

FAYSAL BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2022

1 CAPITAL ADEQUACY

- 1.1** The State Bank of Pakistan (SBP) through its BPRD Circular No. 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. Basel III instructions have become effective from December 31, 2013. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules.

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

- 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 threshold deductions on deferred tax assets, reciprocal crossholdings 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.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% 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.
- The deductions from Tier II capital mainly involves reciprocal crossholdings and investment in majority owned securities.

Banking operations are categorized 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.

1.2 Capital Management

The objective of capital management is to ensure the Bank's ability to operate as a going concern by maintaining appropriate capital base in line with minimum regulatory requirements. The Bank has implemented the applicable requirements of Basel III capital adequacy framework that applies to all Banks as prescribed under BPRD Circular No. 06 of August 15, 2013 and amendments made by State Bank of Pakistan through various circulars. The Bank has adopted Standardized Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risk.

The Bank ensures that it:

- a) complies with the capital requirements set by the State Bank of Pakistan;
- b) safeguards the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- c) maintains a strong capital base to support the developments of its business.

Capital adequacy is regularly monitored by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as per the requirements of the SBP. The required information is submitted to the SBP on a quarterly basis.

As at December 31, 2022 the SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid-up capital of Rs 10 billion; (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum level of 10.00% and (c) maintain Common Equity Tier I (CET1) ratio and Tier 1 ratio of 6.0% and 7.5% respectively.

An additional capital conservation buffer (CCB) of 1.5% (to be met from CET1) has to be maintained over and above the minimum requirement level.

The paid-up capital of the Bank for the year ended December 31, 2022 stood at Rs 15.177 billion (2021: Rs 15.177 billion). As at December 31, 2022 Bank's CAR stood at 15.51% whereas CET1 and Tier 1 ratios both stood at 12.93%.

The Bank is also in compliance with the CCB requirements.

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The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflection of an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect the more contingent nature of the associated risks.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

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.

1.3 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 Standardized Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risk is presented below:

Particulars	2022	2021
	Amount	
	----- Rupees '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
- Fully paid-up capital / capital deposited with the SBP	15,176,965	15,176,965
- Balance in share premium account	10,131	10,131
- Reserve for issue of bonus shares	-	-
- Discount on issue of shares	-	-
- General / statutory reserves	11,665,837	12,603,052
- Gain / (losses) on derivatives held as cash flow hedge	-	-
- Unappropriated profit	33,091,571	31,278,631
- Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	6	5
CET 1 before regulatory adjustments	59,944,510	59,068,784
Total regulatory adjustments applied to CET1	4,221,432	2,145,656
Common Equity Tier 1 (a)	55,723,078	56,923,128
Additional Tier 1 (AT 1) Capital		
- Qualifying Additional Tier-1 instruments plus any related share premium of which:		
- classified as equity	-	-
- classified as liabilities	-	-
- Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties of which:		
- instrument issued by subsidiaries subject to phase out	1	1
AT1 before regulatory adjustments	1	1
Total regulatory adjustment applied to AT1 capital	1	1
Additional Tier 1 capital after regulatory adjustments	-	-
Additional Tier 1 capital recognised for capital adequacy (b)	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	55,723,078	56,923,128
Tier 2 Capital		
- Qualifying Tier 2 capital instruments under Basel III	-	-
- Tier 2 capital instruments subject to phase out arrangement	-	-
- Tier 2 capital instruments issued to third party by consolidated subsidiaries of which:		
- instruments issued by subsidiaries subject to phase out	2	1
- General provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	771,609	945,573
- Revaluation reserves of which:		
- revaluation reserves on fixed assets	10,383,813	5,692,850
- unrealized gain / (loss) on AFS	-	111,599
- Foreign exchange translation reserves	-	-
- Undisclosed / other reserves (if any)	-	-
T2 before regulatory adjustments	11,155,424	6,750,022
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	11,155,424	6,750,022
Portion of Tier 1 capital recognised in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy (d)	11,155,424	6,750,022
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	66,878,502	63,673,150
Total risk weighted assets (i)	431,072,304	363,252,596

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Particulars	2022	2021
	Percentage	
Capital ratios and buffers (in percentage of risk weighted assets)		
- CET1 to total RWA (a / i)	12.93%	15.67%
- Tier-1 capital to total RWA (c / i)	12.93%	15.67%
- Total capital to RWA (e / i)	15.51%	17.53%
- Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.50%	7.50%
- capital conservation buffer requirement	1.50%	1.50%
- counter cyclical buffer requirement	0.00%	0.00%
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	0.00%	0.00%
- CET1 available to meet buffers (as a percentage of risk weighted assets)	5.43%	8.17%
National minimum capital requirements prescribed by SBP		
- CET1 minimum ratio	7.50%	7.50%
- Tier 1 minimum ratio	9.00%	9.00%
- Total capital minimum ratio	11.50%	11.50%

Particulars	2022		2021	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*

Rupees '000

1.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	135,936	-	145,475	-
All other intangibles (net of any associated deferred tax liability)	1,880,316	-	1,619,644	-
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)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	59,887	-	65,107	-
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	1,824,765	-	-	-
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)	-	-	-	-
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 (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	320,528	-	315,430	-
Total regulatory adjustments applied to CET1	4,221,432	-	2,145,656	-

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Particulars	2022		2021	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*

----- Rupees '000 -----

1.3.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	320,529	-	315,430	-
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	-	-	-	-

1.3.3 Tier 2 Capital: regulatory adjustments

Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
Investment in own Tier 2 capital instrument	-	-	-	-
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	-	-	-	-

* This column highlights items that are still subject to Basel II treatment during the transitional period.

1.3.4 Additional Information

2022
----- Rupees '000 -----
2021

"Risk Weighted Assets" subject to pre-Basel III treatment

Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel 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	1,316,379	2,583,341
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-

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)	771,609	945,573
Cap on inclusion of provisions in Tier 2 under standardized approach	3,834,124	3,419,234
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	-	-

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1.4 Capital Structure Reconciliation

1.4.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	2022	
	Balance sheet	Under regulatory scope of reporting
-----Rupees '000-----		
Assets		
Cash and balances with treasury banks	56,130,598	56,130,598
Balances with other banks	2,785,113	2,785,113
Lendings to financial institutions	9,815,098	9,815,098
Investments	469,308,034	469,308,034
Advances	454,260,608	454,260,608
Operating fixed assets	37,538,006	37,538,006
Deferred tax assets - net	-	-
Other assets	45,169,012	45,169,012
Total assets	1,075,006,469	1,075,006,469
Liabilities and equity		
Bills payable	21,309,950	21,309,950
Borrowings	150,134,396	150,134,396
Deposits and other accounts	781,556,223	781,556,223
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	744,088	744,088
Other liabilities	50,647,609	50,647,609
Total liabilities	1,004,392,266	1,004,392,266
Represented by:		
Share capital	15,176,965	15,176,965
Reserves	11,675,968	11,675,968
Unappropriated profit	33,091,551	33,091,551
Minority Interest	57	57
Surplus on revaluation of assets - net of tax	10,669,662	10,669,662
	70,614,203	70,614,203
Total liabilities and equity	1,075,006,469	1,075,006,469

1.4.2 Reconciliation of balance sheet to eligible regulatory capital

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
Assets			
Cash and balances with treasury banks		56,130,598	56,130,598
Balances with other banks		2,785,113	2,785,113
Lendings to financial institutions		9,815,098	9,815,098
Investments of which:		469,308,034	469,308,034
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual funds exceeding regulatory threshold	c	320,529	320,529
- reciprocal crossholding of capital instrument	d	59,887	59,887
- others	e	-	-
Advances		454,260,608	454,260,608
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	771,609	771,609
Operating fixed assets of which:		37,538,006	37,538,006
- Intangibles	k	2,341,852	2,341,852
Deferred tax assets of which:		-	-
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
Other assets of which:		45,169,012	45,169,012
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		1,075,006,469	1,075,006,469

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Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
Liabilities and Equity			
Bills payable		21,309,950	21,309,950
Borrowings		150,134,396	150,134,396
Deposits and other accounts		781,556,223	781,556,223
Sub-ordinated loans of which:		-	-
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		744,088	744,088
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	744,088	744,088
Other liabilities		50,647,609	50,647,609
Total liabilities		1,004,392,266	1,004,392,266
Share capital		15,176,965	15,176,965
- of which: amount eligible for CET1	s	15,176,965	15,176,965
- of which: amount eligible for AT1	t	-	-
Reserves of which:		11,675,968	11,675,968
- portion eligible for inclusion in CET1 - Statutory reserves	u	11,384,618	11,384,618
- portion eligible for inclusion in CET1 - General and other reserves		291,350	291,350
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit	w	33,091,551	33,091,551
Minority Interest of which:		57	57
- portion eligible for inclusion in CET1	x	57	57
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		10,669,662	10,669,662
- Revaluation reserves on fixed assets		10,383,813	10,383,813
- Revaluation reserves on Non-banking assets acquired in satisfaction of claims		2,110,613	2,110,613
- Unrealized gains / (losses) on AFS securities	aa	-	-
- In case of deficit on revaluation (deduction from CET1)	ab	(1,824,765)	(1,824,765)
Total liabilities and equity		1,075,006,469	1,075,006,412

1.4.3 Basel III Disclosure (with added column)

Particulars	Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
Rupees '000		
Common equity Tier 1 capital (CET1): instruments and reserves		
1 Fully paid-up capital		15,176,965
2 Balance in share premium account	(s)	10,131
3 Reserve for issue of bonus shares		-
4 General / statutory reserves	(u)	11,665,837
5 Gain / (losses) on derivatives held as cash flow hedge		-
6 Unappropriated profit	(w)	33,091,571
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)	6
8 CET 1 before Regulatory Adjustments		59,944,510

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Particulars		Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
			Rupees '000
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	(j) - (s)	135,936
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	1,880,316
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)	59,887
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 securities	(ab)	1,824,765
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) * x%	-
23	Amount exceeding 15% threshold of which: - significant investments in the common stocks of financial entities - deferred tax assets arising from temporary differences		- -
24	National specific regulatory adjustments applied to CET1 capital of which: - investment in TFCs of other banks exceeding the prescribed limit - any other deduction specified by the SBP		- -
25	Regulatory adjustment applied to CET1 due to insufficient - AT1 and Tier 2 to cover deductions		320,528
26	Total regulatory adjustments applied to CET1		4,221,432
Common equity tier 1			55,723,078
Additional Tier 1 (AT 1) Capital			
27	Qualifying additional Tier-1 instruments plus any related share premium of which: - classified as equity - classified as liabilities	(t) (m)	- -
28	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties - of which: instrument issued by subsidiaries subject to phase out	(y)	- -
29	AT1 before regulatory adjustments		-
Additional Tier 1 Capital: regulatory adjustments			
30	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		320,529
31	Investment in own AT1 capital instruments		-
32	Reciprocal cross holdings in additional Tier 1 capital instruments		-
33	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)	-

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Particulars		Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
			Rupees '000
34	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
35	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		-
36	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-
37	Total of regulatory adjustment applied to AT1 capital		-
38	Additional Tier 1 capital		-
39	Additional Tier 1 capital recognised for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)			55,723,078
Tier 2 Capital			
40	Qualifying Tier 2 capital instruments under Basel III		-
41	Capital instruments subject to phase out arrangement from Tier 2	(n)	-
42	Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	2
	- of which: instruments issued by subsidiaries subject to phase out		
43	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	771,609
44	Revaluation reserves eligible for Tier 2 of which:		10,383,813
	- portion pertaining to fixed assets		10,383,813
	- portion pertaining to AFS securities		-
45	Foreign exchange translation reserves	(v)	-
46	Undisclosed / other reserves (if any)		-
47	T2 before regulatory adjustments		11,155,424
Tier 2 Capital: regulatory adjustments			
48	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		-
49	Reciprocal cross holdings in Tier 2 instruments	(d)	-
50	Investment in own Tier 2 capital instruments		-
51	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)	-
52	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
53	Amount of regulatory adjustment applied to T2 capital		-
54	Tier 2 capital (T2)		11,155,424
55	Tier 2 capital recognised for capital adequacy		11,155,424
56	Excess additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy			11,155,424
TOTAL CAPITAL (T1 + admissible T2)			66,878,502

1.5 Main features of regulatory capital instruments

S.No	Main Features	Common Shares
1	Issuer	Faysal Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	FABL
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	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	Group & Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	15,176,965
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	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	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non - Cumulative
23	Convertible or non-convertible	Non - Convertible
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	No
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 mechanism	N/A
35	Position in subordination hierarchy in liquidation	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

1.6 Risk Weighted Assets

Credit risk

On-Balance sheet

Portfolios subject to standardized approach
(Comprehensive)

Sovereign
Public Sector entities
Banks
Corporate
Retail
Residential Mortgages
Past Due loans
Operating Fixed Assets
Other assets

Capital Requirements		Risk Weighted Assets	
2022	2021	2022	2021
----- Rupees '000 -----			
1,088,404	95,682	9,464,382	832,014
354,101	351,542	3,079,139	3,056,883
287,837	197,783	2,502,929	1,719,856
18,379,487	17,019,298	159,821,623	147,993,892
4,603,056	4,384,713	40,026,575	38,127,942
564,546	436,239	4,909,093	3,793,387
378,919	447,355	3,294,951	3,890,044
4,085,002	3,076,184	35,521,755	26,749,424
1,948,468	1,079,943	16,943,203	9,390,806
31,689,820	27,088,738	275,563,650	235,554,247

Off-Balance sheet

Non-market related

Loan Repayment Guarantees
Purchase and Resale Agreements
Performance Bonds etc
Revolving underwriting Commitments
Stand By Letters of Credit

Market related

Derivative Instruments
Foreign Exchange Contracts

1,241,469	1,096,751	10,795,383	9,536,962
-	-	-	-
388,035	470,249	3,374,216	4,089,124
978,796	1,675,485	8,511,267	14,569,436
750,651	872,406	6,527,403	7,586,135
-	-	-	-
-	120	-	1,040
99,369	139,639	864,081	1,214,249
3,458,320	4,254,649	30,072,350	36,996,947

Equity Exposure Risk in the Banking Book

Under simple risk weight method

Listed Shares
Unlisted Shares

109,540	97,305	952,523	846,128
16,258	16,258	141,374	141,374
125,798	113,563	1,093,897	987,501
35,273,938	31,456,950	306,729,897	273,538,696

Total Credit Risk-Weighted Exposures

Market Risk - capital requirement for portfolios subject to standardised approach

Interest rate risk
Equity position risk
Foreign exchange risk

Total market risk

2,702,396	1,136,159	33,779,954	14,201,993
1,373,173	1,262,848	17,164,658	15,785,597
70,265	59,904	878,307	748,803
4,145,834	2,458,911	51,822,919	30,736,393

Operational Risk - Capital requirement for operational risks

Total operational risk

5,801,559	4,718,201	72,519,488	58,977,507
45,221,331	38,634,062	431,072,304	363,252,596

Capital Adequacy Ratio

Total Eligible Regulatory Capital held

Total risk weighted assets

Capital adequacy ratio

2022
----- Rupees '000 -----

66,878,502 63,673,150

431,072,304 363,252,596

15.51% 17.53%

1.7 Credit Risk: General disclosures Basel II specific

The Group has adopted the standardised approach under Basel. According to the regulatory statement submitted under the standardised approach, the portfolio has been divided into claims on public sector entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorised as retail portfolio. Claims on corporate constitute 60.56% (2021: 65.71%) of the total credit risk weighted assets, 1.00% (2021: 1.81%) represents claims on PSEs and 15.42% (2021: 14.62%) exposure pertains to claims categorised as retail portfolio.

1.7.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the SBP, namely Pakistan Credit Rating Agency Limited (PACRA) and VIS Credit Rating Company Limited (VIS) are used. For claims on foreign entities, ratings assigned by Standard and Poor's, Fitch and Moody's are used. Exposures not rated by any of the aforementioned rating agencies are categorized as unrated.

Types of exposure for which each agency is used in the year ended December 31, 2022 are as follows;

Exposures	PACRA	VIS	Standard and Poor's	Moody's	Fitch
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns	-	-	✓	✓	✓
PSEs	✓	✓	-	-	-

The SBP indicative mapping process as instructed in the SBP's circular "Minimum Capital Requirements for Banks and DFIs" (indicated in table below) was used to map alpha numeric ratings of PACRA, VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to the SBP's rating grades.

Long Term Rating Grades Mapping

SBP Rating	ECA Scores	PACRA	VIS	S & P	Moody's	Fitch
1	0,1	AA- and above	AA- and above	AA- and above	Aa3 and above	AA- and above
2	2	A+ to A-	A+ to A-	A+ to A-	A1 to A3	A+ to A-
3	3	BBB+ to BBB-	BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	4	BB+ to BB-	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	5,6	B+ to B-	B+ to B-	B+ to B-	B1 to B3	B+ to B-
6	7	CCC+ & Below	CCC+ & Below	CCC+ & Below	Caa1 & Below	CCC+ & Below

Short Term Rating Grades Mapping

SBP Rating	PACRA	VIS	S & P	Moody's	Fitch
S1	A-1 & above	A-1 & above	A-1 & above	P-1	F1
S2	A-2	A-2	A-2	P-2	F2
S3	A-3	A-3	A-3	P-3	F3
S4	Others	Others	Others	Others	Others

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

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Rupees '000				
- Cash and Cash Equivalent		18,334,589	-	18,334,589
- Corporate	1	127,342,871	6,628,857	120,714,014
	2	72,724,512	1,000,000	71,724,512
	3,4	4,095,754	-	4,095,754
	5,6	22,040	-	22,040
	Unrated	40,384,300	278,138	40,106,162
	Unrated-2	45,648,512	1,183,242	44,465,271
- Public Sector Entities	1	13,462,538	-	13,462,538
	2,3	-	-	-
	Unrated	773,262	-	773,262
- Banks	1,2,3	9,208,723	-	9,208,723
	4,5,6	12,862	-	12,862
	Unrated	999,000	-	999,000
- Sovereigns etc.	1	-	-	-
	2	-	-	-
	3	-	-	-
	4,5	-	-	-
	6	6,309,588	-	6,309,588
	Unrated	-	-	-
- Government of Pakistan		149,438,509	5,815,098	143,623,411
- SBP		2,626,598	-	2,626,598
- Retail		53,635,769	267,002	53,368,766
- Residential Mortgage		15,015,153	-	15,015,153
- Past Dues Loans		3,001,455	64,273	2,937,182
- Past Dues against Residential Mortgage		272,249	-	272,249
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		-	-	-
- Unlisted Equity Investments		94,249	-	94,249
- Listed Equity Investments		952,523	-	952,523
- Operating Fixed Assets		35,521,755	-	35,521,755
- Other Assets		16,943,203	-	16,943,203
		616,820,012	15,236,610	601,583,402

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the Bank reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

Collaterals used by the Bank for Credit Risk Mitigation (CRM) were as follows:

- Cash margin
- Government securities
- Guarantees of governments and banks
- Shares listed on recognized stock exchange.

1.8 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 leverage ratio of the Bank for the year ended December 31, 2022 stood at 4.50% (2021: 5.46%).

Particulars	2022	2021
	-----Rupees '000-----	
On balance sheet exposures		
On-balance sheet items (excluding derivatives but including collateral)	1,072,237,836	865,949,164
Derivatives	371,964	1,871,593
A) Total On balance sheet exposures	1,072,609,800	867,820,757
Off balance sheet exposures		
Off-balance sheet items (excluding derivatives)	164,850,614	178,060,385
Commitment in respect of derivatives (derivatives having negative fair value are also included)	525,091	856,433
B) Total Off balance sheet exposures	165,375,705	178,916,818
Capital and total exposures		
Tier 1 capital	55,723,078	56,923,128
Total Exposure (A+B)	1,237,985,505	1,046,737,575
Leverage ratio	4.50%	5.44%

2 Liquidity Coverage Ratio (LCR)

According to Basel III instructions issued by State Bank of Pakistan vide its BPRD Circular No. 08 dated June 23, 2016, it is mandatory for all the banks to calculate and report the LCR statement on monthly frequency with the minimum benchmark of 100%.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that the Bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level.

The LCR has two components:

- Value of the stock of High Quality Liquid Assets (HQLA) in stressed conditions; and
- Total net cash outflows, calculated according to the stress scenario for which the Bank would need sufficient liquidity on hand to survive for up to 30 days.

Particulars	2022		2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	------(Rupees '000)-----		------(Rupees '000)-----	

High Quality Liquid Assets

1	Total High Quality Liquid assets(HQLA)	368,386,611	327,723,433
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CASH OUTFLOWS

2	Retail Deposits and deposits from small business customers	381,843,050	37,131,456	344,897,798	33,748,336
	of which:	-	-	-	-
2.1	Stable deposits	21,056,979	1,052,849	14,828,867	741,443
2.2	Less stable deposits	360,786,072	36,078,607	330,068,931	33,006,893
3	Unsecured Wholesale funding of which:	312,090,046	169,089,169	245,061,731	113,683,535
3.1	Operational deposits(all counterparties)	21,049,474	5,262,368	40,124,953	10,031,238
3.2	Non operational deposits (all counterparties)	291,040,572	163,826,801	204,936,777	103,652,296
3.3	Unsecured debt	-	-	-	-
4	Secured wholesale funding	2,679,051	2,679,051	264,938	22,078
5	Additional requirements of which:	1,323,836	1,323,836	765,143	765,143
5.1	Outflows related to derivative exposures and other collateral requirements	1,323,836	1,323,836	765,143	765,143
5.2	Outflows related to loss of funding on debt products	-	-	-	-
5.3	Credit and Liquidity facilities	-	-	-	-
6	Other contractual funding obligations	60,313,745	6,019,302	68,658,211	6,845,966
7	Other contingent funding obligations	134,902,320	39,161,177	133,676,111	31,224,963
8	TOTAL CASH OUTFLOWS		255,403,991		186,290,021

CASH INFLOWS

9	Secured lending	5,842,119	-	1,313,812	-
10	Inflows from fully performing exposures	76,089,213	39,992,636	53,607,669	30,238,907
11	Other Cash inflows	16,635,140	9,057,435	4,455,310	335,957
12	TOTAL CASH INFLOWS	98,566,472	49,050,070	59,376,791	30,574,864

Total adjusted value

Total adjusted value

21	TOTAL HQLA	368,386,611	327,723,433
22	TOTAL NET CASH OUTFLOWS	206,353,920	155,715,157
23	LIQUIDITY COVERAGE RATIO	1.785	2.105

3 Net Stable Funding Ratio (NSFR)

According to Basel III instructions issued by State Bank of Pakistan BPRD Circular No. 08 dated June 23, 2016, it is mandatory for all the banks to calculate and report the Net Stable Funding Ratio (NSFR) on a quarterly basis with the minimum of 100% on an ongoing basis from December 31, 2017.

The purpose of the NSFR is to ensure that Bank holds a minimum amount of stable funding based on the liquidity characteristics of its assets and off-balance sheet activities over a one year horizon.

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 objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding and rollover risk.

		2022				
Particulars		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		----- (Rupees '000) -----				
Available Stable Funding (ASF) Item						
1	Capital:	71,099,935	-	-	118,809,937	189,909,872
2	Regulatory capital	71,099,935	-	-		71,099,935
3	Other capital instruments	-	-	-	118,809,937	118,809,937
4	Retail deposits and deposit from small business customers:	363,387,632	-	29,601,505	-	354,779,122
5	Stable deposits	21,517,673	-	260,294	-	20,689,069
6	Less stable deposits	341,869,959	-	29,341,211	-	334,090,054
7	Wholesale funding:	18,687,547	-	241,441,906	-	130,064,727
8	Operational deposits	18,687,547	-	-	-	9,343,774
9	Other wholesale funding	-	-	241,441,906	-	120,720,953
10	Other liabilities:	166,855,522	-	64,100,513	7,957,487	32,050,256
11	NSFR derivative liabilities		-	-	6,449,804	-
12	All other liabilities and equity not included in other categories	166,855,522	-	64,100,513	1,507,683	32,050,256
13	Total ASF					706,803,978

Required Stable Funding (RSF) Item											
14	Total NSFR high-quality liquid assets (HQLA)	514,072,474				7,746,846					
15	Deposits held at other financial institutions for operational purposes	2,785,113	-	-	-	1,392,557					
16	Performing loans and securities:										
17	Performing loans to financial institutions secured by Level 1 HQLA						-	-	-	-	
18	Performing loans to financial institutions secured by nonLevel 1 HQLA and unsecured performing loans to financial institutions						-	4,407,641	-	-	661,146
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:						-	-	-	131,520,531	111,792,451
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk						-	-	-	138,290,015	89,888,510
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.						-	-	-	-	-
22	Other assets:										
23	Physical traded commodities, including gold	-				-					
24	Assets posted as initial margin for derivative contracts		-			-					
25	NSFR derivative assets		4,942,122			189,064,288					
26	NSFR derivative liabilities before deduction of variation margin posted		6,449,804								
27	All other assets not included in the above categories	279,068,565	-	-	6,152,091						
28	Off-balance sheet items					16,332,181					
29	Total RSF					416,877,978					
30	Net Stable Funding Ratio (%)					169.55%					

		2021				
Particulars		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		----- (Rupees '000) -----				
Available Stable Funding (ASF) Item						
1	Capital:	65,818,808	-	-	70,546,615	136,365,424
2	Regulatory capital	65,818,808	-	-		65,818,808
3	Other capital instruments	-	-	-	70,546,615	70,546,615
4	Retail deposits and deposit from small business customers:	338,076,652	-	28,246,620	-	330,693,282
5	Stable deposits	19,755,592	-	291,156	-	19,044,410
6	Less stable deposits	318,321,060	-	27,955,464	-	311,648,872
7	Wholesale funding:	18,260,055	-	199,941,314	-	109,100,684
8	Operational deposits	18,260,055	-	-	-	9,130,028
9	Other wholesale funding	-	-	199,941,314	-	99,970,657
10	Other liabilities:	111,164,456	-	36,637,774	8,179,605	18,318,887
11	NSFR derivative liabilities		-	-	7,214,995	-
12	All other liabilities and equity not included in other categories	111,164,456	-	36,637,774	964,610	18,318,887
13	Total ASF					594,478,277

Required Stable Funding (RSF) Item						
14	Total NSFR high-quality liquid assets (HQLA)	399,260,487				5,764,708
15	Deposits held at other financial institutions for operational purposes	3,517,361	-	-	-	1,758,681
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by nonLevel 1 HQLA and unsecured performing loans to financial institutions	-	853,834	-	-	128,075
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	123,225,633	104,741,788
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	89,609,744	58,246,334
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-	-
22	Other assets:					
23	Physical traded commodities, including gold	-				-
24	Assets posted as initial margin for derivative contracts		-			-
25	NSFR derivative assets		6,250,385			
26	NSFR derivative liabilities before deduction of variation margin posted		7,214,995			
27	All other assets not included in the above categories	247,041,822	-	-	7,873,149	161,283,437
28	Off-balance sheet items					14,397,262
29	Total RSF					346,320,285
30	Net Stable Funding Ratio (%)					171.66%