

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, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(Rupees in '000)			
Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR	41,653	662	416,533	6,623
Claims on Public Sector Entities in Pakistan	56,328	166,345	563,282	1,663,453
Claims on Banks	-	-	-	-
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	116,150	24,620	1,161,500	246,205
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	114,973	218,455	1,149,732	2,184,552
Claims on Corporate (excluding equity exposures)	2,892,772	2,613,105	28,927,722	26,131,048
Claims categorized as retail portfolio	478,312	390,742	4,783,119	3,907,419
Claims fully secured by residential property	107,818	104,360	1,078,178	1,043,605
Past Due loans:				
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	325,547	99,535	3,255,465	995,353
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	37,371	11,187	373,714	111,867
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	3,129	2,443	31,288	24,428
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired	-	-	16,506	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.	283	446	2,831	4,462
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)	160,684	307,914	1,606,843	3,079,136
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	1,017,768	916,396	10,177,685	9,163,956
	5,352,789	4,856,211	53,544,398	48,574,669
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	276,510	553,387	2,765,096	5,533,867
Performance related Contingencies	488,339	421,999	4,883,392	4,219,995
Trade Related contingencies / Other Commitments with original maturity of one year or less	40,067	54,306	400,673	543,063
	804,916	1,029,692	8,049,161	10,296,925
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*	20,996	9,876	209,957	98,758
	20,996	9,876	209,957	98,758
Total Credit Risk (A)	6,178,701	5,895,779	61,803,516	58,970,352
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	1,382,831	1,637,290	13,828,310	16,372,905
Equity position risk etc.	138,244	31,496	1,382,439	314,962
Foreign exchange risk etc.	65,749	2,357	657,494	23,574
	1,586,824	1,671,144	15,868,243	16,711,441
Total Market Risk (B)	1,586,824	1,671,144	15,868,243	16,711,441
Operational Risk	1,208,225	1,064,247	12,082,254	10,642,475
Basic Indicator Approach-Total of operational risk (C)	1,208,225	1,064,247	12,082,254	10,642,475
Total (A + B + C)	8,973,751	8,631,171	89,754,013	86,324,268

Note 41.1 Capital Adequacy Ratio (CAR) disclosure template:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2020

Rows #		December 31, 2020		December 31, 2019	
		Rupees in '000		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	3,335,048		2,904,691	
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
7	Unappropriated/unremitted profits/ (losses)	3,267,017		2,074,808	
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	16,604,589		14,982,023	
10	Total regulatory adjustments applied to CET1	1,054,424		1,777,325	
11	Common Equity Tier 1	15,550,165		13,204,698	
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)	15,550,165		13,204,698	
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	772,544		43,674	
27	Revaluation Reserves (net of taxes)	1,118,224		-	
28	of which: Revaluation reserves on fixed assets	786,102		-	
29	of which: Unrealized gains/losses on AFS	332,122		-	
30	Foreign Exchange Translation Reserves	-		-	
31	Undisclosed/Other Reserves (if any)	-		-	
32	T2 before regulatory adjustments	1,890,768		43,674	
33	Total regulatory adjustment applied to T2 capital	76,321		43,674	
34	Tier 2 capital (T2) after regulatory adjustments	1,814,447		-	
35	Tier 2 capital recognized for capital adequacy	1,814,447		-	
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-		-	
37	Total Tier 2 capital admissible for capital adequacy	1,814,447		-	
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	17,364,612		13,204,698	
39	Total Risk Weighted Assets (RWA)	89,754,013		86,324,268	
Capital Ratios and buffers (in percentage of risk weighted assets)					
40	CET1 to total RWA	17.33%		15.30%	
41	Tier-1 capital to total RWA	17.33%		15.30%	
42	Total capital to total RWA	19.35%		15.30%	
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)	1.50%		2.50%	
	Total Capital plus CCB	11.50%		12.50%	

December 31, 2020

December 31, 2019

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)	532,167		286,254	
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)	7,009		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	515,248		701,069	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	1,054,424		1,777,325	
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-BaseI 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)	76,320.85		43,674

* This column "Amounts subject to pre-BaseI III treatment" has been added for reporting the amount of each regulatory deduction item that is still subject to the pre-BaseI III treatment during the transitional period. The portion of the amount which has already been transitioned to the BaseI 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 BaseI 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

Note 41.2.4	Additional Information	December 31, 2020	December 31, 2019
		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	1,607,242	1,391,510
39	Significant investments in the common stock of financial entities	182,838	200,500
40	Deferred tax assets arising from temporary differences (net of related tax liability)	459,899	1,031,154
	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)	1,181,125	43,675
42	Cap on inclusion of provisions in Tier 2 under standardized approach	772,544	737,129
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 (in thousand PKR)	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	December 31, 2020	December 31, 2020
Assets	(2)	(3)
Cash and balances with treasury banks	15,840,359	15,840,359
Balanced with other banks	9,092,355	9,092,355
Lending to financial institutions	7,297,519	7,297,519
Investments	113,478,994	113,478,994
Advances	129,063,377	129,063,377
Operating fixed assets	4,004,192	4,004,192
Deferred tax assets	459,902	459,902
Other assets	9,063,193	9,063,193
Total assets	288,299,891	288,299,891

Liabilities & Equity		
Bills payable	944,140	944,140
Borrowings	57,063,018	57,063,018
Deposits and other accounts	203,071,658	203,071,658
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	9,449,525	9,449,525
Total liabilities	270,528,341	270,528,341

Share capital/ Head office capital account	10,002,524	10,002,524
Reserves	3,335,048	3,335,048
Unappropriated/ Unremitted profit/ (losses)	3,267,017	3,267,017
Minority Interest	-	-
Surplus on revaluation of assets	1,166,961	1,166,961
Total liabilities & equity	288,299,891	288,299,891

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, 2020	December 31, 2020	
(1)	(2)	(3)	(4)
Assets			
Cash and balances with treasury banks	15,840,359	15,840,359	
Balanced with other banks	9,092,355	9,092,355	
Lending to financial institutions	7,297,519	7,297,519	
Investments	113,478,994	113,478,994	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	598,578	-	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	129,063,377	129,063,377	
<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>	772,544	30,872	g
Fixed Assets	4,004,192	4,004,192	
Deferred Tax Assets	459,902	459,902	
<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	9,063,193	9,063,193	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	532,167	100,898	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	288,299,891	288,299,891	
Liabilities & Equity			
Bills payable	944,140	944,140	
Borrowings	57,063,018	57,063,018	
Deposits and other accounts	203,071,658	203,071,658	
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	9,449,525	9,449,525	
Total liabilities	270,528,341	270,528,341	
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	3,335,048	3,335,048	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	3,335,048	3,335,048	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	3,267,017	3,267,017	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	1,166,961	1,166,961	
<i>of which: Revaluation reserves on Fixed Assets</i>	786,102	774,199	
<i>of which: Unrealized Gains/Losses on AFS</i>	332,122	683,115	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities & Equity	288,299,891	288,299,891	

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	-	(s)
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	3,335,048	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	3,267,017	(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	16,604,589	
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)	532,167	(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)	-	{(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	-	(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)	7,009	(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 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	515,248	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	1,054,424	
31 Common Equity Tier 1	15,550,165	

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)	515,248	(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)	515,248	
46	Additional Tier 1 capital		
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	15,550,165	
	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	772,544	(g)
54	Revaluation Reserves	1,118,224	
55	of which: Revaluation reserves on fixed assets	786,102	
56	of which: Unrealized Gains/Losses on AFS	332,122	portion of (aa)
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	1,890,768	
	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)	204,929	(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)	204,929	
66	Tier 2 capital (T2)	1,685,839	
67	Tier 2 capital recognized for capital adequacy	1,685,839	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,685,839	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	17,236,004	

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			Specifies the governing law(s) of the instrument
Regulatory treatment					
4	Transitional Basel III rules	Common Equity Tier 1			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 1			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.

41.5 Liquidity risk

LCR Disclosure		Average Values of four quarters March 31- December 31, 2020	Average Values of four quarters March 31- December 31, 2020
<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)	72,937	72,827
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customer of which:		
2.1	stable deposit		
2.2	Less stable deposit	60,533	6,053
3	Unsecured wholesale funding of which:	-	-
3.1	Operational deposits (all counterparties)	2,319	579
3.2	Non-operational deposits (all counterparties)		
3.3	Unsecured debt	115,323	54,367
4	Secured wholesale funding	48,011	-
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	58,243	1,033
8	TOTAL CASH OUTFLOWS	296,291	62,032
CASH INFLOWS			
9	Secured lending		
10	Inflows from fully performing exposures	1,711	1,240
11	Other Cash inflows	12,385	5,735
12	TOTAL CASH INFLOWS	14,096	6,974
TOTAL ADJUSTED VALUE			
21	TOTAL HQLA		72,827
22	TOTAL NET CASH OUTFLOWS		55,650
23	LIQUIDITY COVERAGE RATIO		130.87%

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	16,605	-	-	-	16,605
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	11,995	-	-	-	11,395
6	Less stable deposits	53,944	-	-	-	48,550
7	Wholesale funding:					
8	Operational deposits	1,203	-	-	-	602
9	Other wholesale funding	-	-	124,659	-	62,329
10	Other liabilities:					
11	NSFR derivative liabilities				15,945	-
12	All other liabilities and equity not included in other categories	72,793	-	4,899	2,203	4,652
13	Total ASF					144,133
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)				96,529	1,531
15	Deposits held at other financial institutions for operational purposes	9,092	-	-	-	4,546
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	7,298	-	-	-	730
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	-	-	-	54,594	46,405
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	3,763	2,446
22	Other assets:					
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets				5,551	-
26	NSFR derivative liabilities before deduction of variation margin posted				3,189	3,189
27	All other assets not included in the above categories		12,699	90,439	11,908	69,826
28	Off-balance sheet items		57,985			2,899
29	Total RSF					133,253
30	Net Stable Funding Ratio (%)					108%

42 Credit Risk - General Disclosures

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

Exposures	Rating Category Number	Credit Exposures subject to Standardized approach					
		2020			2019		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
-Rupees in '000-							
Corporate	1	1,982,857	-	1,982,857	2,016,293	2,293	2,014,000
	2	20,476,488	38,816	20,437,672	17,257,875	74,244	17,183,631
	3 & 4	3,259,134	-	3,259,134	3,205,410	133,442	3,071,968
	5 & 6	-	-	-	-	-	-
	Unrated-I	23,355,133	1,680,352	21,674,781	24,902,014	2,401,404	22,500,610
	Unrated-II	5,783,253	137,818	5,645,435	7,397,868	790,925	6,606,943
Banks	1	23,407,511	23,224,116	183,394	5,960,920	5,944,531	16,390
	2 & 3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		27,233,038	21,414,435	5,818,603	58,074,016	47,056,887	11,017,129
With maturity 3 months or less (FCY)	1,2,3	2,971,655	-	2,971,655	853,688	-	853,688
	4,5	4,116	-	-	-	-	-
	6	-	-	-	13,673	-	13,673
	Unrated	2,825,555	-	2,825,555	274,790	-	274,790
Retail		10,343,592	713,128	9,630,464	7,965,363	657,397	7,307,966
Claims subject to Residential Mortgage		3,080,509	-	3,080,509	2,981,728	-	2,981,728
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	707,837	-	707,837	3,429,580	-	3,429,580
	Unrated	38,705,434	36,916,889	1,788,546	29,068,798	28,218,396	850,403
Past Due		2,628,767	-	2,628,767	845,778	-	845,778
Others		93,561,304	-	93,561,304	126,133,158	-	126,133,158
CRM = Credit Risk Mitigation		(0)	(0)				

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

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

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Impact of 1% change in foreign exchange rates on:

- Profit and loss account
- Other comprehensive income

2020		2019	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000 -----			
-	3,072	-	946
-	-	-	-

42.2.3 Equity position risk

It is the risk of loss to earning or capital as a result from unfavourable fluctuations in prices of shares in which the Bank carries long and / or short positions, in its trading book.

ALCO (Asset Liability Committee) is responsible for making investment decisions in the capital market and setting limits as per BRMC approved criteria as per Bank's BoD approved market risk management policy. Portfolio, sector and scrip wise limits are assigned by the ALCO to safeguard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The treasury division ensures compliance of concentration limits set by ALCO. Limit breaches if any are promptly reported to ALCO for its ratification and BRMC for their information.

Impact of 5% change in equity prices on:

- Profit and loss account
- Other comprehensive income

2020		2019	
Banking book	Trading book	Banking book	Trading book
----- Rupees in '000 -----			
11,955	12,334	-	775
		5,187	7,566