees i	December 31, 2022 in '000)
Total Exposure	(rapies)	
On Balance Sheet Exposure	346 155 031	284 224 868

Total Exposure On Balance Sheet Exposure On-Balance Sheet Exposure (Excluding Derivatives) Derivative	346,155,031 - -	284,224,868
Total On Balance Sheet Exposure (A)	346,155,031	284,224,868
Off Balance Sheet Exposure Off-Balance Sheet Exposure (Excluding Derivatives) Derivative in respect of Commitments Total Off Balance Sheet Exposure (B)	109,374,911 - 135,364 109,510,275	112,374,112 250,852 112,624,964
Total Exposure (A+B)	455,665,307	396,849,832
Tier-1 Capital	19,747,849	15,958,762
Leverage Ratio	4.33%	4.02%
Regulatory Requirement for Leverage Ratio	3.00%	3.00%

The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is also placed on Bank's website. Please follow the link https://www.bok.com.pk/downloads for detailed disclosures.

41.2 Capital Adequacy Ratio (CAR) disclosure template: CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2023

	CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2023	December 31, 2023	December 31, 2022
	Γ	Rupees in ' Amount	000 Amount
Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	11,027,905	11,027,905
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	
5	General/ Statutory Reserves	4,343,001	3,646,746
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	4,805,756	1,982,705
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	_	-
9	CET 1 before Regulatory Adjustments	20,176,662	16,657,356
10	Total regulatory adjustments applied to CET1 (Note 40.2.1)	428,813	698,595
11	Common Equity Tier 1	19,747,849	15,958,761
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount		
-	allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 40.2.2)		-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy		-
20	Additional TRY F capital recognized for capital adequacy		-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	19,747,849	15,958,762
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in		
	group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out		-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk		
20	Weighted Assets	96,130	84,356
27	Revaluation Reserves (net of taxes)	76,899	-
28	of which: Revaluation reserves on fixed assets	900,120	-
29	of which: Unrealized gains/losses on AFS	(823,221)	-
30	Foreign Exchange Translation Reserves	(025,221)	-
31	Undisclosed/Other Reserves (if any)		-
31	T2 before regulatory adjustments	173,029	84,356
33	Total regulatory adjustment applied to T2 capital (Note 40.2.3)	173,029	04,330
34	Tier 2 capital (T2) after regulatory adjustments	173,029	84,356
	Tier 2 capital recognized for capital adequacy		
35		173,029	84,356
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		-
37	Total Tier 2 capital admissible for capital adequacy	173,029	84,356
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	19,920,878	16,043,118
39	Total Risk Weighted Assets (RWA) {for details refer Note 40.5}	109,145,306	109,145,306
40	Capital Ratios and buffers (in percentage of risk weighted assets) CET1 to total RWA	18.000/	14 (20/
40	Tier-1 capital to total RWA	18.09%	<u> </u>
41	Total capital to total RWA	18.25%	14.02/0
42	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer	18.25 %	14.7070
43	plus any other buffer requirement)	-	-
44	of which: capital conservation buffer requirement	-	-
45	of which: countercyclical buffer requirement	-	-
46	of which: D-SIB or G-SIB buffer requirement	-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	6.00%	6.00%
49	ADT-1 minimum ratio	1.50%	1.50%
50	Tier 1 minimum ratio	7.50%	7.50%
51	Total capital minimum ratio	10.00%	10.00%
		1 500/	1 500/
52	CCB (Consisting of CET1 only) Total Capital plus CCB	1.50% 11.50%	<u> </u>

		December	r 31, 2023 Rupees in '0		ecember 31, 2022
	Regulatory Adjustments and Additional Information	Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
ote 41.2.1	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)	428,608		443,058	
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	-		-	
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		-	
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/ AFS	-		255,318	
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				
21	Adjustment to CETT due to insufficient ATT and Tiel 2 to cover deductions	205		219	
21	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	205 428,813		219 698,595	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)				
22 .2.2	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
22 .2.2 23	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]				
22 .2.2 23 24	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments				
22 23 24 25	Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities				
22 .2.2 23 24	Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and	428,813 - -		698,595 - -	
22 .2.2 23 24 25	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	428,813 - -		698,595 - -	
22 	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are	428,813 - -		698,595 - -	
22 .2.2 23 24 25 26 27	Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities Investments in the capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment	428,813 - -		698,595 - -	
22 1.2.2 23 24 25 26 27 28	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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	428,813 - -		698,595 - -	
22 23 24 25 26 27 28 29 30	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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 (mount above 10% threshold) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	428,813 - - 205 - - - -		698,595	
22 23 24 25 26 27 28 29 30 2.23	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustment applied to AT1 capital (sum of 23 to 29) Tier 2 Capital: regulatory adjustments	428,813 - - 205 - - - -		698,595	
22 23 24 25 26 27 28 29 30 .2.3 31	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional preiod, remain subject to deduction from additional tier-1 capital Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments Portion of deduction applied to AT1 capital (sum of 23 to 29) Tier 2 Capital: regulatory adjustments 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	428,813 - - 205 - - - -		698,595	
22 23 24 25 26 27 28 29 30 29 30 21 31 32	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments Portion of deduction applied to AT1 capital (sum of 23 to 29) Tier 2 Capital: regulatory adjustments 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 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	428,813 - - 205 - - - -		698,595	
22 23 24 25 26 27 28 29 30 29 30 29 30 29 30 23 31 32 33	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments 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 Reciprocal	428,813 - - 205 - - - -		698,595	
22 23 24 25 26 27 28 29 30 29 30 22 23 24 25 26 27 28 29 30 31 32	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments 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 deductions from tier-2 capital 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 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities Investment in own Tier 2 capital instrument of banking, financial and	428,813 		698,595	
22 23 24 25 26 27 28 29 30 29 30 .2.3 31 32 33	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustments 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 Reciprocal	428,813 		698,595	
22 23 24 25 26 27 28 29 30 29 30 23 31 32 33	Total regulatory adjustments applied to CET1 (sum of 1 to 21) Additional Tier-1 & Tier-1 Capital: regulatory adjustments Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] Investment in own AT1 capital instruments Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities 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) Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation 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 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions Total regulatory adjustment applied to AT1 capital (sum of 23 to 29) Tier 2 Capital: regulatory adjustments 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 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities Investment in own Tier 2 capital instrument Investment in own Tier 2 capital instrument	428,813 		698,595	

* This column "Amounts subject to Basel III treatment" has been added for reporting the amount of each regulatory deduction item .

Note: Rows which are not applicable for any institution should be left blank

		December 31, 2023 Rupees in '000	December 31, 2022
Note 41.2.4	Additional Information	Amount	Amount
	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		1,427,738
39	Significant investments in the common stock of financial entities		22,836
40	Deferred tax assets arising from temporary differences (net of related tax liability) Applicable caps on the inclusion of provisions in Tier 2		1,387,049
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach		
	(prior to application of cap)		96,130
42	Cap on inclusion of provisions in Tier 2 under standardized approach		84,356
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	-	-

Note: Rows which are not applicable for any institution should be left blank

NOTE 41.3 Capital Structure Reconciliation

Illustration of the 3 Step approach to Balance Sheet Reconciliation

All banks/ DFIs are required to follow a 3 step approach to ensure that the Basel III requirement to provide a full reconciliation of all regulatory capital elements back to the published financial statements is done in a consistent manner. Under this process all banks/ DFIs need to show the link between their published balance sheet and the figures reported for the calculation of regulatory capital.

Step 1: Under Step 1, banks are required to use their balance sheet of the published financial statements based on the accounting scope of consolidation (numbers reported in the 2nd column below) as a starting point and report the numbers for each item in the published financial statements based on regulatory scope of consolidation (3rd column below). If there are rows in the regulatory consolidation balance sheet that are not present in the published financial statements, banks are required to add these and give a value of zero in the 2nd column. In case the accounting consolidation is identical to the scope of regulatory consolidation then banks are not required to undertake Step-1. Instead, the bank should disclose this fact and move to Step-2.

Table: 41.3.1	Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	December 31, 2023	December 31, 2022
Assets (1)	(2)	(3)
Cash and balances with treasury banks	23,895,690	16,273,825
Balanced with other banks	3,960,115	3,556,532
Lending to financial institutions	2,000,000	7,641,077
Investments	223,348,499	173,668,614
Advances	101,587,580	127,515,211
Operating fixed assets	7,377,275	6,086,999
Deferred tax assets	1,346,748	1,367,841
Other assets	19,670,577	8,873,921
Total assets	383,186,484	344,984,020
Liabilities & Equity Bills payable	3,759,078	2,102.234
	, ,	, ,
Borrowings Deposits and other accounts	50,460,559 289,291,561	66,263,168 248,905,981
Sub-ordinated loans	289,291,301	
Liabilities against assets subject to finance lease		-
Deferred tax liabilities		
Other liabilities	19,374,002	- 11,285,139
Total liabilities	362.885.200	328,556,522
1 otai nabinues	502,005,200	520,550,522
Share capital/ Head office capital account	11,027,905	11,027,905
Reserves	4,343,001	3,646,746
Unappropriated/ Unremitted profit/ (losses)	4,805,756	1,982,704
Minority Interest		-
Surplus on revaluation of assets	124,622	(229,857)
Total liabilities & equity	383,186,484	344,984,020

Step 2: Under Step 2 banks are required to expand the balance sheet under the regulatory scope of consolidation (revealed in Step 1) to identify all the elements that are used in the **capital adequacy disclosure template** set out in Note 44.2. Each element must be given a reference number/letter in the 4th column that will be used as a cross reference in Step-3. Given below are some examples of elements (in italic font) that may need to be expanded. However, the more complex the balance sheet of the bank, the more items would need to be disclosed.

	Balance sheet as in	Under regulatory scope of	Reference
Table: 41.3.2	published financial statements	consolidation	
	December 31, 2023	December 31, 2022	
Assets (1)	(2)	(3)	(4)
Cash and balances with treasury banks	23,895,690	16,273,825	
Balanced with other banks	3,960,115	3,556,532	
Lending to financial institutions	2,000,000	7,641,077	
Investments	223,348,499	173,668,614	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold			
	-	-	а
of which: significant investments in the capital instruments issued by banking,			
financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	с
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	205	219	d
of which others (montion details)	203	219	
of which: others (mention details)		-	e
Advances	101,587,580	127,515,211	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	96,130	84,356	g
Fixed Assets	7,377,275	6,086,999	
Deferred Tax Assets	1,346,748	1,367,841	
of which: DTAs that rely on future profitability excluding those arising from temporary			
differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold			
	-	-	i
Other assets	19,670,577	8,873,921	
of which: Goodwill	-	-	j
of which: Intangibles	428,608	443,058	k
of which: Defined-benefit pension fund net assets	-	-	1
Total assets	383,186,484	344,984,020	
Liabilities & Equity			
Bills payable	3,759,078	2,102,234	
Borrowings	50,460,559	66,263,168	
Deposits and other accounts	289,291,561	248,905,981	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in ATI	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	0
of which: DTLs related to intangible assets	-	-	р
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	19,374,002	11,285,139	
Total liabilities	362,885,200	328,556,522	
	1 1 1	· · ·	
Share capital	11,027,905	11,027,905	
of which: amount eligible for CET1	11,027,905	11,027,905	s
of which: amount eligible for AT1			t
Reserves	4,343,001	3,646,746	
of which: portion eligible for inclusion in CET1(provide breakup)	4,343,001	3,646,746	u
of which: portion eligible for inclusion in Tier 2	-,545,601	-	v
Unappropriated profit/ (losses)	4,805,756	1,982,704	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-		x
of which: portion eligible for inclusion in CE11			
of which: portion eligible for inclusion in ATT of which: portion eligible for inclusion in Tier 2	-	-	у
	-	-	Z
Surplus on revaluation of assets	- 900,120	- (1.042.519)	
of which: Revaluation reserves on Fixed Assets	,	(1,042,518)	aa
of which: Unrealized Gains/Losses on AFS	(823,221)	787,200	al
In case of Deficit on revaluation (deduction from CET1)	124,622	(255,318)	ab
Total liabilities & Equity	383,186,484	344,958,559	

Step 3: Under Step 3, a column is added to the capital adequacy disclosure template given at Note 41.2 (including sub-notes 41.2.1 to 41.2.3) and banks will cross reference figures of this column with the expanded balance sheet of Step-2. For example, the template includes the line "goodwill net of related deferred tax liability". The bank will put "(j) - (o)" to show that row 9 of the template has been calculated as the difference between component "(j)" and component "(o)" of the regulatory scope balance sheet, illustrated in step 2. Since the following table 41.3.3 is repetition of Note 41.2 with the addition of the last column, therefore to reduce duplication, the bank may adopt any of the two options; (1) Use the table 41.3.3 as proposed below, or (2) just add the last column of table 41.3.3 to Note 41.2 (including sub-notes 41.2.1 to 41.2.3).

Component of part in the server of the		Basel III Disclosure Template (with	added column)		7
1 Fully Paid-qc Capital Capital deposited with SBP 11.027.905 2 Balance in Share Prenium Account - 3 Reserve for issue of Brans Shares - 4 General'S Lattory Reserves 4.343 (A)1 6 Capital Casses) on derivatives held as Cash Flow Hedge - 7 Minority Intervist arising from CETI capital instruments issued to third party by consolitation group) (a) 6 Carperograming Certer Lattory Reserves 20,176,662 Common Equity Tier Capital Regulatory adjustments - (b) 9 Chert Lattory Reserves - (b) 11 Shorffail of pressions against cleassife assets - (f) 12 Deferred tas assets that rely on future profibihility excluding those arising from temporary differences (net of rated aderived testified assets) - (f) 13 Defined-henefit pension fund net assets - (f) (h) 14 Receprocal cross holding in CETI capital instruments - (d) 15 Cash how hedge reserve - (d) 16 Investments in the capital instruments - (d) 17 Securitation gain on sale - - 18 Capital dormated subsidiaries - 19 Definit a acocanti	_	Table: 41.3.3	Component of regulatory capital		
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3 Reserve for issue of homs Shares - 4 General Statutory Reserves 4,343,001 6 Changroprizated unervalined profile (bases) 4,803,756 6 Usangroprizated unervalined profile (bases) 4,803,756 7 Minority Interests arising from CET 1 capital of the consolidation group) (x) 8 CET 1 before Regulatory Adjustments 20,176,662 7 Common Equity Ter 1 capital Regulatory adjustments (j) - (o) 10 All order inangibles (not 1 any associated deferred tax liability) 42,6,68 (k) - (p) 11 Shorfill of provisions against classified assets - (f) 12 Deferred tax assets that report of thure portaliability excluding those arising from temporary differences (net of related tax liability) (h) - (r) + x% 13 Defined-benefit pension fund net assets - (d) 14 Receptocal cross holding in CET 1 apital instruments - 15 Cash flow holgs reserve - 16 Investments in the capital instruments - 17 Scouritization from back? sholdings of fixed assets/ APS (ab) 18 Capital shortfall or regulatory consolidation, where the hank does not rown more than 10% of the issued bashed ares - 21 Significant investments in the capital instruments issued by b			11,027,905		
4 General'Statutory Reserves 4,343,001 (u) 5 Gain/Losses) on derivatives leads as Cash Flow Hedge (a) 6 Longroprizated unremited profits/(losses) 4,805,756 (w) 7 Minority Interests arising from CET1 capital instruments issued to third party by consolidation group) (x) 2 CBT1 Hodrer Regulatory Adjustments 20,176,662 Common Equity Tier 1 capital: Regulatory adjustments 20,176,662 Common Equity Tier 1 capital: Regulatory adjustments (b) - (c) 10 All other intangibles (net of anal deferred tax liability) 428,608 11 Shorffal O provisions agains classified assets - 12 Defried-benefit pension fund net assets - 13 Defined-benefit pension fund net assets - 14 Reciprocal cross holdings or ICT1 capital instruments - 13 Defined-benefit pension fund net assets - 14 Reciprocal cross holdings or ICT1 capital instruments - 15 Cash flow hedge reserve - 16 Investments in the capital instruments issued by thirkshold - 17 Securitization gain on sale - 20 Investments in the capital instruments issued by thirkshold - 21 Significant investments in the	_		-	(s)	
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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) Portion of amount above the threshold that is to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted fro					
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10 Intervention into cupant introduction obtaining, innatcut and monitor control (a) - (ac) - (ae) threshold that is to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from ATI and "ac" is the portion to be deducted from T2 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) Portion of anount above the threshold that is to be deducted from ATI and "ac" is the portion to be deducted from T2 22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold) (i) (ii) 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 (apital - 27 of which: Any other deduction specified by SBP (mention details) - 28 Regulatory adjustment a			-	(ab)	
21 origination into the tapital institution inside of y during institution and the tapital institution inside of y during institution and the tapital institution inside of y during institution and the tapital institution inside of y during institution and the tapital institution inside of y during inside of the tapital inside inside inside of the tapital inside ins	20	that are outside the scope of regulatory consolidation, where the bank does not own	-	(a) - (ac) - (ae)	threshold that is to be deducted from CET1, whereas "ac" is the portion to be deducted from AT1 and "ac" is the portion to be
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813	21	insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)	threshold that is to be deducted from CET1, whereas "ad" is the portion to be deducted from AT1 and "af" is the portion to be
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813	22				
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813			-	(i)	
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813		<u> </u>	-		
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813	24	of which: significant investments in the common stocks of financial entities			
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813	25	of which: deferred tax assets arising from temporary differences	-]	
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 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813	26	National specific regulatory adjustments applied to CET1 capital	-]	
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) 428,813	27		-		
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) 428,813	28	of which: Any other deduction specified by SBP (mention details)	-	1	
deductions 205 30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813				1	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29) 428,813			205		
	30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	428,813	1	
	31	Common Equity Tier 1	19,747,849]	

	Additional Tion 1 (AT 1) Capital		
32	Additional Tier 1 (AT 1) Capital Qualifying Additional Tier-1 instruments plus any related share premium	-	l l
33	of which: Classified as equity		(t)
34	of which: Classified as liabilities	-	(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	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific		
20	adjustment)	-	
39 40	Investment in own AT1 capital instruments	- 205	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments Investments in the capital instruments of banking, financial and insurance entities	205	
71	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		
45	cover deductions	- 205	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44) Additional Tier 1 capital	205	
47	Additional Tier 1 capital recognized for capital adequacy		
	nunional net i capital recognized for capital adoquacy		
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	19,747,849	
	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		
51	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		(2)
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of		
	Credit Risk Weighted Assets	96,130	(g)
54	Revaluation Reserves	76,899	
55	of which: Revaluation reserves on fixed assets	900,120	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	(823,221)	portion of (aa)
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	173,029	
60	Tier 2 Capital: regulatory adjustments		
00	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)		
<u> </u>		-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and		
	insurance entities that are outside the scope of regulatory consolidation		(- b)
65	Amount of Development Adjustment and is to TO social (see of 60 to 64)	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66 67	Tier 2 capital (T2) Tier 2 capital recognized for capital adequacy	173,029 173,029	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	173,029	
	TOTAL CAPITAL (T1 + admissible T2) (48+69)	19,920,878	
70	101AL CALITAL (11 + aumssible 12) (40+05)		

42 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

			Credit Exposures sul	ject to Standardized	approach		
	_		2023			2022	
	Rating Category	Amount	Deduction	Net	Amount	Deduction	Net
Exposures	Number	Outstanding	CRM	Amount	Outstanding	CRM	Amount
-		~		Rupees in '()00		
Corporate	1	7,964,331	_	7,964,331	4,905,593		4,905,593
	2	20,405,481		20,405,481	22,385,017	-	22,385,017
	3 & 4	475,435	-	475,435	1,405,722	-	1,405,722
	5 & 6	•	-	•	-,,	-	-,,
	Unrated-I	7,894,751	-	7,894,751	11,874,144	-	11,874,144
	Unrated-II	3,777,667	-	3,777,667	4,036,827	-	4,036,827
Banks	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		7,288,891	-	7,288,891	9,336,286	3,074,274	6,262,013
With maturity 3 months or less (FCY)	1,2,3	960,454	-	960,454	930,547	-	930,547
	4,5	14,640	-	14,640	108,016	-	108,016
	6	128,028	-	128,028	-	-	-
	Unrated	875,317	-	875,317	1,153,308	-	1,153,308
Retail		9,215,081		9,215,081	8,952,492		8,952,492
Claims subject to Residential Mortgage		5,146,043	-	5,146,043	4,846,434	-	4,846,434
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	720,966	-	720,966	869,189	-	869,189
	Unrated	29,312,887	29,312,887	-	21,047,983	20,366,667	681,317
Past Due		5,186,605	-	5,186,605	4,383,059	-	4,383,059
Others		63,086,804		63,086,804	79,833,497		79,833,497
		162,453,380	_	133,140,494	176,068,113	=	152,627,173

CRM = Credit Risk Mitigation

42.1 Equity position risk in the banking book-Basel II Specific

Investments in equity were classified as trading book as Market related exposure.

41.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. Liquidity risk is governed by the liquidity management policy of the Bank and is managed by Market & Liquidity Risk Management Department under the supervision of ALCO.

The Bank's Asset & Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset and liability function. ALCO monitors the maintenance of liquidity ratios, both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. The BOD has approved comprehensive Liquidity Risk Management Policy which stipulates the early warning indicators (EWI) of liquidity risk and maintenance of various ratios according to comfortable, acceptable, warning, and stress zones. Moreover, Bank also has Contingency Funding Plan (CFP) in place to address liquidity issues in times of stress / crisis situation. In addition, ALCO & BRMC are briefed about various Liquidity Risk standards like Liquidity Coverage Ratio and its monitoring tools on periodic basis. Further the Bank has designed different scenarios of cash outflows to stress test efficiency of its liquid assets and its impact on profit and loss. Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. The results are regularly reviewed by ALCO for taking appropriate measures.

Bank's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. The Bank's large and stable base of customer deposits, along with Bank's strong capital base supplemented underlying strength and strong liquidity position during the year. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management, the Bank maintains borrowing relationships with various financial institutions to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign Banks and can fulfill its liquidity gap if a need arises.

The experience of Global Financial Crises (GFC) has urged the banks to follow an aggressive approach regarding liquidity and funding risk. State Bank of Pakistan has re-defined the guidelines and mechanism for liquidity risk management for banks in terms of different disclosures and reports. This entire mechanism as directed by SBP Basel III liquidity standards refered by BPRD circular # 08 - 2016 is implemented to ensure the liquidity risk management within regulatory parameters. The main disclosures are consisted of:

Liquidity Coverage Ratio (LCR)

The objective of LCR is focus on short-term liquidity risk measurement and management of the bank by ensuring the preservation of adequate unencumbered High Quality Liquid Assets (HQLA) to survive total cash out flows over the horizon of 30 days. Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon. Minimum requirement for LCR stands at 100%. Main drivers of LCR for the bank remains un-encumbered assets (Tbills, PIBs, Govt sukuks etc) on assets side whereas deposits generated from soverigns, PSE, Non financial corporates on liability side.

Net Stable Funding Ratio (NSFR)

It focuses on long-term measurement and management of funding risk by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing structural basis. The Net Stable Funding Ratio has been developed to capture structural issues related to funding choices.

(المحطالين ٨)

	(Audited) December 31, 2023	(Audited) December 31,
Liquidity Coverage Ratio (LCR):	178,286,835	101,636,622
Total high quality liquid assets	88,514,877	64,356,557
Total net cash outflow	201.42%	157.93%
Liquidity coverage ratio		
Net Stable Funding Ratio (NSFR):		
Total available stable funding	210,054,766	179,120,821
Total required stable funding	116,062,991	138,152,486
Net stable funding ratio	180.98%	129.65%