

CAPITAL ADEQUACY RATIO - GROUP LEVEL

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.

Capital Management

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.

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, 2019. The raise was to be achieved in a phased manner. The paid-up capital of the Group 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 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, 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)

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 (12.50% 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 Bank. 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 Bank to particular operations or activities.

Capital Adequacy

During the year 2019, the Group 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 group's operating expenses, the management is working on a Business Viability Plan approved by its Board of Directors. The Plan aims to make the Group 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 Group's Common Equity (Tier 1) during the year, the Group have 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 Group'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 Group will be Insha'Allah be able to stage a turn-around and become a self-sustaining, thriving institution The Government of Sindh, Group's major shareholder holding 99.95 percent of the Bank's equity is fully committed to supporting the Group, whenever required.

	2019	2018
	(Rupees in '000)	
Capital Adequacy		
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	3,486,841	1,473,799
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	(4,199,658)	4,023,905
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	18,997,364	15,507,885
10 Total regulatory adjustments applied to CET1 (note 41.1.5)	9,503,212	7,875,848
11 Common Equity Tier 1	9,494,152	7,632,037
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)	141,172	141,172
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	9,494,152	7,632,037
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	10,142	7,890
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	10,142	7,890
33 Total regulatory adjustment applied to T2 capital (note 41.1.5)	141,172	257,297
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)	9,494,152	7,632,037
39 Total Risk Weighted Assets (RWA) {for details refer note 41.1.8}	67,860,964	88,878,171
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	13.99%	8.59%
41 Tier-1 capital to total RWA	13.99%	8.59%
42 Total capital to total RWA	13.99%	8.59%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	8.500%	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)	5.49%	0.69%
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%	11.275%

	2019		2018
	Amount	Amounts subject to Pre- Basel III treatment	Amount
	Rupees in '000		Amounts subject to Pre- Basel III treatment
Regulatory Adjustments and Additional Information:			
Common Equity Tier 1 capital: Regulatory adjustments			
1	-	-	-
2	35,137	35,137	44,614
3	-	-	-
4	2,212,111	2,212,111	242,562
5	-	-	-
6	-	-	-
7	-	-	-
8	-	-	-
9	-	-	-
10	-	-	-
11	1,780,577	1,780,577	4,181,968
12	390,890	390,890	432,681
13	-	-	-
14	4,943,325	4,943,325	2,724,616
15	-	-	-
16	-	-	-
17	-	-	-
18	-	-	-
19	-	-	-
20	141,172	141,172	249,407
21	9,503,212	9,503,212	7,875,848
Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
22	-	-	-
23	-	-	-
24	-	-	-
25	-	-	-
26	-	-	-
27	-	-	-
28	141,172	141,172	257,297
29	141,172	141,172	257,297
Tier 2 Capital: regulatory adjustments			
30	-	-	-
31	-	-	-
32	-	-	-
33	141,172	141,172	257,297
34	-	-	-
35	141,172	141,172	257,297

	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)	6,220,812	4,447,621
(i) of which: deferred tax assets	3,644,663	2,651,515
(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	2,576,149	1,796,106
(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	-	-
	6,220,812	4,447,621
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)	6,401,190	3,785,222
	6,401,190	3,785,222
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

	As per published financial statements	Under regulatory scope of reporting
Step 1	December 31, 2019	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	13,566,622	13,566,622
Balanced with other banks	1,080,537	1,080,537
Lending to financial institutions	3,645,392	3,645,392
Investments	65,012,547	65,012,547
Advances	61,981,026	61,981,026
Operating fixed assets	3,837,529	3,837,529
Intangible assets	43,213	43,213
Deferred tax assets	8,613,301	8,613,301
Other assets	3,885,945	3,885,945
Total assets	161,666,112	161,666,112
Liabilities and equity		
Bills payable	495,010	495,010
Borrowings	4,992,284	4,992,284
Deposits and other accounts	134,085,796	134,085,796
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	4,876,235	4,876,235
Total liabilities	144,449,325	144,449,325
Share capital - net	19,710,130	19,710,130
Reserves	1,486,892	1,486,892
Shares deposit money	2,000,000	2,000,000
Deficit on revaluation of assets	(1,780,577)	(1,780,577)
Unappropriated profit	(4,199,658)	(4,199,658)
Total equity	17,216,787	17,216,787
Total liabilities and equity	161,666,112	161,666,112

Step 2	As per	Under	Reference
	published	regulatory	
	financial	scope of	
	statements	consolidation	
	December 31, 2019		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	13,566,622	13,566,622	
Balanced with other banks	1,080,537	1,080,537	
Lending to financial institutions	3,645,392	3,645,392	
Investments	65,012,547	65,012,547	
- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
CET-1	390,890	390,890	
ADT	-	-	
T2	141,172	141,172	
- 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	61,981,026	61,981,026	
Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
General provisions reflected in Tier 2 capital	10,142	10,142	g
Fixed assets	3,837,529	3,837,529	
Deferred tax assets	8,613,301	8,613,301	
- of which: DTAs excluding those arising from temporary differences	2,212,111	2,212,111	h
- of which: DTAs arising from temporary differences exceeding regulatory threshold	4,943,325	4,943,325	i
Other assets	3,885,945	3,885,945	
- of which: goodwill	-	-	j
- of which: intangibles	43,213	43,213	k
- of which: Defined-benefit pension fund net assets	-	-	l
Total assets	161,666,112	161,666,112	
Liabilities and equity			
Bills payable	495,010	495,010	
Borrowings	4,992,284	4,992,284	
Deposits and other accounts	134,085,796	134,085,796	
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	4,876,235	4,876,235	
Total liabilities	144,449,325	144,449,325	
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	3,486,892	3,486,892	
- of which: portion eligible for inclusion in CET1	3,486,892	3,486,892	u
- of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit / (losses)	(4,199,658)	(4,199,658)	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	17,216,787	17,216,787	
Total liabilities and equity	161,666,112	161,666,112	

Step 3

	Source based on reference number from step 2	Source based on reference number from step 2
	Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully paid-up capital / capital deposited with SBP	19,710,130	(s)
2 Balance in share premium account	51	
3 Reserve for issue of bonus shares	-	
4 General / statutory reserves	3,486,841	(u)
5 Gain / (loss) on derivatives held as cash flow hedge	-	
6 Unappropriated / unremitted profits / (losses)	(4,199,658)	(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	18,997,364	
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)	35,137	(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)	2,212,111	{(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)	390,890	(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)	4,943,325	(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	141,172	
30 Total regulatory adjustments applied to CET1	9,503,212	
31 Common Equity Tier 1	9,494,152	
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 <u>Rupees in '000</u>	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	(131,030)	
45 Total of regulatory adjustment applied to AT1 capital	(131,030)	
45.1 Transfer to CET1 due to insufficient amount in AT1	131,030	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1)	9,494,152	
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	10,142	(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	10,142	
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)	141,172	(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	141,172	
66 Tier 2 capital (T2)	(131,030)	
67 Tier 2 capital recognized for capital adequacy	(131,030)	
68 Transfer to ADT1 due to insufficient amount	131,030	
69 Total Tier 2 capital admissible for capital adequacy	-	
Total capital (T1 + admissible T2)	9,494,152	

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

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 OUTFLOWS				
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	118,251,339	33,994,461
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	21,365,658	10,253,430
	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	15,507,885	-	-	-	15,507,885
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					99,894,009

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%