41 Capital Adequacy Return

Credit Risk	Risk Weighted Assets December 31, 2023	Risk Weighted Assets December 31, 2022
	-------------(Rupees in '000)-------------	
Portfolio subject to standardized approach (simple or comprehensive)		
On-balance sheet		
Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR	137,551	101,317
Claims on Public Sector Entities in Pakistan	360,483	775,253
Claims on Banks	-	-
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	6,911,311	6,714,369
Claims fully secured by residential property	1,801,115	1,696,252
Past Due loans:		
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 is more than 20% of outstanding amount.	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
	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	11,301,037	10,641,897
Trade Related contingencies / Other Commitments with original maturity of one year or less	1,506,675	1,120,513
	19,454,386	**18,669,816**
Off- Balance Sheet - Market related Exposures		
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

Total eligible regulatory capital held	**(a)**	19,920,878	16,043,118
Total Risk Weighted Assets	**(b)**	109,145,306	107,805,714
Capital Adequacy Ratio	**(a) / (b)**	18.25%	14.88%

Leverage Ratio	**December 31, 2023**	**December 31, 2022**
	--(Rupees in '000)--	
Total Exposure		
On Balance Sheet Exposure	346,155,031	284,224,868
On-Balance Sheet Exposure (Excluding Derivatives)	-	-
Derivative	-	-
Total On Balance Sheet Exposure (A)	**346,155,031**	**284,224,868**
Off Balance Sheet Exposure	109,374,911	112,374,112
Off-Balance Sheet Exposure (Excluding Derivatives)	-	-
Derivative in respect of Commitments	135,364	250,852
Total Off Balance Sheet Exposure (B)	**109,510,275**	**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%**

41.1 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

		December 31, 2023	December 31, 2022
		Rupees in '000	
		Amount	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**	-	-
			-
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 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	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	**T2 before regulatory adjustments**	**173,029**	**84,356**
33	Total regulatory adjustment applied to T2 capital **(Note 40.2.3)**	-	-
34	Tier 2 capital (T2) after regulatory adjustments	173,029	84,356
35	Tier 2 capital recognized for capital adequacy	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
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**18.09%**	**14.62%**
41	**Tier-1 capital to total RWA**	**18.09%**	**14.62%**
42	**Total capital to total RWA**	**18.25%**	**14.70%**
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer 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%**
52	**CCB (Consisting of CET1 only)**	**1.50%**	**1.50%**
	Total Capital plus CCB	**11.50%**	**11.50%**

Note 41.2

Regulatory Adjustments and Additional Information		December 31, 2023 Amount	December 31, 2023 Amounts subject to Pre-Basel III treatment*	December 31, 2022 Amount	December 31, 2022 Amounts subject to Pre-Basel III treatment*
		Rupees in '000			
Note 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	205		219	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	428,813		698,595	
41.2.2	**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	205		219	
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)	205		219	
41.2.3	**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)	-		84,356	

**** 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

Note 41.2.4	Additional Information	December 31, 2023 Rupees in '000 Amount	December 31, 2022 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)		1,387,049
	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)		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	50,460,559	66,263,168
Deposits and other accounts	289,291,561	248,905,981
Sub-ordinated loans		-
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**
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.

Table: 41.3.2	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**	**Reference**
	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	-	-	a
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	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	205	219	d
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	-	-	l
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 AT1	-	-	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	-	-	o
of which: DTLs related to intangible assets	-	-	p
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**	
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	-	-	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 AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	-	-	
of which: Revaluation reserves on Fixed Assets	900,120	(1,042,518)	aa
of which: Unrealized Gains/Losses on AFS	(823,221)	787,200	
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).**

Basel III Disclosure Template (with added column)

	Table: 41.3.3	Component of regulatory capital reported by bank	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	11,027,905	(s)	
2	Balance in Share Premium Account	-		
3	Reserve for issue of Bonus Shares	-		
4	General/ Statutory Reserves	4,343,001	(u)	
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-		
6	Unappropriated/unremitted profits/ (losses)	4,805,756	(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)	-	(x)	
8	**CET 1 before Regulatory Adjustments**	20,176,662		
	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)	428,608	(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} * x%	where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc.), Section 2.4.11
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%	
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)	
15	Cash flow hedge reserve	-		
16	Investment in own shares/ CET1 instruments	-		
17	Securitization gain on sale	-		
18	Capital shortfall of regulated subsidiaries	-		
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)	
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)	Portion of amount above the threshold that is to be deducted from CET1, whereas "ac" is the portion to be deducted from AT1 and "ae" 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 amount above the 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 deducted from T2
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	205		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	428,813		
31	**Common Equity Tier 1**	19,747,849		

	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
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 adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	205	
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 44)	205	
46	Additional Tier 1 capital		
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
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 instruments)	-	(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	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)	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	**T2 before regulatory adjustments**	173,029	
	Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	173,029	
67	Tier 2 capital recognized for capital adequacy	173,029	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	173,029	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	19,920,878	

42 Credit Risk - General Disclosures

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

		Credit Exposures subject to Standardized approach					
		2023			2022		
Exposures	Rating Category Number	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
		Rupees in '000					
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.

	(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%**