ZARAI TARAQIATI BANK LIMITED

CAPITAL ADEQUACY & LIQUIDITY DISCLOSURES

AS ON

31 DECEMBER 2022

1 CAPITAL ASSESSMENT AND ADEQUACY

1.1 Scope of application

The Basel III Framework is applicable to the Bank at the level of stand alone financial statements of the Bank. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

1.2 Capital management

Objectives and goals of managing capital

The Bank manages its capital to attain the following objectives and goals:

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

Statutory minimum capital requirement and capital adequacy ratio

SBP through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ended on December 31, 2013. The paid-up capital of the Bank for the year ended December 31, 2022 stands at Rs. 52.678 billion and is in compliance with the SBP requirement. In addition, the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 11.50% (2021: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2022 is 33.69% (2021: 32.37%) of its risk weighted exposure.

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

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

S No.	Ratio	Year ended							As of 31
		2015	2016	2017	2018	2019	2020	2021	Dec 2022
1	CET 1	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT 1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier 1	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	0.25%	0.65%	1.28%	1.90%	2.50%	1.50%	1.50%	1.50%
6	Total Capital plus CCB	10.25%	10.65%	11.28%	11.90%	12.50%	11.50%	11.50%	11.50%

- *Capital Conservation Buffer (CCB) Consisting of CET1 only; The CCB has been revised downwards from 2.5% to 1.5% during the year 2020 as per BPRD Circular No. 12 dated March 26, 2020.

Bank's regulatory capital is analyzed in three tiers:

Common Equity Tier 1 capital (CET1), which includes fully paid up capital, share premium, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.

Additional Tier 1 Capital (AT1) which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1. However, the Bank currently does not have any AT1.

The required capital adequacy ratio (11.50% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management, striking compromise proposal and settlement and composition of assets mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the SBP that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach / view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank remained compliant with all externally imposed capital requirements throughout the year. Further, there has been no material change in the Bank’s management of capital during the year.

1.3 Capital Adequacy Ratio

		2022	2021
		……… Rupees in '000 ………	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital / Capital deposited with SBP	52,678,432	52,678,432
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on issue of Shares	-	-
5	General / Statutory Reserves	7,324,095	6,299,526
6	Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated / unremitted profits / (losses)	(1,203,782)	(6,037,016)
8	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	**CET 1 before Regulatory Adjustments**	**58,798,745**	**52,940,943**
10	Total regulatory adjustments applied to CET1 **(Note 1.3.1)**	**(9,236,859)**	**(72,574)**
11	**Common Equity Tier 1**	**49,561,886**	**52,868,369**

		2022	2021
		……… Rupees in '000 ………	
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	**AT1 before regulatory adjustments**	**-**	**-**
18	Total regulatory adjustments applied to AT1 capital **(Note 1.3.2)**	-	-
19	Additional Tier 1 capital	-	-
20	**Additional Tier 1 capital recognized for capital adequacy**	-	-
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**	**49,561,886**	**52,868,369**
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phase out arrangement issued under pre-Basel III rules	-	-
24	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,562,289	2,094,120
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on Property	-	-
29	of which: Unrealized Gains/Losses on AFS	913,828	2,224,174
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	**T2 before regulatory adjustments**	**2,476,117**	**4,318,294**
33	Total regulatory adjustments applied to T2 capital **(Note 1.3.3)**	**-**	**-**
34	Tier 2 capital (T2) after regulatory adjustments	**2,476,117**	**4,318,294**
35	Tier 2 capital recognized for capital adequacy	**2,476,117**	**4,318,294**
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	**2,476,117**	**4,318,294**
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**	**52,038,003**	**57,186,663**
39	Total Risk Weighted Assets (for details refer Note 40.6)	**154,466,763**	**206,172,029**

		2022	2021
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**32.09%**	**25.64%**
41	**Tier-1 capital to total RWA**	**32.09%**	**25.64%**
42	**Total capital to RWA**	**33.69%**	**27.74%**
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.00%	6.00%
44	of which: capital conservation buffer requirement	1.50%	1.50%
45	of which: countercyclical buffer requirement		
46	of which: D-SIB or G-SIB buffer requirement		
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	32.09%	25.64%
	National minimum capital requirements prescribed by SBP		
48	**CET1 minimum ratio**	**6.00%**	**6.00%**
49	**Tier 1 minimum ratio**	**7.50%**	**7.50%**
50	**Total capital minimum ratio**	**11.50%**	**11.50%**

Regulatory Adjustments and Additional Information		2022 Amount	2022 Amounts subject to Pre - Basel III treatment	2021 Amount	2021 Amounts subject to Pre - Basel III treatment
		………… Rupees in '000 …………			
1.3.1	**Common Equity Tier 1 capital:**				
1	Goodwill (net of related deferred tax liability)	-	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	(73,159)	-	(72,574)	-
3	Shortfall of provisions against classified assets	-	-	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
5	Defined-benefit pension fund net assets	-	-	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
7	Cash flow hedge reserve	-	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-	-
9	Securitization gain on sale	-	-	-	-
10	Capital shortfall of regulated subsidiaries	-	-	-	-
11	Deficit on account of revaluation from bank's holdings of property/ AFS	-	-	- -	- -
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
13	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	- -	- -	- -	- -

		2022		2021	
		Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment
		………… Rupees in '000 …………			
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	(9,163,700)	-	-	-
15	Amount exceeding 15% threshold	-	-	-	-
16	of which: significant investments in the common stocks of financial entities	-	-	-	-
17	of which: deferred tax assets arising from temporary differences	-	-	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19	Investment in TFCs of other banks exceeding the prescribed limit	-	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
22	**Total regulatory adjustments applied**	**(9,236,859)**	**-**	**(72,574)**	**-**
1.3.2	**Additional Tier 1 Capital: regulatory**				
23	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	-	-	-
24	Investment in own AT1 capital instruments	-	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-

		2022		2021	
		Amount	Amounts subject to Pre - Basel III treatment	Amount	Amounts subject to Pre - Basel III treatment
		………… Rupees in '000 …………			
28	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	-	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
30	**Total of Regulatory Adjustment**	-		-	
1.3.3	**Tier 2 Capital: regulatory adjustments**				
31	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	-	-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33	Investment in own Tier 2 capital	-	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36	**Total Regulatory Adjustment applied to T2 capital (sum of 31 to 35)**	-		-	-

		2022	2021
		…… Rupees in '000 ……	
1.3.4	**Additional Information**		
	Risk weighted assets subject to Pre-Basel III Treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	2,049,065	2,099,245
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	15,036,259	13,230,217
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3,000,000	3,000,000
42	Cap on inclusion of provisions in Tier 2 under standardized approach	1,562,289	2,094,120
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

1.4 Capital Structure Reconciliation

Step 1	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2022	2022	
	Rupees in '000		
Assets			
Cash and balances with treasury banks	2,580,409	2,580,409	
Balances with other banks	12,615,369	12,615,369	
Lending to financial institutions	39,623,142	39,623,142	
Investments	306,849,685	306,849,685	
Advances	90,452,380	90,452,380	
Operating fixed assets	2,474,010	2,474,010	
Deferred tax assets	15,036,259	15,036,259	
Other assets	21,461,189	21,461,189	
Total Assets	**491,092,443**	**491,092,443**	
Liabilities & Equity			
Bills payable	580,505	580,505	
Borrowings	354,898,713	354,898,713	
Deposits and other accounts	47,332,694	47,332,694	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
Other liabilities	28,567,958	28,567,958	
Total Liabilities	**431,379,870**	**431,379,870**	
Share capital / Head office capital account	52,678,432	52,678,433	
Reserves	7,324,095	7,324,095	
Unappropriated / unremitted profit	(1,203,782)	(1,203,782)	
Minority Interest	-	-	
Surplus on revaluation of assets	913,828	913,828	
Total Equity	**59,712,573**	**58,798,746**	
Total Liabilities & Equity	**491,092,443**	**491,092,444**	

Step 2

Assets			
Cash and balances with treasury banks	2,580,409	2,580,409	
Balances with other banks	12,615,369	12,615,369	
Lendings to financial institutions	39,623,142	39,623,142	
Investments	306,849,685	306,849,685	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	90,452,380	90,452,380	

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2022	2022	
	Rupees in '000		
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	3,000,000	3,000,000	g
Fixed Assets	2,474,010	2,474,010	
Deferred Tax Assets	15,036,259	15,036,259	
of which: DTAs excluding those arising from temporary differences	9,163,700	9,163,700	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	21,461,189	21,461,189	
of which: Goodwill	-	-	j
of which: Intangibles	(73,159)	(73,159)	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**491,092,443**	**491,092,443**	
Liabilities & Equity			
Bills payable	580,505	580,505	
Borrowings	354,898,713	354,898,713	
Deposits and other accounts	47,332,694	47,332,694	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	28,567,958	28,567,958	
Total liabilities	**431,379,870**	**431,379,870**	
Share capital	52,678,432	52,678,432	
of which: amount eligible for CET1	52,678,432	52,678,432	s
of which: amount eligible for AT1	-	-	t
Reserves	7,324,095	7,324,095	
of which: portion eligible for inclusion in CET1(provide breakup)	7,324,095	7,324,095	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	(1,203,782)	(1,203,782)	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2022	2022	
	Rupees in '000		
Surplus on revaluation of assets	913,828	913,828	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	913,828	913,828	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	**59,712,573**	**59,712,573**	
Total liabilities & Equity	**491,092,443**	**491,092,443**	

	Step 3	**Component of regulatory capital reported by bank**	**Source based on reference number from Step 2**
		Rupees in '000	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	52,678,432	
2	Balance in Share Premium Account	-	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	7,324,095	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits	(1,203,782)	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	**CET 1 before Regulatory Adjustments**	**58,798,745**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	(73,159)	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(9,163,700)	{(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	-	

	Step 3	Component of regulatory capital reported by bank	Source based on reference number from Step 2
		Rupees in '000	
19	Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	**Total regulatory adjustments applied to CET1 (sum of 9 to 25)**	**(9,236,859)**	
	Common Equity Tier 1	**49,561,886**	
	Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(t)
33	of which: Classified as liabilities	-	(m)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments		
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	

	Step 3	Component of regulatory capital reported by bank	Source based on reference number from Step 2
		Rupees in '000	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	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)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
42	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	-	
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	**Additional Tier 1 capital recognized for capital adequacy**	**-**	
	Tier 1 Capital (CET1 + admissible AT1)		
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,562,289	(g)
52	Revaluation Reserves eligible for Tier 2	-	
53	of which: portion pertaining to Property	-	portion of (aa)
54	of which: portion pertaining to AFS securities	913,828	
55	Foreign Exchange Translation Reserves	-	(v)
56	Undisclosed/Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	**2,476,117**	
	Tier 2 Capital: regulatory adjustments		
58	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	-	
59	Reciprocal cross holdings in Tier 2 instruments	-	

	Step 3	Component of regulatory capital reported by bank	Source based on reference number from Step 2
		Rupees in '000	
60	Investment in own Tier 2 capital instrument	-	
61	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)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63	Amount of Regulatory Adjustment applied to T2 capital	**-**	
64	Tier 2 capital (T2)	**2,476,117**	
65	Tier 2 capital recognized for capital adequacy	**2,476,117**	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	**-**	
67	Total Tier 2 capital admissible for capital adequacy	**2,476,117**	
	TOTAL CAPITAL (T1 + admissible T2)	**52,038,003**	

1.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	**Common Shares**
1	Issuer	Zarai Taraqiati Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	ZTBL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	52,678,432
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholder equity
11	Original date of issuance	2002
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	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
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	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	Not applicable
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

1.6 Risk weighted assets

The risk weighted assets to capital ratio, calculated in accordance with the SBP's guidelines on capital adequacy are as follows:

	2022	2021	2022	2021
	Capital Requirements		Risk Weighted Assets	
	…………… Rupees in '000 ……………			
Credit risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-balance sheet				
Banks	766,441	236,161	6,664,700	2,053,573
Retail	7,046,135	8,763,578	61,270,739	76,205,030
Corporates (excluding equity exposures)	55,635	10,998	483,784	95,636
Loans secured against residential property	30,501	40,709	265,224	353,989
Past due loans	3,031,835	5,750,582	26,363,780	50,005,060
Deferred tax assets	1,688,361	1,349,802	14,681,398	11,737,413
Listed equity investments	236,295	445,620	2,054,737	3,874,959
Investments in fixed assets	276,098	262,630	2,400,851	2,283,743
Other assets	1,157,028	2,405,819	10,061,111	20,920,163
Total credit risk	14,288,329	19,265,899	124,246,324	167,529,566
Off-Balance Sheet				
Non-market related	87,678	-	736,789	-
	14,376,007	19,265,899	124,983,113	167,529,566
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	-	52,173	-	652,163
Equity position risk	404,374	619,994	5,054,675	7,749,925
Foreign exchange risk	-	-	-	-
Total market risk	404,374	672,167	5,054,675	8,402,088
Operational risk				
Capital requirement for operational risks	1,954,318	2,419,230	24,428,975	30,240,375
Total	16,734,699	22,357,296	154,466,763	206,172,029

Capital adequacy ratio	2022		2021	
	Required	**Actual**	**Required**	**Actual**
CET1 to total RWA	6.00%	32.09%	6.00%	25.64%
Tier-1 capital to total RWA	7.50%	32.09%	7.50%	25.64%
Total capital total RWA	11.50%	33.69%	11.50%	27.74%
Total capital plus CCB to total RWA	11.50%	33.69%	11.50%	27.74%

* As SBP capital requirement of 11.50% (2021: 11.50%) is calculated on overall basis, therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

1.7 Leverage Ratio

	2022		2021	
	Required	**Actual**	**Required**	**Actual**
Leverage Ratio	3%	10.09%	3.00%	13.55%

	2022	2021
	… Rupees in '000 …	
Tier-1 Capital	49,561,886	44,965,422
Total Exposures	491,428,983	331,810,281

2 RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

Credit risk is the risk of loss resulting from client or counterparty default.

Market risk is the risk of loss arising from adverse movements in market variables such as interest rates, exchange rates and equity indices.

Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when due.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk.

Equity position risk is the risk that arises due to changes in prices of individual stocks or levels of equity indices.

Risk management is a dynamic process of identification, measurement, monitoring and control and reporting risk. The Bank has setup a centralized risk management function at the organizational level which encompasses a broader framework of risk committees, risk management department and its units responsible for each category of risk i.e. credit, market, liquidity, operational and equity position risks. The Bank's risk management department is independent of the business and operations and directly reports to the President. The Bank's systematic and integrated risk management function for each category of risk is as follows:

2.1 Credit risk

Credit risk is the risk of financial losses arising when a customer or counterparty is unable or unwilling to perform as per the contractual terms resulting in reduction in portfolio value due to actual or perceived deterioration in the credit quality resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the Bank. The credit portfolio is reviewed and analyzed on quarterly basis and risk gaps are reported to the Credit Risk Committee for corrective measures. The Bank pays particular attention to the management of Non-Performing Loans (NPLs).

With the rolling-out of Obligor Risk Rating (ORR) model for fresh borrowers, credit portfolio as well as lending products is more effectively monitored. As an early warning signal, Portfolio at Risk (PAR) report is also generated which enables the management to take proactive measurements for having a quality credit portfolio / products.

With regards to Basel-II compliance, the Bank has implemented Standardized Approach for minimum capital requirements for credit risk.

A robust MIS is prerequisite for establishment of an effective risk management system; therefore, the existing MIS of the bank is undergoing substantial up-gradation process for strengthening of the data collection machinery to ensure the integrity and reliability of data.

Risk Management Department independently scrutinizes agriculture portfolio on a continuous basis and reports crucial findings to the senior management for strategic decision making. Risk factors are identified and necessary actions are recommended to mitigate these risk factors.

2.1.1 Credit risk - General disclosures

The Bank has adopted Standardized Approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

2.1.2 Credit risk: Disclosures for portfolio subject to the standardized approach

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP for capital adequacy purposes. However, there are no exposures for which ratings from ECAIs are used by the Bank.

Credit exposures subject to standardized approach

Exposures	2022			2021		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
	………………………….. Rupees '000 …………………………….					
Cash and cash equivalents	1,066,912	1,066,912	-	1,002,634	1,002,634	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	305,976,827	305,976,827	-	24,008,399	24,008,399	-
Claims on Public Sector Entities in Pakistan	650,000	325,000	325,000	-	-	-
Claims on banks	-	-	-	2,782,654	2,226,123	556,531
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	52,568,456	45,903,756	6,664,700	7,485,208	5,988,166	1,497,042
Claims on corporates (excluding equity exposures)	568,921	410,137	158,784	478,180	382,544	95,636
Claims categorized as retail portfolio	81,694,318	20,423,579	61,270,739	101,606,706	25,401,676	76,205,030
Claims fully secured by residential property	757,783	492,559	265,224	1,011,398	657,409	353,989
Past due loans	19,555,775	(6,808,005)	26,363,780	36,053,989	(13,951,071)	50,005,060
Deferred tax assets	5,872,559	(8,808,839)	14,681,398	4,694,965	(7,042,448)	11,737,413
Listed equity investments	2,054,737	-	2,054,737	3,874,959	-	3,874,959
Investments in premises, plant and equipment and all other fixed assets	2,400,851	-	2,400,851	2,283,743	-	2,283,743
All other assets	9,161,111	(900,000)	10,061,111	20,020,163	(900,000)	20,920,163
	482,328,250	358,081,926	124,246,324	205,302,998	37,773,432	167,529,566

2.2 Liquidity Coverage Ratio

The purpose of this disclosure is to provide the information pursuant to Basel III Liquidity Standards issued under BPRD circular no. 8 dated June 23, 2016. This supplements the disclosure in the Risk Management sections as well as related information in the notes to the Financial Statements.

The Liquidity Coverage Ratio (LCR) ensures that the Bank maintains sufficient unencumbered High-Quality Liquid Assets (HQLA) to survive a significant liquidity stress scenario over a 30-day horizon. Minimum requirement is set at 100%.

		Total unweighted* value (average)	Total weighted** value (average)
		Rs. in '000	
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		28,539,604
CASH OUTLFLOWS			
2	Retail deposits and deposits from small business customers of which:		
2.1	stable deposit	-	-
2.2	Less stable deposit	10,620,179	647,894
3	Unsecured wholesale funding of which:		
3.1	Operational deposits (all counterparties)	-	-
3.2	Non-operational deposits (all counterparties)	21,634,775	11,481,294
3.3	Unsecured debt	-	431,324
4	Secured wholesale funding	-	-
5	Additional requirements of which:		
5.1	Outflows related to derivative exposures and other collateral requirements	-	-
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	-	-
6	Other contractual funding obligations	2,685,513	2,027,918
7	Other contingent funding obligations	2,590,340	78,705
8	**TOTAL CASH OUTFLOWS**		14,667,135
CASH INFLOWS			
9	Secured lending	616,626	-
10	Inflows from fully performing exposures	17,667,571	8,094,918
11	Other Cash inflows	19,486,106	14,148,606
12	**TOTAL CASH INLFOWS**	37,564,762	10,744,242

		Total adjusted value
21	**TOTAL HQLA**	28,539,604
22	**TOTAL NET CASH OUTFLOWS**	3,922,893
23	**LIQUIDITY COVERAGE RATIO**	728%

* unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

** Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)

*** Adjusted values are calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (i.e. cap on level 2B and level 2 assets for HQLA and cap on inflows.

2.3 Net Stable Funding Ratio

Net Stable Funding Ratio (NSFR) is used to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. Minimum requirement is set at 100% effective from December 31, 2017 onwards.

NSFR Disclosure

		Unweighted value by residual maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		………… Rs. in '000…………				
ASF Item						
1	Capital:					
2	Regulatory capital	58,961,284	-	-	-	58,961,284
3	Other capital instruments	2,505,105	-	-	-	2,505,105
4	Retail deposits and deposit from small business customers:	-	-	-	-	-
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	7,799,733	5,299	7,627	26,318	7,055,079
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	7,008,593	8,733,066	285,817	23,466,242	28,277,785
10	Other liabilities:	-	-	-	-	-
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in othercategories	580,505	307,229,577	1,616,023	73,560,155	74,368,167
13	**Total ASF**					171,167,420
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)	-	-	-	34,356,672	426,609
15	Deposits held at other financial institutions for operational purposes	12,518,846	-	-	-	6,259,423
16	Performing loans and securities:	-	-	-	-	-
17	Performing loans to financial institutions secured by Level 1 HQLA	-	22,095,449	-	-	2,209,545
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions	-	-	-	-	-
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	19,599,639	11,886,224	35,852,142	46,217,252
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	164,299	143,658	1,053,134	838,516
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	51,275	293,037,177	-	2,049,065	16,393,564
22	Other assets:					
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	-	-	-	-
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	-	28,017,852	9,438,995	41,329,861	60,058,285
28	Off-balance sheet items	-	726,517			36,326
29	Total RSF					132,439,520
30	Net Stable Funding Ratio (%)					**129%**