



41 Capital Adequacy, Leverage Ratio & Liquidity Requirements

Credit Risk

Portfolio subject to standardized approach (simple or comprehensive)

On-balance sheet

Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR
 Claims on Public Sector Entities in Pakistan
 Claims on Banks
 Claims, denominated in foreign currency, on banks with original maturity of 3 months or less
 Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR
 Claims on Corporate (excluding equity exposures)
 Claims categorized as retail portfolio
 Claims fully secured by residential property

Past Due loans:

where specific provisions are less than 20 per cent of the outstanding amount of the past due claim
 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.
 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.

Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired

Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount.

Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.

Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)

Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.

Unlisted equity investments (other than that deducted from capital) held in banking book

All other assets

Off-Balance Sheet - Non Market related Exposures

Direct Credit Substitutes / Lending of securities or posting of securities as collateral
 Performance related Contingencies
 Trade Related contingencies / Other Commitments with original maturity of one year or less

Off-Balance Sheet - Market related Exposures

Foreign Exchange Contracts with SBP
 Foreign Exchange Contract (with original maturity of less than 14 days)
 Foreign Exchange Contracts*

Total Credit Risk (A)

Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk
 Equity position risk etc.
 Foreign exchange risk etc.

Total Market Risk (B)

Operational Risk

Basic Indicator Approach-Total of operational risk (C)

Total (A + B + C)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Rupees in '000)			
Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR	662	-	6,623	-
Claims on Public Sector Entities in Pakistan	166,345	35,104	1,663,453	351,043
Claims on Banks	-	-	-	-
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	24,620	4,516	246,205	45,161
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	218,455	142,298	2,184,552	1,422,976
Claims on Corporate (excluding equity exposures)	2,613,105	2,931,288	26,131,048	29,312,880
Claims categorized as retail portfolio	390,742	404,659	3,907,419	4,046,594
Claims fully secured by residential property	104,360	96,328	1,043,605	963,278
Past Due loans:				
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	99,535	69,524	995,353	695,237
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	11,187	2,465	111,867	24,646
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	2,443	3,857	24,428	38,569
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired	-	-	12,562	-
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount.	446	486	4,462	4,863
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	-	-	-	-
Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)	307,914	338,123	3,079,136	3,381,226
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	-	-	-	-
Unlisted equity investments (other than that deducted from capital) held in banking book	-	-	-	-
All other assets	916,396	419,125	9,163,956	4,191,255
	4,856,211	4,447,773	48,574,669	44,477,728
Off-Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	553,387	591,733	5,533,867	5,917,332
Performance related Contingencies	421,999	449,373	4,219,995	4,493,731
Trade Related contingencies / Other Commitments with original maturity of one year or less	54,306	44,908	543,063	449,084
	1,029,692	1,086,015	10,296,925	10,860,147
Off-Balance Sheet - Market related Exposures				
Foreign Exchange Contracts with SBP	-	-	-	-
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-	-	-
Foreign Exchange Contracts*	9,876	3,068	98,758	30,683
	9,876	3,068	98,758	30,683
Total Credit Risk (A)	5,895,779	5,536,856	58,970,352	55,368,559
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	1,637,290	1,263,736	16,372,905	12,637,358
Equity position risk etc.	31,496	12,026	314,962	120,264
Foreign exchange risk etc.	2,357	852	23,574	8,515
Total Market Risk (B)	1,671,144	1,276,614	16,711,441	12,766,137
Operational Risk	1,064,247	1,025,972	10,642,475	10,259,721
Basic Indicator Approach-Total of operational risk (C)	1,064,247	1,025,972	10,642,475	10,259,721
Total (A + B + C)	8,631,171	7,839,442	86,324,268	78,394,417

Note 41.1 Capital Adequacy Ratio (CAR) disclosure template:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2019

Rows #		December 31, 2019		December 31, 2018	
		Rupees in '000			
		Amount		Amount	
Common Equity Tier 1 capital (CET1): Instruments and reserves					
1	Fully Paid-up Capital/ Capital deposited with SBP	10,002,524		10,002,524	
2	Balance in Share Premium Account	-		-	
3	Reserve for issue of Bonus Shares	-		-	
4	Discount on Issue of shares	-		-	
5	General/ Statutory Reserves	2,904,691		2,643,483	
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
7	Unappropriated/unremitted profits/ (losses)	2,074,808		1,163,269	
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-		-	
9	CET 1 before Regulatory Adjustments	14,982,023		13,809,276	
10	Total regulatory adjustments applied to CET1	1,777,325		4,222,205	
11	Common Equity Tier 1	13,204,698		9,587,071	
Additional Tier 1 (AT 1) Capital					
12	Qualifying Additional Tier-1 capital 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 to third parties by consolidated subsidiaries (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 adjustment applied to AT1 capital	-		-	
19	Additional Tier 1 capital after regulatory adjustments	-		-	
20	Additional Tier 1 capital recognized for capital adequacy	-		-	
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	13,204,698		9,587,071	
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 3 rules	-		-	
24	Tier 2 capital instruments issued to third parties 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	43,674		35,851	
27	Revaluation Reserves (net of taxes)	-		-	
28	of which: Revaluation reserves on fixed assets	-		-	
29	of which: Unrealized gains/losses on AFS	-		-	
30	Foreign Exchange Translation Reserves	-		-	
31	Undisclosed/Other Reserves (if any)	-		-	
32	T2 before regulatory adjustments	43,674		35,851	
33	Total regulatory adjustment applied to T2 capital	43,674		-	
34	Tier 2 capital (T2) after regulatory adjustments	-		35,851	
35	Tier 2 capital recognized for capital adequacy	-		35,851	
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-		-	
37	Total Tier 2 capital admissible for capital adequacy	-		35,851	
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	13,204,698		9,622,922	
39	Total Risk Weighted Assets (RWA)	86,324,268		78,394,417	
Capital Ratios and buffers (in percentage of risk weighted assets)					
40	CET1 to total RWA	15.30%		12.23%	
41	Tier-1 capital to total RWA	15.30%		12.23%	
42	Total capital to total RWA	15.30%		12.28%	
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-		-	
44	of which: capital conservation buffer requirement	-		-	
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)	-		-	
National minimum capital requirements prescribed by SBP					
48	CET1 minimum ratio	6.00%		6.00%	
49	ADT-1 minimum ratio	1.50%		1.50%	
50	Tier 1 minimum ratio	7.50%		7.50%	
51	Total capital minimum ratio	10.00%		10.00%	
52	CCB (Consisting of CET1 only)	2.50%		1.900%	
	Total Capital plus CCB	12.50%		11.900%	

December 31, 2019

December 31, 2018

Regulatory Adjustments and Additional Information		Rupees in '000			
		Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
Note 41.2.1	Common Equity Tier 1 capital: Regulatory adjustments				
1	Goodwill (net of related deferred tax liability)	-			
2	All other intangibles (net of any associated deferred tax liability)	286,254		78,848	
3	Shortfall in 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 fixed assets/ AFS	780,670		-	
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)	9,333		-	
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-	
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	Investments 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	701,069		1,440,116	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,777,325		1,518,963	

Note 41.2.2	Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
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 of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		-	
28	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	-		-	
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-		-	

Note 41.2.3	Tier 2 Capital: regulatory adjustments				
31	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	-		-	
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		-	
33	Investment in own Tier 2 capital instrument	-		-	
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)	43,674.00		-	

* This column "Amounts subject to pre-Basel III treatment" has been added for reporting the amount of each regulatory deduction item that is still subject to the pre-Basel III treatment during the transitional period. The portion of the amount which has already been transitioned to the Basel III rules would be reported in the main column.
 Example: Consider that currently banks apply risk weights of 100% on defined benefit pension fund net assets and in Dec 2014, a bank has PKR50 million of these assets. The transitional arrangements require this bank to deduct 20% of the assets in 2014. This means that the bank will report PKR10 million in the first empty cell in Sr:# 5 and PKR40 mn in the second dotted cell (the total of the two cells therefore equals the total Basel III regulatory adjustment). The amount of dotted cells will be risk weighted and will be disclosed at Sr:# 37 (ii) as shown on next page.

Note: Rows which are not applicable for any institution should be left blank

December 31, 2019 December 31, 2018
Rupees in '000

Note 41.2.4	Additional Information	Amount	Amount
	Risk Weighted Assets subject to pre-BaseI III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-BaseI 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	1,391,510	1,162,574
39	Significant investments in the common stock of financial entities	200,500	190,251
40	Deferred tax assets arising from temporary differences (net of related tax liability)	1,031,154	1,162,240
	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)	43,675	35,851
42	Cap on inclusion of provisions in Tier 2 under standardized approach	737,129	692,107
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	-	-

Note: Rows which are not applicable for any institution should be left blank

NOTE 41.3 Capital Structure Reconciliation

Illustration of the 3 Step approach to Balance Sheet Reconciliation

All banks/ DFIs are required to follow a 3 step approach to ensure that the Basel III requirement to provide a full reconciliation of all regulatory capital elements back to the published financial statements is done in a consistent manner. Under this process all banks/ DFIs need to show the link between their published balance sheet and the figures reported for the calculation of regulatory capital.

Step 1: Under Step 1, banks are required to use their balance sheet of the published financial statements based on the accounting scope of consolidation (numbers reported in the 2nd column below) as a starting point and report the numbers for each item in the published financial statements based on regulatory scope of consolidation (3rd column below). If there are rows in the regulatory consolidation balance sheet that are not present in the published financial statements, banks are required to add these and give a value of zero in the 2nd column. **In case the accounting consolidation is identical to the scope of regulatory consolidation then banks are not required to undertake Step-1. Instead, the bank should disclose this fact and move to Step-2.**

Table: 41.3.1	Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	December 31, 2019	December 31, 2019
Assets	(2)	(3)
Cash and balances with treasury banks	12,137,805	12,137,805
Balanced with other banks	8,230,072	8,230,072
Lending to financial institutions	13,863,449	13,863,449
Investments	146,911,102	146,911,102
Advances	109,742,292	109,742,292
Operating fixed assets	3,620,925	3,620,925
Deferred tax assets	1,031,154	1,031,154
Other assets	10,768,453	10,768,453
Total assets	306,305,252	306,305,252
Liabilities & Equity		
Bills payable	1,172,155	1,172,155
Borrowings	94,656,461	94,656,461
Deposits and other accounts	182,167,572	182,167,572
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	14,107,711	14,107,711
Total liabilities	292,103,899	292,103,899
Share capital/ Head office capital account	10,002,524	10,002,524
Reserves	2,904,691	2,904,691
Unappropriated/ Unremitted profit/ (losses)	2,074,808	2,074,808
Minority Interest	-	-
Surplus on revaluation of assets	(780,670)	(780,670)
Total liabilities & equity	306,305,252	306,305,252

Step 2: Under Step 2 banks are required to expand the balance sheet under the regulatory scope of consolidation (revealed in Step 1) to identify all the elements that are used in the **capital adequacy disclosure template** set out in Note 41.2. Each element must be given a reference number/letter in the 4th column that will be used as a cross reference in Step-3. Given below are some examples of elements (in italic font) that may need to be expanded. However, the more complex the balance sheet of the bank, the more items would need to be disclosed.

Table: 41.3.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2019	December 31, 2019	
(1)	(2)	(3)	(4)
Assets			
Cash and balances with treasury banks	12,137,805	12,137,805	
Balanced with other banks	8,230,072	8,230,072	
Lending to financial institutions	13,863,449	13,863,449	
Investments	146,911,102	146,911,102	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	754,075	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances	109,742,292	109,742,292	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	43,674	30,872	g
Fixed Assets	3,620,925	3,620,925	
Deferred Tax Assets	1,031,154	1,031,154	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	10,768,453	10,768,453	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	286,254	100,898	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	306,305,252	306,305,252	
Liabilities & Equity			
Bills payable	1,172,155	1,172,155	
Borrowings	94,656,461	94,656,461	
Deposits and other accounts	182,167,572	182,167,572	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	14,107,711	14,107,711	
Total liabilities	292,103,899	292,103,899	
Share capital	10,002,524	10,002,524	
<i>of which: amount eligible for CET1</i>	10,002,524	10,002,524	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	2,904,691	2,904,691	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	2,904,691	2,904,691	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	2,074,808	2,074,808	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	(780,670)	(780,670)	
<i>of which: Revaluation reserves on Fixed Assets</i>	-	774,199	
<i>of which: Unrealized Gains/Losses on AFS</i>	-	683,115	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities & Equity	306,305,252	306,305,252	

Step 3: Under Step 3, a column is added to the capital adequacy disclosure template given at Note 41.2 (including sub-notes 41.2.1 to 41.2.3) and banks will cross reference figures of this column with the expanded balance sheet of Step-2. For example, the template includes the line "goodwill net of related deferred tax liability". The bank will put "(j) - (o)" to show that row 9 of the template has been calculated as the difference between component "(j)" and component "(o)" of the regulatory scope balance sheet, illustrated in step 2. **Since the following table 41.3.3 is repetition of Note 41.2 with the addition of the last column, therefore to reduce duplication, the bank may adopt any of the two options: (1) Use the table 41.3.3 as proposed below, or (2) just add the last column of table 41.3.3 to Note 41.2 (including sub-notes 41.2.1 to 41.2.3).**

Basel III Disclosure Template (with added column)		
Table: 41.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	10,002,524
2	Balance in Share Premium Account	-
3	Reserve for issue of Bonus Shares	-
4	General/ Statutory Reserves	2,904,691
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/ (losses)	2,074,808
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)	-
8	CET 1 before Regulatory Adjustments	14,982,023
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)	286,254
11	Shortfall of provisions against classified assets	-
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	780,670
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)	9,333
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)	-
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	of which: Investment in TFCs of other banks exceeding the prescribed limit	-
28	of which: Any other deduction specified by SBP (mention details)	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	701,069
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,777,325
31	Common Equity Tier 1	13,204,698

where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc.), Section 2.4.11

Portion of amount above the threshold that is to be deducted from CET1, whereas "ac" is the portion to be deducted from AT1 and "ae" is the portion to be deducted from T2

Portion of amount above the threshold that is to be deducted from CET1, whereas "ad" is the portion to be deducted from AT1 and "af" is the portion to be deducted from T2

	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	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)	612,937	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	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	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	612,937	
46	Additional Tier 1 capital		
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	13,204,698	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	43,674	(g)
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	-	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	-	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	43,674	
	Tier 2 Capital: regulatory adjustments		
60	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	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	43,674	
67	Tier 2 capital recognized for capital adequacy	43,674	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	-	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	13,204,698	

Note 41.4 Main Features Template of Regulatory Capital Instruments

Set out below is the template that banks must use to ensure that the key features of all regulatory capital instruments are disclosed. Banks will be required to complete all of the cells for each outstanding regulatory capital instrument (please insert "NA" if the question is not applicable). Banks are required to report each regulatory capital instrument in a separate column of the template, such that the completed template would provide a "main features report" that summaries all of the regulatory capital instruments of the bank/ banking group.

Disclosure template for main features of regulatory capital instruments					
	Main Features	Common Shares	Instrument - 2	Inst.- 3 & so on ...	Explanation
1	Issuer	The Bank of Khyber			Identifies issuer legal entity.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BOK			
3	Governing law(s) of the instrument	Companies Ordinance 1984, KSE Regulations, The Bank of Khyber Act, 1991			Specify the governing law(s) of the instrument
	Regulatory treatment				
4	Transitional Basel III rules	Common Equity Tier I			Specifies the regulatory capital treatment during Basel III transitional phase (i.e. the component of capital that the instrument is being phased-out from). Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
5	Post-transitional Basel III rules	Common Equity Tier I			Specifies regulatory capital treatment under Basel III rules not taking into account transitional treatment. Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2] [Ineligible]
6	Eligible at solo/ group/ group&solo	Solo			Specifies the level(s) within the group at which the instrument is included in capital. Enter: [Solo] [Group] [Solo and Group]
7	Instrument type	Ordinary Shares			Enter: [Ordinary shares] [Perpetual non-cumulative preference shares] [perpetual debt instruments] [Other Tier 2] (others: please specify)
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	10,002,524			Specifies amount recognized in regulatory capital.
9	Par value of instrument	Rs. 10/-			Par value of instrument
10	Accounting classification	Shareholders' equity			Specifies accounting classification. Helps to assess loss absorbency Enter: [Shareholders' equity] [Liability - amortized cost] [Liability fair value option] [Non-controlling interest in consolidated subsidiary]
11	Original date of issuance	25.02.2006			Specifies date of issuance.
12	Perpetual or dated	Perpetual			Specifies whether dated or perpetual. Enter: [Perpetual/ no Maturity] [Dated]
13	Original maturity date	No Maturity			For dated instrument, specifies original maturity date.
14	Issuer call subject to prior supervisory approval	No			Specifies whether there is an issuer call option. Helps to assess permanence. Enter: [Yes] [No]
15	Optional call date, contingent call dates and redemption amount	N-A			For instrument with issuer call option, specifies first date of call if the instrument has a call option on a specific date (day, month and year) and in addition mention if the instrument has a tax and/or regulatory event call. Also specifies the redemption price. Helps to assess permanence
16	Subsequent call dates, if applicable	N-A			Specifies subsequent call dates, if applicable. Helps to assess permanence.
	Coupons / dividends				
17	Fixed or floating dividend/ coupon	Floating			Enter [fixed], [floating], [fixed to floating], [floating to fixed]
18	coupon rate and any related index/ benchmark	N-A			
19	Existence of a dividend stopper	No			Specifies whether the non payment of a coupon or dividend on the instrument prohibits the payment of dividends on common shares (i.e. whether there is a dividend stopper) Enter: [yes], [no]
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary			Enter: [fully discretionary] [partially discretionary] [mandatory]
21	Existence of step up or other incentive to redeem	No			Specifies whether there is a step-up or other incentive to redeem. Enter: [Yes] [No]
22	Noncumulative or cumulative	Non-cumulative			Specifies whether dividends / coupons are cumulative or noncumulative. Enter: [Noncumulative] [Cumulative]
23	Convertible or non-convertible	Non-Convertible			Specifies whether instrument is convertible or not. Helps to assess loss absorbency. Enter: [Convertible] [Nonconvertible]
24	If convertible, conversion trigger (s)	N-A			Specifies the conditions under which the instrument will convert, including point of non-viability. Where one or more authorities have the ability to trigger conversion, the authorities should be listed. For each of the authorities it should be state whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger conversion (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach)

25	If convertible, fully or partially	N-A			Specifies whether the instrument will: (i) always convert fully, (ii) may convert fully or partially; or (iii) will always convert partially Enter: one of the options
26	If convertible, conversion rate	N-A			Specifies rate of conversion into the more loss absorbent instrument. Helps to assess the degree of loss absorbency.
27	If convertible, mandatory or optional conversion	N-A			For convertible instruments, specifies whether conversion is mandatory or optional. Helps to assess loss absorbency. Enter: [Mandatory] [Optional] [NA]
28	If convertible, specify instrument type convertible into	N-A			For convertible instruments, specifies instrument type convertible into. Helps to assess loss absorbency. Enter: [Common Equity Tier 1] [Additional Tier 1] [Tier 2]
29	If convertible, specify issuer of instrument it converts into	N-A			If convertible, specify issuer of instrument into which it converts.
30	Write-down feature	N-A			Specifies whether there is a write down feature. Helps to assess loss absorbency. Enter: [Yes] [No]
31	If write-down, write-down trigger(s)	N-A			Specifies the trigger at which write-down occurs, including point of non-viability. Where one or more authorities have the ability to trigger write-down, the authorities should be listed. For each of the authorities it should be state whether it is the terms of the contract of the instrument that provide the legal basis for the authority to trigger write-down (a contractual approach) or whether the legal basis is provided by statutory means (a statutory approach)
32	If write-down, full or partial	N-A			For each write-down trigger separately, specifies whether the instrument will (i) always be written-down fully, (ii) may be written down partially; or (iii) will always be written down partially. Help assess the level of loss absorbency at write-down
33	If write-down, permanent or temporary	N-A			For write down instrument, specifies whether write down is permanent or temporary. Helps to assess loss absorbency. Enter: [Permanent] [Temporary] [NA]
34	If temporary write-down, description of write-up mechanism	N-A			For instrument that has a temporary write-down, description of write-up mechanism.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N-A			Specifies instrument to which it is most immediately subordinate. Helps to assess loss absorbency on gone-concern basis.
36	Non-compliant transitioned features	No			Specifies whether there are non-compliant features. Enter: [Yes] [No]
37	If yes, specify non-compliant features	N-A			If there are non-compliant features, specify which ones. Helps to assess instrument loss absorbency.

Note 41.5

LCR Disclosure

Average Values of four quarters
March 31- December 31, 2019

Average Values of four quarters
March 31- December 31, 2019

<i>(in local currency)</i>		TOTAL UNWEIGHTED ^a VALUE (average)	TOTAL WEIGHTED ^b VALUE (average)
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)	60,601	60,537
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers of which:		
2.1	stable deposit		
2.2	Less stable deposit	42,061	4,206
3	Unsecured wholesale funding of which:	-	-
3.1	Operational deposits (all counterparties)	1,455	361
3.2	Non-operational deposits (all counterparties)		
3.3	Unsecured debt	99,322	46,156
4	Secured wholesale funding	35,896	-
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		
7	Other contingent funding obligations	59,488	1,071
8	TOTAL CASH OUTFLOWS	248,915	51,795
CASH INFLOWS			
9	Secured lending		
10	Inflows from fully performing exposures	1,250	1,018
11	Other Cash inflows	6,808	2,525
12	TOTAL CASH INFLOWS	8,058	3,544
TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		60,537
22	TOTAL NET CASH OUTFLOWS		48,786
23	LIQUIDITY COVERAGE RATIO		124.09%

NSFR Disclosure

LR IX

		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
<i>(Amount in PKR in thousands) as of December 31, 2017</i>						
ASF Item						
1	Capital:					
2	Regulatory capital	14,981,824	-	-	-	14,981,824
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:	-	-	-	-	-
5	Stable deposits	11,201,250	-	-	-	10,641,187
6	Less stable deposits	48,874,083	-	-	-	43,986,675
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	879,319	-	-	-	439,660
9	Other wholesale funding	-	-	110,128,640	-	55,064,320
10	Other liabilities:	-	-	-	-	-
11	NSFR derivative liabilities				9,876,925	-
12	All other liabilities and equity not included in other categories	110,586,742	-	5,362,331	4,291,062	6,972,228
13	Total ASF					132,085,894
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)				146,231,727	4,341,650
15	Deposits held at other financial institutions for operational purposes	8,230,072	-	-	-	4,115,036
16	Performing loans and securities:	-	-	-	-	-
17	Performing loans to financial institutions secured by Level 1 HQLA	9,032,102	-	-	-	903,210
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	4,831,347	-	-	724,702
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:	-	-	-	40,586,643	34,498,647
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	3,530,158	2,294,602

21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	1,944,031	1,652,426
22	Other assets:					
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets				8,914,976	-
26	NSFR derivative liabilities before deduction of variation margin posted				1,975,385	1,975,385
27	All other assets not included in the above categories		5,798,270	68,029,674	18,091,229	57,904,336
28	Off-balance sheet items		64,098,155			3,204,908
29	Total RSF					111,614,902
30	Net Stable Funding Ratio (%)					118%

41.6 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

2019 2018
Rupees in '000

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

10,002,524	10,002,524
------------	------------

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

13,204,421	9,587,071
-	-
13,204,421	9,587,071
-	35,851
13,204,421	9,622,922

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

58,970,352	55,368,559
16,711,426	12,766,137
10,642,475	10,259,721
86,324,253	78,394,417

Common Equity Tier 1 Capital Adequacy ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

15.30%	12.23%
15.30%	12.23%
15.30%	12.28%

National Minimum Capital Requirments prescribed by SBP.

CET1 minimum ratio

ADT-1 minimum ratio

Tier 1 minimum ratio

Total capital minimum ratio

Capital Conservaton Buffer (CCB- Consisting of CET1 only)

Total Capital plus CCB

6.00%	6.00%
1.50%	1.50%
7.50%	7.50%
10.00%	10.00%
2.50%	1.90%
12.50%	11.90%

Banks should also disclose the approach followed by them for determining credit risk, market risk and operational risk exposures in the capital adequacy calculation.

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio

13,204,421	9,587,071
305,453,822	263,853,741
4.32%	3.63%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets	60,536,707	60,817,347
Total Net Cash Outflow	48,785,693	55,418,370
Liquidity Coverage Ratio	<u>124.09%</u>	<u>109.74%</u>

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	132,085,894	116,343,436
Total Required Stable Funding	111,614,902	97,573,326
Net Stable Funding Ratio	<u>118%</u>	<u>119%</u>

42 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

42.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach-Basel II Specific

Exposures	Rating Category Number	2019			2018		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
		Rupees in '000					
Corporate	1	2,016,293	2,293	2,014,000	4,287,278	190,500	4,096,778
	2	17,257,875	74,244	17,183,631	15,915,507	7,657	15,907,850
	3 & 4	3,205,410	133,442	3,071,968	955,116	-	955,116
	5 & 6	-	-	-	-	-	-
	Unrated-I	24,902,014	2,401,404	22,500,610	29,475,411	2,440,889	27,034,522
	Unrated-II	7,397,868	790,925	6,606,943	8,531,356	976,318	7,555,037
Banks	1	5,960,920	5,944,531	16,390	-	-	-
	2 & 3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		58,074,016	47,056,887	11,017,129	21,966,109	14,851,230	7,114,878
With maturity 3 months or less (FCY)	1,2,3	853,688	-	853,688	65,197	-	65,197
	4,5	-	-	-	-	-	-
	6	13,673	-	13,673	13,335	-	13,335
	Unrated	274,790	-	274,790	60,595	-	60,595
Retail		7,965,363	657,397	7,307,966	8,138,831	654,401	7,484,430
Claims subject to Residential Mortgage		2,981,728	-	2,981,728	2,752,224	-	2,752,224
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	3,429,580	-	3,429,580	-	-	-
	Unrated	29,068,798	28,218,396	850,403	45,939,708	43,149,666	2,790,042
Past Due		845,778	-	845,778	575,002	-	575,002
Others		126,133,158	-	126,133,158	71,392,928	-	71,392,928
CRM = Credit Risk Mitigation		0	0				

42.2 Equity position risk in the banking book-Basel II Specific

Investments in equity were classified as trading book as Market related exposure.