

1. CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

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

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 to manage risk and return trade-offs.

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

Scope of 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 2018 is 32.74% (2017: 40.96%).

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

As at 31 December 2018, Eligible Total Tier 1 capital of the Company amounts to Rs. 5.816 billions (2017: Rs. 6.817 billions) whereas the total exposure amounts to Rs. 17.766 billions (2017: Rs. 16.643 billions).

Shift in leverage ratio is primarily due to decrease in eligible capital and increase in Exposure

1.2 CAPITAL ADEQUACY RETURN AS OF 31 DECEMBER 2018

2018
2017
(Rupees in '000)

		2018	2017
		(Rupees in '000)	
		Amount	Amount
Rows #	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	840,066	840,066
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	2,341,325	2,452,552
8	consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	CET 1 before Regulatory Adjustments	9,181,391	9,292,618
10	Total regulatory adjustments applied to CET1 (Note 1.2.1)	(3,364,734)	(2,474,732)
11	Common Equity Tier 1	5,816,657	6,817,886
	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		
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)	(431,876)	(293,015)
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)	5,816,657	6,817,886
	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		
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		
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	-	-
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before regulatory adjustments	-	-
33	Total regulatory adjustment applied to T2 capital	(2,293,217)	(1,563,778)
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)	5,816,657	6,817,974
39	Total Risk Weighted Assets (RWA) {for details refer Note 1.5}	11,097,935	11,505,338
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	52.41%	59.26%
41	Tier-1 capital to total RWA	52.41%	59.26%
42	Total capital to total RWA	52.41%	59.26%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	11.90%	11.275%
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)	40.51%	47.98%
	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	11.90%	11.275%

		2018		2017	
		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)	212		406	
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	71,701		37,286	
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)	298,428		170,948	42,736
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	269,300	-	409,215	
20	Any other deduction specified by SBP (mention details)				
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,725,093		1,856,790	
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	3,364,734		2,474,644	

		2018		2017	
		Rupees in '000			
Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*

Note	Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
1.2.2					
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)	431,876		293,012	73,253
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)	431,876		293,012	

Regulatory Adjustments and Additional Information	2018		2017	
	Rupees in '000			
	Amount	Amounts subject to Pre- Basel III treatment*	Amount	Amounts subject to Pre- Basel III treatment*

Note 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)	2,293,217	-	1,563,778	
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)	2,293,217		1,563,778	

Note 1.2.4	Additional Information	2018	2017
		Rupees in '000	
		Amount	Amount
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	586,297
(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	-	586,297
(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)	346,484	260,554
	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

Table: 1.3.1		Balance sheet of the	Under regulatory scope of
(In thousand PKR)		As at period end	As at period end
Assets	(1)	(2)	(3)
Cash and balances with treasury banks		73,144	73,144
Balanced with other banks		60,653	60,653
Lending to financial institutions		105,000	105,000
Investments		11,259,928	11,259,928
Advances		6,223,926	6,223,926
Operating fixed assets		193,242	193,242
Deferred tax assets		346,484	346,484
Other assets		263,060	263,060
Total assets		18,525,437	18,525,437
Liabilities & Equity			
Bills payable		-	-
Borrowings		7,915,859	7,915,859
Deposits and other accounts		1,221,724	1,221,724
Sub-ordinated loans		-	-
Deferred tax liabilities		-	-
Other liabilities		278,164	278,164
Total liabilities		9,415,747	9,415,747
Share capital/ Head office capital account		6,000,000	6,000,000
Reserves		838,020	838,020
Unappropriated/ Unremitted profit/ (losses)		2,343,371	2,343,371
Minority Interest		-	-
Surplus on revaluation of assets		(71,701)	(71,701)
Total liabilities & equity		9,109,690	9,109,690

Table: 1.3.2		Balance sheet as in	Under regulatory scope	Reference
		As at period end	As at period end	
Assets	(1)	(2)	(3)	(4)
Cash and balances with treasury banks		73,144	73,144	
Balanced with other banks		60,653	60,653	
Lending to financial institutions		105,000	105,000	
Investments		11,259,928	11,259,928	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold				
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold		3,892,666	3,892,666	a
of which: Mutual Funds exceeding regulatory threshold		-	-	b
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)		-	-	c
of which: others (mention details)		-	-	d
Advances		6,223,926	6,223,926	e
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB		-	-	f
general provisions reflected in Tier 2 capital		-	-	g
Fixed Assets		193,031	193,031	
Deferred Tax Assets		346,484	346,484	
of which: DTAs that rely on future profitability excluding those arising from temporary differences		-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold		-	-	i
Other assets		263,060	263,060	
of which: Goodwill		-	-	j
of which: Intangibles		211	211	k
of which: Defined-benefit pension fund net assets		-	-	l
Total assets		18,525,437	18,525,437	

Table: 1.3.2		Balance sheet as in	Under regulatory scope	Reference
		published financial statements	of consolidation	
Liabilities & Equity	(1)	As at period end	As at period end	(4)
Bills payable		-	-	
Borrowings		7,915,859	7,915,859	
Deposits and other accounts		1,221,724	1,221,724	
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		278,164	278,164	
Total liabilities		9,415,747	9,415,747	
Share capital		6,000,000	6,000,000	
of which: amount eligible for CET1		6,000,000	6,000,000	s
of which: amount eligible for AT1		-	-	t
Reserves		840,066	840,066	
of which: portion eligible for inclusion in CET1 (provide breakup)		840,066	840,066	u
of which: portion eligible for inclusion in Tier 2		-	-	v
Unappropriated profit/ (losses)		2,341,325	2,341,325	w
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		-	-	
of which: Revaluation reserves on Fixed Assets		-	-	aa
of which: Unrealized Gains/Losses on AFS		-	-	
In case of Deficit on revaluation (deduction from CET1)		(71,701)	(71,701)	ab
Total liabilities & Equity		9,109,690	9,109,690	

Basel III Disclosure Template (with added column)				
S.No	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				
1	Fully Paid-up Capital/ Capital deposited with SBP	6,000,000		
2	Balance in Share Premium Account	-	(s)	
3	Reserve for issue of Bonus Shares	-		
4	General/ Statutory Reserves	840,066	(u)	
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-		
6	Unappropriated/unremitted profits/ (losses)	2,341,325	(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	9,181,391		
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)	212	(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%	where 'x' depends on transitional arrangement for capital deduction (e.g. 0%, 20% etc.), Section
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	71,701	(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)	298,428	(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
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)	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
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	269,300		
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	2,725,093		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	3,364,734		
31	Common Equity Tier 1	5,816,657		
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)	431,876	(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)	-		
46	Additional Tier 1 capital	-		
47	Additional Tier 1 capital recognized for capital adequacy	-		
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	5,816,657		

Basel III Disclosure Template (with added column)			
S.No	Table: 1.3.3	Component of regulatory capital reported by bank	Source based on reference number from step 2
Tier 2 Capital			
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
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	-	(g)
54	Revaluation Reserves	-	
55	of which: Revaluation reserves on fixed assets	-	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	-	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	T2 before regulatory adjustments	-	
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)	2,293,217	(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)	2,293,217	
66	Tier 2 capital (T2)		
67	Tier 2 capital recognized for capital adequacy		
68	Excess Additional Tier 1 capital recognized in Tier 2 capital		
69	Total Tier 2 capital admissible for capital adequacy		
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	5,816,657	

1.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments					
	Main Features	Common Shares	Instrument - 2	Inst.- 3 & so on ...	Explanation
1	Issuer	PAIR Investment Company Limited			Identifies issuer legal entity.
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable			
3	Governing law(s) of the instrument	Laws of Islamic Republic of			Specify the governing law(s) of the instrument
	Regulatory treatment				
4	Transitional Basel III rules	Not Applicable			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	Not Applicable			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	PKR 6,000,000			Specifies amount recognized in regulatory capital.
9	Par value of instrument	PKR 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	2007			Specifies date of issuance.
12	Perpetual or dated	Perpetual			Specifies whether dated or perpetual. Enter: [Perpetual/ no Maturity]
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	Not Applicable			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	Not Applicable			Specifies subsequent call dates, if applicable. Helps to assess permanence.
	Coupons / dividends				
17	Fixed or floating dividend/ coupon	Not Applicable			Enter [fixed], [floating], [fixed to floating], [floating to fixed]
18	Coupon rate and any related index/ benchmark	Not Applicable			
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	Non-cumulative or cumulative	Not Applicable			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)	No			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	Not Applicable			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	Not Applicable			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	Not Applicable			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	Not Applicable			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	Not Applicable			If convertible, specify issuer of instrument into which it converts.
30	Write-down feature	No			Specifies whether there is a write down feature. Helps to assess loss absorbency. Enter: [Yes] [No]
31	If write-down, write-down trigger(s)	Not Applicable			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	Not Applicable			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	Not Applicable			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	Not Applicable			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	Not Applicable			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	Not Applicable			If there are non-compliant features, specify which ones. Helps to assess instrument loss absorbency.

1.5 Risk Weighted Assets

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

	2018		2017	
	Capital requirements*	Risk weighted assets	Capital requirements*	Risk weighted assets
	(Rupees in '000)		(Rupees in '000)	
Credit risk				
Claims on:				
Banks	4,267	35,856	42,397	376,024
Corporate	666,834	5,603,645	614,278	5,448,138
Retail portfolio	620	5,212	500	4,435
Secured by residential property	2,770	23,275	1,536	13,624
Past due loans	116,967	982,915	68,171	604,619
Listed equity investments	49,304	414,323	79,216	702,509
Unlisted equity investments	23,226	195,178	35,007	310,478
Investments in fixed assets	22,971	193,032	22,279	197,598
All other assets	118,614	996,754	93,178	826,410
	1,005,573	8,450,190	956,562	8,483,909

Market risk

Interest rate risk	97	811	72	635
Equity risk	168,456	1,415,598	168,881	1,497,832
	168,553	1,416,409	168,953	1,498,467

Operational risk

	146,529	1,231,336	171,714	1,522,962
	1,320,655	11,097,935	1,297,229	11,505,338

Capital adequacy ratio

Total eligible regulatory capital held (a)	5,816,657	6,817,974
Total risk weighted assets (b)	11,097,935	11,505,338
Capital adequacy ratio (a) / (b)*100	52.41%	59.26%

Capital Adequacy Ratios	2018		2017	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	52.41%	6.00%	59.26%
Tier-1 capital to total RWA	7.50%	52.41%	7.50%	59.26%
Total capital to total RWA	11.90%	52.41%	11.28%	59.26%

* 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

		2018		2017	
		TOTAL UNWEIGHTED ¹ VALUE (average)	TOTAL WEIGHTED ² VALUE (average)	TOTAL UNWEIGHTED ¹ VALUE (average)	TOTAL WEIGHTED ² VALUE (average)
<i>Rupees in '000</i>					
HIGH QUALITY LIQUID ASSETS					
1	Total high quality liquid assets (HQLA)		1,711,471.80		2,051,267.62
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers of which:		3,294		1,879
2.1	stable deposit				
2.2	Less stable deposit	32,943.59	3,294.36	18,786.67	1,878.67
3	Unsecured wholesale funding of which:		1,062,804		1,249,264
3.1	Operational deposits (all counterparties)				
3.2	Non-operational deposits (all counterparties)	1,665,268.92	1,062,803.79	1,937,554.95	1,249,263.85
3.3	Unsecured debt				
4	Secured wholesale funding				
5	Additional requirements of which:		100,625.9		66,923.3
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	906,327.00	100,625.92	756,436.80	66,923.33
6	Other contractual funding obligations				
7	Other contingent funding obligations				
8	TOTAL CASH OUTFLOWS		1,166,724.1		1,318,065.8
CASH INFLOWS					
9	Secured lending				
10	Inflows from fully performing exposures	462,544.35	297,075	711,034.67	553,080
11	Other Cash inflows				
12	TOTAL CASH INFLOWS		297,075		553,080
		TOTAL ADJUSTED VALUE		TOTAL ADJUSTED VALUE	
21	TOTAL HQLA		1,711,471.80		2,051,267.62
22	TOTAL NET CASH OUTFLOWS		869,649.46		785,842.07
23	LIQUIDITY COVERAGE RATIO		1.97		2.61

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)

