

## 1. CAPITAL MANAGEMENT

Our Treasury function manages our capital at Group level and locally in each region. The allocation of financial resources, in general, and capital, in particular, favours business portfolios with the highest positive impact on the Group's profitability and shareholder value. As a result, Treasury periodically reallocates capital among business portfolios.

Regional capital plans covering the capital needs are presented to the Group Investment Committee. Local Asset and Liability Committees attend to those needs under the stewardship of regional Treasury teams. In developing, implementing and testing our capital and liquidity, we take legal and regulatory requirements into account.

The regulatory and economic capital demand is continuously monitored to adjust the available capital if required. Capital demand forecasts are regularly determined and carried forward based on the planned development of the business volume and results as well as expected risk parameter changes.

### 1.1 Capital-Assessment and Adequacy Basel III specific

#### 1.1.1 Scope of Applications

The Pakistan Operations currently use Basel III framework for the Capital Assessment and Capital Adequacy purposes. Basel III Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

#### 1.1.2 Capital Structure

The lead regulator, State Bank of Pakistan (SBP) sets and monitors capital requirements for the banks in Pakistan as a whole. With effect from 31 December 2013, the SBP has advised through its BPRD circular # 6 dated August 15, 2013 that all banks to calculate their capital requirements on Basel III Accord. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from 31 December 2013, however, there is a transitional phase during which the complete requirements would become applicable with full implementation by 31 December, 2020.

In implementing the current capital requirements, SBP requires the Pakistan Operations to maintain a prescribed total capital to total risk weighted assets ratio. As at the year end 2020, the SBP's minimum prescribed capital adequacy ratio is 11.5% (Total Capital 10% and Capital Conservation Buffer 1.5%). Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET1) ratio and Tier 1 ratio of 6% and 7.5% respectively as at 31 December 2020. The Pakistan Operations' ratio is compliant with this minimum benchmark.

The Pakistan Operations of Deutsche Bank calculate requirement for market risk on its portfolio based upon the methodology provided by SBP which takes account of specific and general market risk capital charge for interest rate risk using the maturity method.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Pakistan Operations' regulatory capital is analyzed into following tiers:

- Tier I capital: includes Head office capital account, and un-remitted profit.
- Tier II capital: includes general provision not kept against identified debts.

#### 1.1.3 The leverage ratio of the Pakistan Operations as at 31 December 2020 is 13.52% (2019: 14.92%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel-III Implementation in Pakistan.

As on 31 December 2020; Total Tier 1 capital of the Bank amounts to Rs. 8,221 million (2019: Rs. 7,268 million); whereas the total exposure measure amounts to Rs. 60,831 million (2019: Rs. 48,724 million).

1.2 Capital Adequacy Ratio (CAR) disclosure:

CAPITAL ADEQUACY RETURN AS OF 31 DECEMBER 2020

Rows #		2020	2019
		Rupees in '000	
		Amount	Amount
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	6,302,781	5,563,663
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	-	-
5	General/ Statutory Reserves	-	-
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,918,567	1,704,418
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	<b>CET 1 before Regulatory Adjustments</b>	<b>8,221,348</b>	<b>7,268,081</b>
10	Total regulatory adjustments applied to CET1 (Note 33.2.1)	-	-
11	<b>Common Equity Tier 1</b>	<b>8,221,348</b>	<b>7,268,081</b>
<b>Additional Tier 1 (AT 1) Capital</b>			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13	of which: Classified as equity	-	-
14	of which: Classified as liabilities	-	-
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	<b>AT1 before regulatory adjustments</b>	<b>-</b>	<b>-</b>
18	Total regulatory adjustment applied to AT1 capital (Note 33.2.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>	<b>-</b>
21	<b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>8,221,348</b>	<b>7,268,081</b>
<b>Tier 2 Capital</b>			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	December 2019. the Pakistan Operations' ratio is compliant with this minimum benchmark.	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	14,119	14,119
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	<b>T2 before regulatory adjustments</b>	<b>14,119</b>	<b>14,119</b>
33	Total regulatory adjustment applied to T2 capital (Note 33.2.3)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	14,119	14,119
35	Tier 2 capital recognized for capital adequacy	14,119	14,119
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>14,119</b>	<b>14,119</b>
38	<b>TOTAL CAPITAL (T1 + admissible T2) (21+37)</b>	<b>8,235,467</b>	<b>7,282,200</b>
39	<b>Total Risk Weighted Assets (RWA) {for details refer Note 33.5}</b>	<b>15,285,940</b>	<b>15,725,161</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
40	As on 31 December 2020; Total Tier 1 capital of the Bank amounts to Rs. 8,221 million (2019: R	53.78%	46.22%
41	<b>Tier-1 capital to total RWA</b>	<b>53.78%</b>	<b>46.22%</b>
42	<b>Total capital to total RWA</b>	<b>53.88%</b>	<b>46.31%</b>
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.50%	7.90%
44	of which: capital conservation buffer requirement	1.50%	1.90%
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)	47.78%	40.22%
<b>National minimum capital requirements prescribed by SBP</b>			
48	<b>CET1 minimum ratio</b>	<b>6.00%</b>	<b>6.00%</b>
49	<b>Tier 1 minimum ratio</b>	<b>7.50%</b>	<b>7.50%</b>
50	<b>Total capital minimum ratio</b>	<b>11.50%</b>	<b>12.50%</b>

2020 2019  
(Rupees in '000)

Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre-Base I treatment*	Amount
<b>Note 1.2.1</b>	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
1	Goodwill (net of related deferred tax liability)	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	-	-	-
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	-	-	-
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)	-	-	-
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	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	-	-	-

<b>Note 1.2.2</b>	<b>Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-
24	Investment in own AT1 capital instruments	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28	December 2019, the Pakistan Operations' ratio is compliant with this minimum benchmark.	-	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-

<b>Note 1.2.3</b>	<b>Tier 2 Capital: regulatory adjustments</b>			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Base I treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-	-

2020 2019  
(Rupees in '000)

Additional Information		Amount	Amount
<b>Note 1.2.4</b>	<b>Risk Weighted Assets subject to pre-Base I treatment</b>		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base I Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>	-	-
38	Non-significant investments in the capital of other financial entities	-	-
39	Significant investments in the common stock of financial entities	-	-
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>	-	-
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
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

Step 1	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2020	2020
	----- (Rupees in '000) -----	
<b>Assets</b>		
Cash and balances with treasury banks	8,645,015	8,645,015
Balanced with other banks	5,268,843	5,268,843
Lending to financial institutions	26,209,833	26,209,833
Investments	-	-
Advances	2,505,899	2,505,899
Operating fixed assets	242,064	242,064
Deferred tax assets	29,127	29,127
Other assets	1,419,828	1,419,828
<b>Total assets</b>	<b>44,320,609</b>	<b>44,320,609</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	972,657	972,657
Borrowings	241,047	241,047
Deposits and other accounts	30,965,106	30,965,106
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	3,920,451	3,920,451
<b>Total liabilities</b>	<b>36,099,261</b>	<b>36,099,261</b>
Share capital / Head office capital account	6,302,781	6,302,781
Reserves	-	-
Unappropriated / unremitted profit	1,918,567	1,918,567
Minority Interest	-	-
Surplus on revaluation of assets	-	-
<b>Total liabilities &amp; equity</b>	<b>44,320,609</b>	<b>44,320,609</b>

Step 2	Balance sheet as	Under regulatory	Reference
	in published financial statements	scope of consolidation	
	2020	2020	
<b>Assets</b>			
Cash and balances with treasury banks	8,645,015	8,645,015	
Balanced with other banks	5,268,843	5,268,843	
Lending to financial institutions	26,209,833	26,209,833	
Investments	-	-	
<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	2,505,899	2,505,899	
<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>	14,119	14,119	g
Fixed Assets	242,064	242,064	
Deferred Tax Assets	29,127	29,127	
<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	1,419,828	1,419,828	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	-	-	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>44,320,609</b>	<b>44,320,609</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	972,657	972,657	
Borrowings	241,047	241,047	
Deposits and other accounts	30,965,106	30,965,106	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>December 2019, the Pakistan Operations' ratio is compliant with this minimum benchmark</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	3,920,451	3,920,451	
<b>Total liabilities</b>	<b>36,099,261</b>	<b>36,099,261</b>	
Share capital / Head office capital account	6,302,781	6,302,781	
<i>of which: amount eligible for CET1</i>	6,302,781	6,302,781	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	-	-	
<i>of which: portion eligible for inclusion in CET1(provide breakup)</i>	-	-	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated / Unremitted profit/ (losses)	1,918,567	1,918,567	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 Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	-	-	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
<b>Total liabilities &amp; Equity</b>	<b>44,320,609</b>	<b>44,320,609</b>	

Step 3		Component of regulatory capital reported by bank (amount in thousand PKR)	Source based on reference number from step 2
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
1	Fully Paid-up Capital/ Capital deposited with SBP	6,302,781	
2	Balance in Share Premium Account	-	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	-	
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	(u)
6	Unappropriated/unremitted profits/(losses)	1,918,567	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	<b>CET 1 before Regulatory Adjustments</b>	<b>8,221,348</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	-	(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)} * 40%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * 40%
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)	-	
Decemb	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 25)	-	
	<b>Common Equity Tier 1</b>	<b>8,221,348</b>	
<b>Additional Tier 1 (AT 1) Capital</b>			
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	<b>AT1 before regulatory adjustments</b>	-	

Step 3	Component of regulatory capital reported by bank (amount in thousand PKR)	Source based on reference number from step 2
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
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	(ac)
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	(ad)
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
44	Total of Regulatory Adjustment applied to AT1 capital	
45	Additional Tier 1 capital	
46	<b>Additional Tier 1 capital recognized for capital adequacy</b>	
	<b>8,221,348</b>	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		
<b>Tier 2 Capital</b>		
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	
55	Foreign Exchange Translation Reserves	(v)
56	Undisclosed/Other Reserves (if any)	
57	<b>T2 before regulatory adjustments</b>	<b>14,119</b>
<b>Tier 2 Capital: regulatory adjustments</b>		
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	
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	(ae)
63	Amount of Regulatory Adjustment applied to T2 capital	
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	
	<b>14,119</b>	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		
	<b>8,235,467</b>	

1.4 Main Features of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments		
	Main Features	Common Shares
1	Issuer	N/A
2	Unique identifier (e.g. KSE Symbol or Bloomberg identifier etc.)	N/A
3	Governing law(s) of the instrument	N/A
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo/ group/ group&solo	N/A
7	Instrument type	N/A
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	N/A
9	Par value of instrument	N/A
10	Accounting classification	N/A
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	
	Coupons / dividends	N/A
17	Fixed or floating dividend/ coupon	N/A
18	coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
	Write-down feature	N/A
30	Debt-to-equity ratio is	
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A



## 1.5 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2020	2019	2020	2019
----- (Rupees in '000) -----				
<b>Credit Risk</b>				
<u>Portfolios subject to standardized approach (Simple)</u>				
Cash & cash equivalents	-	-	-	-
Sovereign	2,734	1,827	27,339	18,273
Public Sector entities	-	-	-	-
Banks	438,408	207,229	4,384,083	2,072,286
Corporate	534,698	838,922	5,346,975	8,389,223
Retail	1,802	2,274	18,023	22,736
Residential Mortgages	7,886	7,313	78,859	73,130
Past Due loans	-	-	-	-
Operating Fixed Assets	24,111	34,536	241,111	345,355
Other assets	28,581	40,382	285,812	403,822
	<b>1,038,220</b>	<b>1,132,483</b>	<b>10,382,202</b>	<b>11,324,825</b>
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	-	-	-	-
Foreign Exchange risk	29,817	30,232	372,713	377,900
	<b>29,817</b>	<b>30,232</b>	<b>372,713</b>	<b>377,900</b>
<b>Operational Risk</b>	<b>362,482</b>	<b>3,218,035</b>	<b>4,531,025</b>	<b>40,225,435</b>
<u>Capital Requirement for operational risks</u>				
TOTAL	<b>1,430,519</b>	<b>4,380,750</b>	<b>15,285,940</b>	<b>51,928,161</b>

Capital Adequacy Ratios	2020		2019	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	53.78%	6.00%	46.22%
Tier-1 capital to total RWA	7.50%	53.78%	7.50%	46.22%
Total capital to total RWA	11.50%	53.88%	11.90%	46.31%

## 1.6 Liquidity Coverage Ratio

Main drivers of LCR Results are High Quality Liquid Assets and Net cash outflows. Outflows are mainly deposit outflows net of cash inflows which consist of inflows from financing and money market placements up to 1 month. The inputs for calculation of LCR are as prescribed by the regulator.

	Total Unweighted <sup>a</sup> Value (average)	Total Weighted <sup>b</sup> Value (average)
	----- (Rupees in '000) -----	
<b>High Quality Liquid Assets</b>		
1 Total high quality liquid assets (HQLA)		24,676,669
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers of which:	25,357	2,078
2.1 stable deposit	9,149	457
2.2 Less stable deposit	16,209	1,621
3 Unsecured wholesale funding of which:	27,898,548	9,544,086
3.1 Operational deposits (all counterparties)	26,610,970	8,256,508
3.2 Non-operational deposits (all counterparties)	-	-
3.3 Unsecured debt	1,287,578	1,287,578
4 Secured wholesale funding		-
5 Additional requirements of which:	17,825,447	1,782,545
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	17,825,447	1,782,545
6 Other contractual funding obligations	781,109	779,721
7 Other contingent funding obligations	17,843,880	893,512
8 <b>Total Cash Outflows</b>		<b>12,326,232</b>
<b>Cash inflows</b>		
9 Secured lending	7,845,331	5,177,187
10 Inflows from fully performing exposures	-	-
11 Other Cash inflows	368,310	368,310
12 <b>Total Cash Inflows</b>		<b>5,545,497</b>
21 <b>Total HQLA</b>		<b>24,676,669</b>
22 <b>Total Net Cash Outflows</b>		<b>7,456,446</b>
23 <b>Liquidity Coverage Ratio*</b>		<b>331%</b>

## 33.7 Net Stable Funding Ratio

December 2019, the Pakistan Operations' ratio is compliant with this minimum benchmark

(Rupees. in '000)	ASF Item	unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
	1 Capital:					
	2 Regulatory capital	8,221,348	-	-	-	8,221,348
	3 Other capital instruments	-	-	-	-	-
	4 Retail deposits and deposit from small business customers:					
	5 Stable deposits	-	24,501	-	-	23,276
	6 Less stable deposits	-	2,558,657	-	-	2,302,791
	7 Wholesale funding:					
	8 Operational deposits	-	28,381,859	-	-	14,190,930
	9 Other wholesale funding	-	-	-	-	-
	10 Other liabilities:					
	11 NSFR derivative liabilities	-	-	-	230,620	-
	12 All other liabilities and equity not included in other categories	-	1,443,391	3,417,403	42,741	1,592,744
	13 <b>Total ASF</b>					<b>26,331,089</b>
	<b>RSF item</b>					
	14 Total NSFR high-quality liquid assets (HQLA)					6,940,913
	15 Deposits held at other financial institutions for operational purposes	-	-	-	-	-
	16 Performing loans and securities:					
	17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
	18 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
	19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
	20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	2,635,469	-	-	-	2,240,149
	21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-	-
	22 Other assets:					
	23 Physical traded commodities, including gold	-	-	-	-	-
	24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
	25 NSFR derivative assets	-	-	-	-	-
	26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
	27 All other assets not included in the above categories	-	34,125,477	435,555	7,559,662	4,700,764
	28 Off-balance sheet items	-	33,120,091	-	-	1,656,005
	29 Total RSF					<b>8,596,917</b>
	30 Net Stable Funding Ratio (%)*					<b>306%</b>