

41 CAPITAL ASSESSMENT AND ADEQUACY

Scope of Applications

Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Branches. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risks, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

Capital Management

Objectives and goals of managing capital

The Branches manage its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the assigned capital (net off losses) for branches of foreign banks operating in Pakistan to be raised to Rs. 3 billion by the financial year December 2010. The Head Office capital account of the branches for the year ended December 31, 2024 stands at Rs. 41,782 million and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019. Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	2013	2014	2015	2016	2017	2018	2019	2020	2024
1	CET 1	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	*CCB	0.00%	0.00%	0.25%	0.65%	1.28%	1.90%	2.50%	1.50%	1.50%
6	Total Capital Plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%	11.50%	11.50%

* SBP reduced the Capital Conservation Buffer (CCB) from 2.5% to 1.5% to dampen the effects of COVID-19

Branches' regulatory capital is analyzed into three tiers

Common Equity Tier 1 capital (CET1), which includes head office capital account and un-remitted profit after all regulatory adjustments applicable on CET1.

Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria.

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt / Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), gross reserves on revaluation of fixed assets and equity investments and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

Capital Adequacy

The main objective of the capital management is to improve the financial position of the Branches to support the growth in business.

The Branches' capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and at the same time maintaining creditor and market confidence.

In implementing current capital requirements the State Bank of Pakistan requires banks to maintain minimum Capital Adequacy Ratio (CAR) of 11.50% as of December 31, 2024 whereas CAR stood at 45.77% at the year ended December 31, 2024.

The Branches calculate capital adequacy ratio for credit risk, market risk and operational risk based upon requirements under Basel Accord as per guidelines issued by the State Bank of Pakistan from time to time in this regard.

Sensitivity and stress testing of the Branch under different risk factors depicts that the capital adequacy ratio is above the regulatory requirements.

41.1 Capital Adequacy Ratio as at December 31, 2024

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Simple Approach for Credit and Market Risk related exposures and Basic Indicator Approach for Operational Risk, presented below:

Particulars	2024	2023
	------(Rupees in '000)-----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	41,782,500	42,279,105
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	-	-
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	107,946,253	79,234,673
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	149,728,753	121,513,778
10 Total regulatory adjustments applied to CET1 (Note 34.4.1)	(23,839)	(157,203)
11 Common Equity Tier 1	149,704,914	121,356,575
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 34.4.2)	-	-
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)	149,704,914	121,356,575
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	-	-
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	90,738	59,893
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	-	-
29 of which: Unrealized gains/losses on AFS	1,633,933	-
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	1,724,671	59,893
33 Total regulatory adjustment applied to T2 capital (Note 34.4.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	1,724,671	59,893
35 Tier 2 capital recognized for capital adequacy	1,724,671	59,893
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	1,724,671	59,893
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	151,429,585	121,416,468
39 Total Risk Weighted Assets (RWA) {for details refer Note 34.7}	330,838,148	297,602,304
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	45.25%	40.78%
41 Tier-1 capital to total RWA	45.25%	40.78%
42 Total capital to total RWA	45.77%	40.80%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	9.00%	9.00%
44 of which: capital conservation buffer requirement	1.50%	1.50%
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	1.50%	1.50%
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	39.25%	34.78%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	9.00%	9.00%
49 Tier 1 minimum ratio	10.50%	10.50%
50 Total capital minimum ratio	13.00%	13.00%

Particulars	2024	2023
	Amount	Amount

----- (Rupees in '000) -----

41.1.1 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)	23,839	37,036
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	-	120,167
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	-	-
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	23,839	157,203

41.1.2 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	-	-
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)	-	-

41.1.3 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)	-	-

2024

2023

(Rupees in '000)

41.1.4 Additional Information**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	660,672	1,590,839
(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	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	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)	-	-
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
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	-	-

41.2 Capital Structure Reconciliation**Reconciliation of each financial statement line item to item under regulatory scope of reporting**

Table: 41.2 - (a)

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2024	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	76,916,819	76,916,819
Balances with other banks	47,033,228	47,033,228
Lending to financial institutions	478,661,524	478,661,524
Investments	729,107,823	729,107,823
Advances	365,624,885	365,624,885
Operating fixed assets	979,927	979,927
Intangible assets	23,839	23,839
Deferred tax assets	660,672	660,672
Other assets	16,432,020	16,432,020
Total assets	1,715,440,737	1,715,440,737
Liabilities & Equity		
Bills payable	1,889,296	1,889,296
Borrowings	941,477,718	941,477,718
Deposits and other accounts	510,453,097	510,453,097
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	110,257,941	110,257,941
Total liabilities	1,564,078,052	1,564,078,052
Share capital/ Head office capital account	41,782,500	41,782,500
Reserves	-	-
Unremitted profit / Accumulated (losses)	107,946,253	107,946,253
Minority Interest	-	-
Surplus / (Deficit) on revaluation of investments- net of tax	1,633,933	1,633,933
Total equity	151,362,686	151,362,686
Total liabilities & equity	1,715,440,738	1,715,440,738

Reconciliation of balance sheet to eligible regulatory capital

Particulars	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
2024			
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	76,916,819	76,916,819	
Balances with other banks	47,033,228	47,033,228	
Lending to financial institutions	478,661,524	478,661,524	
Investments	729,107,823	729,107,823	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>			a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>			b
<i>of which: Mutual Funds exceeding regulatory threshold</i>			c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, of which: others (mention details))</i>			d
Advances	365,624,885	365,624,885	e
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>			f
<i>general provisions reflected in Tier 2 capital</i>	90,738	90,738	g
Fixed Assets	979,927	979,927	
Intangible assets	23,839	23,839	
Deferred Tax Assets	660,672	660,672	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>			h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>			i
Other assets	16,432,020	16,432,020	
<i>of which: Goodwill</i>			j
<i>of which: Intangibles</i>			k
<i>of which: Defined-benefit pension fund net assets</i>		-	l
Total assets	1,715,440,737	1,715,440,737	
Liabilities & Equity			
Bills payable	1,889,296	1,889,296	
Borrowings	941,477,718	941,477,718	
Deposits and other accounts	510,453,097	510,453,097	
Sub-ordinated loans		-	
<i>of which: eligible for inclusion in AT1</i>			m
<i>of which: eligible for inclusion in Tier 2</i>			n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>			o
<i>of which: DTLs related to intangible assets</i>			p
<i>of which: DTLs related to defined pension fund net assets</i>			q
<i>of which: other deferred tax liabilities</i>			r
Other liabilities	110,257,941	110,257,941	
Total liabilities	1,564,078,052	1,564,078,052	
Share capital	41,782,500	41,782,500	
<i>of which: amount eligible for CET1</i>	41,782,500	41,782,500	s
<i>of which: amount eligible for AT1</i>			t
Reserves	-	-	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	-	-	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unremitted profit / Accumulated (losses)	107,946,253	107,946,253	w
Minority Interest			
<i>of which: portion eligible for inclusion in CET1</i>			x
<i>of which: portion eligible for inclusion in AT1</i>			y
<i>of which: portion eligible for inclusion in Tier 2</i>			z
Surplus on revaluation of assets	1,633,933	1,633,933	
<i>of which: Revaluation reserves on Fixed Assets</i>			
<i>of which: Unrealized Gains/Losses on AFS</i>	1,633,933	1,633,933	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>			ab
Total equity	151,362,686	151,362,686	
Total liabilities & Equity	1,715,440,738	1,715,440,738	

Basel III Disclosure (with added column)

Particulars	Component of regulatory capital reported by branches	Source based on reference number from step 2
2024		
<i>(Rupees in '000)</i>		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	41,782,500	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	-	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	107,946,253	(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	149,728,753	
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)	23,839	(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)} * 20%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * 20%
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)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28 of which: Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	23,839	
31 Common Equity Tier 1	149,704,914	
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	-	
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)	-	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1) (31+47)	149,704,914	

Particulars	Component of regulatory capital reported by branches	Source based on reference number from step 2
2024 (Rupees in '000)		
Tier 2 Capital		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in	-	(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	90,738	(g)
54 Revaluation Reserves	-	
55 of which: Revaluation reserves on fixed assets	-	portion of (aa)
56 of which: Unrealized Gains/Losses on AFS	1,633,933	
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 T2 before regulatory adjustments	1,724,671	
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)	1,724,671	
67 Tier 2 capital recognized for capital adequacy	-	
68 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69 Total Tier 2 capital admissible for capital adequacy	1,724,671	
70 TOTAL CAPITAL (T1 + admissible T2) (48+69)	151,429,585	

41.3 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments				
S. No.	Main Features	Common Shares	Instrument - 2	Instrument - 3
1	Issuer	NA	NA	NA
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	NA	NA	NA
3	Governing law(s) of the instrument	NA	NA	NA
	Regulatory treatment	NA	NA	NA
4	Transitional Basel III rules	NA	NA	NA
5	Post-transitional Basel III rules	NA	NA	NA
6	Eligible at solo/ group/ group & solo	NA	NA	NA
7	Instrument type	NA	NA	NA
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	NA	NA	NA
9	Par value of instrument	NA	NA	NA
10	Accounting classification	NA	NA	NA
11	Original date of issuance	NA	NA	NA
12	Perpetual or dated	NA	NA	NA
13	Original maturity date	NA	NA	NA
14	Issuer call subject to prior supervisory approval	NA	NA	NA
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA
	Coupons / dividends	NA	NA	NA
17	Fixed or floating dividend/ coupon	NA	NA	NA
18	coupon rate and any related index/ benchmark	NA	NA	NA
19	Existence of a dividend stopper	NA	NA	NA
20	Fully discretionary, partially discretionary or mandatory	NA	NA	NA
21	Existence of step up or other incentive to	NA	NA	NA
22	Noncumulative or cumulative	NA	NA	NA
23	Convertible or non-convertible	NA	NA	NA
24	If convertible, conversion trigger (s)	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA
27	If convertible, mandatory or optional	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA
30	Write-down feature	NA	NA	NA
31	If write-down, write-down trigger(s)	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA	NA
36	Non-compliant transitioned features	NA	NA	NA
37	If yes, specify non-compliant features	NA	NA	NA

41.4 Leverage Ratio

The State Bank of Pakistan (SBP) through its BPRD Circular No. 06 of 2013 issued instructions regarding implementation of parallel run of leverage ratio reporting and its components from December 31, 2013 to December 31, 2017. During this period the final calibration, and any further adjustments to the definition, was completed, with a view to set the leverage ratio as a separate capital standard on December 31, 2018. Banks are required to disclose the leverage ratio from December 31, 2015.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \frac{\text{Tier 1 capital (after related deductions)}}{\text{Total Exposure}}$$

As at December 31, 2024 the Bank's Leverage ratio stood at 8.44% (2023 8.01% which is well above the minimum requirement of 3.0%.)

	2024	2023
	<i>(Rupees in '000)</i>	
Eligible Tier-1 Capital	149,704,914	121,356,575
Total Exposures	1,773,796,132	1,515,728,877
Leverage Ratio	8.44%	8.01%

41.5 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2024	2023	2024	2023
<i>(Rupees in '000)</i>				
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	169,276	168,665	1,354,204	1,349,323
Public Sector entities	-	-	-	-
Banks	5,338,391	3,537,264	42,707,125	28,298,110
Corporate	409,929	671,381	3,279,430	5,371,051
Retail	587	1,193	4,699	9,544
Residential Mortgages	2,804	3,373	22,436	26,984
Past Due loans	-	-	-	-
Operating Fixed Assets	122,491	95,398	979,926	763,187
Deffered tax asset	206,460	497,137	1,651,680	3,977,098
Other assets	12,073	14,007	96,582	112,058
	6,262,010	4,988,419	50,096,082	39,907,355
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees	-	-	-	-
Direct Credit Substitutes	14,081	14,081	112,650	112,650
Performance Related Contingencies	15,445,203	18,090,846	123,561,624	144,726,771
Trade Related Contingencies	124,555	44,375	996,442	354,998
	15,583,840	18,149,302	124,670,716	145,194,419
Market related				
Foreign Exchange contracts	729,431	1,153,069	5,835,448	9,224,554
Derivatives	-	-	-	-
	729,431	1,153,069	5,835,448	9,224,554
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	-	-	-	-
Unlisted Equity Investment	-	-	-	-
Under Internal Model approach				
	-	-	-	-
	22,575,281	24,290,791	180,602,246	194,326,328
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	3,431,139	2,427,259	42,889,232	30,340,732
Equity position risk	-	-	-	-
Foreign Exchange risk	181,994	217,753	2,274,931	2,721,907
Operational Risk				
Capital Requirement for operational risks	8,405,739	5,617,067	105,071,739	70,213,336
Total Risk Weighted Exposures	34,594,153	32,552,869	330,838,147	297,602,303

Capital Adequacy Ratios	2024		2023	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	45.25%	6.00%	40.78%
Tier-1 capital to total RWA	7.50%	45.25%	7.50%	40.78%
Total capital to total RWA	10.00%	45.77%	10.00%	40.80%
Total capital plus CCB to RWA	11.50%	45.77%	11.50%	40.80%

41.6 Credit Risk - General Disclosures

The Bank has adopted Simple approach of calculation of capital charge against credit risk in line with SBP's requirements.

Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors. Credit rating data for advances is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	Other (S&P / Moody's / Fitch)
Corporate	✓	✓	✓
Banks	✓	✓	✓
Sovereigns	✓	✓	-
PSEs	-	-	-

Long - Term Ratings Grades Mapping

SBP Rating Grade	ECA Scores	PACRA	JCR-VIS	FITCH	S&P	Moody's
1	1	AAA	AAA	AAA	AAA	Aaa
		AA+	AA+	AA+	AA+	Aa1
		AA	AA	AA	AA	Aa2
		AA-	AA-	AA-	AA-	Aa3
2	2	A+	A+	A+	A+	A1
		A	A	A	A	A2
		A-	A-	A-	A-	A3
3	3	BBB+	BBB+	BBB+	BBB+	Baa1
		BBB	BBB	BBB	BBB	Baa2
		BBB-	BBB-	BBB-	BBB-	Baa3
4	4	BB+	BB+	BB+	BB+	Ba1
		BB	BB	BB	BB	Ba2
		BB-	BB-	BB-	BB-	Ba3
5	5,6	B+	B+	B+	B+	B1
		B	B	B	B	B2
		B-	B-	B-	B-	B3
6	7	CCC+ and below	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below

Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	FITCH	S&P	Moody's
S1	A-1	A-1	F1	A-1+, A-1	P-1
S2	A-2	A-2	F2	A-2	P-2
S3	A-3	A-3	F3	A-3	P-3
S4	Others	Others	Others	Others	Others

For exposure amounts after risk mitigation, amount of Bank's/DFI's outstanding (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

<i>amount in '000</i>				
Exposure	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
- Cash and Cash Equivalent		351,782	-	351,782
- Corporate	1	1,046,231	-	1,046,231
	2	-	-	-
	3,4	-	-	-
	5,6	-	-	-
	Unrated	749,836	-	749,836
	Unrated-2	1,856,278	-	1,856,278
- Public Sector Entities	1	-	-	-
	2,3	-	-	-
	4,5	-	-	-
	6	-	-	-
	Unrated	-	-	-
- Banks	1	478,875,823	382,950,269	95,925,554
	2,3	47,044,028	-	47,044,028
	4,5	-	-	-
	6	-	-	-
	Unrated	-	-	-
- Sovereigns etc.	1	364,771,137	-	364,771,137
	2	-	-	-
	3	-	-	-
	4,5	-	-	-
	6	902,803	-	902,803
	Unrated	-	-	-
- Government of Pakistan		762,979,525	-	762,979,525
- SBP		41,994,337	-	41,994,337
- Retail		6,265	-	6,265
- Residential Mortgage		64,102	-	64,102
- Past Dues Loans		-	-	-
- Past Dues against Residential Mortgage		-	-	-
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		660,672	-	660,672
- Unlisted Equity Investments		-	-	-
- Listed Equity Investments		-	-	-
- Operating Fixed Assets		979,926	-	979,926
- Other Assets		96,582	-	96,582
		1,702,379,327	382,950,269	1,319,429,058

41.8 Basel III Liquidity Requirement

The Basel Committee for Banking Supervision (BCBS) has introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under its BASEL III reforms. As part of Basel III implementation in Pakistan, SBP issued guide lines on June 23,2016 to implement Liquidity standards in line with BCBS timelines, keeping in view the conditions as applicable in Pakistan. The Bank is maintaining both the liquidity ratios, under Basel III, with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.

41.8.1 Liquidity Coverage Ratio

		2024		2023	
----- amount in '000 -----					
		TOTAL UNWEIGHTED ^a VALUE (average)	TOTAL WEIGHTED ^b VALUE (average)	TOTAL UNWEIGHTED ^a VALUE	TOTAL WEIGHTED ^b VALUE (average)
HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		1,112,304,967		853,112,003
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers of which:	-	-	-	-
2.1	stable deposit	129,578	6,479	121,664	6,083
2.2	Less stable deposit	561,303	56,130	646,592	64,659
3	Unsecured wholesale funding of which:	-	-	-	-
3.1	Operational deposits (all counterparties)	-	-	-	-
3.2	Non-operational deposits (all counterparties)	2,735,382	273,249	3,686,766	367,939
3.3	Unsecured debt	615,399,693	362,458,762	358,920,023	230,805,878
4	Secured wholesale funding		-		-
5	Additional requirements of which:	-	-	-	-
5.1	Outflows related to derivative exposures and other collateral requirements	1,671,117,005	1,671,117,005	1,686,654,864	1,686,654,864
5.2	Outflows related to loss of funding on debt product	-	-	-	-
5.3	Credit and Liquidity facilities	-	-	-	-
6	Other contractual funding obligations	52,091,377	52,091,377	34,371,700	34,371,700
7	Other contingent funding obligations	462,661,526	20,838,561	531,349,560	23,315,351
8	TOTAL CASH OUTFLOWS		2,106,841,563		1,975,586,474
CASH INFLOWS					
9	Secured lending	336,953,116	-	160,918,973	-
10	Inflows from fully performing exposures	35,540	17,770	4,209,898	2,104,949
11	Other Cash inflows	1,629,528,250	1,629,528,250	1,709,867,555	1,709,867,555
12	TOTAL CASH INFLOWS		1,629,546,021		1,711,972,504
		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE	
21	TOTAL HQLA		1,112,304,967		853,112,003
22	TOTAL NET CASH OUTFLOWS		539,641,227		493,896,619
23	LIQUIDITY COVERAGE RATIO		206%		173%

41.8.2 Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on an ongoing basis. Banks are required to maintain NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

2024						
<i>amount in PKR in thousands</i>						
NSFR	unweighted value by residual maturity				weighted value	
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr		
ASF Item						
1	Capital:					
2	Regulatory capital	149,728,753	-	-	-	149,728,753
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	9,937	20,369	141,583	28,791
6	Less stable deposits	-	145,338	233,001	2,093,856	340,505
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	28,242,830	38,102,194	441,463,988	476,871,940
10	Other liabilities:			67,064,124	32,231,728	65,763,790
11	NSFR derivative liabilities				-	-
12	equity not included in other categories	592,214,103				
13	Total ASF					692,733,779
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)				1,279,818,191	-
15	Deposits held at other financial institutions for operational purposes	47,033,228				23,516,614
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	478,661,524			47,866,152
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-			-
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:				3,409,005	2,897,654
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk				53,067	34,494
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.					
22	Other assets:		16,391,179	88,663	-	8,239,921
23	Physical traded commodities, including gold	-	-	-	-	-
24	margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	-	-	-	-
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	6,558,725				6,558,725
28	Off-balance sheet items	23,973,885	96,013,137	105,084,505	183,738,033	20,440,478
29	Total RSF					109,554,038
30	Net Stable Funding Ratio (%)					632%

NSFR		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	121,513,778	-	-	-	121,513,778
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	-	7,323	15,341	96,965	21,531
6	Less stable deposits	-	178,057	338,000	2,496,689	464,452
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	17,197,319	23,407,847	208,137,351	231,033,588
10	Other liabilities:					
11	NSFR derivative liabilities					-
12	equity not included in other categories	566,444,671	-	-	-	-
13	Total ASF					415,767,770
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)				988,337,702	-
15	Deposits held at other financial institutions for operational purposes	16,633,161	-	-	-	8,316,581
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	469,012,808	-	-	46,901,281
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	4,691,138	3,987,467
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	72,478	47,111
22	Other assets:					
23	Physical traded commodities, including gold	-	-	-	-	-
24	margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	-	-	-	-
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	11,929,770	-	-	-	11,929,770
28	Off-balance sheet items	68,932,349	112,035,073	37,893,409	289,442,475	25,415,165
29	Total RSF					103,978,764
30	Net Stable Funding Ratio (%)					400%