CAPITAL ADEQUACY RATIO

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.

Capital Management

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.

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, 2018. The raise was to be achieved in a phased manner. The paid-up capital of the Bank for the year ended December 31, 2018 stands at Rs.19.71 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, 2019. 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 2014	2015	2016	2017	2018	2019
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%	2.50%
6	Total Capital plus CCB	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

* (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 (12.50% 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.

Capital Adequacy

During the year 2019, the Bank suffered losses, arising mainly due to decrease in net interest income, losses on sale of investments and provisioning against non-performing loans. To address any material uncertainty posed by rising NPLs and low operating income vis a vis the bank's operating expenses, the management is working on a Business Viability Plan approved by its Board of Directors. The Plan aims to make the Bank a viable, self-sustaining institution going forward by focussing on the following areas:

Strengthening Bank's Capital-With the injection of Rs. 11.7 billion by the Government of Sindh, in Bank's Common Equity (Tier 1) during the year, the Bank has achieved compliance with regulatory CAR on December 31, 2019. Going forward, the completion of merger of Sindh Leasing Company Limited with and into Sindh Bank will augment Bank's capital, further strengthening the Bank's capital base and adequacy. This is expected to be completed in the first half of 2020.

The management is hopeful that barring any unforeseen contingencies, the Bank will be Insha'Allah be able to stage a turn-around and become a self-sustaining, thriving institution The Government of Sindh, Bank's major shareholder holding 99.95 percent of the Bank's equity is fully committed to supporting the Bank, whenever required.

		2019	2018
	Capital Adequacy	**(Rupees in '000)**	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	**19,710,130**	10,010,130
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	**3,451,928**	1,451,928
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	**-**	-
7	Unappropriated/unremitted profits/ (losses)	**(4,304,331)**	3,958,289
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**	**18,857,778**	15,420,398
10	Total regulatory adjustments applied to CET1 **(note 41.1.5)**	**10,049,488**	8,325,565
11	**Common Equity Tier 1**	**8,808,290**	7,094,833
	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**	258,451
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)**	**8,808,290**	7,094,833
	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	**1,812**	2,014
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**	**1,812**	2,014
33	Total regulatory adjustment applied to T2 capital **(note 41.1.5)**	**155,023**	260,465
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)**	**8,808,290**	7,094,833
39	**Total Risk Weighted Assets (RWA) {for details refer note 41.1.8}**	**66,971,439**	88,443,457
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	**CET1 to total RWA**	**13.15%**	8.02%
41	**Tier-1 capital to total RWA**	**13.15%**	8.02%
42	**Total capital to total RWA**	**13.15%**	8.02%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	**8.50%**	7.90%
44	of which: capital conservation buffer requirement	**2.50%**	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)	**4.65%**	0.12%
	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**	**10.00%**	10.00%
51	**Total capital minimum ratio plus CCB**	**12.50%**	11.90%

		2019		2018	
		Amount	**Amounts subject to Pre- Basel III treatment**	Amount	Amounts subject to Pre- Basel III treatment
	Regulatory Adjustments and Additional Information:	**------------------- Rupees in '000 -----------------**			
	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)	**31,888**	**31,888**	42,079	42,079
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)	**2,208,679**	**2,208,679**	242,562	242,562
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	**1,780,577**	**1,780,577**	4,181,968	4,181,968
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)	**400,471**	**400,471**	438,008	438,008
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)	**4,954,313**	**4,954,313**	2,734,148	2,734,148
15	Amount exceeding 15% threshold :	**-**	**-**	-	-
16	15% threshold of significant investments & deferred tax assets	**520,349**	**520,349**	428,349	428,349
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	**153,211**	**153,211**	258,451	258,451
21	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	**10,049,488**	**10,049,488**	8,325,565	8,325,565
	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	**153,211**	**153,211**	258,451	258,451
29	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	**153,211**	**153,211**	258,451	258,451
	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)	**155,023**	**155,023**	260,465	260,465
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)	**155,023**	**155,023**	260,465	260,465

		2019	2018
		(Rupees in '000)	
	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)	**5,306,214**	3,786,164
(i)	of which: deferred tax assets	**2,752,938**	2,003,880
(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	**2,553,276**	1,782,284
(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	**-**	-
		5,306,214	3,786,164
	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)	**6,397,929**	3,785,726
		7,147,929	4,535,726
	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	**-**	-

Capital Structure Reconciliation

Step 1	As per published financial statements	Under regulatory scope of reporting
	December 31, 2019	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	**13,552,972**	**13,552,972**
Balanced with other banks	**838,364**	**838,364**
Lending to financial institutions	**3,645,392**	**3,645,392**
Investments	**65,143,452**	**65,143,452**
Advances	**61,131,052**	**61,131,052**
Operating fixed assets	**3,788,000**	**3,788,000**
Intangible assets	**39,964**	**39,964**
Deferred tax assets	**8,606,608**	**8,606,608**
Other assets	**3,853,130**	**3,853,130**
Total assets	**160,598,934**	**160,598,934**
Liabilities and equity		
Bills payable	**495,010**	**495,010**
Borrowings	**4,192,284**	**4,192,284**
Deposits and other accounts	**134,049,662**	**134,049,662**
Sub-ordinated loans	**-**	**-**
Liabilities against assets subject to finance lease	**-**	**-**
Deferred tax liabilities	**-**	**-**
Other liabilities	**4,784,777**	**4,784,777**
Total liabilities	**143,521,733**	**143,521,733**
Share capital / head office capital account	**19,710,130**	**19,710,130**
Reserves	**1,451,979**	**1,451,979**
Share deposit money	**2,000,000**	**2,000,000**
Unappropriated / unremitted profit / (losses)	**(4,304,331)**	**(4,304,331)**
Minority interest	**-**	**-**
Deficit on revaluation of assets	**(1,780,577)**	**(1,780,577)**
Total equity	**17,077,201**	**17,077,201**
Total liabilities and equity	**160,598,934**	**160,598,934**

Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2019		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	**13,552,972**	**13,552,972**	
Balanced with other banks	**838,364**	**838,364**	
Lending to financial institutions	**3,645,392**	**3,645,392**	
Investments	**65,143,452**	**65,143,452**	
- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold	**-**	**-**	a
CET-1	**400,471**	**400,471**	
ADT	**-**	**-**	
T2	**155,023**	**155,023**	
- 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	**61,131,052**	**61,131,052**	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	**-**	**-**	f
General provisions reflected in Tier 2 capital	**1,812**	**1,812**	g
Fixed assets	**3,788,000**	**3,788,000**	
Deferred tax assets	**8,606,608**	**8,606,608**	
- of which: DTAs excluding those arising from temporary differences	**2,208,679**	**2,208,679**	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	**4,954,313**	**4,954,313**	i
Other assets	**3,853,130**	**3,853,130**	
- of which: goodwill	**-**	**-**	j
- of which: intangibles	**39,964**	**39,964**	k
- of which: Defined-benefit pension fund net assets	**-**	**-**	l
Total assets	**160,598,934**	**160,598,934**	
Liabilities and equity			
Bills payable	**495,010**	**495,010**	
Borrowings	**4,192,284**	**4,192,284**	
Deposits and other accounts	**134,049,662**	**134,049,662**	
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	**8,076**	**8,076**	
- of which: DTLs related to goodwill	**-**	**-**	o
- of which: DTLs related to intangible assets	**8,076**	**8,076**	p
- of which: DTLs related to defined pension fund net assets	**-**	**-**	q
- of which: other deferred tax liabilities	**-**	**-**	r
Other liabilities	**4,784,777**	**4,784,777**	
Total liabilities	**143,521,733**	**143,521,733**	
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	**3,451,979**	**3,451,979**	
- of which: portion eligible for inclusion in CET1	**3,451,979**	**3,451,979**	u
- of which: portion eligible for inclusion in Tier 2	**-**	**-**	v
Unappropriated profit / (losses)	**(4,304,331)**	**(4,304,331)**	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	**(1,780,577)**	**(1,780,577)**	
- of which: revaluation reserves on property	**-**	**-**	
- of which: unrealized gains / (losses) on AFS	**-**	**-**	aa
- In case of deficit on revaluation (deduction from CET1)	**1,780,577**	**1,780,577**	ab
Total equity	**17,077,201**	**17,077,201**	
Total liabilities and equity	**160,598,934**	**160,598,934**	

	Step 3	Source based on reference number from step 2	Source based on reference number
		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	**3,451,928**	(u)
5	Gain / (loss) on derivatives held as cash flow hedge	**-**	
6	Unappropriated / unremitted profits / (losses)	**(4,304,331)**	(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**	**18,857,778**	
	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)	**31,888**	(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)	**2,208,679**	{(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	**1,780,577**	(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)	**400,471**	(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)	**4,954,313**	(i)
23	Amount exceeding 15% threshold		
24	- of which: significant investments in the common stocks of financial entities	**520,349**	
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	**153,211**	
30	**Total regulatory adjustments applied to CET1**	**10,049,488**	
31	**Common Equity Tier 1**	**8,808,290**	
	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	(153,211)	
45	Total of regulatory adjustment applied to AT1 capital	(153,211)	
45.1	Transfer to CET1 due to insufficient amount in AT1	153,211	
46	Additional Tier 1 capital	-	
47	**Additional Tier 1 capital recognized for capital adequacy**	-	
48	**Tier 1 Capital (CET1 + admissible AT1)**	8,808,290	
	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	1,812	(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**	1,812	
	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)	155,023	(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	155,023	
66	Tier 2 capital (T2)	(153,211)	
67	Tier 2 capital recognized for capital adequacy	(153,211)	
68	Transfer to ADT1 due to insufficient amount	153,211	
69	Total Tier 2 capital admissible for capital adequacy	-	
	Total capital (T1 + admissible T2)	8,808,290	

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

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:

		2019		2018	
		Capital Requirements	**Risk Weighted Assets**	Capital Requirements	Risk Weighted Assets
Credit Risk:		------------------------- (Rupees in '000)		--------------------------	
Credit Risk on Balance Sheet Portfolios subject to standardized approach (simple)					
Public sector entities		**2,586**	**25,859**	3,825	38,253
Banks		**62,212**	**622,124**	47,399	473,992
Corporate		**2,220,514**	**22,205,141**	3,254,533	32,545,329
Retail		**114,034**	**1,140,338**	155,389	1,553,894
Residential mortgages		**16,082**	**160,824**	14,388	143,881
Past due loans		**936,270**	**9,362,700**	1,398,779	13,987,795
Deferred tax assets		**418,317**	**4,183,168**	343,308	3,433,075
Listed equity investment		**47,987**	**479,875**	43,644	436,441
Un-listed equity investment		**11,656**	**116,562**	11,656	116,562
Operating fixed assets		**378,800**	**3,788,000**	161,306	1,613,063
Other assets		**30,639**	**306,394**	111,061	1,110,611
		4,239,098	**42,390,983**	5,545,290	55,452,897
Off-Balance sheet:					
Non-market related					
Financial guarantees, acceptances, performance related commitments, trade related etc.		**163,404**	**1,634,039**	680,277	6,802,769
Market related					
Foreign exchange contracts/ derivatives etc.		**850**	**8,501**	39,050	390,497
		164,254	**1,642,540**	719,327	7,193,266
TOTAL CREDIT RISK	(a)	**4,403,352**	**44,033,523**	6,264,616	62,646,163
Market Risk:					
Capital Requirement for portfolios subject to standardized approach					
Interest rate risk		**888,811**	**8,888,113**	1,067,977	10,679,770
Equity position risk		**506,007**	**5,060,070**	437,205	4,372,048
Foreign exchange risk		**35,434**	**354,338**	52,786	527,864
TOTAL MARKET RISK	(b)	**1,430,252**	**14,302,521**	1,557,968	15,579,682
Operational Risk:					
Capital Requirement for portfolios subject to basic indicator approach					
Operational risk	(c)	**863,540**	**8,635,395**	1,021,761	10,217,612
TOTAL RISK WEIGHTED ASSETS	(a)+(b)+(c)	**6,697,144**	**66,971,439**	8,844,346	88,443,457

	2019		2018	
Capital Adequacy Ratios	**Required**	**Actual**	Required	Actual
CET1 to total RWA	**6.00%**	**13.15%**	6.00%	8.02%
Tier-1 capital to total RWA	**7.50%**	**13.15%**	7.50%	8.02%
Total capital to total RWA	**10.00%**	**13.15%**	10.00%	8.02%
Total capital plus CCB to total RWA	**12.50%**	**13.15%**	11.90%	8.02%

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 Bank for the year ended December 31, 2019 stood at 5.51% (2018: 4.20%).

	2019	2018
Total Exposure	-------- (Rupees in '000)	-------
On balance sheet exposures		
On-balance sheet items (excluding derivatives)	**154,250,527**	156,582,503
Derivatives	**-**	-
Total on balance sheet exposures (A)	**154,250,527**	156,582,503
Off balance sheet exposures		
Off-balance sheet items (excluding derivatives)	**5,617,867**	11,498,768
Derivatives in respective of commitments	**27,721**	710,125
Total Off balance sheet exposures (B)	**5,645,587**	12,208,893
Total Exposure (A+B)	**159,896,115**	168,791,395
Tier-1 Capital	**8,808,290**	7,094,833
Leverage Ratio (%)	**5.51%**	4.20%
Leverage Ratio (requirement)	**3.00%**	3.00%

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.

	2019		2018	
	Unweighted Value	**Weighted Value**	Unweighted Value	Weighted Value
	------------------- (Rupees in '000) -------------------			
HIGH QUALITY LIQUID ASSETS				
Total high quality liquid assets (HQLA)		**44,615,973**		37,014,311
CASH OUTLFLOWS				
Retail deposits and deposits from small business customers of which:				
Stable deposit	**-**	**-**	-	-
Less stable deposit	**30,247,271**	**3,024,727**	29,908,989	2,990,899
Unsecured wholesale funding of which:				
Operational deposits (all counterparties)	**26,504,574**	**10,554,840**	-	-
Non-operational deposits (all counterparties)	**-**	**-**	-	-
Unsecured debt	**43,589,821**	**19,024,115**	70,141,888	22,309,430
Secured wholesale funding	**-**	**-**	-	6,712,403
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	**2,335,237**	**233,440**	9,051,673	1,091,889
Other contractual funding obligations	**4,754,523**	**550,844**	455,158	455,158
Other contingent funding obligations	**3,249,863**	**438,196**	8,693,631	434,682
TOTAL CASH OUTFLOWS	**110,681,287**	**33,826,162**	63,266,403	11,407,286
CASH INFLOWS				
Secured lending	**1,913,448**	**698,318**	2,845,928	1,345,791
Inflows from fully performing exposures	**28,059,604**	**15,183,891**	16,568,931	8,907,640
Other cash inflows	**1,122,052**	**-**	1,950,798	-
TOTAL CASH INFLOWS	**31,095,104**	**15,882,209**	14,390,877	5,002,847
	Total adjusted value		Total adjusted value	
Total HQLA		**44,615,973**		37,014,311
Total net Cash Out Flows		**17,943,953**		23,741,031
LIQUIDITY COVERAGE RATIO (LCR)		**249%**		156%

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.

	2019				
	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	**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 (%)					**150%**

Net Stable Funding Ratio (NSFR)

	2018				
	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	15,420,398	-	-	-	15,420,398
Other capital instruments	-	-	-	1,560,845	1,560,845
Retail deposits and deposit from small business customers:					
Stable deposits	-	-	-	-	-
Less stable deposits	28,640,118	4,274,245	484,672	612,013	30,059,131
Wholesale funding:					
Operational deposits	-	-	-	-	-
Other wholesale funding	65,118,911	9,093,249	4,462,163	909,173	52,722,009
Other liabilities:					
NSFR derivative liabilities	-	-	-	-	-
All other liabilities and equity not included in other categories	2,163,870	27,522,759	88,277	37,655	44,139
Total ASF					99,806,522
Total NSFR high-quality liquid assets (HQLA)				42,681,342	1,277,651
Deposits held at other financial institutions for operational purposes	507,605	-	-	-	253,803
Performing loans and securities:					
Performing loans to financial institutions secured by Level 1 HQLA	-	5,383,162	-	-	538,316
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	2,820,122	869,338	358,095	1,215,783
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	30,522,994	4,591,504	20,281,342	27,155,543
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	138,075	532,007	1,345,669	1,108,387
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	16,894,173	21,152,930	1,026,748	48,374,395	48,149,407
Off-balance sheet items	-	4,768,194	2,543,723	713,414	980,332
Total RSF					80,679,221
Net Stable Funding Ratio (%)					124%