



41 Capital Adequacy, Leverage Ratio & Liquidity Requirements

Credit Risk

Portfolio subject to standardized approach (simple or comprehensive)

On-balance sheet

	Capital Requirements		Risk Weighted Assets	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR	-	2,076	-	20,759
Claims on Public Sector Entities in Pakistan	35,104	21,524	351,043	215,236
Claims on Banks	-	-	-	-
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	4,516	28,960	45,161	289,597
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	142,298	67,632	1,422,976	676,318
Claims on Corporate (excluding equity exposures)	2,931,288	2,671,927	29,312,880	26,719,275
Claims categorized as retail portfolio	404,659	352,423	4,046,594	3,524,230
Claims fully secured by residential property	96,328	77,561	963,278	775,609

**Past Due loans:**

where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	69,524	47,549	695,237	475,493
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	2,465	18,067	24,646	180,671
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	3,857	5,168	38,569	51,683

Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired	-	9	-	86
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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.	486	648	4,863	6,476
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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.	-	-	-	-
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Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)	338,123	94,938	3,381,226	949,378
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Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	-	4,755	-	47,550
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Unlisted equity investments (other than that deducted from capital) held in banking book	-	14,513	-	145,131
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All other assets	419,125	437,454	4,191,255	4,374,545
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**Off-Balance Sheet - Non Market related Exposures**

Direct Credit Substitutes / Lending of securities or posting of securities as collateral	591,733	253,180	5,917,332	2,531,802
Performance related Contingencies	449,373	440,936	4,493,731	4,409,365
Trade Related contingencies / Other Commitments with original maturity of one year or less	44,908	48,708	449,084	487,082
	<b>1,086,015</b>	<b>742,825</b>	<b>10,860,147</b>	<b>7,428,249</b>

**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*	3,068	3,221	30,683	32,214
	<b>3,068</b>	<b>3,221</b>	<b>30,683</b>	<b>32,214</b>

<b>Total Credit Risk (A)</b>	<b>5,536,856</b>	<b>4,591,250</b>	<b>55,368,559</b>	<b>45,912,499</b>
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**Market Risk**

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	1,263,736	1,831,559	12,637,358	18,315,591
Equity position risk etc.	12,026	196,305	120,264	1,963,048
Foreign exchange risk etc.	852	21,621	8,515	216,209

<b>Total Market Risk (B)</b>	<b>1,276,614</b>	<b>2,049,485</b>	<b>12,766,137</b>	<b>20,494,849</b>
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Operational Risk

<b>Basic Indicator Approach-Total of operational risk (C)</b>	<b>1,025,972</b>	<b>958,543</b>	<b>10,259,721</b>	<b>9,585,425</b>
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<b>Total (A + B + C)</b>	<b>7,839,442</b>	<b>7,599,277</b>	<b>78,394,417</b>	<b>75,992,772</b>
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Note 41.1 Capital Adequacy Ratio (CAR) disclosure template:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2018

Rows #		December 31, 2018	December 31, 2017
		Rupees in '000	
		Amount	Amount
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
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	2,643,483	2,550,263
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitting profits/ (losses)	1,163,269	2,390,464
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	<b>CET 1 before Regulatory Adjustments</b>	13,809,276	14,943,251
10	Total regulatory adjustments applied to CET1	4,222,205	136,577
11	<b>Common Equity Tier 1</b>	9,587,071	14,806,674
<b>Additional Tier 1 (AT 1) Capital</b>			
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	<b>AT1 before regulatory adjustments</b>	-	-
18	Total regulatory adjustment applied to AT1 capital	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	9,587,071	14,806,674
<b>Tier 2 Capital</b>			
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-Base 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	35,851	24,954
27	Revaluation Reserves (net of taxes)	-	369,708
28	of which: Revaluation reserves on fixed assets	-	689,023
29	of which: Unrealized gains/losses on AFS	-	(319,315)
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	<b>T2 before regulatory adjustments</b>	35,851	394,662
33	Total regulatory adjustment applied to T2 capital	-	-
34	Tier 2 capital (T2) after regulatory adjustments	35,851	394,662
35	Tier 2 capital recognized for capital adequacy	35,851	394,662
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	35,851	394,662
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	9,622,922	15,201,336
39	<b>Total Risk Weighted Assets (RWA)</b>	78,394,417	75,992,772
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
40	<b>CET1 to total RWA</b>	12.23%	19.48%
41	<b>Tier-1 capital to total RWA</b>	12.23%	19.48%
42	<b>Total capital to total RWA</b>	12.28%	20.00%
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)	-	-
<b>National minimum capital requirements prescribed by SBP</b>			
48	<b>CET1 minimum ratio</b>	6.00%	6.00%
49	<b>ADT-1 minimum ratio</b>	1.50%	1.50%
50	<b>Tier 1 minimum ratio</b>	7.50%	7.50%
51	<b>Total capital minimum ratio</b>	10.00%	10.00%
52	<b>CCB (Consisting of CET1 only)</b>	1.900%	1.275%
	<b>Total Capital plus CCB</b>	11.900%	11.275%

December 31, 2018

December 31, 2017

Regulatory Adjustments and Additional Information		Rupees in '000			
		Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*
<b>Note 41.2.1</b>	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>				
1	Goodwill (net of related deferred tax liability)	-			
2	All other intangibles (net of any associated deferred tax liability)	78,848		136,577	
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	2,104,692		-	
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)	3,339		-	
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)	595,211		-	
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	1,440,116		-	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	4,222,205		136,577	
<b>Note 41.2.2</b>	<b>Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
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)	-		-	
<b>Note 41.2.3</b>	<b>Tier 2 Capital: regulatory adjustments</b>				
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)	-		-	

\* 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

Note 41.2.4	Additional Information	December 31, 2018	December 31, 2017
		Rupees in '000	
		Amount	Amount
	<b>Risk Weighted Assets subject to pre-Basel III treatment</b>		
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	-	-
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
38	Non-significant investments in the capital of other financial entities	1,162,574	184,328
39	Significant investments in the common stock of financial entities	190,251	144,315
40	Deferred tax assets arising from temporary differences (net of related tax liability)	1,162,240	340,891
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	35,851	24,954
42	Cap on inclusion of provisions in Tier 2 under standardized approach	692,107	573,906
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/ DFI's 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/ DFI's 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, 2018	December 31, 2018
<b>Assets</b>	<b>(2)</b>	<b>(3)</b>
Cash and balances with treasury banks	12,351,453	12,351,453
Balanced with other banks	3,705,360	3,705,360
Lending to financial institutions	7,695,642	7,695,642
Investments	94,233,239	94,233,239
Advances	95,011,903	95,011,903
Operating fixed assets	2,295,272	2,295,272
Deferred tax assets	1,757,451	1,757,451
Other assets	6,044,663	6,044,663
<b>Total assets</b>	<b>223,094,983</b>	<b>223,094,983</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	895,126	895,126
Borrowings	34,842,114	34,842,114
Deposits and other accounts	171,167,556	171,167,556
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	4,485,603	4,485,603
<b>Total liabilities</b>	<b>211,390,399</b>	<b>211,390,399</b>
Share capital/ Head office capital account	10,002,524	10,002,524
Reserves	2,643,483	2,643,483
Unappropriated/ Unremitted profit/ (losses)	1,163,269	1,163,269
Minority Interest	-	-
Surplus on revaluation of assets	(2,104,692)	(2,104,692)
<b>Total liabilities &amp; equity</b>	<b>223,094,983</b>	<b>223,094,983</b>

**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, 2018	December 31, 2018	
<b>Assets</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
Cash and balances with treasury banks	12,351,453	12,351,453	
Balanced with other banks	3,705,360	3,705,360	
Lending to financial institutions	7,695,642	7,695,642	
Investments	94,233,239	94,233,239	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	1,443,455	-	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	95,011,903	95,011,903	
<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>	35,851	30,872	g
Fixed Assets	2,295,272	2,295,272	
Deferred Tax Assets	1,757,451	1,757,451	
<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>	595,211	-	i
Other assets	6,044,663	6,044,663	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	78,848	100,898	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>223,094,983</b>	<b>223,094,983</b>	

Liabilities & Equity		
Bills payable	895,126	895,126
Borrowings	34,842,114	34,842,114
Deposits and other accounts	171,167,556	171,167,556
Sub-ordinated loans	-	-
of which: eligible for inclusion in AT1	-	m
of which: eligible for inclusion in Tier 2	-	n
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
of which: DTLs related to goodwill	-	o
of which: DTLs related to intangible assets	-	p
of which: DTLs related to defined pension fund net assets	-	q
of which: other deferred tax liabilities	-	r
Other liabilities	4,485,603	4,485,603
<b>Total liabilities</b>	<b>211,390,399</b>	<b>211,390,399</b>

Share capital	10,002,524	10,002,524
of which: amount eligible for CET1	10,002,524	s
of which: amount eligible for AT1	-	t
Reserves	2,643,483	2,643,483
of which: portion eligible for inclusion in CET1 (provide breakup)	2,643,483	u
of which: portion eligible for inclusion in Tier 2	-	v
Unappropriated profit/ (losses)	1,163,269	1,163,269
Minority Interest	-	-
of which: portion eligible for inclusion in CET1	-	x
of which: portion eligible for inclusion in AT1	-	y
of which: portion eligible for inclusion in Tier 2	-	z
Surplus on revaluation of assets	(2,104,692)	(2,104,692)
of which: Revaluation reserves on Fixed Assets	-	774,199
of which: Unrealized Gains/Losses on AFS	-	683,115
In case of Deficit on revaluation (deduction from CET1)	-	-
<b>Total liabilities &amp; Equity</b>	<b>223,094,983</b>	<b>223,094,983</b>

Step 3: Under Step 3, a column is added to the capital adequacy disclosure template given at Note 44.2 (including sub-notes 44.2.1 to 44.2.3) 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 40.3.3 is repetition of Note 40.2 with the addition of the last column, therefore to reduce duplication, the bank may adopt any of the two options: (1) Use the table 40.3.3 as proposed below, or (2) just add the last column of table 40.3.3 to Note 40.2 (including sub-notes 40.2.1 to 40.2.3).**

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
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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	2,643,483	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/ (losses)	1,163,269	(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 <b>CET 1 before Regulatory Adjustments</b>	13,809,276	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	78,848	(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	2,104,692	(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)	3,339	(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)	595,211	(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	1,440,116	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	4,222,205	
31 <b>Common Equity Tier 1</b>	<b>9,587,071</b>	

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

<b>Additional Tier 1 (AT1) Capital</b>		
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	<b>AT1 before regulatory adjustments</b>	-
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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)	1,440,116 (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)	1,440,116
46	Additional Tier 1 capital	-
47	<b>Additional Tier 1 capital recognized for capital adequacy</b>	-
48	<b>Tier 1 Capital (CET1 + admissible AT1) (31+47)</b>	9,587,071
<b>Tier 2 Capital</b>		
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	35,851 (g)
54	Revaluation Reserves	-
55	of which: Revaluation reserves on fixed assets	-
56	of which: Unrealized Gains/Losses on AFS	portion of (aa)
57	Foreign Exchange Translation Reserves	(v)
58	Undisclosed/Other Reserves (if any)	-
59	<b>T2 before regulatory adjustments</b>	35,851
<b>Tier 2 Capital: regulatory adjustments</b>		
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)	35,851
67	Tier 2 capital recognized for capital adequacy	35,851
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	35,851
70	<b>TOTAL CAPITAL (T1 + admissible T2) (48+69)</b>	9,622,922

#### 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 summarizes 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. Enter: [Mandatory] [Optional] [NA]
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, 2018	Average Values of four quarters March 31- December 31, 2018
<i>(in local currency)</i>		TOTAL UNWEIGHTED <sup>1</sup> VALUE (average)	TOTAL WEIGHTED <sup>3</sup> VALUE (average)
<b>HIGH QUALITY LIQUID ASSETS</b>			
1	Total high quality liquid assets (HQLA)	58,641,098	60,817,347
<b>CASH OUTFLOWS</b>			
2	Retail deposits and deposits from small business customer of which:		
2.1	stable deposit		
2.2	Less stable deposit	41,532,848	4,153,285
3	Unsecured wholesale funding of which:	-	-
3.1	Operational deposits (all counterparties)	157,076	38,997
3.2	Non-operational deposits (all counterparties)		
3.3	Unsecured debt	116,192,129	50,452,857
4	Secured wholesale funding	7,797,723	-
5	Additional requirements of which:		
5.1	Outflows related to derivative exposures and other collateral requirements	27,819	27,819
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	54,197,946	1,135,872
8	<b>TOTAL CASH OUTFLOWS</b>	<b>227,722,061</b>	<b>55,808,829</b>
<b>CASH INFLOWS</b>			
9	Secured lending		
10	Inflows from fully performing exposures	271,464	135,732
11	Other Cash inflows	3,772,470	645,553
12	<b>TOTAL CASH INFLOWS</b>	<b>4,043,934</b>	<b>781,285</b>
<b>TOTAL ADJUSTED VALUE</b>			
21	<b>TOTAL HQLA</b>		60,817,347
22	<b>TOTAL NET CASH OUTFLOWS</b>		55,418,370
23	<b>LIQUIDITY COVERAGE RATIO</b>		109.74%

## NSFR Disclosure

LR IX

		unweighted value by residual maturity			weighted value
		No Maturity	< 6 months	6 months to < 1 yr	
<i>(Amount in PKR in thousands) as of December 31, 2017</i>					
<b>ASF Item</b>					
1	Capital:				
2	Regulatory capital	13,809,276	-	-	13,809,276
3	Other capital instruments	-	-	-	-
4	Retail deposits and deposit from small business customers:				
5	Stable deposits	10,601,125	-	-	10,071,069
6	Less stable deposits	34,826,550	-	-	31,343,895
7	Wholesale funding:				
8	Operational deposits	20,606	-	-	10,303
9	Other wholesale funding	-	-	115,261,930	57,630,965
10	Other liabilities:				
11	NSFR derivative liabilities				1,504,593
12	All other liabilities and equity not included in other categories	47,223,903	-	600,207	3,177,825
13	<b>Total ASF</b>				<b>116,343,436</b>
<b>RSF Item</b>					
14	Total NSFR high-quality liquid assets (HQLA)				80,137,334
15	Deposits held at other financial institutions for operational purposes	3,705,360	-	-	1,852,680
16	Performing loans and securities:				
17	Performing loans to financial institutions secured by Level 1 HQLA	5,195,642	-	-	519,564
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2,500,000	-	375,000
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	-	-	-	10,534,994
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	31,121,969
22	Other assets:				
23	Physical traded commodities, including gold				
24	Assets posted as initial margin for derivative contracts				
25	NSFR derivative assets				2,008,170
26	NSFR derivative liabilities before deduction of variation margin posted				300,919
27	All other assets not included in the above categories		11,187,258	57,670,905	18,318,004
28	Off-balance sheet items		49,957,623		58,340,714
29	<b>Total RSF</b>				<b>97,573,326</b>
30	<b>Net Stable Funding Ratio (%)</b>				<b>119%</b>

## 42 Credit Risk - General Disclosures

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

### Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

Exposures	Rating Category Number	Credit Exposures subject to Standardized approach					
		2018			2017		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Rupees in '000							
Corporate	1	4,287,278	190,500	4,096,778	872,187	1,000	871,187
	2	15,915,507	7,657	15,907,850	1,213,187	19,051	1,194,136
	3 & 4	955,116	-	955,116	337,500	-	337,500
	5 & 6	-	-	-	-	-	-
	Unrated-I	29,475,411	2,440,889	27,034,522	31,555,895	1,641,546	29,914,349
	Unrated-II	8,531,356	976,318	7,555,037	26,451,058	18,909,829	7,541,229
Banks	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		21,966,109	14,851,230	7,114,878	7,329,342	3,946,364	3,382,978
With maturity 3 months or less (FCY)	1,2,3	65,197	-	65,197	162,055	-	162,055
	4,5	-	-	-	-	-	-
	6	13,335	-	13,335	144,728	-	144,728
	Unrated	60,595	-	60,595	200,472	-	200,472
Retail		8,138,831	654,401	7,484,430	7,611,327	561,687	7,049,640
Claims subject to Residential Mortgage		2,752,224	-	2,752,224	2,216,026	-	2,216,026
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	Unrated	45,939,708	43,149,666	2,790,042	20,877,995	20,043,252	834,743
Past Due		575,002	-	575,002	614,071	-	614,071
Others		71,392,928	-	71,392,928	88,072,864	-	88,072,864
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.