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

As shown in note 43.1 of Group 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 Group 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 Group 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 Group 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 Group for the year ended December 31, 2020 stands at Rs.12.25 billion and is in compliance with the SBP requirement.

The capital adequacy ratio of the Group 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	6.00%	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	7.50%	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	0.25%	0.65%	1.275%	1.90%	2.50%	1.50%
6	Total Capital plus CCB	10.25%	10.65%	11.275%	11.90%	12.50%	11.50%

* (Consisting of CET1 only)

Group'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 Group 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 Group. As the Group 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 Group to particular operations or activities.

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

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
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)
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**
10 Total regulatory adjustments applied to CET1 **(note 41.1.5)**
11 **Common Equity Tier 1**

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)**
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)**

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
27 Revaluation Reserves (net of taxes)
28 of which: Revaluation reserves on fixed assets
29 of which: Unrealized gains/losses on AFS
30 Foreign Exchange Translation Reserves
31 Undisclosed/Other Reserves (if any)
32 **T2 before regulatory adjustments**
33 Total regulatory adjustment applied to T2 capital **(note 41.1.5)**
34 Tier 2 capital (T2) after regulatory adjustments
35 Tier 2 capital recognized for capital adequacy
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital
37 **Total Tier 2 capital admissible for capital adequacy**

38 **TOTAL CAPITAL (T1 + admissible T2) (21+37)**

39 **Total Risk Weighted Assets (RWA) {for details refer note 41.1.8}**

Capital Ratios and buffers (in percentage of risk weighted assets)

40 **CET1 to total RWA**
41 **Tier-1 capital to total RWA**
42 **Total capital to total RWA**

43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)
44 of which: capital conservation buffer requirement
45 of which: counter cyclical 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)

National minimum capital requirements prescribed by SBP

48 **CET1 minimum ratio**
49 **Tier 1 minimum ratio**
50 **Total capital minimum ratio**

51 **Total capital minimum ratio plus CCB**

2020	2019
(Rupees in '000)	
19,710,130	19,710,130
51	51
-	-
-	-
7,333,873	3,486,841
-	-
(7,365,678)	(4,199,658)
-	-
19,678,376	18,997,364
9,048,941	9,503,212
10,629,435	9,494,152
-	-
-	-
-	-
-	
-	-
-	-
-	-
-	-
-	-
-	-
10,629,435	9,494,152
-	-
-	-
-	-
-	-
7,488	10,142
-	-
-	-
-	-
-	-
7,488	10,142
-	141,172
-	-
-	-
-	-
7,488	-
10,636,923	9,494,152
65,493,035	73,591,154
16.23%	12.90%
16.23%	12.90%
16.24%	12.90%
7.50%	8.50%
1.50%	2.50%
0.00%	0.00%
0.00%	0.00%
8.73%	5.49%
6.00%	6.00%
7.50%	7.50%
10.00%	10.00%

11.50%	12.50%

			2020	
			Amount	Amounts subject to Pre-Basel III treatment
1.3.4	**Regulatory Adjustments and Additional Information:**		-------------------- Rupees i	
	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)		**63,481**	**63,481**
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**	**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**	**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)		**5,458,856**	**5,458,856**
15	Amount exceeding 15% threshold :		-	-
16	15% threshold of significant investments & deferred tax assets		-	-
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)		**9,048,941**	**9,048,941**
	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)	-	-

2019	
Amount	Amounts subject to Pre- Basel III treatment
in '000 ------------------	
-	-
35,137	35,137
-	-
2,212,111	2,212,111
-	-
-	-
-	-
-	-
-	-
-	-
1,780,577	1,780,577
390,890	390,890
-	-
4,943,325	4,943,325
-	-
-	-
-	-
-	-
-	-
141,172	141,172
9,503,212	9,503,212
-	-
-	-
-	-
-	-
-	-
-	-
141,172	141,172
141,172	141,172
-	-
-	-
-	-

141,172	141,172
-	-
141,172	141,172

		2020
		(Rupees
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)	**1,597,103**
(i)	of which: deferred tax assets	**1,597,103**
(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	-
		1,597,103
	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	-
39	Deferred tax assets arising from temporary differences (net of related tax liability)	**5,176,532**
		5,176,532
	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

Step 1	As per published financial statements December (Rupees
Assets	
Cash and balances with treasury banks	**14,505,949**
Balanced with other banks	**4,588,528**
Lending to financial institutions	**8,212,780**
Investments	**170,756,426**
Advances	**57,407,061**
Operating fixed assets	**3,314,731**
Intangible assets	**71,154**
Deferred tax assets	**10,185,784**
Other assets	**5,745,156**
Total assets	**274,787,569**
Liabilities and equity	
Bills payable	**592,334**
Borrowings	**63,127,648**
Deposits and other accounts	**185,634,979**
Sub-ordinated loans	-
Liabilities against assets subject to finance lease	-
Deferred tax liabilities	-
Other liabilities	**6,162,737**
Total liabilities	**255,517,698**
Share capital - net	**19,710,130**
Reserves	**1,519,626**
Shares deposit money	**2,000,000**
Proposed shares to be issued on amalgamation	**3,814,298**
Deficit on revaluation of assets	**(408,505)**
Accumulated Loss	**(7,365,678)**
Total equity	**19,269,871**
Total liabilities and equity	**274,787,569**

2019
in '000)
6,220,812
3,644,663
-
2,576,149
-
6,220,812
-
-
6,401,190
6,401,190
-
-
-
-

Under regulatory scope of reporting
31, 2020
in '000)
14,505,949
4,588,528
8,212,780
170,756,426
57,407,061
3,314,731
71,154
10,185,784
5,745,156
274,787,569
592,334
63,127,648
185,634,979
-
-
-
6,162,737
255,517,698
19,710,130
1,519,626
2,000,000
3,814,298
(408,505)
(7,365,678)
19,269,871
274,787,569

Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2020		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	**14,505,949**	**14,505,949**	
Balanced with other banks	**4,588,528**	**4,588,528**	
Lending to financial institutions	**8,212,780**	**8,212,780**	
Investments	**170,756,426**	**170,756,426**	
- 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	**57,407,061**	**57,407,061**	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	**7,488**	**7,488**	g
Fixed assets	**3,314,731**	**3,314,731**	
Deferred tax assets	**10,185,784**	**10,185,784**	
- 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	**5,458,856**	**5,458,856**	i
Other assets	**5,745,156**	**5,745,156**	
- of which: goodwill	-	-	j
- of which: intangibles	**71,154**	**71,154**	k
- of which: Defined-benefit pension fund net assets	-	-	l
Total assets	**274,787,569**	**274,787,569**	
Liabilities and equity			
Bills payable	**592,334**	**592,334**	
Borrowings	**63,127,648**	**63,127,648**	
Deposits and other accounts	**185,634,979**	**185,634,979**	
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	**7,673**	**7,673**	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	**7,673**	**7,673**	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	**6,162,737**	**6,162,737**	
Total liabilities	**255,517,698**	**255,517,698**	
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	**7,333,924**	**7,333,924**	
- of which: portion eligible for inclusion in CET1	**7,333,924**	**7,333,924**	u
- of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	**(7,365,678)**	**(7,365,678)**	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	**19,269,871**	**19,269,871**	
Total liabilities and equity	**274,787,569**	**274,787,569**	

	Step 3	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**
2	Balance in share premium account	**51**
3	Reserve for issue of bonus shares	-
4	General / statutory reserves	**7,333,873**
5	Gain / (loss) on derivatives held as cash flow hedge	-
6	Unappropriated / unremitted profits / (losses)	**(7,365,678)**
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**	**19,678,376**
	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)	**63,481**
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)	**3,118,099**
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	**408,505**
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)	-
22	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	**5,458,856**
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	-
30	**Total regulatory adjustments applied to CET1**	**9,048,941**
31	**Common Equity Tier 1**	**10,629,435**
	Additional Tier 1 (AT 1) Capital	
32	Qualifying additional Tier-1 instruments plus any related share premium	-
33	- of which: classified as equity	-
34	- of which: classified as liabilities	-
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
36	- of which: instrument issued by subsidiaries subject to phase out	-
37	**AT1 before regulatory adjustments**	-

Source based on reference number from step 2

(s)

(u)

(w)

(x)

(j) - (o)
(k) - (p)
(f)

{(h) - (r} * x%
{(l) - (q)} * x%
(d)

(ab)

(a) - (ac) - (ae)

(b) - (ad) - (af)

(i)

(t)
(m)

(y)

	Step 3	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)	-
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
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)**	**10,629,435**
	Tier 2 Capital	
49	Qualifying Tier 2 capital instruments under Basel III	-
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)	-
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	**7,488**
54	Revaluation reserves eligible for Tier 2	-
55	- of which: portion pertaining to Property	-
56	- of which: portion pertaining to AFS securities	-
57	Foreign exchange translation reserves	-
58	Undisclosed / other reserves (if any)	-
59	**T2 before regulatory adjustments**	**7,488**
	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)	-
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
65	Amount of regulatory adjustment applied to T2 capital	-
66	Tier 2 capital (T2)	**7,488**
67	Tier 2 capital recognized for capital adequacy	**7,488**
68	Transfer to ADT1 due to insufficient amount	-
69	Total Tier 2 capital admissible for capital adequacy	**7,488**
	Total capital (T1 + admissible T2)	**10,636,923**

Source based on reference number from step 2
(ac)
(ad)
(n)
(z)
(g)
portion of (aa)
(v)
(ae)
(af)

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

1.6 **Risk Weighted Assets**

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital follows:

		2020		201
		Capital Requirements	**Risk Weighted Assets**	Capital Requirements
Credit Risk:		------------------------- **(Rupees in '000)** -------------		
Credit Risk on Balance Sheet Portfolios subject to standardized approach (simple)				
Public sector entities		**1,230**	**12,301**	2,586
Banks		**262,411**	**2,624,110**	86,873
Corporate		**1,614,180**	**16,141,798**	2,230,353
Retail		**160,929**	**1,609,285**	176,205
Residential mortgages		**21,538**	**215,381**	16,723
Past due loans		**597,455**	**5,974,552**	937,485
Deferred tax assets		**402,207**	**4,022,073**	364,466
Listed equity investment		**65,588**	**655,879**	54,648
Un-listed equity investment		**15,000**	**150,000**	11,656
Operating fixed assets		**331,473**	**3,314,731**	383,753
Other assets		**205,017**	**2,050,167**	24,038
		3,677,028	**36,770,277**	4,288,786
Off-Balance sheet:				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.		**306,637**	**3,066,373**	163,404
Market related				
Foreign exchange contracts/ derivatives etc.		**19,581**	**195,805**	850
		326,218	**3,262,178**	164,254
TOTAL CREDIT RISK	(a)	**4,003,245**	**40,032,455**	4,453,040
Market Risk:				
Capital Requirement for portfolios subject to standardized approach				
Interest rate risk		**1,246,776**	**12,467,756**	888,907
Equity position risk		**446,593**	**4,465,925**	507,923
Foreign exchange risk		**94,504**	**945,038**	35,434
TOTAL MARKET RISK	(b)	**1,787,872**	**17,878,718**	1,432,264
Operational Risk:				
Capital Requirement for portfolios subject to basic indicator approach				
Operational risk	(c)	**758,186**	**7,581,862**	900,792
TOTAL RISK WEIGHTED ASSETS	(a)+(b)+(c)	**6,549,303**	**65,493,035**	6,786,096

	2020		201
Capital Adequacy Ratios	**Required**	**Actual**	Required
CET1 to total RWA	**6.00%**	**16.23%**	6.00%
Tier-1 capital to total RWA	**7.50%**	**16.23%**	7.50%
Total capital to total RWA	**10.00%**	**16.24%**	10.00%
Total capital plus CCB to total RWA	**11.50%**	**16.24%**	12.500%

2 **Leverage Ratio**

SBP vide BPRD Circular No. 06 dated August 15, 2013 introduced leverage ratio (Tier 1 Capital to total exposure) Framework.

The leverage ratio of the Bank for the year ended December 31, 2020 stood at 3.99% (2019: 5.67%).

	2020
Total Exposure	-------- **(Rupees**
On balance sheet exposures	
On-balance sheet items (excluding derivatives)	**263,998,154**
Derivatives	-
Total on balance sheet exposures (A)	**263,998,154**

Off balance sheet exposures	
Off-balance sheet items (excluding derivatives)	**6,564,967**
Derivatives in respective of commitments	**125,470**
Total Off balance sheet exposures (B)	**6,690,438**
Total Exposure (A+B)	**270,688,592**
Tier-1 Capital	**10,629,435**
Leverage Ratio (%)	**3.93%**
Leverage Ratio (requirement)	**3.00%**

adequacy are as

9

Risk Weighted Assets

25,859
868,729
22,303,531
1,762,047
167,230
9,374,852
9,374,852
546,479
116,562
3,837,529
240,383
48,618,053
1,634,039
8,501
1,642,540
50,260,593
8,889,068
5,079,232
354,338
14,322,638
9,007,923
73,591,154

9

Actual
13.99%
13.99%
13.99%
13.99%

under Basel-III

2019
in '000) -------
161,666,112
-
161,666,112

5,622,164
27,721
5,649,885
167,315,997
9,494,152
5.67%
3.00%

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 OUTLFLOWS				
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 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 - Li implementation in Pakistan.

	2020			
	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**	-	-	-
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**
Wholesale funding:	-	-	-	-
Operational deposits	-	-	-	-
Other wholesale funding	**80,604,308**	**34,634,004**	**16,455,678**	**708,049**
Other liabilities:	-	-	-	-
NSFR derivative liabilities	-	-	-	-
All other liabilities and equity not included in other categories	**6,656,018**	**57,883,940**	-	**151,663**
Total ASF				
Total NSFR high-quality liquid assets (HQLA)				**164,601,873**
Deposits held at other financial institutions for operational purposes	**4,185,277**	-	-	-
Performing loans and securities:				
Performing loans to financial institutions secured by Level 1 HQLA	-	**3,969,535**	-	-
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**
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**
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**
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**
Off-balance sheet items	-	**12,086,128**	**1,740,546**	**623,477**
Total RSF				

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 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 - Li implementation in Pakistan.

	2020			
	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) ----------------			
Net Stable Funding Ratio (%)				

; with sufficiently

quidity Standards

Weighted value
19,485,625
-
-
-
14,532,843
-
-
64,872,973
-
-
30,019,374
128,910,815
3,028,527
2,092,639
595,430
1,291,720
24,956,578
377,065
-
-
-
-
-
16,441,153
722,508
49,505,620

; with sufficiently

quidity Standards

Weighted value

260%

4 Net Stable Funding Ratio (NSFR)

	2019			
	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	-	-	-
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
Wholesale funding:	-	-	-	-
Operational deposits	-	-	-	-
Other wholesale funding	69,434,201	19,181,169	7,667,482	1,464,200
Other liabilities:	-	-	-	-
NSFR derivative liabilities	-	-	-	-
All other liabilities and equity not included in other categories	5,239,479	-	-	175,754
Total ASF				
Total NSFR high-quality liquid assets (HQLA)				57,578,668
Deposits held at other financial institutions for operational purposes	838,364	-	-	-
Performing loans and securities:				
Performing loans to financial institutions secured by Level 1 HQLA	-	3,645,392	-	-
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
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
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
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
Off-balance sheet items	-	12,897,157	1,484,630	349,282
Total RSF				
Net Stable Funding Ratio (%)				

Weighted value

18,798,974
-
-
-
36,329,432
-
-
49,605,625
-
-
175,754
104,909,785
128,724
419,182
546,809
1,691,157
44,229,513
820,553
-
-
-
-
-
21,280,454
736,553
69,852,945
150%