

1. CAPITAL - ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

1.1 Capital Adequacy Framework

Capital Management aims to safeguard the Bank's ability to continue as a going concern so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. For this the Bank ensures strong capital position and efficient use of capital as determined by the underlying business strategy i.e. maximizing growth on continuing basis. The Bank maintains 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 Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

i) Goals of Managing Capital

The main objective of the capital management is to improve the financial position and strengthen the statement of financial position of the Bank to support the growth in business, provide protection to depositors and enhance shareholders' value. The Bank's Board and the management is committed to maintaining a sound balance between depositors' liability and shareholders' funds so that optimal capital / debt ratio is maintained. The optimal capital / debt ratio will provide reasonable assurance to depositor's about safety and security of their funds and at the same time provide impetus to the management to invest their depositors' funds into profitable ventures without compromising the risk profile of the Bank

ii) Statutory Minimum Capital requirement and Management of Capital:

The State Bank of Pakistan (SBP) vide circular no.7 dated April 15, 2009 had set the Minimum Capital Requirement (MCR) for banks of Rs 10 billion to be achieved in a phased manner by December 31, 2013. The paid up capital of the Bank for the year ended December 31, 2020 stands at Rs. 11.97 billion and is in compliance with the SBP requirement for the said year.

iii) Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks. The Banks are required to comply with the CAR as specified by SBP on standalone as well as consolidated basis.

SBP issued the instructions on the computation of CAR based on Basel III capital reform as published by Basel Committee on Banking Supervision. These instructions are effective from 31 December 2013 with full implementation intended by 31 December 2020. These instructions also specify the transitional arrangements from 2013 to 2020.

Accordingly, the Bank has assessed and reported its Capital Adequacy Ratio in these financial statements on the basis of BASEL III requirements as prescribed by SBP.

After the pandemic of COVID 19 occurs in 2020, SBP via BPRD Circular Letter No. 12 of 2020 has been reduced Capital Conservation Buffer (CCB) from 2.5% to 1.00% and new Capital Adequacy Ratio requirement stands at 11.50%.

2. Scope of Applications

The Basel-III framework is applicable to the Bank on a standalone basis as the Bank does not have a subsidiary. Standardized Approach has been used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

3. Capital Structure

Bank's regulatory capital has been analyzed in two tiers;

- Common equity Tier 1 capital (CET 1), which includes fully paid up capital, discount on issuance of shares, statutory reserves, accumulated losses and regulatory adjustments applicable on CET 1.
- Tier 2 capital, which includes subordinated debt/instrument, general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets) and reserves on revaluation of investments.

	2020	2019
	-----Rupees in '000-----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Share Capital including advance against issuance of shares	15,133,256	15,133,256
Balance in share premium account	-	-
Reserve for issue of bonus shares	-	-
Discount on Issuance of shares - net	(632,766)	(632,766)
Statutory reserves	332,231	179,384
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Accumulated loss	(2,526,778)	(3,133,850)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	12,305,943	11,546,024
Total regulatory adjustments applied to CET1	3,431,863	4,035,189
Common Equity Tier 1	8,874,080	7,510,836
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	1,389,241	1,389,241
of which: Classified as equity	1,389,241	1,389,241
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	1,389,241	1,389,241
Total regulatory adjustment applied to AT1 capital	-	-
Additional Tier 1 Capital after regulatory adjustments	1,389,241	1,389,241
Additional Tier 1 capital recognized for capital adequacy	1,389,241	1,355,031
Tier 1 Capital (CET1 + admissible AT1)	10,263,321	8,865,866
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	900,000	1,257,143
Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
General provisions for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	218,641	169,940
Revaluation Reserves (net of taxes)	420,894	945,179
of which: Revaluation reserves on fixed assets	-	-
of which: Unrealized gains on AFS	420,894	945,179
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves	-	-
T2 before regulatory adjustments	1,539,535.69	2,372,261.70
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	1,539,536	2,372,262
Tier 2 capital recognized for capital adequacy	1,539,536	2,258,385
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	1,539,536	2,258,385
TOTAL CAPITAL (T1 + admissible T2)	11,802,857	11,124,251
Total Risk Weighted Assets (RWA)	91,511,992	83,628,517
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	9.70%	8.98%
Tier-1 capital to total RWA	11.22%	10.60%
Total capital to RWA	12.90%	13.30%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
of which: capital conservation buffer requirement	-	-
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	11.50%	12.50%

Regulatory Adjustments and Additional Information

	Amount	Amounts subject to Pre- Basel III treatment	Amount	Amounts subject to Pre- Basel III treatment
	2020		2019	
-----Rupees in '000-----				
Common Equity Tier 1 capital: Regulatory adjustments				
- Goodwill (net of related deferred tax liability)	396,117	-	396,117	-
- All other intangibles (net of any associated deferred tax liability)	913,290	-	1,061,418	-
- Shortfall in provisions against classified assets	-	-	-	-
- Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,714,957	1,714,957	2,187,554	2,187,554
- Defined-benefit pension fund net assets	-	-	-	-
- Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-	-	-
- Cash flow hedge reserve	-	-	-	-
- Investment in own shares/ CET1 instruments	-	-	-	-
- Securitization gain on sale	-	-	-	-
- Capital shortfall of regulated subsidiaries	-	-	-	-
- Deficit on account of revaluation of investments classified as AFS	-	-	-	-
- 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)	-	-	-	-
- Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
- Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	407,500	407,500	390,099	390,099
- 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	-	-	-	-
- Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
- Any other deduction specified by SBP	-	-	-	-
- Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	3,431,863	2,122,457	4,035,189	2,577,654
Additional Tier-1 & 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 of banking, financial and insurance entities	-	-	-	-
- 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)	-	-	-	-
- Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
- 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	-	-	-	-
- Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustment applied to AT1 capital	-	-	-	-

Tier 2 Capital: regulatory adjustments

-	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	-	-	-	-
-	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
-	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)	-	-	-	-
-	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
	Total regulatory adjustment applied to T2 capital	-	-	-	-

Additional Information**2020****2019****Risk Weighted Assets subject to pre-Basel III treatment**

-	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
	of which: deferred tax assets	-	-
	of which: Defined-benefit pension fund net assets	-	-
	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	-	-
	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)

	Non-significant investments in the capital of other financial entities	-	-
	Significant investments in the common stock of financial entities	26,046	26,046
	Deferred tax assets arising from temporary differences (net of related tax liability)	928,158	790,094

Applicable caps on the inclusion of provisions in Tier 2

	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Capital Structure Reconciliation

Step 1	As per published financial statements 2020	Under regulatory scope of consolidation 2020	As per published financial statements 2019	Under regulatory scope of consolidation 2019
	----- Rupees in '000 -----			
Assets				
Cash and balances with treasury banks	15,773,612	15,773,612	26,319,937	26,319,937
Balanced with other banks	10,177,095	10,177,095	2,850,550	2,850,550
Due from financial institutions	2,748,221	2,748,221	14,598,633	14,598,633
Investments	57,117,232	57,117,232	24,194,885	24,194,885
Islamic financing and related assets	90,279,044	90,279,044	75,443,712	75,443,712
Operating Fixed Assets	4,396,283	4,396,283	4,877,578	4,877,578
Intangible Assets	1,329,654	1,329,654	1,467,904	1,467,904
Deferred tax assets	2,640,784	2,640,784	2,839,139	2,839,139
Other assets	8,351,698	8,351,698	9,389,888	9,389,888
Total assets	192,813,623	192,813,623	161,982,226	161,982,226
Liabilities				
Bills payable	3,696,482	3,696,482	3,223,721	3,223,721
Due to financial institutions	5,722,336	5,722,336	4,278,132	4,278,132
Deposits and other accounts	159,363,727	159,363,727	129,654,288	129,654,288
Sub-ordinated Debt	3,174,945	2,289,241	3,460,661	2,646,384
Deferred Tax Liabilities	-	-	-	-
Other liabilities	7,826,681	7,826,681	8,633,860	8,633,860
Total liabilities	179,784,171	178,898,467	149,250,662	148,436,384
Represented by				
Share capital (including advance against issuance of shares and discount)	14,500,490	14,500,490	14,500,490	14,500,490
Reserves	332,231	332,231	179,384	179,384
Accumulated loss	(2,526,778)	(2,526,778)	(3,133,850)	(3,133,850)
Surplus on revaluation of Investments-net of tax	723,509	723,509	1,185,540	1,185,540
Total equity	13,029,452	13,029,452	12,731,564	12,731,564
Total liabilities & equity	192,813,623	191,927,919	161,982,226	161,167,949

Step 2

Step 2	As per published financial statements 2020	Under regulatory scope of consolidation 2020	As per published financial statements 2019	Under regulatory scope of consolidation 2019
	----- Rupees in '000 -----			
Assets				
Cash and balances with treasury banks	15,773,612	15,773,612	26,319,937	26,319,937
Balanced with other banks	10,177,095	10,177,095	2,850,550	2,850,550
Due from Financial institutions	2,748,221	2,748,221	14,598,633	14,598,633
Investments	57,117,232	57,117,232	24,194,885	24,194,885
<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>	-	-	-	-
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	-	-
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	-	-	-	-
<i>of which: others (mention details)</i>	-	-	-	-
Islamic financing and related assets	90,279,044	90,279,044	75,443,712	75,443,712
<i>shortfall in provisions against classified assets</i>	-	-	-	-
<i>general provisions reflected in Tier 2 capital</i>	218,641	218,641	169,940	169,940
Fixed Assets	4,396,283	4,396,283	4,877,578	4,877,578
Intangible Assets	1,329,654	1,329,654	1,467,904	1,467,904
Deferred Tax Assets	2,640,784	2,640,784	2,839,139	2,839,139
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	1,714,957	1,714,957	2,187,554	2,187,554
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	407,500	407,500	390,099	390,099
Other assets	8,351,698	8,351,698	9,389,888	9,389,888
<i>of which: Goodwill</i>	396,117	396,117	396,117	396,117
<i>of which: Intangibles</i>	913,290	913,290	1,061,418	1,061,418
<i>of which: Defined-benefit pension fund net assets</i>	-	-	-	-
Total assets	192,813,623	192,813,623	161,982,226	161,982,226

Step 2	As per published financial statements	Under regulatory scope of consolidation	As per published financial statements	Under regulatory scope of consolidation	Ref
	2020	2020	2019	2019	
	-----Rupees in '000-----				
Liabilities & Equity					
Bills payable	3,696,482	3,696,482	3,223,721	3,223,721	
Due to Financial institutions	5,722,336	5,722,336	4,278,132	4,278,132	
Deposits and other accounts	159,363,727	159,363,727	129,654,288	129,654,288	
Sub-ordinated Debt	3,174,945	2,289,241	3,460,661	2,646,384	
<i>of which: eligible for inclusion in AT1</i>	1,389,241	1,389,241	1,389,241	1,389,241	m
<i>of which: eligible for inclusion in Tier 2</i>	1,785,704	900,000	2,071,420	1,257,143	n
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	7,826,681	7,826,681	8,633,860	8,633,860	
Total liabilities	179,784,171	178,898,467	149,250,662	148,436,384	
Share capital					
<i>of which: amount eligible for CET1</i>	14,500,490	14,500,490	14,500,490	14,500,490	s
<i>of which: amount eligible for AT1</i>	1,389,241	1,389,241	1,389,241	1,355,031	t
Reserves	332,231	332,231	179,384	179,384	
<i>of which: portion eligible for inclusion in CET1(provide breakup)</i>	332,231	332,231	179,384	179,384	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	-	-	v
Accumulated losses	(2,526,778)	(2,526,778)	(3,133,850)	(3,133,850)	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					
<i>of which: Revaluation reserves on Fixed Assets</i>	723,509	420,894	1,185,540	945,179	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	-	-	-	-	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	-	-	ab
Total equity and liabilities	13,029,452	12,726,838	12,731,564	12,491,203	
Total Equity	192,813,623	191,625,305	161,982,226	160,927,588	

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2	Component of regulatory capital reported by bank	Source based on reference number from step 2
	2020	2020	2019	2019
	-----Rupees in '000-----			
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Share capital (including advance against issuance of shares)	15,133,256		15,133,256	
Discount against issuance of shares	(632,766)	(s)	(632,766)	(s)
Reserve for issue of Bonus Shares				
Statutory Reserves	332,231	(u)	179,384	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-		-	
Accumulated losses	(2,526,778)	(w)	(3,133,850)	(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)	-	(x)
CET 1 before Regulatory Adjustments	12,305,943		11,546,024	
Common Equity Tier 1 capital: Regulatory adjustments				
Goodwill (net of related deferred tax liability)	396,117	(j) - (o)	396,117	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	913,290	(k) - (p)	1,061,418	(k) - (p)
Shortfall of provisions against classified assets	-	(f)	-	(f)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,714,957	{{(h) - (r)} * 100%	2,187,554	{{(h) - (r)} * 100%
Defined-benefit pension fund net assets	-	{{(l) - (q)} * 0%	-	{{(l) - (q)} * 0%
Reciprocal cross holdings in CET1 capital instruments	-	(d)	-	(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	-	(ab)	-	(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)	-	(a) - (ac) - (ae)	-	(a) - (ac) - (ae)
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)	-	(b) - (ad) - (af)
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		-	
Amount exceeding 15% threshold	407,500	(i)	390,099	(i)
<i>of which: significant investments in the common stocks of financial entities</i>	-		-	
<i>of which: deferred tax assets arising from temporary differences</i>	-		-	
National specific regulatory adjustments applied to CET1 capital	-		-	
<i>of which: Investment in TFCs of other banks exceeding the prescribed limit</i>	-		-	
<i>of which: Any other deduction specified by SBP (mention details)</i>	-		-	
Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		-	
Total regulatory adjustments applied to CET1	3,431,863		4,035,189	

Common Equity Tier 1	8,874,080		7,510,836	
Additional Tier 1 (AT 1) Capital				
Qualifying Additional Tier-1 instruments plus any related share premium	1,389,241	(t)	1,355,031	(t)
of which: Classified as equity	-		-	
of which: Classified as liabilities	-		-	
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)	-	(y)
of which: instrument issued by subsidiaries subject to phase out	-		-	
AT1 before regulatory adjustments	1,389,241		1,355,031	
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)	-	(ac)	-	(ac)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)	-	(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	-		-	
Additional Tier 1 capital	1,389,241		1,355,031	
Additional Tier 1 capital recognized for capital adequacy	1,389,241		1,355,031	
Tier 1 Capital (CET1 + admissible AT1)	10,263,321		8,865,866	
Tier 2 Capital				
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	900,000	(n)	1,257,143	(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)	-	(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	218,641	(g)	169,940	(g)
Revaluation Reserves	-		-	
of which: Revaluation reserves on fixed assets	-		-	
of which: Unrealized Gains/Losses on AFS	420,894	portion of (aa)	945,179	portion of (aa)
Foreign Exchange Translation Reserves	-	(v)	-	(v)
Undisclosed/Other Reserves (if any)	-		-	
T2 before regulatory adjustments	1,539,536		2,372,262	
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)	-	(ae)	-	(ae)
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)	-	(af)
Amount of Regulatory Adjustment applied to T2 capital	-		-	
Tier 2 capital (T2)	1,539,536		2,372,262	
Tier 2 capital recognized for capital adequacy	1,539,536		2,258,385	
Excess Additional Tier 1 capital recognized in Tier 2 capital	-		-	
Total Tier 2 capital admissible for capital adequacy	1,539,536		2,258,385	
TOTAL CAPITAL (T1 + admissible T2)	11,802,857		11,124,251	

Risk-Weighted Exposures

	2020		2019	
	-----Rupees in '000-----			
	Capital Requirement	Risk weighted Assets	Capital Requirement	Risk weighted Assets
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash and cash equivalents	-	-	-	-
Sovereign	12,270	106,692	12,377	99,014
Public Sector entities	19,439	169,035	59,830	478,638
Banks	425,929	3,703,733	592,353	4,738,825
Corporate	4,208,656	36,597,009	3,841,755	30,734,039
Retail	1,793,049	15,591,731	1,472,012	11,776,099
Residential mortgages	132,116	1,148,831	155,996	1,247,967
Past due loans	322,577	2,805,013	542,180	4,337,441
Operating Fixed assets	505,573	4,396,284	608,534	4,868,272
Other assets	716,220	6,228,001	885,056	7,080,449
	8,135,828	70,746,330	8,170,093	65,360,744
Portfolios subject to Internal Rating Based (IRB) Approach				
Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.	696,755	6,058,738	761,261	6,090,084
Market related				
Foreign exchange contracts	46,264	402,296	29,860	238,879
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
- Listed	16,384	142,465	14,641	117,130
- Unlisted	-	-	-	-
Under Internal models approach				
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	38,013	475,165	21,742	271,773
Equity position risk	90,257	1,128,217	95,394	1,192,429
Foreign Exchange risk	7,929	99,115	9,872	123,398
Capital Requirement for portfolios subject to Internal Models Approach				
	-	-	-	-
Operational Risk				
Capital Requirement for operational risks				
	996,773	12,459,666	818,726	10,234,079
	1,892,376	20,765,663	1,751,496	18,267,773
Total Risk-Weighted Exposures	10,028,203	91,511,992	9,921,589	83,628,517

	2020		2019	
	Required	Actual	Required	Actual
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	9.70%	6.00%	8.98%
Tier-1 capital to total RWA	7.50%	11.22%	7.50%	10.60%
Total capital to total RWA	11.50%	12.90%	12.50%	13.30%

Main Features Template of Regulatory Capital Instruments

	COMMON SHARES	ADDITIONAL TIER 1	TIER II SUKUK (1ST EDITION)	TIER II SUKUK (2ND EDITION)
1	Issuer	Al Baraka Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited	Al Baraka Bank (Pakistan) Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	Not Applicable	Not Applicable	AlBaraka Bank (Pakistan) Limited - Tier II Sukuk
3	Governing law(s) of the instrument	Laws applicable in Pakistan	Laws applicable in Pakistan	Laws applicable in Pakistan
Regulatory treatment				
4	Transitional Basel III rules	Common equity Tier 1	Additional Tier 1	Tier 2
5	Post-transitional Basel III rules	Common equity Tier 1	Additional Tier 1	Ineligible
6	Eligible at solo / group / group&solo	Solo	Solo	Solo
7	Instrument type	Common shares	Liability - subordinated loans	Subordinated Debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	8,874,080	1,389,241	900,000
9	Par value of instrument	Rs 10 per share		Rs 1 million per certificate
10	Accounting classification	Shareholder equity	Liability - subordinated loans	Liability - subordinated loans
11	Original date of issuance	2005-2016	December 2018	September 2014
12	Perpetual or dated	Perpetual	Perpetual	Dated
13	Original maturity date	No maturity	No maturity	26 September 2021
14	Issuer call subject to prior supervisory approval	No	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable	December 2023	25 September 2019
16	Subsequent call dates, if applicable	Not Applicable	Any time after the option call date	Any time after the option call date
Coupons / dividends				
17	Fixed or floating dividend/ coupon	Not Applicable	Floating	Floating
18	coupon rate and any related index/ benchmark	Not Applicable	1 Year Kibor + 1.25% per annum	6 months Kibor + 1.25% per annum
19	Existence of a dividend stopper	No	Yes	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non Convertible	Convertible	Convertible
24	If convertible, conversion trigger (s)	Not Applicable	The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP.	The Instrument is subject to loss absorbency, under which SBP may convert the instrument, fully or partially, into common ordinary shares upon the occurrence of a non-viability trigger event (the "PONV"). The conversion shall be based on the price as agreed with SBP.
25	If convertible, fully or partially	Not Applicable	May convert fully or partially upon the occurrence of PONV.	May convert fully or partially upon the occurrence of PONV.
26	If convertible, conversion rate	Not Applicable	To be determined in the case of Trigger event.	To be determined in the case of Trigger event.
27	If convertible, mandatory or optional conversion	Not Applicable	Mandatory	Mandatory
28	If convertible, specify instrument type convertible into	Not Applicable	Common Equity Tier 1	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	Not Applicable	AlBaraka Bank (Pakistan) Limited	AlBaraka Bank (Pakistan) Limited
30	Write-down feature	NO		
31	If write-down, write-down trigger(s)	Not Applicable	The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV").	The Instrument is subject to loss absorbency, under which SBP, may either convert into common ordinary shares or immediately write off upon the occurrence of a non-viability trigger event (the "PONV").
32	If write-down, full or partial	Not Applicable	May be written down fully or may be written off partially	May be written down fully or may be written off partially
33	If write-down, permanent or temporary	Not Applicable	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated debt as shareholders' equity represents residual interest	Subordinate to all other indebtedness to the Bank including depositors	Subordinate to all other indebtedness to the Bank including depositors
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not Applicable	Not Applicable	Not Applicable

Leverage ratio

During 2013, SBP issued the instructions on the computation of Tier 1 Leverage Ratio. In line with these instructions, parallel run period for leverage ratio will commence from 31 December 2013 to 31 December 2017. During the period, banks has to maintain Tier 1 Leverage ratio of 3%.

	2020	2019
	Rupees in '000	
Tier-1 Capital	10,263,321	8,865,866
Total Exposures	249,237,843	206,275,588
Leverage Ratio	4.12%	4.30%

Credit Risk – General Disclosures

The Bank has adopted Standardised Approach, under Basel III.

Credit Risk: Standardized Approach

The Bank use rating assigned by JCR-VIS and PACRA as External Credit Assessment Institutions (ECAI) for the purpose of risk weighing its exposure. In the case of foreign currency exposure, ratings assigned by S&P and Moody's have been applied.

Following are the types of exposure for which each agency is used:

Exposure	MOODY'S	S&P	JCR-VIS	PACRA
Corporate	-	-	✓	✓
Banks	✓	✓	✓	✓
Sovereigns	✓	-	-	-

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of its exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardised approach, amount of Bank's outstandings (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction	Net Amount	
			CRM*		
			Rupees in '000		
Corporate	1	4,029,530	1,200,000	2,829,530	
	2	18,289,083	65,969	18,223,114	
	3,4	4,943,796	68,448	4,875,349	
	Unrated-1	18,280,232	805,617	17,474,615	
	Unrated-2	3,813,666	158,000	3,655,666	
		49,356,307	2,298,033	47,058,274	
Banks	1,2,3	16,071,047	-	16,071,047	
Sovereigns etc.		72,236,077	9,997,935	62,238,142	
Public sector enterprises	1	2,480,110	2,480,110	-	
	2,3	-	-	-	
	Unrated	5,859,912	5,521,841	338,070	
		8,340,022	8,001,951	338,070	
Others		41,100,006	66,193	41,033,813	
Total		187,103,459	20,364,113	166,739,346	

* CRM= Credit Risk Mitigation

Main types of collateral taken by the Bank are:

- Cash margin
- Lien on deposits
- Government guarantee
- Pledge of Shares
- Bank guarantee

The Bank has adopted simple approach to credit risk mitigation under Basel III and therefore has not applied any haircuts to the collateral. Moreover the Bank's eligible collateral only includes cash / liquid securities.