



Annexure to BSD Circular No. 09 dated May 09, 2008

1.3.5. Capital Deductions

In order to obtain the eligible regulatory capital for the purpose of calculating Minimum Capital Requirements, banks are required to make following deductions from their Tier-1 capital;

- a) Book value of goodwill and other intangible assets like software, brand value etc.
- b) Shortfall in provisions required against classified assets irrespective of any relaxation allowed by SBP.
- c) Remaining deficit on account of revaluation of investments held in "Available for Sale" category after netting off from any other surplus on AFS securities.

In addition they are also required to make deductions as described earlier under Scope of Application as well as in Appendix 1.1 (3)(iii). Where deductions of investments are made pursuant to this part on scope of application, the deductions will be 50% from Tier 1 and 50% from Tier 2 capital.