

ZARAI TARAQIATI BANK LIMITED

CAPITAL ADEQUACY & LIQUIDITY DISCLOSURES

AS OF

DECEMBER 31, 2024

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 costs;
- 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, 2024 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% (2023: 11.50%) of the risk weighted exposure. The Bank's CAR as at December 31, 2024 is 36.01% (2023: 37.69%) 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. 6 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	2022	2023	Dec 2024
1	CET 1	6.00%	6.00%	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%	1.50%	1.50%
3	Tier 1	7.50%	7.50%	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%	10.00%	10.00%
5	* CCB	0.25%	0.65%	1.28%	1.90%	2.50%	1.50%	1.50%	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%	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

	2024	2023
 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	12,113,062	9,520,922
6 Gain / (Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated / unremitted profits / (losses)	15,341,495	10,343,276
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	80,132,989	72,542,630
10 Total regulatory adjustments applied to CET1 (Note 1.3.1)	(5,448,871)	(5,758,069)
11 Common Equity Tier 1	74,684,118	66,784,561

2024 2023
..... 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	-	-
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18	Total regulatory adjustments applied to AT1 capital (Note 1.3.2)	-	-
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19	Additional Tier 1 capital	-	-
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20	Additional Tier 1 capital recognized for capital adequacy	-	-
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21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	74,684,118	66,784,561
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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	1,929,875	1,803,766
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on Property	-	-
29	of which: Unrealized Gains/Losses on AFS	2,244,829	1,622,051
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-

32	T2 before regulatory adjustments	4,174,704	3,425,817
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33	Total regulatory adjustments applied to T2 capital (Note 1.3.3)	-	-
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34	Tier 2 capital (T2) after regulatory adjustments	4,174,704	3,425,817
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35	Tier 2 capital recognized for capital adequacy	4,174,704	3,425,817
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36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
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37	Total Tier 2 capital admissible for capital adequacy	4,174,704	3,425,817
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38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	78,858,822	70,210,378
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39	Total Risk Weighted Assets (for details refer Note 40.6)	219,004,860	186,292,345
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	2024	2023
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	34.10%	35.85%
41 Tier-1 capital to total RWA	34.10%	35.85%
42 Total capital to RWA	36.01%	37.69%
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)	34.10%	35.85%
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**

2024		2023	
Amount	Amounts subject to Pre - Basel III treatment	Amount	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)
- 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)

-	-	-	-
(172,425)	-	(255,925)	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

2024		2023	
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)
- 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**

(5,276,446)	-	(5,502,144)	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(5,448,871)	-	(5,758,069)	-

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

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

2024		2023	
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)

- - -

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	1,998,705	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	13,272,502	12,730,814

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	1,929,844	1,803,766
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
	2024	2024	
	Rupees in '000		
Assets			
Cash and balances with treasury banks	3,125,812	3,125,812	
Balances with other banks	7,492,526	7,492,526	
Lending to financial institutions	30,950,072	30,950,072	
Investments	376,274,453	376,274,453	
Advances	109,121,210	109,121,210	
Operating fixed assets	2,017,044	2,017,044	
Deferred tax assets	13,272,502	13,272,502	
Other assets	34,428,323	34,428,323	
Total Assets	576,681,942	576,681,942	
Liabilities & Equity			
Bills payable	451,707	451,707	
Borrowings	408,066,969	408,066,969	
Deposits and other accounts	56,621,831	56,621,831	
Sub-ordinated loans	997,225	997,225	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
Other liabilities	29,023,447	29,023,447	
Total Liabilities	495,161,179	495,161,179	
Share capital / Head office capital account	52,678,432	52,678,433	
Reserves	12,113,062	12,113,062	
Unappropriated / unremitted profit	15,341,495	15,341,495	
Minority Interest	-	-	
Surplus on revaluation of assets	2,244,829	2,244,829	
Total Equity	82,377,818	80,132,990	
Total Liabilities & Equity	577,538,997	577,538,998	

Step 2

Assets

Cash and balances with treasury banks	3,125,812	3,125,812	
Balances with other banks	7,492,526	7,492,526	
Lendings to financial institutions	30,950,072	30,950,072	
Investments	376,274,453	376,274,453	
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

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2024	2024	
	Rupees in '000		
of which: others (mention details)	-	-	e
Advances	109,121,210	109,121,210	
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	2,017,044	2,017,044	
Deferred Tax Assets	13,272,502	13,272,502	
of which: DTAs excluding those arising from temporary differences	5,276,446	5,276,446	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	34,428,323	34,428,323	
of which: Goodwill	-	-	j
of which: Intangibles	(172,425)	(172,425)	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	576,681,942	576,681,942	
Liabilities & Equity			
Bills payable	451,707	451,707	
Borrowings	408,066,969	408,066,969	
Deposits and other accounts	56,621,831	56,621,831	
Sub-ordinated loans	997,225	997,225	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	997,225	-	
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	29,023,447	29,023,447	
Total liabilities	496,158,404	495,161,179	
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	12,113,062	12,113,062	
of which: portion eligible for inclusion in CET1(provide breakup)	12,113,062	12,113,062	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	15,341,495	15,341,495	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y

	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Ref
	2024	2024	
	Rupees in '000		
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	2,244,829	2,244,829	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	2,244,829	2,244,829	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	82,377,818	82,377,818	
Total liabilities & Equity	578,536,222	577,538,997	

Step 3

Component of regulatory capital reported by bank	Source based on reference number from Step 2
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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	12,113,062	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits	15,341,495	(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	80,132,989	

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)	(172,425)	(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)	(5,276,446)	{(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)	(5,448,871)
	Common Equity Tier 1	74,684,118
	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)	-

Step 3	Component of regulatory capital reported by bank	Source based on reference number from Step 2
	Rupees in '000	
38 Investment in own AT1 capital instruments	-	
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	1,929,875	(g)
52 Revaluation Reserves eligible for Tier 2	-	
53 of which: portion pertaining to Property	-	
54 of which: portion pertaining to AFS securities	2,244,829	portion of (aa)
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	4,174,704	

Step 3**Component of
regulatory
capital reported
by bank****Source based on
reference
number from
Step 2****Rupees in '000****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	-	
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)	4,174,704	
65	Tier 2 capital recognized for capital adequacy	4,174,704	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	4,174,704	
	TOTAL CAPITAL (T1 + admissible T2)	78,858,822	

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 Taraqati 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:

	2024	2023	2024	2023
	Capital Requirements		Risk Weighted Assets	
 Rupees in '000			
Credit risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-balance sheet				
Banks	841,439	851,739	7,316,865	7,406,423
Retail	9,574,648	8,266,576	83,257,805	71,883,272
Corporates (excluding equity exposures)	-	57,767	-	502,324
Loans secured against residential property	34,800	31,965	302,612	277,958
Past due loans	2,011,294	3,565,659	17,489,515	31,005,734
Deferred tax assets	2,298,866	2,078,243	19,990,140	18,071,678
Listed equity investments	-	228,919	-	1,990,599
Investments in fixed assets	310,693	275,488	2,701,674	2,395,551
Other assets	2,530,783	1,189,585	22,006,808	10,344,214
Total credit risk	17,602,523	16,545,941	153,065,419	143,877,753
Off-Balance Sheet				
Non-market related	157,329	50,403	1,322,091	423,554
	17,759,852	16,596,344	154,387,510	144,301,307
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	1,144,286	-	14,303,575	-
Equity position risk	513,216	565,090	6,415,200	7,063,625
Foreign exchange risk	-	-	-	-
Total market risk	1,657,502	565,090	20,718,775	7,063,625
Operational risk				
Capital requirement for operational risks	3,511,886	2,794,193	43,898,575	34,927,413
Total	22,929,240	19,955,627	219,004,860	186,292,345
Capital adequacy ratio				
	2024		2023	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	34.10%	6.00%	35.85%
Tier-1 capital to total RWA	7.50%	34.10%	7.50%	35.85%
Total capital total RWA	11.50%	36.01%	11.50%	37.69%
Total capital plus CCB to total RWA	11.50%	36.01%	11.50%	37.69%

* As SBP capital requirement of 11.50% (2022: 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

	2024		2023	
	Required	Actual	Required	Actual
Leverage Ratio	3.00%	12.93%	3.00%	11.87%
			2024	2023
			... Rupees in '000 ...	
Tier-1 Capital			74,684,118	66,784,561
Total Exposures			577,770,414	562,544,100

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 through Chief Risk Officer. 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	2024			2023		
	Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
..... Rupees '000						
Cash and cash equivalents	1,135,665	1,135,665	-	913,238	913,238	-
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	1,621,700	1,621,700	-	373,887,992	373,887,992	-
Claims on Public Sector Entities in Pakistan	-	-	-	623,958	311,979	311,979
Claims on banks	368,447	294,758	73,689	913,921	731,137	182,784
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	38,442,598	31,199,422	7,243,176	38,486,273	31,262,634	7,223,639
Claims on corporates (excluding equity exposures)	-	-	-	458,600	268,255	190,345
Claims categorized as retail portfolio Claims fully secured by residential property	111,010,407	27,752,602	83,257,805	95,844,362	23,961,090	71,883,272
	864,605	561,993	302,612	794,167	516,209	277,958
Past due loans	13,667,713	(3,824,267)	17,491,980	23,105,048	(7,900,686)	31,005,734
Deferred tax assets	7,996,056	(11,994,084)	19,990,140	7,228,671	(10,843,007)	18,071,678
Listed equity investments	-	-	-	1,990,599	-	1,990,599
Investments in premises, plant and equipment and all other fixed assets	2,701,674	-	2,701,674	2,395,551	-	2,395,551
All other assets	21,106,808	(900,000)	22,006,808	9,444,214	(900,000)	10,344,214
	198,915,673	45,847,789	153,067,884	556,086,594	412,208,841	143,877,753

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)
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Rs. in '000

HIGH QUALITY LIQUID ASSETS

1	Total high quality liquid assets (HQLA)	75,177,791
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CASH OUTFLOWS

2	Retail deposits and deposits from small business customers of which:		
2.1	stable deposit	-	-
2.2	Less stable deposit	9,801,941	980,194
3	Unsecured wholesale funding of which:		
3.1	Operational deposits (all counterparties)	-	-
3.2	Non-operational deposits (all counterparties)	-	-
3.3	Unsecured debt	50,091,269	47,609,155
4	Secured wholesale funding	-	995,998
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	3,547,367	3,547,230
7	Other contingent funding obligations	628,387	31,419
8	TOTAL CASH OUTFLOWS		53,163,996

CASH INFLOWS

9	Secured lending	-	-
10	Inflows from fully performing exposures	17,347,367	15,374,792
11	Other Cash inflows	5,503,529	5,412,686
12	TOTAL CASH INFLOWS	22,850,896	20,787,478

		Total adjusted value
21	TOTAL HQLA	75,177,791
22	TOTAL NET CASH OUTFLOWS	32,376,518
23	LIQUIDITY COVERAGE RATIO	232%

* 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	81,999,724	-	-	81,999,724
3	Other capital instruments	4,054,750	-	-	4,054,750
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	-	-	-	-
6	Less stable deposits	13,572,369	38,491	23,465	12,270,893
7	Wholesale funding:				
8	Operational deposits	-	-	-	-
9	Other wholesale funding	9,851,452	12,311,200	1,523,000	27,755,044
10	Other liabilities:				
11	NSFR derivative liabilities	-	-	-	-
12	All other liabilities and equity not included in other categories	451,707	365,838,283	2,247,196	74,176,930
13	Total ASF				200,257,341

RSF item

14	Total NSFR high-quality liquid assets (HQLA)	-	-	91,345,798	317,295
15	Deposits held at other financial institutions for operational purposes	7,494,010	-	-	3,747,005
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial 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:				
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	10,627,769	15,272,334	71,851,111
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	187,918	166,490	923,585
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	-	48,739,958	12,918,880	70,108,138
28	Off-balance sheet items	-	674,349	-	33,717
29	Total RSF				162,878,163
30	Net Stable Funding Ratio (%)				123%