

CAPITAL ADEQUACY RATIO, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS - BANK LEVEL

As shown in note 43.1 of Bank Level Financial Statements, full disclosure on the Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio & Net Stable Funding Ratio as per SBP instructions has been placed below

1 Capital Adequacy Ratio

1.1 Scope of Application

The Basel-III Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiaries) and on a stand alone basis. Subsidiary is included while calculating consolidated capital adequacy for the Bank using full consolidation method. 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.

1.2 Capital Management

1.2.1 Objectives and goals of managing capital

The Bank manages its capital to attain the following objectives and goals:

- an appropriately capitalized status, as defined by banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover all risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

1.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through BSD Circular No. 07 of 2009 dated April 15, 2009 required the minimum paid-up capital (net of losses) for all locally incorporated banks to be raised to Rs.10 billion by the year ended on December 31, 2020. The raise was to be achieved in a phased manner. The paid-up capital of the Bank for the year ended December 31, 2020 stands at Rs. 12.2 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Bank is subject to the Basel-III capital adequacy guidelines stipulated by the State Bank of Pakistan through BPRD Circular No. 06 of 2013 dated August 15, 2013. These requirements are applicable from December 31, 2013 with full implementation in a phased manner intended by December 31, 2020. Under the Basel-III guidelines, banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

S. No.	Ratio	Year ended					
		2015	2016	2017	2018	2019	2020
1	CET1	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
2	ADT-1	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
3	Tier-1	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
4	Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
5	* CCB	0.00%	0.25%	0.65%	1.275%	1.90%	1.50%
6	Total Capital plus CCB	10.00%	10.25%	10.65%	11.275%	11.90%	11.50%

* (Consisting of CET1 only)

Bank's regulatory capital is analysed into three tiers

- Common Equity Tier 1 capital (CET1), which includes fully paid-up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.
- Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares, balance in share premium account after all regulatory adjustments applicable on AT1.
- Tier 2 capital, which includes Subordinated debt / Instruments, share premium on issuance of Subordinated debt / instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

The required capital adequacy ratio (11.50% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risks attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Bank. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the 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 Bank to particular operations or activities.

The Government of Sindh, the Bank's major shareholder holding 99.95 percent of the Bank's equity is fully committed to supporting the Bank, whenever required.

	2020	2019
	(Rupees in '000)	
1.3 Capital Adequacy		
1.3.1 Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	19,710,130	19,710,130
2 Balance in Share Premium Account	51	51
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/Statutory Reserves	7,285,669	3,451,928
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	(7,510,224)	(4,304,331)
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	19,485,626	18,857,778
10 Total regulatory adjustments applied to CET1 (note 41.1.5)	9,562,029	10,049,488
11 Common Equity Tier 1	9,923,597	8,808,290
1.3.2 Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (note 41.1.5)	-	153,211
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	9,923,597	8,808,290
1.3.3 Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,208	1,812
27 Revaluation Reserves (net of taxes)	-	-
28 of which: Revaluation reserves on fixed assets	-	-
29 of which: Unrealized gains/losses on AFS	-	-
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	2,208	1,812
33 Total regulatory adjustment applied to T2 capital (note 41.1.5)	-	155,023
34 Tier 2 capital (T2) after regulatory adjustments	-	-
35 Tier 2 capital recognized for capital adequacy	-	-
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	2,208	-
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	9,925,805	8,808,290
39 Total Risk Weighted Assets (RWA) {for details refer note 41.1.8}	65,304,113	66,971,439
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	15.20%	13.15%
41 Tier-1 capital to total RWA	15.20%	13.15%
42 Total capital to total RWA	15.20%	13.15%
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: counter cyclical buffer requirement	0.00%	0.00%
46 of which: D-SIB or G-SIB buffer requirement	0.00%	0.00%
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	7.70%	5.25%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.90%
50 Total capital minimum ratio	10.00%	10.00%
51 Total capital minimum ratio plus CCB	11.50%	12.50%

1.3.4 Regulatory Adjustments and Additional Information:

Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	-
2	All other intangibles (net of any associated deferred tax liability)	60,711
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)	3,118,099
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	408,505
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)	5,474,397
15	Amount exceeding 15% threshold :	-
16	15% threshold of significant investments & deferred tax assets	500,317
17	National specific regulatory adjustments applied to CET1 capital	-
18	Investments in TFCs of other banks exceeding the prescribed limit	-
19	Any other deduction specified by SBP (mention details)	-
20	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-
21	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	9,562,029

Additional Tier-1 & Tier-1 Capital: regulatory adjustments

22	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-
23	Investment in own AT1 capital instruments	-
24	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-
25	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)	-
26	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
27	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	-
28	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
29	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-

Tier 2 Capital: regulatory adjustments

30	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	-
31	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-
32	Investment in own Tier 2 capital instrument	-
33	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)	-
34	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
35	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-

	2020	2019		
	Amount	Amount	Amounts subject to Pre-Basel III treatment	Amounts subject to Pre-Basel III treatment
	----- Rupees in '000 -----			
	-	-	-	-
	60,711	60,711	31,888	31,888
	-	-	-	-
	3,118,099	3,118,099	2,208,679	2,208,679
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	408,505	408,505	1,780,577	1,780,577
	-	-	400,471	400,471
	-	-	-	-
	5,474,397	5,474,397	4,954,313	4,954,313
	-	-	-	-
	500,317	500,317	520,349	520,349
	-	-	-	-
	-	-	-	-
	-	-	153,211	153,211
	9,562,029	9,562,029	10,049,488	10,049,488
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	153,211	153,211
	-	-	153,211	153,211
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	155,023	155,023
	-	-	-	-
	-	-	-	-
	-	-	155,023	155,023

	2020	2019
	(Rupees in '000)	
1.3.5 Additional Information		
36 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III treatment)	2,668,102	5,306,214
(i) of which: deferred tax assets	1,257,321	2,752,938
(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	1,410,781	2,553,276
(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	-	-
	2,668,102	5,306,214
Amounts below the thresholds for deduction (before risk weighting)		
37 Non-significant investments in the capital of other financial entities	-	-
38 Significant investments in the common stock of financial entities	750,000	750,000
39 Deferred tax assets arising from temporary differences (net of related tax liability)	7,064,228	6,397,929
	7,814,228	7,147,929
Applicable caps on the inclusion of provisions in Tier 2		
40 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
41 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
42 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
43 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

1.4 Capital Structure Reconciliation

	As per published financial statements	Under regulatory scope of reporting
Step 1	December 31, 2020	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	14,486,693	14,486,693
Balanced with other banks	4,185,277	4,185,277
Lending to financial institutions	8,212,780	8,212,780
Investments	170,818,493	170,818,493
Advances	56,853,255	56,853,255
Operating fixed assets	3,265,367	3,265,367
Intangible assets	68,385	68,385
Deferred tax assets	10,182,327	10,182,327
Other assets	5,640,803	5,640,803
Total assets	273,713,380	273,713,380
Liabilities and equity		
Bills payable	592,334	592,334
Borrowings	62,377,648	62,377,648
Deposits and other accounts	185,570,689	185,570,689
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	6,095,588	6,095,588
Total liabilities	254,636,259	254,636,259
Share capital / head office capital account	19,710,130	19,710,130
Reserves	1,471,422	1,471,422
Share deposit money	2,000,000	2,000,000
Proposed shares to be issued on amalgamation	3,814,298	3,814,298
Unappropriated / unremitted profit / (losses)	(7,510,224)	(7,510,224)
Minority interest	-	-
Deficit on revaluation of assets	(408,505)	(408,505)
Total equity	19,077,121	19,077,121
Total liabilities and equity	273,713,380	273,713,380

Step 2	As per	Under	Reference
	published	regulatory	
	financial	scope of	
	statements	consolidation	
	December 31, 2020		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	14,486,693	14,486,693	
Balanced with other banks	4,185,277	4,185,277	
Lending to financial institutions	8,212,780	8,212,780	
Investments	170,818,493	170,818,493	
- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
CET-1	-	-	
ADT	-	-	
T2	-	-	
- of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
CET-1	-	-	
ADT	-	-	
T2	-	-	
- of which: mutual funds exceeding regulatory threshold	-	-	c
- of which: reciprocal crossholding of capital instrument	-	-	d
- of which: others (mention details)	-	-	e
Advances	56,853,255	56,853,255	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	2,208	2,208	g
Fixed assets	3,265,367	3,265,367	
Deferred tax assets	10,182,327	10,182,327	
- of which: DTAs excluding those arising from temporary differences	3,118,099	3,118,099	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	5,474,397	5,474,397	i
Other assets	5,640,803	5,640,803	
- of which: goodwill	-	-	j
- of which: intangibles	68,385	68,385	k
- of which: Defined-benefit pension fund net assets	-	-	l
Total assets	273,713,380	273,713,380	
Liabilities and equity			
Bills payable	592,334	592,334	
Borrowings	62,377,648	62,377,648	
Deposits and other accounts	185,570,689	185,570,689	
Sub-ordinated loans	-	-	
- of which: eligible for inclusion in AT1	-	-	m
- of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	7,674	7,674	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	7,674	7,674	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	6,095,588	6,095,588	
Total liabilities	254,636,259	254,636,259	
Share capital	19,710,130	19,710,130	
- of which: amount eligible for CET1	19,710,130	19,710,130	s
- of which: amount eligible for AT1	-	-	t
Reserves	7,285,720	7,285,720	
- of which: portion eligible for inclusion in CET1	7,285,720	7,285,720	u
- of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	(7,510,224)	(7,510,224)	w
Minority interest	-	-	
- of which: portion eligible for inclusion in CET1	-	-	x
- of which: portion eligible for inclusion in AT1	-	-	y
- of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	(408,505)	(408,505)	
- of which: revaluation reserves on property	-	-	
- of which: unrealized gains / (losses) on AFS	-	-	aa
- In case of deficit on revaluation (deduction from CET1)	408,505	408,505	ab
Total equity	19,077,121	19,077,121	
Total liabilities and equity	273,713,380	273,713,380	

Step 3

	Source based on reference number from step 2	Source based on reference number from step 2
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	19,710,130	(s)
2 Balance in share premium account	51	
3 Reserve for issue of bonus shares	-	
4 General / statutory reserves	7,285,669	(u)
5 Gain / (loss) on derivatives held as cash flow hedge	-	
6 Unappropriated / unremitted profits / (losses)	(7,510,224)	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8 CET 1 before Regulatory Adjustments	19,485,626	
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)	60,711	(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)	3,118,099	{(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	408,505	(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)	5,474,397	(i)
23 Amount exceeding 15% threshold		
24 - of which: significant investments in the common stocks of financial entities	500,317	
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	-	
30 Total regulatory adjustments applied to CET1	9,562,029	
31 Common Equity Tier 1	9,923,597	
Additional Tier 1 (AT 1) Capital		
32 Qualifying additional Tier-1 instruments plus any related share premium	-	
33 - of which: classified as equity	-	(t)
34 - of which: classified as liabilities	-	(m)
35 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36 - of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before regulatory adjustments	-	

Step 3		Source based on reference number from step 2	Source based on reference number from step 2
		Rupees in '000	
Additional Tier 1 Capital: regulatory adjustments			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
44	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	Total of regulatory adjustment applied to AT1 capital	-	
45.1	Transfer to CET1 due to insufficient amount in AT1	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1)	9,923,597	
Tier 2 Capital			
49	Qualifying Tier 2 capital instruments under Basel III	-	(n)
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
52	- of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets	2,208	(g)
54	Revaluation reserves eligible for Tier 2	-	
55	- of which: portion pertaining to Property	-	portion of (aa)
56	- of which: portion pertaining to AFS securities	-	
57	Foreign exchange translation reserves	-	(v)
58	Undisclosed / other reserves (if any)	-	
59	T2 before regulatory adjustments	2,208	
Tier 2 Capital: regulatory adjustments			
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of regulatory adjustment applied to T2 capital	-	
66	Tier 2 capital (T2)	2,208	
67	Tier 2 capital recognized for capital adequacy	2,208	
68	Transfer to ADT1 due to insufficient amount	-	
69	Total Tier 2 capital admissible for capital adequacy	2,208	
Total capital (T1 + admissible T2)		9,925,805	

1.5 Main features template of Regulatory Capital Instruments

1	Issuer	Sindh Bank Ltd
2	Unique identifier (e.g PSX Symbol or Bloomberg identifier etc.)	Un-quoted
3	Governing law(s) of the instrument	Laws applicable in 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	Group & Solo
7	- Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (currency in PKR thousands as of reporting date)	19,710,130
9	Par value of instrument	Rs.10
10	Accounting classification	Shareholders
11	Original date of issuance	October 29, 2010
12	Perpetual or dated	Perpetual
13	Original maturity date	Not applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / Dividends	
17	Fixed or floating dividend/ coupon	Floating Dividend
18	Coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	
	Convertible or non-convertible	Non-convertible
23	If convertible, conversion trigger(s)	Not applicable
24	If convertible, fully or partially	Not applicable
25	If convertible, conversion rate	Not applicable
26	If convertible, mandatory or optional conversion	Not applicable
27	If convertible, specify instrument type convertible into	Not applicable
28	If convertible, specify issuer of instrument it converts into	Not applicable
	Write-down feature	
29	If write-down, write-down trigger(s)	Not applicable
30	If write-down, full or partial	Not applicable
31	If write-down, permanent or temporary	Not applicable
32	If temporary write-down, description of write-up mechanism	Not applicable
33	Position in subordination hierarchy in liquidation (specify instrument) type immediately senior to instrument	Residual Interest
34	Non-compliant transitioned features	No
35	If yes, specify non-compliant features	Not applicable

3 Liquidity Coverage Ratio (LCR)

Asset & Liability Committee (ALCO) is responsible for reviewing and approving the liquidity risk limits, ensuring the liquidity risk management practices are in line with the defined strategy. ALCO is also responsible to recommend Liquidity Risk policy for approval to BOD.

Liquidity risk is defined as the risk that a bank does not have sufficient financial resources to meet its obligation and commitments as they fall due and have no other choice to secure funds at a higher cost. The Bank ensures to maintain a diversified portfolio of liquid assets and funding base. Sources of funding comprise of a good mix of deposits. All liquidity limits including deposit concentration is reviewed in ALCO on a periodic basis. The Bank performs its Liquidity Stress Test on a periodic basis in order to ensure that sufficient liquidity is always available in order to fulfill Bank's financial commitment. Stress testing technique is also used to identify the potential impact of extreme yet plausible events or movements on the value of a portfolio. Stress testing scenarios are developed in guidance provided by the regulator. The Bank also has in place approved Liquidity Contingency Plan. Further, Liquidity Risk Management is quantified by Liquidity Coverage Ratio and Net Stable Funding Ratio as communicated by the Regulator. Liquidity Coverage Ratio (LCR) refers to the highly liquid assets held by the bank to meet its short term obligations. LCR is used as a tool to manage liquidity risk. LCR has two components: high quality liquid asset (HQLA) and total net cash outflows. HQLA comprises of those assets that can be readily sold or employed as collateral for obtaining fund. HQLA structure has been divided into 1) cash and treasury balance, 2) marketable securities, 3) corporate debt securities with credit rating and 4) non-financial equity shares.

	2020		2019	
	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
----- (Rupees in '000) -----				
HIGH QUALITY LIQUID ASSETS				
Total high quality liquid assets (HQLA)		74,110,684		44,615,973
CASH OUTFLOWS				
Retail deposits and deposits from small business customers of which:				
Stable deposit	16,698,926	834,946	-	-
Less stable deposit	19,080,876	1,908,088	30,247,271	3,024,727
Unsecured wholesale funding of which:				
Operational deposits (all counterparties)	78,437,924	32,334,564	26,504,574	10,554,840
Non-operational deposits (all counterparties)	-	-	-	-
Unsecured debt	-	-	43,589,821	19,024,115
Secured wholesale funding	-	-	-	-
Additional requirements of which:				
Outflows related to derivative exposures and other collateral requirements	-	-	-	-
Outflows related to loss of funding on debt products	-	-	-	-
Credit and liquidity facilities	994,186	97,862	2,335,237	233,440
Other contractual funding obligations	13,472,725	229,795	4,754,523	550,844
Other contingent funding obligations	671,513	671,513	3,249,863	438,196
TOTAL CASH OUTFLOWS	129,356,149	36,076,767	110,681,287	33,826,162
CASH INFLOWS				
Secured lending	3,987,304	-	1,913,448	698,318
Inflows from fully performing exposures	29,435,521	15,899,369	28,059,604	15,183,891
Other cash inflows	3,006,794	-	1,122,052	-
TOTAL CASH INFLOWS	36,429,619	15,899,369	31,095,104	15,882,209
	Total adjusted value		Total adjusted value	
Total HQLA		74,110,684		44,615,973
Total net Cash Out Flows		20,177,398		17,943,953
LIQUIDITY COVERAGE RATIO (LCR)		367%		249%

4 Net Stable Funding Ratio (NSFR)

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress.

The ratio has been computed as prescribed by the State Bank of Pakistan through instructions for Basel-III - Liquidity Standards implementation in Pakistan.

	2020				Weighted value
	Unweighted value by residual maturity				
	No maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	
----- (Rupees in '000) -----					
Capital:					
Regulatory capital	19,485,625	-	-	-	19,485,625
Other capital instruments	-	-	-	-	-
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	44,664,757	6,378,710	1,958,028	167,165	14,532,843
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	80,604,308	34,634,004	16,455,678	708,049	64,872,973
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and equity not included in other categories	6,656,018	57,883,940	-	151,663	30,019,374
Total ASF					128,910,815
Total NSFR high-quality liquid assets (HQLA)				164,601,873	3,028,527
Deposits held at other financial institutions for operational purposes	4,185,277	-	-	-	2,092,639
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	3,969,535	-	-	595,430
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2,263,528	151,869	168,042	1,291,720
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	22,662,762	2,090,842	14,799,737	24,956,578
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	36,122	31,457	512,521	377,065
Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-	-
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for derivative contracts	-	-	-	-	-
NSFR derivative assets	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	18,539,951	6,083,183	2,040,282	11,204,413	16,441,153
Off-balance sheet items	-	12,086,128	1,740,546	623,477	722,508
Total RSF					49,505,620
Net Stable Funding Ratio (%)					260%

4 Net Stable Funding Ratio (NSFR)

	2019				Weighted value
	Unweighted value by residual maturity				
	No maturity	Below 6 months	6 months to below 1 year	1 year and above 1 year	
	----- (Rupees in '000) -----				
Capital:					
Regulatory capital	18,798,974	-	-	-	18,798,974
Other capital instruments	-	-	-	-	-
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	33,102,618	3,409,121	3,645,907	187,550	36,329,432
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	69,434,201	19,181,169	7,667,482	1,464,200	49,605,625
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and equity not included in other categories	5,239,479	-	-	175,754	175,754
Total ASF					104,909,785
Total NSFR high-quality liquid assets (HQLA)				57,578,668	128,724
Deposits held at other financial institutions for operational purposes	838,364	-	-	-	419,182
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	3,645,392	-	-	546,809
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1,920,824	1,292,912	168,579	1,691,157
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	45,871,912	1,781,175	24,003,494	44,229,513
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	31,993	20,814	1,209,582	820,553
Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	-	-
Other assets:					
Physical traded commodities, including gold	-	-	-	-	-
Assets posted as initial margin for derivative contracts	-	-	-	-	-
NSFR derivative assets	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
All other assets not included in the above categories	10,117,764	3,793,388	543,962	5,930,417	21,280,454
Off-balance sheet items	-	12,897,157	1,484,630	349,282	736,553
Total RSF					69,852,945
Net Stable Funding Ratio (%)					<u>150%</u>