

37 Capital Adequacy

State Bank of Pakistan (SBP) requires Banks/DFIs to maintain regulatory capital for credit, market and operational risks which should at least be equal to 10% of total risk weighted assets. As per SBP BPRD Circular no 06 dated August 15, 2013 wherein SBP has asked banks/DFIs to implement Basel III reforms issued by the Basel Committee on Banking Supervision (BCBS) to further strengthen the capital related rules. The Company has implemented Basel-3 framework in the light of SBP instructions both at the standalone level and also on consolidated basis. The Company monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum regulatory requirement. The Company calculates capital requirement as per Basel III regulatory framework, using the Standardized Approach for Credit Risk and Market Risk whereas Basic Indicator Approach for Operational Risk.

Objectives of Capital Management

The capital management objectives of the Company are as follows:

- To maintain sufficient capital to support overall business strategy, expansion and growth;
- To integrate capital allocation decisions with the strategic and financial planning process;
- To meet the regulatory capital adequacy ratios as defined by SBP;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide adequate return to shareholders; and
- To have a prudent buffer to protect the Company under different economic and stress scenarios caused by unexpected and unforeseeable events.

Capital Management

The Company maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the

business. The Company has complied with all externally imposed capital requirement throughout the year.

The Company's regulatory capital under Basel – 3 framework is analyzed in following terms.

1. Tier 1 Capital (going-concern capital)
 - i. Common Equity Tier 1 (CET 1)
 - ii. Additional Tier 1 (AT1)
2. Tier 2 Capital (gone-concern capital)

Common Equity Tier 1 (CET1)

Common Equity Tier 1 capital consist sum of the following items:

- i. Fully paid up (common shares) capital / assigned capital
- ii. Balance in share premium account
- iii. Reserve for Issue of Bonus Shares
- iv. General/ Statutory Reserves as disclosed on the balance-sheet
- v. Minority Interest
- vi. Up-appropriated / un remitted profits (net of accumulated losses, if any)
- vii. Less regulatory adjustments applicable of CET1 as specified in Basel-3

Additional Tier 1 Capital (AT1)

Additional Tier capital shall consist of the following items

- i. Instruments issued by banks that meet the qualifying criteria for AT1 as specified in Basel-3
- ii. Share premium resulting from the issuance of AT instruments.
- iii. Minority interest i.e. AT1 issued by consolidated parties to third parties.
- iv. Less regulatory adjustments applicable on AT1 as specified in Basel-3

Tier 2 Capital (Gone Concern Capital or Supplementary Capital)

The Tier 2 capital (or gone concern capital) shall include the following elements:

- i. Subordinated debt/Instruments (meeting eligibility criteria as specified in Basel-3)
- ii. Share premium resulting from the issue of instruments included in Tier 2.
- iii. Minority Interest i.e. Tier -2 issued by consolidated subsidiaries to third parties as specified in B-3
- iv. Revaluation reserves (net of deficits, if any)
- v. General provisions or general Reserves for loan losses
- vi. Foreign Exchange Translation Reserves
- vii. Undisclosed Reserves
- viii. Less regulatory adjustments applicable on Tier -2 capital as specified in Basel-3

Statutory Capital Requirement

The capital of the Company is managed keeping the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to risk weighted assets of the Company. The total risk-weighted exposures comprise the credit, market and operational risks.

The calculation of capital adequacy enables the Company to assess the long-term soundness. It is crucial to continuously monitor the exposure across entire organization and aggregate risks so as to take an integrated approach/view. Maximization of the return on risk adjusted capital is the principal basis to be used in determining how capital is allocated within the Company to particular operations or activities.

The Company also stress tests its capital adequacy to various risks as per SBP stress testing guidelines.

37.1 Capital Structure

| | | 2013 | | 2012 |
|---------------|--|----------------|---|------------|
| | | Rupees in '000 | | |
| | | Amount | Amounts subject to Pre - Basel III treatment* | |
| 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 | General/ Statutory Reserves | 3,553,438 | | 3,285,976 |
| 5 | Gain/(Losses) on derivatives held as Cash Flow Hedge | | | |
| 6 | Unappropriated/unremitted profits/ (losses) | 6,126,502 | | 4,490,626 |
| 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) | | | |
| 8 | CET 1 before Regulatory Adjustments | 15,679,940 | | 13,776,602 |
| | Common Equity Tier 1 capital: Regulatory adjustments | | | |
| 9 | Goodwill (net of related deferred tax liability) | | | |
| 10 | All other intangibles (net of any associated deferred tax liability) | 42,317 | | 77,765 |
| 11 | Shortfall of provisions against classified assets | | | |
| 12 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | | | |
| 13 | Defined-benefit pension fund net assets | | | |
| 14 | Reciprocal cross holdings in CET1 capital instruments | | | |
| 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 property/ AFS | | | |
| 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) | | | |
| 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) | | 4,879,915 | |
| 22 | Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | | | |
| 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 | Investment in TFCs of other banks exceeding the prescribed limit | | | |
| 28 | Any other deduction specified by SBP (mention details) | | | |
| 29 | Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | 6,146,093 | | 5,340,452 |
| 30 | Total regulatory adjustments applied to CET1 (sum of 9 to 25) | 6,188,410 | | 5,418,217 |
| | Common Equity Tier 1 | (a) | 9,491,530 | 8,358,385 |
| | Additional Tier 1 (AT 1) Capital | | | |
| 31 | Qualifying Additional Tier-1 instruments plus any related share premium | | | |
| 32 | of which: Classified as equity | | | |
| 33 | of which: Classified as liabilities | | | |
| 34 | Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) | | | |
| 35 | of which: instrument issued by subsidiaries subject to phase out | | | |
| 36 | AT1 before regulatory adjustments | | | |
| | Additional Tier 1 Capital: regulatory adjustments | | | |
| 37 | Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | | | |
| 38 | Investment in own AT1 capital instruments | | | |
| 39 | Reciprocal cross holdings in Additional Tier 1 capital instruments | | | |
| 40 | 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) | | | |
| 41 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | | | |
| 42 | 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 | 3,221,839 | | 2,819,018 |
| 43 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | 2,924,255 | | 2,521,434 |
| 44 | Total of Regulatory Adjustment applied to AT1 capital | 6,146,094 | | 5,340,452 |
| 45 | Additional Tier 1 capital | | | |
| 46 | Additional Tier 1 capital recognized for capital adequacy | (b) | - | - |
| | Tier 1 Capital (CET1 + admissible AT1) | (c=a+b) | 9,491,530 | 8,358,385 |

| | | | | |
|----|--|-----------|-------------------|-------------------|
| | Tier 2 Capital | | | |
| 47 | Qualifying Tier 2 capital instruments under Basel III | | | |
| 48 | Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) | | | |
| 49 | Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | | | |
| 50 | of which: instruments issued by subsidiaries subject to phase out | | | |
| 51 | General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | | | |
| 52 | Revaluation Reserves | | | |
| 53 | of which: Revaluation reserves on Property | | | |
| 54 | of which: Unrealized Gains/Losses on AFS | 297,584 | | 289,096 |
| 55 | Foreign Exchange Translation Reserves | | | |
| 56 | Undisclosed/Other Reserves (if any) | | | |
| 57 | T2 before regulatory adjustments | 297,584 | | 289,096 |
| | Tier 2 Capital: regulatory adjustments | | | |
| 58 | Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Base III treatment which, during transitional period, remain subject to deduction from tier-2 capital | 3,221,839 | | 2,819,018 |
| 59 | Reciprocal cross holdings in Tier 2 instruments | | | |
| 60 | Investment in own Tier 2 capital instrument | | | |
| 61 | 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) | | | |
| 62 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | | | |
| 63 | Amount of Regulatory Adjustment applied to T2 capital | 297,584 | | 289,096 |
| 64 | Tier 2 capital (T2) | - | | - |
| 65 | Tier 2 capital recognized for capital adequacy | | | |
| 66 | Excess Additional Tier 1 capital recognized in Tier 2 capital | | | |
| 67 | Total Tier 2 capital admissible for capital adequacy | (d) | - | - |
| | TOTAL CAPITAL (T1 + admissible T2) | (e=c+d) | 9,491,530 | 8,358,385 |
| | Total Risk Weighted Assets | (i=f+g+h) | 21,758,484 | 19,037,677 |
| 68 | Total Credit Risk Weighted Assets | (f) | 10,676,072 | 11,429,559 |
| 69 | Risk weighted assets in respect of amounts subject to Pre-Base III Treatment | | | |
| 70 | 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 | | | |
| 71 | of which: deferred tax assets | | - | |
| 72 | of which: Defined-benefit pension fund net assets | | | |
| 73 | of which: [insert name of adjustment] | | | |
| 74 | Total Market Risk Weighted Assets | (g) | 6,538,518 | 3,936,795 |
| 75 | Total Operational Risk Weighted Assets | (h) | 4,543,894 | 3,671,323 |
| | Capital Ratios and buffers (in percentage of risk weighted assets) | | | |
| 76 | CET1 to total RWA | (a/i) | 43.62% | 43.90% |
| 77 | Tier-1 capital to total RWA | (c/i) | 43.62% | 43.90% |
| 78 | Total capital to RWA | (e/i) | 43.62% | 43.90% |
| 79 | Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) | | | |
| 80 | of which: capital conservation buffer requirement | | | |
| 81 | of which: countercyclical buffer requirement | | | |
| 82 | of which: D-SIB or G-SIB buffer requirement | | | |
| 83 | CET1 available to meet buffers (as a percentage of risk weighted assets) | | | |
| | National minimum capital requirements prescribed by SBP | | | |
| 84 | CET1 minimum ratio | | 5.00% | |
| 85 | Tier 1 minimum ratio | | 6.50% | |
| 86 | Total capital minimum ratio | | 10.00% | 10.00% |
| | Amounts below the thresholds for deduction (before risk weighting) | | | |
| 87 | Non-significant investments in the capital of other financial entities | | 648,669 | |
| 88 | Significant investments in the common stock of financial entities | | 6,443,677 | |
| 89 | Deferred tax assets arising from temporary differences (net of related tax liability) | | - | |
| | Applicable caps on the inclusion of provisions in Tier 2 | | | |
| 90 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | | | |
| 91 | Cap on inclusion of provisions in Tier 2 under standardized approach | | | |
| 92 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | | | |
| 93 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | | | |

37.2 Capital Structure Reconciliation

Step 1

| Table: 44.2.1 | Balance sheet as in published financial statements | Under regulatory scope of consolidation |
|---|---|--|
| (in thousand PKR) | As at period end | As at period end |
| Assets | | |
| Cash and balances with treasury banks | 30,795 | 30,795 |
| Balanced with other banks | 27,561 | 27,561 |
| Lending to financial institutions | 5,824,062 | 5,824,062 |
| Investments | 11,886,802 | 11,886,802 |
| Advances | 3,772,490 | 3,772,490 |
| Operating fixed assets | 203,854 | 203,854 |
| Deferred tax assets | - | - |
| Other assets | 545,733 | 545,733 |
| Total assets | 22,291,297 | 22,291,297 |
| Liabilities & Equity | | |
| Bills payable | - | - |
| Borrowings | 5,042,353 | 5,042,353 |
| Deposits and other accounts | 349,680 | 349,680 |
| Sub-ordinated loans | - | - |
| Liabilities against assets subject to finance lease | - | - |
| Deferred tax liabilities | 256,857 | 256,867 |
| Other liabilities | 373,302 | 373,302 |
| Total liabilities | 6,022,192 | 6,022,202 |
| Share capital/ Head office capital account | 6,000,000 | 6,000,000 |
| Reserves | 3,553,438 | 3,553,438 |
| Unappropriated/ Unremitted profit/ (losses) | 6,126,502 | 6,126,502 |
| Minority Interest | | |
| Surplus on revaluation of assets | 589,165 | 589,165 |
| Total liabilities & equity | 16,269,105 | 16,269,105 |

Step 2

| Table: 44.2.2 | Balance sheet as in published financial statements | Under regulatory scope of consolidation | Reference |
|---|--|---|-----------|
| | As at period end | As at period end | |
| Assets | | | |
| Cash and balances with treasury banks | 30,795 | 30,795 | |
| Balanced with other banks | 27,561 | 27,561 | |
| Lending to financial institutions | 5,824,062 | 5,824,062 | |
| Investments | 11,886,802 | 11,886,802 | |
| <i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i> | | | a |
| <i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i> | | | b |
| <i>of which: Mutual Funds exceeding regulatory threshold</i> | | | c |
| <i>of which: reciprocal crossholding of capital instrument</i> | | | d |
| <i>of which: others (mention details)</i> | | | e |
| Advances | 3,772,490 | 3,772,490 | |
| <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 | 203,854 | 203,854 | |
| Deferred Tax Assets | - | - | |
| <i>of which: DTAs excluding those arising from temporary differences</i> | | | h |
| <i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i> | | | i |
| Other assets | 545,733 | 545,733 | |
| <i>of which: Goodwill</i> | | | j |
| <i>of which: Intangibles</i> | 42,317 | 42,317 | k |
| <i>of which: Defined-benefit pension fund net assets</i> | | | l |
| Total assets | 22,333,614 | 22,291,297 | |
| Liabilities & Equity | | | |
| Bills payable | - | - | |
| Borrowings | 5,042,353 | 5,042,353 | |
| Deposits and other accounts | 349,680 | 349,680 | |
| 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 | 256,857 | 256,857 | |
| <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 | 373,302 | 373,302 | |
| Total liabilities | 6,022,192 | 6,022,192 | |
| Share capital | 6,000,000 | 6,000,000 | |
| <i>of which: amount eligible for CET1</i> | | 6,000,000 | s |
| <i>of which: amount eligible for AT1</i> | | | t |
| Reserves | 3,553,438 | 3,553,438 | |
| <i>of which: portion eligible for inclusion in CET1 (provide breakup)</i> | 3,553,438 | 3,553,438 | u |
| <i>of which: portion eligible for inclusion in Tier 2</i> | | | v |
| Unappropriated profit/ (losses) | 6,126,502 | 6,126,502 | 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 | 589,165 | 589,165 | |
| <i>of which: Revaluation reserves on Property</i> | | | aa |
| <i>of which: Unrealized Gains/Losses on AFS</i> | 589,165 | 589,165 | |
| <i>In case of Deficit on revaluation (deduction from CET1)</i> | | | ab |
| Total liabilities & Equity | 22,291,297 | 22,291,297 | |

Step 3

| Basel III Disclosure Template (with added column) | | |
|---|---|--|
| Table: 44.2.3 | Component of regulatory capital reported by bank (amount in thousand PKR) | 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 | (s) |
| 2 Balance in Share Premium Account | | |
| 3 Reserve for issue of Bonus Shares | | |
| 4 General/ Statutory Reserves | 3,553,438 | (u) |
| 5 Gain/(Losses) on derivatives held as Cash Flow Hedge | | (w) |
| 6 Unappropriated/unremitted profits/(losses) | 6,126,502 | |
| 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 | 15,679,940 | |
| 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) | 42,317 | (k) - (p) |
| 11 Shortfall of provisions against classified assets | | (f) |
| 12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | {(h) - (r)} * x% |
| 13 Defined-benefit pension fund net assets | | {(l) - (q)} * x% |
| 14 Reciprocal cross holdings in CET1 capital instruments | | (d) |
| 15 Cash flow hedge reserve | | |
| 16 Investment in own shares/ CET1 instruments | | |
| 17 Securitization gain on sale | | |
| 18 Capital shortfall of regulated subsidiaries | | |
| 19 Deficit on account of revaluation from bank's holdings of property/ AFS | | (ab) |
| 20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (a) - (ac) - (ae) |
| 21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | (b) - (ad) - (af) |
| 22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | (i) |
| 23 Amount exceeding 15% threshold | | |
| 24 of which: significant investments in the common stocks of financial entities | | |
| 25 of which: deferred tax assets arising from temporary differences | | |
| 26 National specific regulatory adjustments applied to CET1 capital | | |
| 27 Investment in TFCs of other banks exceeding the prescribed limit | | |
| 28 Any other deduction specified by SBP (mention details) | | |
| 29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | 6,146,093 | |
| 30 Total regulatory adjustments applied to CET1 (sum of 9 to 25) | 6,188,410 | |
| Common Equity Tier 1 | 9,491,530 | |

| Additional Tier 1 (AT 1) Capital | | |
|--|--|-----------|
| 31 | Qualifying Additional Tier-1 instruments plus any related share premium | |
| 32 | of which: Classified as equity | (t) |
| 33 | of which: Classified as liabilities | (m) |
| 34 | Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) | (y) |
| 35 | of which: instrument issued by subsidiaries subject to phase out | |
| 36 | AT1 before regulatory adjustments | |
| Additional Tier 1 Capital: regulatory adjustments | | |
| 37 | Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | |
| 38 | Investment in own AT1 capital instruments | |
| 39 | Reciprocal cross holdings in Additional Tier 1 capital instruments | |
| 40 | 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) |
| 41 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | (ad) |
| 42 | 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 | 3,221,839 |
| 43 | Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | 2,924,255 |
| 44 | Total of Regulatory Adjustment applied to AT1 capital | 6,146,094 |
| 45 | Additional Tier 1 capital | |
| 46 | Additional Tier 1 capital recognized for capital adequacy | 0 |

| | |
|---|-----------|
| Tier 1 Capital (CET1 + admissible AT1) | 9,491,530 |
|---|-----------|

| Tier 2 Capital | | |
|---|--|-----------------|
| 47 | Qualifying Tier 2 capital instruments under Basel III | |
| 48 | Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) | (n) |
| 49 | Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | (z) |
| 50 | of which: instruments issued by subsidiaries subject to phase out | |
| 51 | General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | (g) |
| 52 | Revaluation Reserves eligible for Tier 2 | |
| 53 | of which: portion pertaining to Property | portion of (aa) |
| 54 | of which: portion pertaining to AFS securities | 297,584 |
| 55 | Foreign Exchange Translation Reserves | (v) |
| 56 | Undisclosed/Other Reserves (if any) | |
| 57 | T2 before regulatory adjustments | 297,584 |
| Tier 2 Capital: regulatory adjustments | | |
| 58 | 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 | 3,221,839 |
| 59 | Reciprocal cross holdings in Tier 2 instruments | |
| 60 | Investment in own Tier 2 capital instrument | |
| 61 | 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) |
| 62 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | (af) |
| 63 | Amount of Regulatory Adjustment applied to T2 capital | 297,584 |
| 64 | Tier 2 capital (T2) | |
| 65 | Tier 2 capital recognized for capital adequacy | |

| | | |
|----|---|------------------|
| 66 | Excess Additional Tier 1 capital recognized in Tier 2 capital | |
| 67 | Total Tier 2 capital admissible for capital adequacy | - |
| | TOTAL CAPITAL (T1 + admissible T2) | 9,491,530 |

37.3 Main Features Template of Regulatory Capital Instruments

| Disclosure template for main features of regulatory capital instruments | | |
|---|--|---|
| | Main Features | Common Shares |
| 1 | Issuer | Pakistan Kuwait Investment Company Pvt. Limited |
| 2 | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.) | NA |
| 3 | Governing law(s) of the instrument | Government of Pakistan |
| | Regulatory treatment | |
| 4 | Transitional Basel III rules | Common Equity Tier 1 |
| 5 | Post-transitional Basel III rules | Common Equity Tier 1 |
| 6 | Eligible at solo/ group/ group&solo | Solo |
| 7 | Instrument type | Ordinary Shares |
| 8 | Amount recognized in regulatory capital (Currency in PKR thousands, | 6,000,000 |
| 9 | Par value of instrument | |
| 10 | Accounting classification | Share Holder's Equity |
| 11 | Original date of issuance | 1979 |
| 12 | Perpetual or dated | No maturity |
| 13 | Original maturity date | NA |
| 14 | Issuer call subject to prior supervisory approval | NA |
| 15 | Optional call date, contingent call dates and redemption amount | NA |
| 16 | Subsequent call dates, if applicable | NA |
| | Coupons / dividends | |
| 17 | Fixed or floating dividend/ coupon | NA |
| 18 | coupon rate and any related index/ benchmark | NA |
| 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 | Noncumulative or cumulative | NA |
| 23 | Convertible or non-convertible | Nonconvertible |
| 24 | If convertible, conversion trigger (s) | NA |
| 25 | If convertible, fully or partially | NA |
| 26 | If convertible, conversion rate | NA |
| 27 | If convertible, mandatory or optional conversion | NA |
| 28 | If convertible, specify instrument type convertible into | NA |
| 29 | If convertible, specify issuer of instrument it converts into | NA |
| 30 | Write-down feature | NA |
| 31 | If write-down, write-down trigger(s) | NA |
| 32 | If write-down, full or partial | NA |
| 33 | If write-down, permanent or temporary | NA |
| 34 | If temporary write-down, description of write-up mechanism | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument | NA |
| 36 | Non-compliant transitioned features | NA |
| 37 | If yes, specify non-compliant features | NA |

37.4 Capital Adequacy Ratio

| | Capital Requirements | | Risk Weighted Assets | |
|--|-----------------------|-------------------|----------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | Rupees in '000 | | | |
| Credit Risk on On-Balance Sheet | | | | |
| PSE's | 40,999 | 3,066 | 409,990 | 30,662 |
| Banks | 77,783 | 14,431 | 777,831 | 144,311 |
| Corporates | 172,363 | 301,034 | 1,723,628 | 3,010,338 |
| Retail portfolio | 3,192 | 2,813 | 31,916 | 28,132 |
| Secured by residential property | 2,302 | 3,026 | 23,019 | 30,258 |
| Past due loans | 28,052 | 15,662 | 280,517 | 156,623 |
| Commercial Entity | 436,502 | 394,582 | 4,365,022 | 3,945,820 |
| Significant Investment & DTA | - | - | - | - |
| Listed equity investments | 61,806 | 104,690 | 618,063 | 1,046,900 |
| Unlisted equity investments | 32,279 | 21,887 | 322,788 | 218,869 |
| Investments in fixed assets | 16,154 | 17,132 | 161,537 | 171,318 |
| Other assets | 1,619 | 3,346 | 16,190 | 33,461 |
| | 873,050 | 881,669 | 8,730,501 | 8,816,692 |
| Credit risk on Off-Balance Sheet | | | | |
| Non market related | 194,557 | 261,287 | 1,945,573 | 2,612,867 |
| Market Risk | | | | |
| Interest rate risk | 25,168 | - | 251,675 | - |
| Equity position risk | 628,684 | 393,680 | 6,286,838 | 3,936,795 |
| | 653,851 | 393,680 | 6,538,518 | 3,936,795 |
| Operational Risk | 454,389 | 367,132 | 4,543,894 | 3,671,323 |
| TOTAL | 2,175,848 | 1,903,768 | 21,758,486 | 19,037,677 |
| Capital Adequacy Ratio | 2013 | 2012 | | |
| Total eligible regulatory capital held (e) | <u>9,491,530</u> | <u>8,358,385</u> | | |
| Total Risk Weighted Assets (i) | <u>21,758,486</u> | <u>19,037,677</u> | | |
| Capital Adequacy Ratio (e) / (i) | 43.62% | 43.90% | | |