

1. ASSESSMENT

1.1 Capital adequacy

The objective of capital management is to safeguard the Company's ability to continue as a going concern, so that it could continue to manage risk and provide adequate returns to shareholders by pricing products and services commensurate with the level of risk.

It is the policy of the Company to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns and manage acceptable risk appetite that might be possible with greater gearing and the advantages and security supported by a sound capital position.

Goals of managing capital

The goals of managing capital of the Company are as follows:

- To ensure availability of adequate capital at a reasonable cost so as to enable the Company to grow accordingly.
- To achieve a low cost of capital with appropriate mix of capital elements.
- To be an appropriately capitalized institution, as prescribed by regulatory authorities from time to time.
- To maintain highest quality ratings and to protect the Company against unexpected events.

The Capital of the Company is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BPRD Circular No. 06 dated August 15, 2013 read with BSD Circular No. 08 dated June 27, 2006. The adequacy of the capital is tested with reference to the Risk Weighted Assets of the Company.

The Company's operations are categorized as at trading book and banking book and risk-weighted assets are determined according to specified requirements of State bank of Pakistan in order to seek and reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprises of credit, market and operational risk.

The calculation of Capital Adequacy enables the Company to assess its long-term soundness. It is critically important to continuously monitor the exposure across the entire organization and create aggregate view on the same by generating management level information trial to manage risk and return trade-offs.

The Company is in compliance of the Minimum Capital Requirement, set by the State Bank of Pakistan.

Applications

The Company has implemented standardized approach of Basel III on standalone basis. The objectives of Basel III aims to further strengthen the existing capital framework by amending certain provisions of Basel II and introduction of new requirements.

The Company at present does not have any overseas operations, subsidiary / associate or engage in joint venture with any other entity.

1.1.1 Leverage Ratio

The leverage ratio of the Company as at 31 December 2020 is 36.52% (2019: 29.76%).

The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III implementation in Pakistan.

As at 31 December 2020, Eligible Total Tier 1 capital of the Company amounts to Rs. 6.431 billions (2019: Rs. 6.425 billions) whereas the total exposure amounts to Rs. 17.611 billions (2019: Rs. 21.590 billions).

Shift in leverage ratio is primarily due to decrease in Exposure and increase in Tier 1 capital.

1.2 CAPITAL ADEQUACY RETURN AS OF 31 DECEMBER 2020
2020 **2019**
(Rupees in '000)

Rows #		Amount	Amount
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000	6,000,000
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares		
5	General/ Statutory Reserves	965,805	888,356
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	2,680,452	2,526,058
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	9,646,257	9,414,414
10	Total regulatory adjustments applied to CET1 (Note 1.2.1)	3,214,972	2,989,565
11	Common Equity Tier 1	6,431,285	6,424,849
	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 (Note 1.2.2)	2,812,496	2,595,234
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)	6,431,285	6,424,849
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout 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		
27	Revaluation Reserves (net of taxes)	-	56,305
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	-	56,305
33	Total regulatory adjustment applied to T2 capital	2,384,053	2,219,993
34	Tier 2 capital (T2) after regulatory adjustments		
35	Tier 2 capital recognized for capital adequacy		
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		
37	Total Tier 2 capital admissible for capital adequacy	-	-
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	6,431,285	6,424,849
39	Total Risk Weighted Assets (RWA) {for details refer Note 1.5}	11,517,273	11,070,382
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	55.84%	58.04%
41	Tier-1 capital to total RWA	55.84%	58.04%
42	Total capital to total RWA	55.84%	58.04%
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)	49.84%	52.04%
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	11.50%	11.900%

		2020		2019	
		Rupees in '000			
Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
1.2.1	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)	146		314	
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	16,923			
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)	248,925		253,751	
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	136,482		140,266	-
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,812,496		2,595,234	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	3,214,972		2,989,565	-

		2020		2019	
		Rupees in '000			
Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
1.2.2	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)	428,443		431,547	
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	2,384,053		2,163,687	
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	2,812,496		2,595,234	

Regulatory Adjustments and Additional Information		2020		2019	
		Rupees in '000			
		Amount	Amounts subject to Pre-Basel III treatment*	Amount	Amounts subject to Pre-Basel III treatment*
1.2.3	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)	2,384,053		2,219,993	-
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)	2,384,053		2,219,993	

1.2.4 Additional Information		2020		2019	
		Rupees in '000			
Risk Weighted Assets subject to pre-Basel III treatment		Amount		Amount	
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-		-	
(i)	of which: deferred tax assets				
(ii)	of which: Defined-benefit pension fund net assets				
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-		-	
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity				
Amounts below the thresholds for deduction (before risk weighting)					
38	Non-significant investments in the capital of other financial entities				
39	Significant investments in the common stock of financial entities				
40	Deferred tax assets arising from temporary differences (net of related tax liability)	414,100		375,527	
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)				
42	Cap on inclusion of provisions in Tier 2 under standardized approach				
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)				
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach				

1.3 Capital Structure Reconciliation

December 31, 2020

Table: 1.3.1	Balance sheet of the published financial statements	Under regulatory scope of consolidation
(in thousand PKR)	As at period end	As at period end
Assets (1)	(2)	(3)
Cash and balances with treasury banks	54,919	54,919
Balanced with other banks	74,589	74,589
Lending to financial institutions	-	-
Investments	13,651,952	13,651,952
Advances	6,165,043	6,165,043
Operating fixed assets	219,675	219,675
Intangible assets	146	146
Deferred tax assets	414,100	414,100
Other assets	709,380	709,380
Total assets	21,289,804	21,289,804
Liabilities & Equity		
Bills payable	-	-
Borrowings	10,223,036	10,223,036
Deposits and other accounts	923,702	923,702
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	480,808	480,808
Total liabilities	11,627,546	11,627,546
Share capital/ Head office capital account	6,000,000	6,000,000
Reserves	965,805	965,805
Unappropriated/ Unremitted profit/ (losses)	2,680,452	2,680,452
Minority Interest	-	-
Surplus on revaluation of assets	16,001	16,001
Total liabilities & equity	9,662,258	9,662,258

Table: 1.3.2 (Assets)	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
(1)	(2)	(3)	(4)
Cash and balances with treasury banks	54,919	54,919	
Balanced with other banks	74,589	74,589	
Lending to financial institutions	-	-	
Investments	13,651,952	13,651,952	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>			
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	3,214,972	3,214,972	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	6,165,043	6,165,043	
<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>	-	-	g
Fixed Assets	219,675	219,675	
Deferred Tax Assets	414,100	414,100	
<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	709,380	709,380	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	146	146	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	21,289,804	21,289,804	

Table: 1.3.2 (Liabilities & Equity)	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at period end	As at period end	
(1)	(2)	(3)	(4)
Bills payable	-	-	
Borrowings	10,223,036	10,223,036	
Deposits and other accounts	923,702	923,702	
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	480,808	480,808	
Total liabilities	11,627,546	11,627,546	

Share capital	6,000,000	6,000,000	
<i>of which: amount eligible for CET1</i>	6,000,000	6,000,000	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	965,805	965,805	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	965,805	965,805	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	2,680,452	2,680,452	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	16,001	16,001	
<i>of which: Revaluation reserves on Fixed Assets</i>	32,924	32,924	
<i>of which: Unrealized Gains/Losses on AFS</i>	(16,923)	(16,923)	aa
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities & Equity	9,662,258	9,662,258	

Basel III Disclosure Template (with added column)			
Table: 1.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP	6,000,000		
Balance in Share Premium Account	-	(s)	
Reserve for issue of Bonus Shares	-		
General/ Statutory Reserves	965,805		
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)	
Unappropriated/unremitted profits/ (losses)	2,680,452	(w)	
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)	
CET 1 before Regulatory Adjustments	9,646,257		

Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	-	(j) - (o)	
All other intangibles (net of any associated deferred tax liability)	146	(k) - (p)	
Shortfall of provisions against classified assets	-	(f)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%	where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc.), Section 2.4.11
Defined-benefit pension fund net assets	-	{(l) - (q)} * x%	
Reciprocal cross holdings in CET1 capital instruments	-	(d)	
Cash flow hedge reserve	-		
Investment in own shares/ CET1 instruments	-		
Securitization gain on sale	-		
Capital shortfall of regulated subsidiaries	-		
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	16,923	(ab)	
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)	248,925	(a) - (ac) - (ae)	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
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)	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
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)	
Amount exceeding 15% threshold			
of which: significant investments in the common stocks of financial entities	-		
of which: deferred tax assets arising from temporary differences	-		
National specific regulatory adjustments applied to CET1 capital	-		
of which: Investment in TFCs of other banks exceeding the prescribed limit	136,482		
of which: Any other deduction specified by SBP (mention details)	-		
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,812,496		
Total regulatory adjustments applied to CET1 (sum of 9 to 29)	3,214,972		
Common Equity Tier 1	6,431,285		
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium	-		
of which: Classified as equity	-	(t)	
of which: Classified as liabilities	-	(m)	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)	
of which: instrument issued by subsidiaries subject to phase out	-		
AT1 before regulatory adjustments			

Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-		
Investment in own AT1 capital instruments	-		
Reciprocal cross holdings in Additional Tier 1 capital instruments	-		
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)	428,443	(ac)	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)	
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	-		
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-		
Additional Tier 1 capital	-		
Additional Tier 1 capital recognized for capital adequacy	-		
Tier 1 Capital (CET1 + admissible AT1) (31+47)	6,431,285		

Basel III Disclosure Template (with added column)			
Table: 1.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2	
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)	
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-		
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)	
of which: instruments issued by subsidiaries subject to phase out	-		
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	(g)	
Revaluation Reserves	-		
of which: Revaluation reserves on fixed assets	-	portion of (aa)	
of which: Unrealized Gains/Losses on AFS	-		
Foreign Exchange Translation Reserves	-	(v)	
Undisclosed/Other Reserves (if any)	-		
T2 before regulatory adjustments	-		

Tier 2 Capital: regulatory adjustments			
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	-		
Reciprocal cross holdings in Tier 2 instruments	-		
Investment in own Tier 2 capital instrument	-		
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)	2,384,053	(ae)	
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)	
Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	2,384,053		
Tier 2 capital (T2)			
Tier 2 capital recognized for capital adequacy			
Excess Additional Tier 1 capital recognized in Tier 2 capital			
Total Tier 2 capital admissible for capital adequacy			
TOTAL CAPITAL (T1 + admissible T2) (48+69)	6,431,285		

1.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	PAIR Investment Company Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan
	Regulatory treatment	
4	Transitional Basel III rules	Not Applicable
5	Post-transitional Basel III rules	Not Applicable
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	PKR 6,000,000
9	Par value of instrument	PKR 10
10	Accounting classification	Shareholders's equity
11	Original date of issuance	2007
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not Applicable
18	Coupon rate and any related index/ benchmark	Not Applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	No
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Not Applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable

1.5 Risk Weighted Assets

The capital requirements for the Company as per major risk categories are given below:

	2020		2019	
	Capital requirements*	Risk weighted assets	Capital requirements*	Risk weighted assets
	(Rupees in '000)		(Rupees in '000)	
Credit risk				
Claims on:				
Banks	1,731	15,053	6,235	52,394
Corporate	597,269	5,193,645	611,256	5,136,607
Retail portfolio	753	6,552	668	5,613
Secured by residential property	4,719	41,034	4,469	37,553
Past due loans	76,784	667,684	99,491	836,055
Listed equity investments	55,838	485,552	68,911	579,086
Unlisted equity investments	23,216	201,879	24,961	209,753
Investments in fixed assets	25,263	219,675	27,335	229,709
All other assets	167,431	1,455,920	139,058	1,168,552
	953,004	8,286,993	982,383	8,255,322

Market risk

Interest rate risk	-	-	-	-
Equity risk	201,032	1,608,255	168,023	1,411,956
	201,032	1,608,255	168,023	1,411,956

Operational risk

	202,753	1,622,025	166,969	1,403,104
	1,356,789	11,517,273	1,317,375	11,070,382

Capital adequacy ratio

Total eligible regulatory capital held (a)	6,431,285	6,424,849
Total risk weighted assets (b)	11,517,273	11,070,382
Capital adequacy ratio (a) / (b)*100	55.84%	58.04%

Capital Adequacy Ratios	2020		2019	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	55.84%	6.00%	58.04%
Tier-1 capital to total RWA	7.50%	55.84%	7.50%	58.04%
Total capital to total RWA	11.50%	55.84%	11.90%	58.04%

* Capital adequacy requirement inclusive of Capital Conservation Buffer requirement (CCB)

2 Liquidity Coverage Ratio

SBP issued BPRD Circular No. 8 dated June 23, 2016 advising implementation of Basel III liquidity standards that constitute two ratios, i.e. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), and five monitoring tools.

LCR is the measure of conversion capability of the Company's High Quality Liquid Assets (HQLAs) into cash to meet immediate liquidity requirements over a 30 days horizon.

The Company calculates Liquidity Coverage Ratio (LCR) on monthly basis as per the guidelines given in the above mentioned circular. The objective of LCR is to ensure the short-term resilience of the liquidity risk profile which requires the Company to maintain sufficient High Quality Liquid Assets (HQLAs) to meet stressed cash outflows over a prospective 30 calendar - days period.

LCR Disclosure

2020

		2020		2019	
		TOTAL UNWEIGHTED VALUE (average) ¹	TOTAL WEIGHTED VALUE (average) ²	TOTAL UNWEIGHTED VALUE (average) ¹	TOTAL WEIGHTED VALUE (average) ²
<i>Rupees in '000</i>					
HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		4,034,704		2,119,092
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers of which:		7,873		4,477
2.1	stable deposit				
2.2	Less stable deposit	72,757.05	7,873	44,769.56	4,477
3	Unsecured wholesale funding of which:		1,292,910		1,657,564
3.1	Operational deposits (all counterparties)				
3.2	Non-operational deposits (all counterparties)	1,785,498.26	1,292,910	2,242,194.54	1,657,564
3.3	Unsecured debt				
4	Secured wholesale funding				
5	Additional requirements of which:		46,637		83,236
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	521,368.56	46,637	886,566.42	83,236
6	Other contractual funding obligations				
7	Other contingent funding obligations				
8	TOTAL CASH OUTFLOWS		1,347,420		1,745,277
CASH INFLOWS					
9	Secured lending				
10	Inflows from fully performing exposures	374,757.09	160,889	553,753.52	299,396
11	Other Cash inflows				
12	TOTAL CASH INFLOWS		160,889		299,396
		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE	
21	TOTAL HQLA		4,034,704		2,119,092
22	TOTAL NET CASH OUTFLOWS		1,186,531		1,445,881
23	LIQUIDITY COVERAGE RATIO		3.40		1.47

1. unweighted values calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)
2. Weighted values calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows)
3. Adjusted values calculated after the application of both
 - (i) haircuts and inflow and outflow rates and
 - (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on inflows)

NSFR Disclosure

2019

	Unweighted value by residual maturity				Weighted value	
	No Maturity	< 6 months	6 months to < 1 Year	≥ 1 yr		
<i>(Amount in PKR in thousands)</i>						
ASF Item						
1	Capital:					
2	Regulatory capital	9,542,162			9,542,162	
3	Other capital instruments					
4	Retail deposits and deposit from small business customers:					
5	Stable deposits					
6	Less stable deposits		49,139		44,224.96	
7	Wholesale funding:					
8	Operational deposits					
9	Other wholesale funding		704,558	518,185	611,372	
10	Other liabilities:					
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in other categories		6,361,337	4,340,432	4,340,432	
#	Total ASF				14,538,190	
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)	xx				473,954
15	Deposits held at other financial institutions for operational purposes					
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA					
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions		162,768	30,415	39,623	
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:			3,236,455	2,750,987	
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk			484,654	315,025	
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	546,501		3,543,665	3,476,641	
22	Other assets:					
23	Physical traded commodities, including gold					
24	Assets posted as initial margin for derivative contracts					
25	NSFR derivative assets					
26	NSFR derivative liabilities before deduction of variation margin posted					
27	All other assets not included in the above categories	-	2,580,042	-	1,900,157	
28	Off-balance sheet items		859,561	-	47,978	
29	Total RSF				10,294,386	
30	Net Stable Funding Ratio (%)				141%	