

**FAYSAL BANK LIMITED**  
**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED**  
**AS AT DECEMBER 31, 2023**

**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, 2023 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, 2023 stood at Rs 15.177 billion (2022: Rs 15.177 billion). As at December 31, 2023 Bank's CAR stood at 17.54% whereas CET1 and Tier 1 ratios both stood at 14.68%.

The Bank is also in compliance with the CCB requirements.

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED  
AS AT DECEMBER 31, 2023**

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	2023	2022
	Amount ----- Rupees '000 -----	
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
- Fully paid-up capital / capital deposited with the SBP	15,176,965	15,176,965
- Balance in share premium account	10,130	10,131
- Reserve for issue of bonus shares	-	-
- Discount on issue of shares	-	-
- General / statutory reserves	15,606,058	11,665,837
- Gain / (losses) on derivatives held as cash flow hedge	-	-
- Unappropriated profit	44,961,037	33,091,571
- Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	43	6
<b>CET 1 before regulatory adjustments</b>	<b>75,754,233</b>	<b>59,944,510</b>
Total regulatory adjustments applied to CET1	2,383,794	4,221,432
<b>Common Equity Tier 1 (a)</b>	<b>73,370,439</b>	<b>55,723,078</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
- 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	8	1
<b>AT1 before regulatory adjustments</b>	<b>8</b>	<b>1</b>
Total regulatory adjustment applied to AT1 capital	8	1
<b>Additional Tier 1 capital after regulatory adjustments</b>	<b>-</b>	<b>-</b>
<b>Additional Tier 1 capital recognised for capital adequacy (b)</b>	<b>-</b>	<b>-</b>
<b>Tier 1 Capital (CET1 + admissible AT1) (c=a+b)</b>	<b>73,370,439</b>	<b>55,723,078</b>
<b>Tier 2 Capital</b>		
- 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	13	2
- General provisions or general reserves for loan losses-up to maximum of 1.25% of credit risk weighted assets	877,670	771,609
- Revaluation reserves of which:		
- revaluation reserves on fixed assets	10,102,817	10,383,813
- unrealized gain / (loss) on AFS	3,349,029	-
- Foreign exchange translation reserves	-	-
- Undisclosed / other reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	<b>14,329,529</b>	<b>11,155,424</b>
Total regulatory adjustment applied to T2 capital	-	-
<b>Tier 2 capital (T2) after regulatory adjustments</b>	<b>14,329,529</b>	<b>11,155,424</b>
Portion of Tier 1 capital recognised in Tier 2 capital	-	-
<b>Total Tier 2 capital admissible for capital adequacy (d)</b>	<b>14,329,529</b>	<b>11,155,424</b>
<b>TOTAL CAPITAL (T1 + admissible T2) (e=c+d)</b>	<b>87,699,968</b>	<b>66,878,502</b>
<b>Total risk weighted assets (i)</b>	<b>499,861,879</b>	<b>431,072,304</b>

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED  
AS AT DECEMBER 31, 2023**

Particulars	2023	2022
	Percentage	
Capital ratios and buffers (in percentage of risk weighted assets)		
- CET1 to total RWA (a / i)	14.68%	12.93%
- Tier-1 capital to total RWA (c / i)	14.68%	12.93%
- Total capital to RWA (e / i)	17.54%	15.51%
- 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)	7.18%	5.43%
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	2023		2022	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*

1  
1.3.1

**Common Equity Tier 1 capital: Regulatory adjustments**

	2023		2022	
	Amount	Pre - Basel III treatment*	Amount	Pre - Basel III treatment*
Goodwill (net of related deferred tax liability)	-	-	135,936	-
All other intangibles (net of any associated deferred tax liability)	2,271,580	-	1,880,316	-
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	-
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	112,214	-	320,528	-
<b>Total regulatory adjustments applied to CET1</b>	<b>2,383,794</b>	<b>-</b>	<b>4,221,432</b>	<b>-</b>

Rupees '000

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED  
AS AT DECEMBER 31, 2023**

Particulars	2023		2022	
	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]	112,221	-	320,529	-
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	-	-	-	-
<b>Total regulatory adjustment applied to AT1 capital</b>	-	-	-	-

**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	-	-	-	-
<b>Total regulatory adjustment applied to T2 capital</b>	-	-	-	-

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

**1.3.4 Additional Information**

	2023	2022
	----- Rupees '000 -----	
<b>"Risk Weighted Assets" subject to pre-Basel III treatment</b>		
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	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financial entities	1,514,783	1,316,379
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	877,670	771,609
Cap on inclusion of provisions in Tier 2 under standardized approach	4,206,381	3,834,124
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 ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED  
AS AT DECEMBER 31, 2023**

**1.4 Capital Structure Reconciliation**

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

Particulars	2023	
	Balance sheet	Under regulatory scope of reporting
	-----Rupees '000-----	
<b>Assets</b>		
Cash and balances with treasury banks	84,036,564	84,036,564
Balances with other banks	1,812,507	1,812,507
Due from financial institutions	-	-
Investments	589,954,839	589,954,839
Islamic financing and related assets	580,711,316	580,711,316
Operating fixed assets	42,849,282	42,849,282
Deferred tax assets - net	-	-
Other assets	71,920,406	71,920,406
<b>Total assets</b>	<b>1,371,284,914</b>	<b>1,371,284,914</b>
<b>Liabilities and equity</b>		
Bills payable	16,550,469	16,550,469
Due to financial institutions	166,886,803	166,886,803
Deposits and other accounts	1,018,264,979	1,018,264,979
Sub-ordinated sukuk	-	-
Deferred tax liabilities - net	4,940,115	4,940,115
Other liabilities	73,717,285	73,717,285
<b>Total liabilities</b>	<b>1,280,359,651</b>	<b>1,280,359,651</b>
<b>Represented by:</b>		
Share capital	15,176,965	15,176,965
Reserves	15,616,188	15,616,188
Unappropriated profit	44,961,035	44,961,035
Minority Interest	258	258
Surplus on revaluation of assets - net of tax	15,170,817	15,170,817
	<b>90,925,263</b>	<b>90,925,263</b>
<b>Total liabilities and equity</b>	<b>1,371,284,914</b>	<b>1,371,284,914</b>

**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-----	
<b>Assets</b>			
Cash and balances with treasury banks		84,036,564	84,036,564
Balances with other banks		1,812,507	1,812,507
Due from financial institutions		-	-
Investments of which:		589,954,839	589,954,839
- 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	112,221	112,221
- reciprocal crossholding of capital instrument	d	-	-
- others	e	-	-
Islamic financing and related assets		580,711,316	580,711,316
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	877,670	877,670
Operating fixed assets of which:		42,849,282	42,849,282
- Intangibles	k	2,337,787	2,337,787
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:		71,920,406	71,920,406
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
<b>Total assets</b>		<b>1,371,284,914</b>	<b>1,371,284,914</b>

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED  
AS AT DECEMBER 31, 2023**

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
<b>Liabilities and Equity</b>			
Bills payable		16,550,469	16,550,469
Due to financial institutions		166,886,803	166,886,803
Deposits and other accounts		1,018,264,979	1,018,264,979
Sub-ordinated Sukuks 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:		4,940,115	4,940,115
- 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	4,940,115	4,940,115
Other liabilities		73,717,285	73,717,285
<b>Total liabilities</b>		<b>1,280,359,651</b>	<b>1,280,359,651</b>
<b>Share capital</b>		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:		15,616,188	15,616,188
- portion eligible for inclusion in CET1 - Statutory reserves	u	15,393,805	15,393,805
- portion eligible for inclusion in CET1 - General and other reserves		222,383	222,383
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit	w	44,961,035	44,961,035
Minority Interest of which:		258	258
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	258	258
Surplus on revaluation of assets of which:		15,170,817	15,170,817
- Revaluation reserves on fixed assets		10,102,817	10,102,817
- Revaluation reserves on Non-banking assets acquired in satisfaction of claims		1,718,971	1,718,971
- Unrealized gains / (losses) on AFS securities	aa	3,349,029	3,349,029
- In case of deficit on revaluation (deduction from CET1)	ab	-	-
<b>Total liabilities and equity</b>		<b>1,371,284,914</b>	<b>1,371,284,914</b>

**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		
<b>Common equity Tier 1 capital (CET1): instruments and reserves</b>		
1 Fully paid-up capital		15,176,965
2 Balance in share premium account	(s)	10,130
3 Reserve for issue of bonus shares		-
4 General / statutory reserves	(u)	15,606,058
5 Gain / (losses) on derivatives held as cash flow hedge		-
6 Unappropriated profit	(w)	44,961,037
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)	43
<b>8 CET 1 before Regulatory Adjustments</b>		<b>75,754,233</b>

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED  
AS AT DECEMBER 31, 2023**

Particulars		Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
			Rupees '000
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
9	Goodwill (net of related deferred tax liability)	(j) - (s)	-
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	2,271,580
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 securities	(ab)	-
20	Investments in the capital instruments of banking, financial and insurance - entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(a) - (ac) - (ae)	-
21	Significant investments in the capital instruments issued by banking, - financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	(b) - (ad) - (af)	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(i) * 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		112,214
26	Total regulatory adjustments applied to CET1		2,271,580
<b>Common equity tier 1</b>			<b>73,370,439</b>
<b>Additional Tier 1 (AT 1) Capital</b>			
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	<b>AT1 before regulatory adjustments</b>		-
<b>Additional Tier 1 Capital: regulatory adjustments</b>			
30	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		112,221
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)	-

**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED**  
**AS AT DECEMBER 31, 2023**

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	<b>Additional Tier 1 capital recognised for capital adequacy</b>		-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>			<b>73,370,439</b>
<b>Tier 2 Capital</b>			
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 - of which: instruments issued by subsidiaries subject to phase out	(z)	13
43	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	877,670
44	Revaluation reserves eligible for Tier 2 of which:		13,451,846
	- portion pertaining to fixed assets		10,102,817
	- portion pertaining to AFS securities		3,349,029
45	Foreign exchange translation reserves	(v)	-
46	Undisclosed / other reserves (if any)		-
47	<b>T2 before regulatory adjustments</b>		<b>14,329,529</b>
<b>Tier 2 Capital: regulatory adjustments</b>			
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)		14,329,529
55	Tier 2 capital recognised for capital adequacy		14,329,529
56	Excess additional Tier 1 capital recognised in Tier 2 capital		-
<b>Total Tier 2 capital admissible for capital adequacy</b>			<b>14,329,529</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>			<b>87,699,968</b>



## 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
	<b>Regulatory treatment</b>	
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
	<b>Coupons / dividends</b>	
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)*

	2023	2022	2023	2022
	----- Rupees '000 -----			
Sovereign	1,102,781	1,088,404	9,589,396	9,464,382
Public Sector entities	488,522	354,101	4,248,017	3,079,139
Banks	402,452	287,837	3,499,579	2,502,929
Corporate	20,351,061	18,379,487	176,965,746	159,821,623
Retail	4,507,848	4,603,056	39,198,676	40,026,575
Residential Mortgages	651,534	564,546	5,665,510	4,909,093
Past Due loans	564,710	378,919	4,910,525	3,294,951
Operating Fixed Assets	4,666,436	4,085,002	40,577,701	35,521,755
Other assets	2,455,767	1,948,468	21,354,494	16,943,203
	35,191,111	31,689,820	306,009,644	275,563,650

#### Off-Balance sheet

##### Non-market related

Loan Repayment Guarantees	1,215,450	1,241,469	10,569,134	10,795,383
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	330,004	388,035	2,869,604	3,374,216
Revolving underwriting Commitments	353,358	978,796	3,072,678	8,511,267
Stand By Letters of Credit	1,352,915	750,651	11,764,478	6,527,403

##### Market related

Derivative Instruments	-	-	-	-
Foreign Exchange Contracts	122,145	99,369	1,062,134	864,081
	3,373,872	3,458,320	29,338,028	30,072,350

#### Equity Exposure Risk in the Banking Book

*Under simple risk weight method*

Listed Shares	120,404	109,540	1,046,989	952,523
Unlisted Shares	13,316	16,258	115,789	141,374
	133,720	125,798	1,162,778	1,093,897

#### Total Credit Risk-Weighted Exposures

	38,698,703	35,273,938	336,510,450	306,729,897
--	------------	------------	-------------	-------------

#### Market Risk - capital requirement for portfolios subject to standardised approach

Interest rate risk	3,462,852	2,702,396	43,285,647	33,779,954
Equity position risk	961,023	1,373,173	12,012,782	17,164,658
Foreign exchange risk	90,739	70,265	1,134,240	878,307
Total market risk	4,514,614	4,145,834	56,432,669	51,822,919

#### Operational Risk - Capital requirement for operational risks

Total operational risk	8,553,501	5,801,559	106,918,760	72,519,488
	<b>51,766,818</b>	<b>45,221,331</b>	<b>499,861,879</b>	<b>431,072,304</b>

#### Capital Adequacy Ratio

	2023	2022
	----- Rupees '000 -----	
Total Eligible Regulatory Capital held	87,699,968	66,878,502
Total risk weighted assets	499,861,879	431,072,304
Capital adequacy ratio	17.54%	15.51%

## 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 59.83% (2022: 60.56%) of the total credit risk weighted assets, 1.27% (2022: 1.00%) represents claims on PSEs and 13.99% (2022: 15.42%) 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, 2023 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		20,004,056	-	20,004,056
- Corporate	1	140,837,527	2,129,365	138,708,162
	2	85,672,267	1,855,623	83,816,644
	3,4	8,113,864	-	8,113,864
	5,6	22,040	-	22,040
	Unrated	49,541,407	908,466	48,632,941
	Unrated-2	41,541,104	1,112,363	40,428,741
- Public Sector Entities	1	17,669,521	-	17,669,521
	2,3	-	-	-
	Unrated	1,428,227	-	1,428,227
- Banks	1,2,3	13,916,692	-	13,916,692
	4,5,6	71,912	-	71,912
	Unrated	1,350,876	-	1,350,876
- Sovereigns etc.	1	-	-	-
	2	-	-	-
	3	-	-	-
	4,5	-	-	-
	6	6,392,931	-	6,392,931
	Unrated	-	-	-
- Government of Pakistan		265,717,671	-	265,717,671
- SBP		5,923,303	-	5,923,303
- Retail		52,300,634	35,733	52,264,901
- Residential Mortgage		17,139,940	-	17,139,940
- Past Dues Loans		3,500,915	13,553	3,487,362
- Past Dues against Residential Mortgage		343,405	-	343,405
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		-	-	-
- Unlisted Equity Investments		77,193	-	77,193
- Listed Equity Investments		1,046,989	-	1,046,989
- Operating Fixed Assets		40,577,701	-	40,577,701
- Other Assets		21,354,494	-	21,354,494
		<b>794,544,669</b>	<b>6,055,103</b>	<b>788,489,566</b>

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, 2023 stood at 4.60% (2022: 4.50%).

Particulars	2023	2022
	-----Rupees '000-----	
<b>On balance sheet exposures</b>		
On-balance sheet items (excluding derivatives but including collateral)	1,368,350,879	1,072,237,836
Derivatives	550,232	371,964
A) Total On balance sheet exposures	<b>1,368,901,111</b>	<b>1,072,609,800</b>
<b>Off balance sheet exposures</b>		
Off-balance sheet items (excluding derivatives)	224,604,045	164,850,614
Commitment in respect of derivatives (derivatives having negative fair value are also included)	615,994	525,091
B) Total Off balance sheet exposures	<b>225,220,039</b>	<b>165,375,705</b>
<b>Capital and total exposures</b>		
<b>Tier 1 capital</b>	<b>73,370,439</b>	<b>55,723,078</b>
<b>Total Exposure (A+B)</b>	<b>1,594,121,150</b>	<b>1,237,985,505</b>
<b>Leverage ratio</b>	<b>4.60%</b>	<b>4.50%</b>

## 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	2023		2022	
	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)	517,942,201	368,386,611
---	--	-------------	-------------

#### CASH OUTFLOWS

2	Retail Deposits and deposits from small business customers	421,274,221	40,969,141	381,843,050	37,131,456
	of which:	-	-	-	-
2.1	Stable deposits	23,165,615	1,158,281	21,056,979	1,052,849
2.2	Less stable deposits	398,108,607	39,810,861	360,786,072	36,078,607
3	Unsecured Wholesale funding of which:	496,271,769	307,747,970	312,090,046	169,089,169
3.1	Operational deposits(all counterparties)	22,572,845	5,643,211	21,049,474	5,262,368
3.2	Non operational deposits (all counterparties)	473,698,924	302,104,759	291,040,572	163,826,801
3.3	Unsecured debt	-	-	-	-
4	Secured wholesale funding	1,909,685	1,909,685	2,679,051	2,679,051
5	Additional requirements of which:	1,998,183	1,998,183	1,323,836	1,323,836
5.1	Outflows related to derivative exposures and other collateral requirements	1,981,995	1,981,995	1,323,836	1,323,836
		-	-	-	-
5.2	Outflows related to loss of funding on debt products	-	-	-	-
5.3	Credit and Liquidity facilities	-	-	-	-
6	Other contractual funding obligations	33,775,602	3,372,959	60,313,745	6,019,302
7	Other contingent funding obligations	137,945,053	49,370,716	134,902,320	39,161,177
8	<b>TOTAL CASH OUTFLOWS</b>		<b>405,368,654</b>		<b>255,403,991</b>

#### CASH INFLOWS

9	Secured lending	-	-	5,842,119	-
10	Inflows from fully performing exposures	105,215,484	54,677,111	76,089,213	39,992,636
11	Other Cash inflows	13,627,717	11,372,403	16,635,140	9,057,435
12	<b>TOTAL CASH INFLOWS</b>	<b>118,843,201</b>	<b>66,049,514</b>	<b>98,566,472</b>	<b>49,050,071</b>

#### Total adjusted value

#### Total adjusted value

21	TOTAL HQLA	517,942,201	368,386,611
22	TOTAL NET CASH OUTFLOWS	339,319,139	206,353,919
23	<b>LIQUIDITY COVERAGE RATIO</b>	<b>1.526</b>	<b>1.785</b>

### 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.

		2023				
Particulars		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Available Stable Funding (ASF) Item						
1	Capital:	90,083,763	-	-	58,832,411	148,916,174
2	Regulatory capital	90,083,763	-	-		90,083,763
3	Other capital instruments	-	-	-	58,832,411	58,832,411
4	Retail deposits and deposit from small business customers:	336,080,803	-	36,336,741	-	403,562,304
5	Stable deposits	-	-	464,830	-	23,232,623
6	Less stable deposits	336,080,803	-	35,871,911	-	380,329,681
7	Wholesale funding:	16,040,050	-	364,738,593	-	190,389,322
8	Operational deposits	16,040,050	-	-	-	8,020,025
9	Other wholesale funding	-	-	364,738,593	-	182,369,297
10	Other liabilities:	201,695,620	-	190,351,819	7,530,170	95,175,909
11	NSFR derivative liabilities		-	-	5,872,944	-
12	All other liabilities and equity not included in other categories	201,695,620	-	190,351,819	1,657,226	95,175,909
13	Total ASF					838,043,709

<b>Required Stable Funding (RSF) Item</b>						
14	Total NSFR high-quality liquid assets (HQLA)				674,070,128	8,496,721
15	Deposits held at other financial institutions for operational purposes	1,812,506	-	-	-	906,253
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	-	1,240,859	-	-	186,129
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	123,819,546	105,246,614
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	114,910,122	74,691,579
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				4,215,719	
26	NSFR derivative liabilities before deduction of variation margin posted				5,872,944	
27	All other assets not included in the above categories	448,666,074	-	-	7,940,267	275,455,366
28	Off-balance sheet items					18,008,218
29	<b>Total RSF</b>					<b>482,990,880</b>
30	<b>Net Stable Funding Ratio (%)</b>					<b>173.51%</b>

		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					706,803,977

<b>Required Stable Funding (RSF) Item</b>						
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	
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	189,064,288
28	Off-balance sheet items					16,332,181
29	<b>Total RSF</b>					<b>416,877,979</b>
30	<b>Net Stable Funding Ratio (%)</b>					<b>169.55%</b>