1 CAPITAL ASSESSMENT AND ADEQUACY BASEL SPECIFIC

1.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to investors by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

1.2 CAPITAL ADEQUACY

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs. 10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.10 billion capital (net of losses) from the end of the financial year 2013 onwards. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of atleast US$ 300 million, have a CAR of 8% or minimum prescribed by the home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank is maintaining higher capital to support business requirements.

The Head office capital account of the Bank as at December 31, 2024 stands at Rs 6.813 billion and is in compliance with the SBP requirement for the said period. In addition, the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.50% of the risk weighted exposures of the Bank as of December 31, 2024. The Bank's CAR as at 31 December 2024 is 22.64% of its risk weighted exposure.

A framework for Domestic Systemically Important Bank – (D-SIB) was issued by State Bank of Pakistan in April 2018. Under the framework, the Bank is required to hold additional CET 1 capital on its risk weighted assets in Pakistan at the rate applicable on G-SIB. Accordingly, bank hold additional 2% (December 2023: 3.5%) under Pillar 1 capital requirement.

1.3 Capital Structure

Under Basel III framework, Bank's regulatory capital has been analysed into two tiers as

- Tier 1 capital (going concern capital) which is sub divided into:

a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities (to the extent of 50%), reciprocal crossholdings and deficit on revaluation of available for sale investments and deduction for book value of intangibles.

b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria after deduction of remaining 50% investment in the equity of subsidiary companies engaged in banking and financial activities and other specified

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 2.50% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments.

Banking operations are categorised in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

The required capital adequacy ratio is achieved by the Bank through:

a) Adequate level of paid up capital;
b) Adequate risk profile of asset mix;
c) Ensuring better recovery management; and
d) Maintaining acceptable profit margins.

1.4 Capital adequacy ratio

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 Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk is presented below:

1.5 Capital Adequacy Ratio (CAR) disclosure template:

Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves	2024 (Rupees in '000) Amount	2023 (Rupees in '000) Amount
1	Fully Paid-up Capital/ Capital deposited with SBP	**6,812,671**	6,812,671
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	**163,719**	163,719
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	**10,875,927**	19,327,671
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**	**17,852,317**	26,304,061
10	Total regulatory adjustments applied to CET1 **(Note 1.5)**		(84,184)
11	**Common Equity Tier 1**	**17,852,317**	26,219,877
	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 40.6)**	-	-
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)**	**17,852,317**	26,219,877
	Tier 2 Capital	-	-
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in	-	-
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	**84,523**	-
27	Revaluation Reserves (net of taxes)	**1,514,650**	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	-	-
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	**T2 before regulatory adjustments**	**1,599,173**	-
33	Total regulatory adjustment applied to T2 capital **(Note 40.7)**	-	-
34	Tier 2 capital (T2) after regulatory adjustments	-	-
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	**Total Tier 2 capital admissible for capital adequacy**	**1,599,173**	-
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**19,451,490**	26,219,877
39	**Total Risk Weighted Assets (RWA) {for details refer Note 40.11}**	**85,921,177**	77,201,785
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**20.78%**	33.96%
41	**Tier-1 capital to total RWA**	**20.78%**	33.96%
42	**Total capital to total RWA**	**22.64%**	33.96%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**10.50%**	10.50%
44	of which: capital conservation buffer requirement	**1.50%**	1.50%
45	of which: countercyclical buffer requirement	**0.00%**	0.00%
46	of which: D-SIB or G-SIB buffer requirement	**2.00%**	3.50%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	**20.78%**	33.96%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**20.78%**	33.96%
49	**Tier 1 minimum ratio**	**20.78%**	33.96%
50	**Total capital minimum ratio**	**22.64%**	33.96%

Regulatory Adjustments and Additional Information		2024 Amount	2024 Amounts subject to Pre-Basel III treatment*	2023 Amount
		(Rupees in '000)		
1.6	**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)	-		-
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	-		(84,184)
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			
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)	-		(84,184)
1.7	**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			
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)			
1.8	**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			
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)			

1.9	**Additional Information**	2024 Amount	2023 Amount
		(Rupees in '000)	
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	-	-
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	-	-

1.10 Capital Structure Reconciliation

Table: 1.10.1	Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	**As at December 31, 2024**	**As at December 31, 2024**
Assets (1)	**(2)**	**(3)**
Cash and balances with treasury banks	26,973,691	26,973,691
Balanced with other banks	4,312,528	4,312,528
Lending to financial institutions	-	-
Investments - net	237,611,294	237,611,294
Advances - net	56,670,582	56,670,582
Fixed Assets (including Right-of-use assets)	1,975,295	1,975,295
Deferred tax assets - net	-	-
Other assets	9,563,275	9,563,275
Total assets	**337,106,665**	**337,106,665**
Liabilities & Equity		
Bills payable	658,668	658,668
Borrowings	60,676,463	60,676,463
Deposits and other accounts	241,454,059	241,454,059
Sub-ordinated loans	-	-
Deferred tax liabilities	703,516	703,516
Other liabilities (including Lease liabilities)	15,035,183	15,035,183
Total liabilities	**318,527,889**	**318,527,889**
Share capital/ Head office capital account	6,812,671	6,812,671
Reserves	163,719	163,719
Surplus on revaluation of assets	1,514,650	1,514,650
Unappropriated/ Unremitted profit/ (losses)	10,115,222	10,115,222
Total liabilities & equity	**337,134,151**	**337,134,151**

Table: 1.10.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 31, 2024	As at December 31, 2024	
Assets (1)	(2)	(3)	(4)
Cash and balances with treasury banks	26,973,691	26,973,691	
Balanced with other banks	4,312,528	4,312,528	
Lending to financial institutions	-	-	
Investments - net	237,611,294	237,611,294	
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	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e
Advances - net	56,670,582	56,670,582	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	84,523	84,523	g
Fixed Assets (including Right-of-use assets)	1,975,295	1,975,295	
Deferred Tax Assets - net	-	-	
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	9,563,275	9,563,275	
of which: Goodwill	-	-	j
of which: Intangibles	-	-	k
of which: Defined-benefit pension fund net assets		-	l
Total assets	**337,106,665**	**337,106,665**	
Liabilities & Equity			
Bills payable	658,668	658,668	
Borrowings	60,676,463	60,676,463	
Deposits and other accounts	241,454,059	241,454,059	
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	703,516	703,516	
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 (including Lease liabilities)	15,035,183	15,035,183	
Total liabilities	**318,527,889**	**318,527,889**	
Share capital			
of which: amount eligible for CET1	6,812,671	6,812,671	s
of which: amount eligible for AT1	-	-	t
Reserves		-	
of which: portion eligible for inclusion in CET1(provide breakup)	163,719	163,719	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	10,115,222	10,115,222	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		-	aa
of which: Unrealized Gains/Losses on AFS	1,514,650	1,514,650	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	**337,134,151**	**337,134,151**	

	Basel III Disclosure Template (with added column)		
	Table: 1.10.3	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	6,812,671	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	163,719	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	10,875,927	(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**	**17,852,317**	
	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)	-	(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%
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%		(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)		
31	**Common Equity Tier 1**	**17,852,317**	

	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		
39	Investment in own AT1 capital instruments		
40	Reciprocal cross holdings in Additional Tier 1 capital instruments		

	Basel III Disclosure Template (with added column)		
	Table: 1.10.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
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%		(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)**	**17,852,317**	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share		
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	84,523	(g)
54	Revaluation Reserves		
55	of which: Revaluation reserves on fixed assets		portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	1,514,650	
57	Foreign Exchange Translation Reserves		(v)
58	Undisclosed/Other Reserves (if any)		
59	**T2 before regulatory adjustments**	**1,599,173**	
	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)	1,599,173	
67	Tier 2 capital recognized for capital adequacy	1,599,173	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		
69	Total Tier 2 capital admissible for capital adequacy	1,599,173	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**19,451,490**	

1.11 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	**Government Securities**
1	Issuer	Government of Pakistan
2	Unique identifier (eg KSE Symbol or Bloomberg identifier	N/A
3	Governing law(s) of the instrument	State Bank of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Government Securities
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	6,812,671
9	Par value of instrument	N/A
10	Accounting classification	Head Office Capital
11	Original date of issuance	Various
12	Perpetual or dated	Dated
13	Original maturity date	Various
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

1.12 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
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and other liquid Assets	**88,165**	478,503	**881,651**	4,785,034
Money at call / Repurchase agreement lendings	**-**	-	**-**	-
Investments	**-**	-	**-**	-
Loans and Advances	**1,337,157**	1,346,771	**13,371,567**	13,467,710
Fixed Assets (including Right-of-use assets)	**197,530**	120,839	**1,975,302**	1,208,385
Deferred tax assets - net	**-**	62,185	**-**	621,853
Other Assets	**11,325**	12,909	**113,251**	129,093
	1,634,177	2,021,207	**16,341,771**	20,212,075
Portfolios subject to Internal Rating Based (IRB) Approach				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.				
Off-Balance sheet				
Loan Repayment Guarantees	**-**	-	**-**	-
Purchase and Resale Agreements	**1,558**	-	**15,580**	-
Commitment in respect of forward purchase contract of government secur	**-**	-	**-**	-
Performance Bonds etc	**43,579**	65,919	**435,785**	659,185
Financial guarantees	**17,500**	127,897	**175,000**	1,278,970
Commitments to extend to credit	**-**	474,137	**-**	4,741,371
Stand By Letters of Credit, Acceptances and Shipping Guarantees	**205,447**	-	**2,054,472**	-
Commitment in respect of Cross Currency and interest rate derivative con	**-**	-	**-**	-
Commitment in respect of Foreign currency options	**-**	-	**-**	-
Outstanding Foreign Exchange Contracts	**211,097**	273,537	**2,110,973**	2,735,371
Commitments in respect of capital expenditure	**54,185**	3,039	**541,851**	30,388
	533,366	966,378	**5,333,661**	9,663,772
Credit Risk-weighted Exposures	**2,167,543**	2,987,585	**21,675,432**	29,875,847
Equity Exposure Risk in the Banking Book				
Under simple risk weight method	**-**	-	**-**	-
e.g. Listed, Unlisted				
Under Internal models approach	**-**	-	**-**	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**1,351,847**	941,677	**16,898,091**	11,770,958
Equity position risk	**-**	-	**-**	-
Foreign Exchange risk	**81,951**	48,970	**1,024,385**	612,120
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk				
Capital Requirement for operational risks	**3,705,862**	2,795,429	**46,323,269**	34,942,860
TOTAL	**7,307,203**	6,773,661	**85,921,177**	77,201,785

Capital Adequacy Ratios	**2024**		2023	
	Required	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**20.78%**	6.00%	33.96%
Tier-1 capital to total RWA	**7.50%**	**20.78%**	7.50%	33.96%
Total capital to total RWA	**13.50%**	**22.64%**	15.0%	33.96%

1.13 Credit Risk - General Disclosures

The Bank has adopted standardised approach for calculation of capital charge against credit risk in line with SBP requirement.

1.14 Credit Risk: Disclosures for portfolio subject to the Standardised Approach

Under standardized approach the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information System), Moody's and Standard & Poors which are also recognized by the SBP.

Types of exposures and ECAI's used:

Exposures	JCR-VIS	PACRA	Standard & Poors	Moody's
Corporate	✔	✔	N/A	N/A
Banks	✔	✔	✔	✔
SME's	✔	✔	N/A	N/A
Public Sector Entities (PSEs)	✔	✔	N/A	N/A

Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody’s	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
				CC	CC	
				C	C	
					D	

Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody’s	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

1.15 Credit Exposures subject to Standardised approach

For exposure amounts after risk mitigation subject to the standardized approach, amount of bank's / DFI's outstanding (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposures	Rating Category	2024 Amount Outstanding	2024 Deduction CRM	2024 Net amount	2023 Amount Outstanding	2023 Deduction CRM	2023 Net amount
		(Rupees '000)					
Corporate	1	**436,022**	**-**	**436,022**	442,777	-	442,777
	2	**179**	**-**	**179**	185	-	185
	3,4	**-**	**-**	**-**	-	-	-
	Unrated	**189,765,679**	**(26,297)**	**189,739,382**	172,544,224	(26,297)	172,517,927
Banks	1	**95,206,946**	**(12,418,275)**	**82,788,671**	83,651,660	-	83,651,660
	2	**5,667,577**	**-**	**5,667,577**	33,076,855	-	33,076,855
	3	**-**	**-**	**-**	-	-	-
	5	**-**	**-**	**-**	-	-	-
	Unrated	**3,276,932**	**-**	**3,276,932**	455,324	-	455,324
Sovereigns etc		**243,173,101**	**-**	**243,173,101**	211,664,259	-	211,664,259
	4,5	**-**	**-**	**-**	-	-	-
	6	**12,597**			-		
Public sector entities	1	**-**	**-**	**-**	-	-	-
	2,3	**-**	**-**	**-**	-	-	-
	Unrated	**-**	**-**	**-**	-	-	-
Retail	Unrated	**-**	**-**	**-**	-	-	-
Mortgage	Unrated	**37,334**	**-**	**37,334**	48,254	-	48,254
Others	Unrated	**-**	**-**	**-**	-	-	-

CRM= Credit Risk Mitigation

1.17 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Comprehensive Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities under the Comprehensive Approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Counterparty ratings are obtained through the two local SBP authorized External Credit Rating Agencies; JCR VIS and PACRA and other international sources such as Standard and Poor's and Moody's. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Credit Risk Management function.

The wholesale portfolio, which includes corporate and commercial are ideally collateralized by cash equivalents, fixed and current assets including property plant and equipment and land. Loans to individuals are typically secured by autos for car loans and private or income producing real estate is secured by a mortgage over the relevant property.

1.18 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers.

1.16 Leverage ratio

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) under Basel III Framework. Banks are required to maintain minimum leverage ratio of 3%.

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:

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

As at 31 December 2024 the Bank's Leverage ratio stood at 4.54% which is well above the minimum requirement of 3.0%.

	31-Dec-24	31-Dec-23
	(Rupees in 000)	
On Balance Sheet Assets		
Cash and balances with treasury banks	**21,898,072**	28,501,715
Balances with other banks	**3,124,180**	18,933,832
Lendings to financial institutions	**-**	6,666,667
Investments	**233,955,927**	178,480,334
Advances	**55,503,037**	57,608,046
Operating fixed assets	**1,961,170**	1,638,692
Deferred tax assets	**-**	145,764
Financial Derivatives (A.1)	**1,924,601**	6,571,749
Other assets	**7,060,561**	5,300,654
Total Assets (A)	**325,427,548.6**	303,847,453
Derivatives (On-Balance Sheet)		
Interest Rate	**-**	-
Foreign Exchange & gold	**1,924,601**	6,571,749
Total Derivatives (A.1)	**1,924,601**	6,571,749
Off-Balance Sheet items excluding derivatives		
Direct Credit Substitutes (i.e. Acceptances, general guarantees for indebtness etc.)	**350,000**	-
Performance-related Contingent Liabilities (i.e. Guarantees)	**6,148,953**	7,859,340
Trade-related Contingent Liabilities (i.e. Letter of Credits)	**21,645,999**	26,412,067
Lending of securities or posting of securities as collaterals	**16,952,379**	-
Undrawn committed facilities (which are not cancellable)	**-**	1,120,568
Unconditionally cancellable commitments (which can be cancelled at any time without no	**18,022,894**	16,443,588
Commitments for the acquisition of operating fixed assets	**605,878**	15,423
Total Off-balance sheet items excluding derivatives (B)	**63,726,103**	51,850,986
C) Commitments in respect of Derivatives - Off Balance Sheet Items (Derivatives having negative fair value are also included)		
Interest Rate	**-**	-
Foreign Exchange & gold	**3,799,850**	4,103,986
Total Derivatives (c)	**3,799,850**	4,103,986
Tier-1 Capital	**17,852,317**	26,219,877
Total Exposure (sum of A, B and C)	**392,953,501**	359,802,425
Leverage Ratio	**4.54%**	7.29%

2 Liquidity Coverage Ratio (LCR)

Liquidity Risk is quantified by Liquidity coverage ratio and Net Stable funding ratio as communicated by the Regulator. Liquidity Coverage Ratio (LCR) refers to the highly liquid assets held by the bank to meet its short term obligations. LCR is used as a tool to manage liquidity risk. LCR has two components: High Quality Liquid Asset (HQLA) and total net cash outflows. HQLA comprises of those assets that can be readily sold or employed as collateral for obtaining fund. HQLA structure has been divided into 1) cash and treasury balance, 2) marketable securities, 3) corporate debt securities with credit rating, 4) non-financial equity shares.

	2024		2023	
(Amount in PKR in thousands)	TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)	TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
HIGH QUALITY LIQUID ASSETS				
Total high quality liquid assets (HQLA)	215,726,039	215,726,039	191,460,635	191,460,635
CASH OUTLFLOWS				
Retail deposits and deposits from small business cusmtomers of which:	-	-	-	-
stable deposit	-	-	-	-
Less stable deposit	-	-	-	-
Unsecured wholesale funding of which:	109,795,229	68,117,042	49,031,196	20,033,825
Operational deposits (all counterparties)	-	-	-	-
Non-operational deposits (all counterparties)	69,463,646	27,785,458	48,328,951	19,331,581
Unsecured debt	40,331,583	40,331,583	702,245	702,245
Secured wholesale funding	-	-	-	-
Additional requirements of which:	185,449,550	185,396,637	158,399,011	158,343,950
Outflows related to derivative exposures and other collateral requirem	185,390,757	185,390,757	158,337,833	158,337,833
Outflows related to loss of funding on debt products	-	-	-	-
Credit and Liquidity facilities	58,792	5,879	61,178	6,118
Other contractual funding obligations	1,732,817	1,732,817	1,470,921	1,470,921
Other contingent funding obligations	29,775,310	579,881	19,936,355	600,716
TOTAL CASH OUTFLOWS		**255,826,376**		**180,449,412**
CASH INFLOWS				
Secured lending	421	196	640	296
Inflows from fully performing exposures	7,231,050	3,615,525	5,046,296	2,523,148
Other Cash inflows	202,429,623	185,780,678	184,686,388	159,711,156
TOTAL CASH INLFOWS		**189,396,399**		**162,234,600**
TOTAL HIGH QUALITY LIQUID ASSETS (HQLA)		215,726,039		191,460,635
TOTAL NET CASH OUTFLOWS		75,982,927		45,112,353
LIQUIDITY COVERAGE RATIO		**283.91%**		**424.41%**

1 Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and

2 Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outlfow rates (for inflows and outflows)

3 Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA abd cap on inflows

3 Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR) is used to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off balance sheet items and promotes funding stability. The ratio is defined as the amount of Available Stable Funding (ASF), relative to the amount of Required Stable Funding (RSF).

	2024				
	unweighted value by residual maturity				**weighted value**
	No Maturity	**< 6 months**	**6 months to < 1 yr**	**≥ 1 yr**	
ASF Item					
Capital:					
Regulatory capital	18,606,262	-	-	-	18,606,262
Wholesale funding:					
Other wholesale funding	-	121,899,122	-	167,744,733	228,694,293
Other liabilities:					
All other liabilities and equity not included in	-	3,666,433	5,265,152	989,808	3,622,385
Total ASF					**250,922,940**
RSF item					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	988,458
Deposits held at other financial institutions for operational purposes	-	4,311,377	-	-	2,155,688
Performing loans to financial institutions secured by Level 1 HQLA			-		-
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks	-	-	-	-	-
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for	-	-	-	-	-
NSFR derivative assets				633,888	633,888
All other assets not included in the above categori	-	61,662,050	-	214,409	31,045,434
Off-balance sheet items	-	554,657,371	10,561,520	135,074,097	35,014,649
Total RSF					**69,838,118**
Net Stable Funding Ratio (%)					**359.29%**

	2023				
	unweighted value by residual maturity				**weighted value**
	No Maturity	**< 6 months**	**6 months to < 1 yr**	**≥ 1 yr**	
ASF Item					
Capital:					
Regulatory capital	26,219,877	-	-	-	26,219,877
Wholesale funding:					
Other wholesale funding	-	55,103,817	-	211,697,637	239,249,546
Other liabilities:					
All other liabilities and equity not included in othercategories	-	4,194,321	4,999,536	408,363	2,908,131
Total ASF					**268,377,554**
RSF item					
Total NSFR high-quality liquid assets (HQLA)	-	-	-	-	369,480
Deposits held at other financial institutions for operational purposes	-	23,808,742	-	-	11,904,371
Performing loans to financial institutions secured by Level 1 HQLA			-		-
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	-	-
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
NSFR derivative assets		616,439			616,439
All other assets not included in the above categori	-	62,561,017	-	1,407,378	32,687,886
Off-balance sheet items	-	598,909,516	6,659,369	119,366,194	36,246,754
Total RSF					**81,824,930**
Net Stable Funding Ratio (%)					**327.99%**