

CAPITAL ADEQUACY RATIO, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

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 - GROUP LEVEL

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, 2021. The raise was to be achieved in a phased manner. The paid-up capital of the Group for the year ended December 31, 2021 stands at Rs. 14.45 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, 2021. Under the Basel-III guidelines, group are required to maintain the following ratios:

Minimum capital requirements:

S. No.	Ratio	2021
1	CET1	6.00%
2	ADT-1	1.50%
3	Tier-1	7.50%
4	Total Capital	10.00%
5	* CCB	1.50%
6	Total Capital plus CCB	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, share deposit money 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 99.96 percent of the Group's equity is fully committed to supporting the Group, whenever required.

	2021	2020
	(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	25,524,428	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	5,516,401	7,333,873
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	(11,072,603)	(7,365,678)
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	19,968,277	19,678,376
10 Total regulatory adjustments applied to CET1	13,249,064	9,048,941
11 Common Equity Tier 1	6,719,213	10,629,435
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	-	-
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)	6,719,213	10,629,435
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	12,124	7,488
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	12,124	7,488
33 Total regulatory adjustment applied to T2 capital	1,157	-
34 Tier 2 capital (T2) after regulatory adjustments	10,967	7,488
35 Tier 2 capital recognized for capital adequacy	10,967	7,488
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	10,967	7,488
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	6,730,180	10,636,923
39 Total Risk Weighted Assets (RWA)	50,618,081	65,493,035
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	13.27%	16.23%
41 Tier-1 capital to total RWA	13.27%	16.23%
42 Total capital to total RWA	13.30%	16.24%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.50%	7.50%
44 of which: capital conservation buffer requirement	1.50%	1.50%
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)	5.77%	8.73%
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 Tier 1 minimum ratio	7.50%	7.50%
50 Total capital minimum ratio plus CCB	11.50%	11.50%

1.3.4 Regulatory Adjustments and Additional Information:

	2021		2020	
	Amount	Amounts subject to Pre-Basel III treatment	Amount	Amounts subject to Pre- Basel III treatment
	----- Rupees in '000 -----			
Common Equity Tier 1 capital: Regulatory adjustments				
1	-	-	-	-
2	110,744	110,744	63,481	63,481
3	-	-	-	-
4	3,319,583	3,319,583	3,118,099	3,118,099
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
11	1,121,647	1,121,647	408,505	408,505
12	1,984	1,984	-	-
13	-	-	-	-
14	8,695,106	8,695,106	5,458,856	5,458,856
15	-	-	-	-
16	-	-	-	-
17	-	-	-	-
18	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	13,249,064	13,249,064	9,048,941	9,048,941
Additional Tier-1 & Tier-1 Capital: regulatory adjustments				
22	-	-	-	-
23	-	-	-	-
24	-	-	-	-
25	-	-	-	-
26	-	-	-	-
27	-	-	-	-
28	-	-	-	-
29	-	-	-	-
Tier 2 Capital: regulatory adjustments				
30	-	-	-	-
31	-	-	-	-
32	-	-	-	-
33	1,157	1,157	-	-
34	-	-	-	-
35	1,157	1,157	-	-

		2021	2020
		(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)	2,780,727	1,597,103
(i)	of which: deferred tax assets	1,239,097	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	1,541,630	-
(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	-	-
		2,780,727	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)	9,934,203	5,176,532
		9,934,203	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	Under regulatory scope of reporting
		(Rupees in '000)	
	Assets		
	Cash and balances with treasury banks	19,364,832	19,364,832
	Balanced with other banks	1,508,412	1,508,412
	Lending to financial institutions	6,081,208	6,081,208
	Investments	175,428,966	175,428,966
	Advances	48,728,627	48,728,627
	Operating fixed assets	3,233,545	3,233,545
	Intangible assets	116,671	116,671
	Deferred tax assets	13,253,786	13,253,786
	Other assets	3,770,967	3,770,967
	Total assets	271,487,014	271,487,014
	Liabilities and equity		
	Bills payable	624,726	624,726
	Borrowings	27,535,738	27,535,738
	Deposits and other accounts	217,842,678	217,842,678
	Sub-ordinated loans	-	-
	Liabilities against assets subject to finance lease	-	-
	Deferred tax liabilities	-	-
	Other liabilities	6,637,242	6,637,242
	Total liabilities	252,640,384	252,640,384
	Share capital - net	25,524,428	25,524,428
	Reserves	1,516,452	1,516,452
	Share deposit money	4,000,000	4,000,000
	Deficit on revaluation of assets	(1,121,647)	(1,121,647)
	Accumulated Loss	(11,072,603)	(11,072,603)
	Total equity	18,846,630	18,846,630
	Total liabilities and equity	271,487,014	271,487,014

Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	19,364,832	19,364,832	
Balanced with other banks	1,508,412	1,508,412	
Lending to financial institutions	6,081,208	6,081,208	
Investments	175,428,966	175,428,966	
- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	
CET-1	1,984	1,984	a
ADT	-	-	
T2	1,157	1,157	
- 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	48,728,627	48,728,627	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	12,124	12,124	g
Fixed assets	3,233,545	3,233,545	
Deferred tax assets	13,253,786	13,253,786	
- of which: DTAs excluding those arising from temporary differences	3,319,583	3,319,583	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	8,695,106	8,695,106	i
Other assets	3,770,967	3,770,967	
- of which: goodwill	-	-	j
- of which: intangibles	116,671	116,671	k
- of which: Defined-benefit pension fund net assets	-	-	l
Total assets	271,487,014	271,487,014	
Liabilities and equity			
Bills payable	624,726	624,726	
Borrowings	27,535,738	27,535,738	
Deposits and other accounts	217,842,678	217,842,678	
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	5,927	5,927	
- of which: DTLs related to goodwill	-	-	o
- of which: DTLs related to intangible assets	5,927	5,927	p
- of which: DTLs related to defined pension fund net assets	-	-	q
- of which: other deferred tax liabilities	-	-	r
Other liabilities	6,637,242	6,637,242	
Total liabilities	252,640,384	252,640,384	
Share capital	25,524,428	25,524,428	
- of which: amount eligible for CET1	25,524,428	25,524,428	s
- of which: amount eligible for AT1	-	-	t
Reserves	5,516,452	5,516,452	
- of which: portion eligible for inclusion in CET1	5,516,452	5,516,452	u
- of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	(11,072,603)	(11,072,603)	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	(1,121,647)	(1,121,647)	
- of which: revaluation reserves on property	-	-	
- of which: unrealized gains / (losses) on AFS	-	-	aa
- In case of deficit on revaluation (deduction from CET1)	1,121,647	1,121,647	ab
Total equity	18,846,630	18,846,630	
Total liabilities and equity	271,487,014	271,487,014	

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	25,524,428	(s)
2	Balance in share premium account	51	
3	Reserve for issue of bonus shares	-	
4	General / statutory reserves	5,516,401	(u)
5	Gain / (loss) on derivatives held as cash flow hedge	-	
6	Unappropriated / unremitted profits / (losses)	(11,072,603)	(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	19,968,277	
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)	110,744	(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)	3,319,583	{(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	1,121,647	(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)	1,984	(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)	8,695,106	(i)
23	Amount exceeding 15% threshold		
24	- of which: significant investments in the common stocks of financial entities	-	
25	- of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1	13,249,064	
31	Common Equity Tier 1	6,719,213	
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
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(Rupees in '000)

	Source based on reference number from step 2	Source based on reference number from step 2
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)	6,719,213	
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	12,124	(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	12,124	
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)	1,157	(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	1,157	
66 Tier 2 capital (T2)	10,967	
67 Tier 2 capital recognized for capital adequacy	10,967	
68 Transfer to ADT1 due to insufficient amount	-	
69 Total Tier 2 capital admissible for capital adequacy	10,967	
Total capital (T1 + admissible T2)	6,730,180	

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)	25,524,428
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 adequacy are as follows:

	2021		2020	
	Capital Requirements	Risk Weighted Assets	Capital Requirements	Risk Weighted Assets
(Rupees in '000)				
Credit Risk:				
Credit Risk on Balance Sheet Portfolios				
subject to standardized approach (simple)				
Public sector entities	-	-	1,230	12,301
Banks	106,457	1,064,573	262,411	2,624,110
Corporate	1,379,529	13,795,286	1,614,180	16,141,798
Retail	160,925	1,609,254	160,929	1,609,285
Residential mortgages	24,797	247,974	21,538	215,381
Past due loans	415,937	4,159,368	597,455	5,974,552
Deferred tax assets	309,774	3,097,742	402,207	4,022,073
Listed equity investment	68,001	680,013	65,588	655,879
Un-listed equity investment	-	-	15,000	150,000
Operating fixed assets	323,355	3,233,545	331,473	3,314,731
Other assets	64,802	648,022	205,017	2,050,167
	2,853,578	28,535,777	3,677,028	36,770,277
Off-Balance sheet:				
Non-market related				
Financial guarantees, acceptances, performance related commitments, trade related etc.	221,502	2,215,024	306,637	3,066,373
Market related				
Foreign exchange contracts/ derivatives etc.	8,579	85,790	19,581	195,805
	230,081	2,300,814	326,218	3,262,178
TOTAL CREDIT RISK	3,083,659	30,836,591	4,003,245	40,032,455
Market Risk:				
Capital Requirement for portfolios subject to standardized approach				
Interest rate risk	667,582	6,675,818	1,246,776	12,467,756
Equity position risk	473,293	4,732,934	446,593	4,465,925
Foreign exchange risk	68,043	680,427	94,504	945,038
TOTAL MARKET RISK	1,208,918	12,089,179	1,787,872	17,878,718
Operational Risk:				
Capital Requirement for portfolios subject to basic indicator approach				
Operational risk	769,231	7,692,311	758,186	7,581,862
TOTAL RISK WEIGHTED ASSETS	5,061,808	50,618,081	6,549,303	65,493,035
Capital Adequacy Ratios				
	2021		2020	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	13.27%	6.00%	16.23%
Tier-1 capital to total RWA	7.50%	13.27%	7.50%	16.23%
Total capital plus CCB to total RWA	11.50%	13.30%	11.50%	16.24%

2 Leverage Ratio

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

The leverage ratio of the Group for the year ended December 31, 2021 stood at 2.53% (2020: 3.93%).

	2021	2020
	(Rupees in '000)	
Total Exposure		
On balance sheet exposures		
On-balance sheet items (excluding derivatives)	259,352,513	263,998,154
Derivatives	-	-
Total on balance sheet exposures (A)	259,352,513	263,998,154
Off balance sheet exposures		
Off-balance sheet items (excluding derivatives)	6,035,919	6,564,967
Derivatives in respective of commitments	102,616	125,470
Total Off balance sheet exposures (B)	6,138,535	6,690,438
Total Exposure (A+B)	265,491,048	270,688,592
Tier-1 Capital	6,719,213	10,629,435
Leverage Ratio (%)	2.53%	3.93%
Leverage Ratio (requirement)	3.00%	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 group 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 group 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 Group'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 Group also have 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.

	2021		2020	
	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
	(Rupees in '000)			
HIGH QUALITY LIQUID ASSETS				
Total high quality liquid assets (HQLA)		126,415,608		74,110,684
CASH OUTFLOWS				
Retail deposits and deposits from small business customers of which:				
Stable deposit	26,285,117	1,314,256	16,698,926	834,946
Less stable deposit	18,334,330	1,833,433	19,080,876	1,908,088
Unsecured wholesale funding of which:				
Operational deposits (all counterparties)	100,956,795	41,830,857	78,437,924	32,334,564
Non-operational deposits (all counterparties)	-	-	-	-
Unsecured debt	-	-	-	-
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	1,688,783	167,972	994,186	97,862
Other contractual funding obligations	11,182,468	160,193	13,472,725	229,795
Other contingent funding obligations	867,460	867,460	671,513	671,513
TOTAL CASH OUTFLOWS	159,314,953	46,174,171	129,356,149	36,076,767
CASH INFLOWS				
Secured lending	5,773,417	-	3,987,304	-
Inflows from fully performing exposures	29,729,821	17,533,478	29,435,521	15,899,369
Other cash inflows	2,089,066	-	3,006,794	-
TOTAL CASH INFLOWS	37,592,305	17,533,478	36,429,619	15,899,369
	Total adjusted value		Total adjusted value	
Total HQLA		126,415,608		74,110,684
Total net Cash Out Flows		28,640,693		20,177,398
LIQUIDITY COVERAGE RATIO (LCR)		441%		367%

4 Net Stable Funding Ratio (NSFR)

The objective of NSFR is to reduce funding risk over a longer time horizon by requiring group 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.

	2021				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	19,748,928	-	-	-	19,748,928
Other capital instruments	-	-	-	-	-
Retail deposits and deposit from small business customers:					
Stable deposits	31,347,804	699,438	93,038	115,169	30,648,435
Less stable deposits	16,206,207	6,223,551	3,483,705	38,265	23,360,381
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	109,366,614	65,657,988	9,980,526	1,181,841	91,179,515
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and equity not included in other categories	5,051,048	-	-	2,115,935	2,115,935
Total ASF					167,053,194
Total NSFR high-quality liquid assets (HQLA)				174,515,655	1,249,375
Deposits held at other financial institutions for operational purposes	1,092,559	-	-	-	546,279
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	5,381,208	-	-	538,121
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2,340,100	154,410	162,954	428,220
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	18,707,937	1,519,486	6,761,430	15,860,927
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	46,887	660,649	5,960,129	4,227,852
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	20,601,856	14,994,570	5,428,072	11,860,507	40,984,505
Off-balance sheet items	-	19,208,192	3,019,926	4,520,899	1,337,451
Total RSF					65,172,730
Net Stable Funding Ratio (%)					256%

Net Stable Funding Ratio (NSFR)

2020

Unweighted value by residual maturity				Weighted value
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%