

1. CAPITAL - ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

1.1 Capital Adequacy Framework

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

i) Goals of Managing Capital

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Bank to support the growth in business, provide protection to depositors and enhance shareholders' value. The Bank's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Bank

ii) Statutory Minimum Capital requirement and Management of Capital:

The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 had set the Minimum Capital Requirement (MCR) for banks of Rs 10 billion to be achieved in a phased manner by December 31, 2013. The paid up capital of the Bank for the year ended December 31, 2023 stands at Rs. 14.500 billion and is in compliance with the SBP requirement for the said year.

iii) Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks. The Banks are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

SBP issued the instructions on the computation of CAR based on Basel III capital reform as published by Basel Committee on Banking Supervision. These instructions are effective from 31 December 2013 with full implementation intended by 31 December 2022. These instructions also specify the transitional arrangements from 2013 to 2022.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in these financial statements on the basis of BASEL III requirements as prescribed by SBP.

After the pandemic of COVID 19 occurs in 2020, SBP via BPRD Circular Letter No. 12 of 2020 has been reduced Capital Conservation Buffer (CCB) from 2.5% to 1.5% and new Capital Adequacy Ratio requirement stands at 11.50%.

2. Scope of Applications

The Basel-III framework is applicable to the Bank on a standalone basis as the Bank does not have a subsidiary. Standardized Approach has been used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

3. Capital Structure

Bank's regulatory capital has been analyzed in two tiers;

- Common equity Tier 1 capital (CET 1), which includes fully paid up capital, discount on issuance of shares, statutory reserves, accumulated losses and regulatory adjustments applicable on CET 1.
- Tier 2 capital, which includes subordinated debt/instrument, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets) and reserves on revaluation of investments.

	2023	2022
	-----Rupees in '000-----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Share Capital including advance against issuance of shares	15,133,256	15,133,256
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on Issuance of shares - net	(632,766)	(632,766)
Statutory reserves	1,381,116	760,280
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Accumulated loss	1,578,475	(832,452)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	17,460,081	14,428,318
Total regulatory adjustments applied to CET1	2,964,315	3,002,031
Common Equity Tier 1	14,495,766	11,426,287
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium of which: Classified as equity	1,389,241	1,389,241
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	1,389,241	1,389,241
Total regulatory adjustment applied to AT1 capital	-	-
Additional Tier 1 Capital after regulatory adjustments	1,389,241	1,389,241
Additional Tier 1 capital recognized for capital adequacy	1,389,241	1,389,241
Tier 1 Capital (CET1 + admissible AT1)	15,885,007	12,815,528
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	1,735,000	2,035,000
Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
General provisions for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	916,690	418,753
Revaluation Reserves (net of taxes)	216,106	-
of which: Revaluation reserves on fixed assets	-	-
of which: Unrealized gains on AFS	216,106	-
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves	-	-
T2 before regulatory adjustments	2,867,796	2,453,753
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	2,867,796	2,453,753
Tier 2 capital recognized for capital adequacy	2,867,796	2,453,753
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	2,867,796	2,453,753
TOTAL CAPITAL (T1 + admissible T2)	18,752,803	15,269,281
Total Risk Weighted Assets (RWA)	97,019,016	96,615,906
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	14.94%	11.83%
Tier-1 capital to total RWA	16.37%	13.26%
Total capital to RWA	19.33%	15.80%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
of which: capital conservation buffer requirement	-	-
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	11.50%	11.50%

Regulatory Adjustments and Additional Information

	Amount	Amounts subject to Pre- Basel III treatment	Amount	Amounts subject to Pre- Basel III treatment
	2023		2022	
-----Rupees in '000-----				
Common Equity Tier 1 capital: Regulatory adjustments				
- Goodwill (net of related deferred tax liability)	396,117	-	396,117	-
- All other intangibles (net of any associated deferred tax liability)	876,777	-	905,357	-
- Shortfall in provisions against classified assets	-	-	-	-
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	319,964	319,964
- Defined-benefit pension fund net assets	-	-	-	-
- Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
- Cash flow hedge reserve	-	-	-	-
- Investment in own shares/ CET1 instruments	-	-	-	-
- Securitization gain on sale	-	-	-	-
- Capital shortfall of regulated subsidiaries	-	-	-	-
- Deficit on account of revaluation of investments classified as AFS	-	-	173,242	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
- Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
- Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	1,691,421	1,691,421	1,207,351	1,207,351
- Amount exceeding 15% threshold	-	-	-	-
- of which: significant investments in the common stocks of financial entities	-	-	-	-
- of which: deferred tax assets arising from temporary differences	-	-	-	-
- National specific regulatory adjustments applied to CET1 capital	-	-	-	-
- Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
- Any other deduction specified by SBP	-	-	-	-
- Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	2,964,315	1,691,421	3,002,031	1,527,315
Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
- Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
- Investment in own AT1 capital instruments	-	-	-	-
- Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
- Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
- Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
- Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
- Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustment applied to AT1 capital	-	-	-	-

Tier 2 Capital: regulatory adjustments

-	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Base I III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
-	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
-	Investment in own Tier 2 capital instrument	-	-	-	-
-	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
-	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
	Total regulatory adjustment applied to T2 capital	-	-	-	-

Additional Information**2023****2022****Risk Weighted Assets subject to pre-Base I III treatment**

-	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base I III Treatment)	-	-
	of which: deferred tax assets	-	-
	of which: Defined-benefit pension fund net assets	-	-
	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	-	-
	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)

	Non-significant investments in the capital of other financial entities	-	-
	Significant investments in the common stock of financial entities	-	89,964
	Deferred tax assets arising from temporary differences (net of related tax liability)	1,618,719	1,263,364

Applicable caps on the inclusion of provisions in Tier 2

	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Capital Structure Reconciliation

Step 1	As per published financial statements 2023	Under regulatory scope of consolidation 2023	As per published financial statements 2022	Under regulatory scope of consolidation 2022
	----- Rupees in '000 -----			
Assets				
Cash and balances with treasury banks	21,877,439	21,877,439	16,569,661	16,569,661
Balanced with other banks	1,683,007	1,683,007	1,939,954	1,939,954
Due from financial institutions	8,098,788	8,098,788	-	-
Investments	122,881,484	122,881,484	109,899,905	109,899,905
Islamic financing and related assets	84,026,055	84,026,055	86,057,048	86,057,048
Operating Fixed Assets	398,403	398,403	4,375,439	4,375,439
Intangible Assets	876,777	876,777	905,357	905,357
Deferred tax assets	2,545,871	2,545,871	2,653,775	2,653,775
Other assets	12,985,825	12,985,825	11,266,630	11,266,630
Total assets	255,373,649	255,373,649	233,667,770	233,667,770
Liabilities				
Bills payable	5,646,089	5,646,089	5,376,942	5,376,942
Due to financial institutions	7,649,661	7,649,661	12,950,001	12,950,001
Deposits and other accounts	207,337,745	207,337,745	185,049,169	185,049,169
Sub-ordinated Debt	4,624,241	3,124,241	4,624,241	3,424,241
Deferred Tax Liabilities	-	-	-	-
Other liabilities	11,862,756	11,862,756	11,062,688	11,062,688
Total liabilities	237,120,492	235,620,492	219,063,041	217,863,041
Represented by				
Share capital (including advance against issuance of shares and discount)	14,500,490	14,500,490	14,500,490	14,500,490
Reserves	1,381,115	1,381,115	760,280	760,280
Accumulated loss	1,578,469	1,578,469	(832,452)	(832,452)
Surplus on revaluation of Investments-net of tax	793,083	793,083	176,411	176,411
Total equity	18,253,157	18,253,157	14,604,729	14,604,729
Total liabilities & equity	255,373,649	253,873,649	233,667,770	232,467,770
Step 2				
	As per published financial statements 2023	Under regulatory scope of consolidation 2023	As per published financial statements 2022	Under regulatory scope of consolidation 2022
----- Rupees in '000 -----				
Assets				
Cash and balances with treasury banks	21,877,439	21,877,439	16,569,661	16,569,661
Balanced with other banks	1,683,007	1,683,007	1,939,954	1,939,954
Due from Financial institutions	8,098,788	8,098,788	-	-
Investments	122,881,484	122,881,484	109,899,905	109,899,905
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	-	-
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	-	-
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	-	-
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	-	-	-	-
<i>of which: others (mention details)</i>	-	-	-	-
Islamic financing and related assets	84,026,055	84,026,055	86,057,048	86,057,048
<i>shortfall in provisions against classified assets</i>	-	-	-	-
<i>general provisions reflected in Tier 2 capital</i>	916,690	916,690	418,753	418,753
Fixed Assets	398,403	398,403	4,375,439	4,375,439
Intangible Assets	876,777	876,777	905,357	905,357
Deferred Tax Assets	2,545,871	2,545,871	2,653,775	2,653,775
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	319,964	319,964
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	1,691,421	1,691,421	1,207,351	1,207,351
Other assets	12,985,825	12,985,825	11,266,630	11,266,630
<i>of which: Goodwill</i>	396,117	396,117	396,117	396,117
<i>of which: Intangibles</i>	876,777	876,777	905,357	905,357
<i>of which: Defined-benefit pension fund net assets</i>	-	-	-	-
Total assets	255,373,649	255,373,649	233,667,770	233,667,770

Step 2

	As per published financial statements	Under regulatory scope of consolidation	As per published financial statements	Under regulatory scope of consolidation	Ref
	2023		2022		
-----Rupees in '000-----					
Liabilities & Equity					
Bills payable	5,646,089	5,646,089	5,376,942	5,376,942	
Due to Financial institutions	7,649,661	7,649,661	12,950,001	12,950,001	
Deposits and other accounts	207,337,745	207,337,745	185,049,169	185,049,169	
Sub-ordinated Debt	4,624,241	3,124,241	4,624,241	3,424,241	
<i>of which: eligible for inclusion in AT1</i>	1,389,241	1,389,241	1,389,241	1,389,241	m
<i>of which: eligible for inclusion in Tier 2</i>	3,235,000	1,735,000	3,235,000	2,035,000	n
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	11,862,756	11,862,756	11,062,688	11,062,688	
Total liabilities	237,120,492	235,620,492	219,063,041	217,863,041	
Share capital					
<i>of which: amount eligible for CET1</i>	14,500,490	14,500,490	14,500,490	14,500,490	s
<i>of which: amount eligible for AT1</i>	1,389,241	1,389,241	1,389,241	1,389,241	t
Reserves	1,381,115	1,381,115	760,280	760,280	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	1,381,115	1,381,115	760,280	760,280	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	-	-	v
Accumulated losses	1,578,469	1,578,469	(832,452)	(832,452)	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	793,083	-	176,411	-	
<i>of which: Revaluation reserves on Fixed Assets</i>	(761,982)	216,106	(133,082)	(173,242)	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	1,555,065	-	309,493	-	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	173,242	-	ab
Total equity and liabilities	18,253,157	17,676,180	14,777,971	14,255,076	
Total Equity	255,373,649	253,296,672	233,841,012	232,118,117	

Step 3

	Component of regulatory capital reported by bank 2023	Source based on reference number from step 2	Component of regulatory capital reported by bank 2022	Source based on reference number from step 2
	Rupees in '000		Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Share capital (including advance against issuance of shares)	15,133,256		15,133,256	
Discount against issuance of shares	(632,766)	(s)	(632,766)	(s)
Reserve for issue of Bonus Shares	-		-	
Statutory Reserves	1,381,116	(u)	760,280	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
Accumulated losses	1,578,475	(w)	(832,452)	(w)
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)	-	(x)
CET 1 before Regulatory Adjustments	17,460,081		14,428,318	
Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	396,117	(j) - (o)	396,117	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	876,777	(k) - (p)	905,357	(k) - (p)
Shortfall of provisions against classified assets	-	(f)	-	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * 100%	319,964	{(h) - (r)} * 100%
Defined-benefit pension fund net assets	-	{(l) - (q)} * 0%	-	{(l) - (q)} * 0%
Reciprocal cross holdings in CET1 capital instruments	-	(d)	-	(d)
Cash flow hedge reserve	-		-	
Investment in own shares/ CET1 instruments	-		-	
Securitization gain on sale	-		-	
Capital shortfall of regulated subsidiaries	-		-	
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)	173,242	(ab)
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)	-	(a) - (ac) - (ae)
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)	-	(b) - (ad) - (af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding 15% threshold	1,691,421	(i)	1,207,351	(i)
of which: significant investments in the common stocks of financial entities	-		-	
of which: deferred tax assets arising from temporary differences	-		-	
National specific regulatory adjustments applied to CET1 capital	-		-	
of which: Investment in TFCs of other banks exceeding the prescribed limit	-		-	
of which: Any other deduction specified by SBP (mention details)	-		-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		-	
Total regulatory adjustments applied to CET1	2,964,315		3,002,031	

Common Equity Tier 1	14,495,766		11,426,287	
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share premium	1,389,241	(t)	1,389,241	(t)
of which: Classified as equity	-		-	
of which: Classified as liabilities	-		-	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)	-	(y)
of which: instrument issued by subsidiaries subject to phase out	-		-	
AT1 before regulatory adjustments	1,389,241		1,389,241	
Additional Tier 1 Capital: regulatory adjustments				
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		-	
Investment in own AT1 capital instruments	-		-	
Reciprocal cross holdings in Additional Tier 1 capital instruments	-		-	
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)	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)	-	(ad)
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	-		-	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
Total of Regulatory Adjustment applied to AT1 capital	-		-	
Additional Tier 1 capital	1,389,241		1,389,241	
Additional Tier 1 capital recognized for capital adequacy	1,389,241		1,389,241	
Tier 1 Capital (CET1 + admissible AT1)	15,885,007		12,815,528	
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	1,735,000	(n)	2,035,000	(n)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-		-	
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)	-	(z)
of which: instruments issued by subsidiaries subject to phase out	-		-	
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	916,690	(g)	418,753	(g)
Revaluation Reserves	-		-	
of which: Revaluation reserves on fixed assets	-		-	
of which: Unrealized Gains/Losses on AFS	216,106	portion of (aa)	(173,242)	portion of (aa)
Foreign Exchange Translation Reserves	-	(v)	-	(v)
Undisclosed/Other Reserves (if any)	-		-	
T2 before regulatory adjustments	2,867,796		2,280,511	
Tier 2 Capital: regulatory adjustments				
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	-		-	
Reciprocal cross holdings in Tier 2 instruments	-		-	
Investment in own Tier 2 capital instrument	-		-	
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)	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)	-	(af)
Amount of Regulatory Adjustment applied to T2 capital	-		-	
Tier 2 capital (T2)	2,867,796		2,280,511	
Tier 2 capital recognized for capital adequacy	2,867,796		2,453,753	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-		-	
Total Tier 2 capital admissible for capital adequacy	2,867,796		2,453,753	
TOTAL CAPITAL (T1 + admissible T2)	18,752,803		15,269,281	

Risk-Weighted Exposures

	2023		2022	
	-----Rupees in '000-----			
	Capital Requirement	Risk weighted Assets	Capital Requirement	Risk weighted Assets
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and cash equivalents	-	-	-	-
Sovereign	99,492	865,150	87,477	760,671
Public Sector entities	-	-	-	-
Banks	480,496	4,178,222	226,601	1,970,440
Corporate	3,331,832	28,972,450	3,759,270	32,689,304
Retail	1,478,275	12,854,568	1,954,531	16,995,922
Residential mortgages	231,200	2,010,436	249,640	2,170,787
Past due loans	260,425	2,264,565	243,711	2,119,227
Operating Fixed assets	491,070	4,270,174	457,183	3,975,507
Other assets	1,189,424	10,342,815	1,049,092	9,122,537
	7,562,214	65,758,380	8,027,505	69,804,395
Portfolios subject to Internal Rating Based (IRB) Approach				
Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.	845,554	7,352,645	916,415	7,968,829
Market related				
Foreign exchange contracts	11,034	95,950	80,112	696,622
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
- Listed	13,805	120,044	12,243	106,460
- Unlisted	939	8,164	754	6,559
Under Internal models approach				
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	135,355	1,691,942	53,215	665,184
Equity position risk	16,209	202,611	19,775	247,190
Foreign Exchange risk	42,525	531,567	36,226	452,822
Capital Requirement for portfolios subject to Internal Models Approach				
	-	-	-	-
Operational Risk				
Capital Requirement for operational risks				
	1,700,617	21,257,712	1,333,428	16,667,845
	2,766,039	31,260,636	2,452,167	26,811,512
Total Risk-Weighted Exposures	10,328,253	97,019,016	10,479,673	96,615,906

	2023		2022	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	14.94%	6.00%	11.83%
Tier-1 capital to total RWA	7.50%	16.37%	7.50%	13.26%
Total capital to total RWA	11.50%	19.33%	11.50%	15.80%

Main Features Template of Regulatory Capital Instruments

	COMMON SHARES	ADDITIONAL TIER 1	SECOND ISSUE TIER II SUKUK	THIRD ISSUE TIER II SUKUK
1	Issuer	Al Baraka Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable	Not Applicable	AlBaraka Bank (Pakistan) Limited Tier II Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan	Laws applicable in Pakistan
4	Regulatory treatment			
4	Transitional Basel III rules	Common equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common equity Tier 1	Additional Tier 1	Ineligible
6	Eligible at solo / group / group&solo	Solo	Solo	Solo
7	Instrument type	Common shares	Liability - subordinated loans	Subordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	14,495,766	1,389,241	-
9	Par value of instrument	Rs 10 per share		Rs 1 million per certificate
10	Accounting classification	Shareholder equity	Liability - subordinated loans	Liability - subordinated loans
11	Original date of issuance	2005-2016	December 2018	22 August 2017
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	21 August 2024
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable	December 2023	22 August 2022
16	Subsequent call dates, if applicable	Not Applicable	Any time after the option call date	Any time after the option call date
17	Coupons / dividends			
17	Fixed or floating dividend/ coupon	Not Applicable	Floating	Floating
18	coupon rate and any related index/ benchmark	Not Applicable	1 Year Kibor + 1.25% per annum	6 months Kibor + 0.75% per annum
19	Existence of a dividend stopper	No	Yes	Yes
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Cumulative
23	Convertible or non-convertible	Non Convertible	Convertible	Convertible
24	If convertible, conversion trigger (s)	Not Applicable	The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP.	The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP.
25	If convertible, fully or partially	Not Applicable	May convert fully or partially upon the occurrence of PONV.	May convert fully or partially upon the occurrence of PONV.
26	If convertible, conversion rate	Not Applicable	To be determined in the case of Trigger event.	To be determined in the case of Trigger event.
27	If convertible, mandatory or optional conversion	Not Applicable	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	Not Applicable	Common Equity Tier 1	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Not Applicable	AlBaraka Bank (Pakistan) Limited	AlBaraka Bank (Pakistan) Limited
30	Write-down feature	NO		
31	If write-down, write-down trigger(s)	Not Applicable	The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV").	The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV").
32	If write-down, full or partial	Not Applicable	May be written down fully or may be written off partially	May be written down fully or may be written off partially
33	If write-down, permanent or temporary	Not Applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated debt as shareholders' equity represents residual interest	Subordinate to all other indebtedness to the Bank including depositors	Subordinate to all other indebtedness to the Bank including depositors
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable

Leverage ratio

During 2013, SBP issued the instructions on the computation of Tier 1 Leverage Ratio. In line with these instructions, parallel run period for leverage ratio will commence from 31 December 2013 to 31 December 2017. During the period, banks has to maintain Tier 1 Leverage ratio of 3%.

	2023	2022
	----- Rupees in '000 -----	
Tier-1 Capital	15,885,007	12,815,528
Total Exposures	288,551,099	275,516,708
Leverage Ratio	5.51%	4.65%

Credit Risk – General Disclosures

The Bank has adopted Standardised Approach, under Basel III.

Credit Risk: Standardized Approach

The Bank use rating assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAI) for the purpose of risk weighing its exposure. In the case of foreign currency exposure, ratings assigned by Fitch and Moody's have been applied.

Following are the types of exposure for which each agency is used:

Exposure	Fitch	Moody's	JCR-VIS	PACRA
Corporate	-	-	✓	✓
Banks	✓	-	✓	✓
Sovereigns	✓	-	-	-

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of its exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardised approach, amount of Bank's outstandings (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
		Rupees in '000		
Corporate	1	6,245,871	321,725	5,924,147
	2	19,421,319	1,295,966	18,125,353
	3,4	2,331,143	92,217	2,238,926
	Unrated-1	12,155,641	793,474	11,362,167
	Unrated-2	10,106,273	6,007,193	4,099,080
			50,260,248	8,510,574
Banks	1,2,3	14,871,493	-	14,871,493
Sovereigns etc.		137,580,746	-	137,580,746
Public sector enterprises	1	929,248	929,248	-
	2,3	-	-	-
	Unrated	6,458,333	6,458,333	-
		7,387,581	7,387,581	-
Others		42,296,325	2,871	42,293,454
Total		252,396,392	15,901,026	236,495,365

* CRM= Credit Risk Mitigation

Main types of collateral taken by the Bank are:

- Cash margin
- Lien on deposits
- Government guarantee
- Bank guarantee

The Bank has adopted simple approach to credit risk mitigation under Basel III and therefore has not applied any haircuts to the collateral. Moreover the Bank's eligible collateral only includes cash / liquid securities.