



MCB Islamic Bank Limited

Capital Adequacy & Liquidity Disclosures

As at December 31, 2021



MCB ISLAMIC BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES
AS AT DECEMBER 31, 2021

CAPITAL ASSESSMENT AND ADEQUACY

Scope of Applications

The Basel-III Framework is applicable to the bank. 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;
- retain flexibility to harness future investment opportunities; build and expand even in stressed times.

Statutory minimum capital requirement and Capital Adequacy Ratio (CAR)

The capital adequacy ratio of the Bank was subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

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

Ratio	Year End December 31,						As at Dec 31,
	2013	2014	2015	2016	2017	2018	2019
1 CET1	5.00%	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%	1.50%
3 Tier 1	6.50%	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%	10.00%
5 *CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
6 Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.275%	11.90%	12.50%

* Capital Conservation Buffer (CCB) Consisting of CET1 only

SBP vide its BPRD Circular Letter No. 12 of 2020 dated March 26, 2020 has reduced the Capital Conservation Buffer (CCB) from 2.50% to 1.50%. The Minimum Capital Requirement of the Bank stands at Rs.10 Billion at the respective reporting dates and is in compliance with the required capital adequacy ratio including CCB (11.50% of the risk-weighted assets). 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 risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The Bank measures and manages Market Risk by using conventional methods i.e. notional amounts, sensitivity and combinations of various limits. Beside conventional methods, the Bank also uses VaR (Value at Risk) technique for market risk assessment of positions assumed by its Treasury and FX Group. In-house based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Thresholds for different positions are established to compare the expected losses at a given confidence level and over a specified time horizon. Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA).

Capital Adequacy Ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy under Basel III treatment is presented below:

	2021	2020
	Rupees in '000	
Common Equity Tier 1 capital(CET1): Instruments and reserves		
Fully Paid-up Capital / Capital deposited with SBP	11,550,000	11,550,000
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
Discount on Issue of shares	-	-
General/ Statutory Reserves	88,193	68,107
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits/ (losses)	(1,282,002)	(1,363,651)
Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before Regulatory Adjustments	10,356,191	10,254,456
Total regulatory adjustments applied to CET1	1,654,514	1,849,416
Common Equity Tier 1	8,701,677	8,405,040
Additional Tier 1 (AT 1) Capital		
Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-
AT1 before regulatory adjustments	-	-
Total regulatory adjustment applied to AT1 capital	-	-
Additional Tier 1 capital after regulatory adjustments	-	-
Additional Tier 1 capital recognized for capital adequacy	-	-
Tier 1 Capital (CET1 + admissible AT1)	8,701,677	8,405,040
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules	-	-
Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
of which: instruments issued by subsidiaries subject to phase out	-	-
General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	61,882	40,847
Revaluation Reserves (net of taxes)	248,364	473,316
of which: Revaluation reserves on fixed assets	305,671	312,157
of which: Unrealized gains/losses on AFS	(57,307)	161,159
Foreign Exchange Translation Reserves	-	-
Undisclosed/Other Reserves (if any)	-	-
T2 before regulatory adjustments	310,246	514,163
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	310,246	514,163
Tier 2 capital recognized for capital adequacy	310,246	514,163
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy	310,246	514,163
TOTAL CAPITAL (T1 + admissible T2)	9,011,923	8,919,203
Total Risk Weighted Assets (RWA)	74,548,396	74,235,463

	2021	2020
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA	11.67%	11.32%
Tier-1 capital to total RWA	11.67%	11.32%
Total capital to total RWA	12.09%	12.01%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.50%	7.50%
of which: capital conservation buffer requirement	1.50%	1.50%
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	4.17%	3.82%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Total capital minimum ratio plus CCB	11.50%	11.50%

	2021	2020
	Rupees in '000	
Regulatory Adjustments and Additional Information	Amount	Amount
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	-	-
All other intangibles (net of any associated deferred tax liability)	579,767	639,428
Shortfall in provisions against classified assets	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,074,747	1,133,328
Defined-benefit pension fund net assets	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
Cash flow hedge reserve	-	-
Investment in own shares/ CET1 instruments	-	-
Securitization gain on sale	-	-
Capital shortfall of regulated subsidiaries	-	-
Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
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)	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding 15% threshold	-	-
of which: significant investments in the common stocks of financial entities	-	-
of which: deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments applied to CET1 capital	-	-
Investments in TFCs of other banks exceeding the prescribed limit	-	-
Any other deduction specified by SBP (mention details)	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments applied to CET1	1,654,514	1,772,756

	2021	2020
	Rupees in '000	
Regulatory Adjustments and Additional Information	Amount	Amount
Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
Investment in own AT1 capital instruments	-	-
Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
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)	-	-
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
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	-	-
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
Total regulatory adjustment applied to AT1 capital	-	-
Tier 2 Capital: regulatory adjustments		
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	-	-
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
Investment in own Tier 2 capital instrument	-	-
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)	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
Total regulatory adjustment applied to T2 capital	-	-
Risk Weighted Assets subject to pre-Basel III treatment		
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
of which: deferred tax assets	-	-
of which: Defined-benefit pension fund net assets	-	-
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	-	-
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	-	-
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	-	-
Significant investments in the common stock of financial entities	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-
Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Capital Structure Reconciliation

Step 1	Balance sheet as per published financial statements	Under regulatory scope of consolidation	
As at December 31, 2021			
Rupees in '000			
Assets			
Cash and balances with treasury banks	11,309,285	11,309,285	
Balances with other banks	3,696,073	3,696,073	
Due from financial institutions	1,650,000	1,650,000	
Investments - net	33,475,816	33,475,816	
Islamic financing and related assets - net	96,308,562	96,308,562	
Fixed assets	4,932,122	4,932,122	
Intangible assets	579,767	579,767	
Deferred tax assets - net	1,006,958	1,006,958	
Other assets - net	8,308,810	8,308,810	
Total assets	161,267,393	161,267,393	
Liabilities and Equity			
Bills payable	1,896,801	1,896,801	
Due to financial institutions	16,472,906	16,472,906	
Deposits and other accounts	122,747,778	122,747,778	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities - net	-	-	
Other liabilities	9,545,353	9,545,353	
Total liabilities	150,662,838	150,662,838	
Share capital	11,550,000	11,550,000	
Reserves	88,193	88,193	
Accumulated loss	(1,282,002)	(1,282,002)	
Minority Interest	-	-	
Total Equity	10,356,191	10,356,191	
Surplus / (deficit) on revaluation of assets - net of tax	248,364	248,364	
Total liabilities and equity	10,604,555	10,604,555	
Step 2	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Ref
As at December 31, 2021			
Rupees in '000			
Assets			
Cash and balances with treasury banks	11,309,285	11,309,285	
Balances with other banks	3,696,073	3,696,073	
Due from financial institutions	1,650,000	1,650,000	
Investments	33,475,816	33,475,816	
of which: non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others	-	-	e

Step 2	Balance sheet of the published financial statements	Under regulatory scope of consolidation	Ref
	As at December 31, 2021		
	Rupees in '000		
Islamic financing and related assets	96,308,562	96,308,562	
shortfall in provisions/ excess of total EL amount	-	-	f
over eligible provisions under IRB	-	-	
general provisions reflected in Tier 2 capital	61,882	61,882	g
Operating fixed assets	5,511,889	5,511,889	
of which: Intangibles	579,767	579,767	k
Deferred tax assets	1,006,958	1,006,958	
of which: DTAs that rely on future profitability	-	-	
excluding those arising from temporary differences	1,074,747	1,074,747	h
of which: DTAs arising from temporary differences	-	-	
exceeding regulatory threshold	(67,789)	(67,789)	i
Other assets	8,308,810	8,308,810	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	161,267,393	161,267,393	
Liabilities and Equity			
Bills payable	1,896,801	1,896,801	
Due to financial institutions	16,472,906	16,472,906	
Deposits and other accounts	122,747,778	122,747,778	
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	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	9,545,353	9,545,353	
Total liabilities	150,662,838	150,662,838	
Share capital	11,550,000	11,550,000	
of which: amount eligible for CET1	11,550,000	11,550,000	s
of which: amount eligible for AT1	-	-	t
Reserves	88,193	88,193	
of which: portion eligible for inclusion in CET1	88,193	88,193	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Accumulated loss	(1,282,002)	(1,282,002)	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 / (deficit) on revaluation of assets	248,364	248,364	
of which: revaluation reserves on fixed assets	305,671	305,671	aa
of which: unrealized loss on AFS	(57,307)	(57,307)	
In case of deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities and Equity	161,267,393	161,267,393	

Step 3

**Component
of regulatory
capital
reported by
bank**

**Source
based on
reference
number from
step 2**

**As at December 31, 2021
Rupees in '000**

Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital	11,550,000
2	Balance in share premium account	-
3	Reserve for issue of bonus shares	-
4	General / Statutory Reserves	88,193
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated profit	(1,282,002)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-
8	CET 1 before Regulatory Adjustments	-
	Common Equity Tier 1 capital: Regulatory adjustments	10,356,191
9	Goodwill (net of related deferred tax liability)	-
10	All other intangibles (net of any associated deferred tax liability)	579,767
11	Shortfall of provisions against classified assets	-
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,074,747
13	Defined-benefit pension fund net assets	-
14	Reciprocal cross holdings in CET1 capital instruments	-
15	Cash flow hedge reserve	-
16	Investment in own shares/ CET1 instruments	-
17	Securitization gain on sale	-
18	Capital shortfall of regulated subsidiaries	-
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
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	of which: Investment in TFCs of other banks exceeding the prescribed limit	-
28	of which: Any other deduction specified by SBP	-
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-
30	Total regulatory adjustments applied to CET1	1,654,514
31	Common Equity Tier 1	8,701,677
	Additional Tier 1 (AT 1) Capital	
32	Qualifying Additional Tier-1 instruments plus any related share premium	-
33	of which: Classified as equity	-
34	of which: Classified as liabilities	-
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-
36	of which: instrument issued by subsidiaries subject to phase out	-
37	AT1 before regulatory adjustments	-

Step 3

Component of regulatory capital reported by bank

Source based on reference number from step 2

As at December 31, 2021

Rupees in '000

	Component of regulatory capital reported by bank	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	-	
46 Additional Tier 1 capital	-	
47 Additional Tier 1 capital recognized for capital adequacy	-	
48 Tier 1 Capital (CET1 + admissible AT1)	8,701,677	
Tier 2 Capital		
49 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
50 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(z)
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	61,882	(g)
54 Revaluation Reserves		
55 of which: Revaluation reserves on fixed assets	305,671	
56 of which: Unrealized Gains/Losses on AFS	(57,307)	portion of (aa)
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 T2 before regulatory adjustments	310,246	
Tier 2 Capital: regulatory adjustments		
60 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	
61 Reciprocal cross holdings in Tier 2 instruments	-	
62 Investment in own Tier 2 capital instrument	-	
63 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
64 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65 Amount of Regulatory Adjustment applied to T2 capital	-	

**Component
of regulatory
capital
reported by
bank** **Source
based on
reference
number from
step 2**

Step 3

As at December 31, 2021

Rupees in '000

66	Tier 2 capital (T2)
67	Tier 2 capital recognized for capital adequacy
68	Excess Additional Tier 1 capital recognized in Tier 2 capital
69	Total Tier 2 capital admissible for capital adequacy
70	TOTAL CAPITAL (T1 + admissible T2)

310,246
310,246
-
310,246
9,011,923

Main Features Template of Regulatory Capital Instruments

1	Issuer	MCB Islamic Bank Limited
2	Unique identifier (e.g. PSX Symbol)	MCBIBL
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	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	Standalone
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,550,000
9	Par value of instrument	PKR 10 per share
10	Accounting classification	Shareholder equity
11	Original date of issuance	2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
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	Not applicable
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	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Not applicable
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity ranks after all creditors and depositors
36	Non-compliant transitioned features	No
37	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 was as follows:

	2021		2020	
	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Rupees in '000				
Risk-weighted exposures				
Credit risk				
Portfolios subject to standardised approach (Simple Approach)				
On-Balance sheet				
Corporate portfolio	41,390,929	5,023,511	44,935,924	5,439,509
Banks / DFIs	1,069,314	129,780	999,321	120,968
Public sector entities	422,496	51,277	526,499	63,733
Sovereigns / cash & cash equivalents	67,511	8,194	33,465	4,051
Loans secured against residential property	568,271	68,970	377,944	45,750
Retail	5,560,067	674,811	3,630,755	439,504
Past due loans	802,619	97,412	1,065,905	129,028
Operating fixed assets	4,932,122	598,599	5,548,894	671,696
Other assets	1,762,480	213,908	1,204,173	145,766
	56,575,809	6,866,460	58,322,880	7,060,004
Off-Balance sheet				
Non-market related	6,467,953	784,999	4,901,059	593,275
Market related	29,862	3,624	70,052	8,480
	6,497,815	788,623	4,971,112	601,755
Equity Exposure Risk in the Banking Book				
Listed	-	-	-	-
Unlisted	-	-	-	-
	-	-	-	-
Total Credit Risk	63,073,624	7,655,084	63,293,992	7,661,759
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	1,372,363	109,789	1,108,336	88,667
Equity position risk	754,854	60,388	2,139,058	171,125
Foreign Exchange risk	273,015	21,841	324,181	25,935
Total Market Risk	2,400,232	192,019	3,571,575	285,727
Operational Risk				
Capital Requirement for operational risks	9,074,540	725,963	7,369,896	589,592
TOTAL	74,548,396	8,573,065	74,235,462	8,537,078
	2021		2020	
	Required	Actual	Required	Actual
	%	%	%	%
Capital Adequacy Ratios				
CET1 to total RWA	6.00%	11.67%	6.00%	11.32%
Tier-1 capital to total RWA	7.50%	11.67%	7.50%	11.32%
Total capital to total RWA	10.00%	10.59%	10.00%	10.51%
Total capital plus CCB to total RWA	11.50%	12.09%	11.50%	12.01%

* As SBP capital requirement of 11.50 % (2020: 11.50%) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

Credit Risk - General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with SBP's requirements.

Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. The Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors. Credit rating data for financing is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan's Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	Other (S&P / Moody's / Fitch)
Corporate	Yes	Yes	-
Banks	Yes	Yes	Yes
Sovereigns	-	-	Yes
SME's	Yes	Yes	-

The criteria for transfer of public issue ratings onto comparable assets in the banking book and the alignment of the alphanumeric scale of each agency used with risk buckets is the same as specified by the banking regulator SBP.

Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

Credit Exposures subject to Standardized approach

Exposure Type	SBP Grade	Risk Weight	2021			2020		
			Amount Outstanding Credit Equivalent	Deduction CRM	Net Amount	Amount Outstanding Credit Equivalent	Deduction CRM	Net Amount
Cash and Cash Equivalents		0%	3,146,761	-	3,146,761	3,952,006	-	3,952,006
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR		0%	50,333,298	40,673,542	9,659,756	31,981,270	22,406,459	9,574,811
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan		0%	554,429	-	554,429	588,350	-	588,350
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	0%	-	-	-	-	-	-
	2	20%	-	-	-	-	-	-
	3	50%	-	-	-	-	-	-
	4,5	100%	67,511	-	67,511	33,465	-	33,465
	6	150%	-	-	-	-	-	-
	Unrated	100%	-	-	-	-	-	-
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community		0%	-	-	-	-	-	-
Claims on Multilateral Development Banks		0%	-	-	-	-	-	-
	1	20%	-	-	-	-	-	-
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	-	-	-	-	-	-
Claims on Public Sector Entities in Pakistan		0%	-	-	-	-	-	-
	1	20%	-	-	-	-	-	-
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
	Unrated	50%	844,992	-	844,992	9,200,373	8,147,375	1,052,998
Claims on Banks		0%	-	-	-	-	-	-
		10%	-	-	-	-	-	-
	1	20%	-	-	-	-	-	-
	2,3	50%	-	-	-	-	-	-
	4,5	100%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less		0%	-	-	-	-	-	-
	1,2,3	20%	1,604,887	-	1,604,887	67,467	-	67,467
	4,5	50%	-	-	-	-	-	-
	6	150%	-	-	-	-	-	-
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR		20%	2,025,163	-	2,025,163	4,928,231	-	4,928,231
		20%	1,716,523	-	1,716,523	909	-	909
Claims on Corporates (excluding equity exposures)		0%	-	-	-	-	-	-
		10%	-	-	-	-	-	-
	1	20%	3,233,753	-	3,233,753	2,334,202	9,119	2,325,084
	2	50%	19,805,588	2,273	19,803,315	13,595,004	7,257	13,587,747
	3,4	100%	1,948,037	22,952	1,925,085	4,172,542	347,527	3,825,015
	5,6	150%	-	-	-	-	-	-
	Unrated-1	100%	12,612,624	96,275	12,516,349	14,174,430	489,044	13,685,386
Unrated-2	125%	13,343,764	222,895	13,120,869	16,240,838	107,531	16,133,307	
Claims categorized as retail portfolio		0%	-	-	-	-	-	-
		20%	-	-	-	-	-	-
		50%	-	-	-	-	-	-
		75%	7,773,281	359,859	7,413,422	5,249,784	408,777	4,841,007
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)		35%	1,623,630	-	1,623,630	1,079,840	-	1,079,840
Claims against Low Cost Housing Finance		25%	-	-	-	-	-	-
Past Due loans:			-	-	-	-	-	-
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:			-	-	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.		150%	460,613	671	459,942	688,647	-	688,647
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.		100%	108,787	-	108,787	12,408	1,253	11,155
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.		50%	814	-	814	126	105	21
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired		100%	-	-	-	12,942	-	12,942
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount		50%	7,024	-	7,024	17,652	-	17,652
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.		100%	-	-	-	-	-	-
Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)		250%	-	-	-	-	-	-
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.		100%	-	-	-	-	-	-
Unlisted equity investments (other than that deducted from capital) held in banking book		150%	-	-	-	-	-	-
Investments in venture capital		150%	-	-	-	-	-	-
Investments in premises, plant and equipment and all other fixed assets		100%	4,932,122	-	4,932,122	5,548,894	-	5,548,894
Claims on all fixed assets under operating lease		100%	-	-	-	-	-	-
All other assets		100%	1,762,480	-	1,762,480	1,204,173	-	1,204,173

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Credit risk arises from our dealings with individuals, corporate clients, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its financing and investment activities. It stems from the Bank's both, on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of Credit Risk Management function is to identify, measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and reviews clients' performance on an ongoing basis.

The Bank has adopted Standardized Approach to measure Credit risk regulatory capital charge in compliance with Basel-III requirements. The approach mainly takes into account the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Risk Rating Systems, the Bank has developed rating systems and all its corporate and commercial financing customers are internally rated. The Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

In order to manage the Bank's credit risk, following policies and procedures are in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- Credit facility or material change to the credit facility is allowed subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;

As a part of credit assessment the Bank uses an internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations group, is responsible for performing the following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework. Continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within an appropriate limits framework. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Financings (NPFs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as unidentified losses. Provisions against unidentified losses include general provision against consumer, small entities and micro financings made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on financings.

Leverage Ratio (LR):

In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, monitoring of Leverage Ratio is in place as per SBP directives with the following objectives:

- constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- reinforce the risk based requirements with an easy to understand and a non-risk based measure.

A minimum Tier 1 leverage ratio of 3% has been prescribed both at solo and consolidated level.

Leverage Ratio (LR):

Eligible Tier-1 Capital
Total Exposures
Leverage Ratio

	2021	2020
	Rupees in '000	
Eligible Tier-1 Capital	8,701,677	8,405,040
Total Exposures	184,200,849	153,424,840
Leverage Ratio	4.72%	5.48%

Basel III Liquidity Requirement

The Basel Committee for Banking Supervision (BCBS) has introduced Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) under its BASEL III reforms. As part of Basel III implementation in Pakistan, SBP issued guidelines on June 23, 2016 to implement Liquidity standards in line with BCBS timelines, keeping in view the conditions as applicable in Pakistan. The Bank is maintaining both the liquidity ratios, under Basel III, with a considerable cushion over and above the regulatory requirement to mitigate any liquidity risk.

Liquidity Coverage Ratio (LCR)

The objective of Liquidity Coverage Ratio (LCR) is to ensure short-term resilience of the liquidity risk profile of the bank by ensuring availability of adequate High Quality Liquid Assets to survive a significant stress scenario lasting for 30 calendar days. All banks are required to maintain LCR at least 100% on an ongoing basis.

	Total unweighted value		Total weighted value	
	a	b	a	b
	2021		2020	
	Rupees in '000		Rupees in '000	
HIGH QUALITY LIQUID ASSETS				
1 Total high quality liquid assets (HQLA)	-	34,199,441	-	27,536,984
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers of which:	61,195,925	6,119,593	53,411,789	5,259,929
2.1 Stable deposit	-	-	1,625,000	81,250
2.2 Less stable deposit	61,195,925	6,119,593	51,786,789	5,178,679
3 Unsecured wholesale funding of which:	52,924,076	27,430,970	42,476,587	22,283,012
3.1 Operational deposits (all counterparties)	-	-	-	-
3.2 Non-operational deposits (all counterparties)	42,488,511	16,995,404	33,655,959	13,462,384
3.3 Unsecured debt	10,435,565	10,435,565	8,820,628	8,820,628
4 Secured wholesale funding	-	-	-	-
5 Additional requirements of which:	48,651,673	4,656,147	21,504,372	3,339,606
5.1 Outflows related to derivative exposures and other collateral requirements	-	-	-	-
5.2 Outflows related to loss of funding on debt products	-	-	-	-
5.3 Credit and Liquidity facilities	932,138	93,214	834,278	83,428
6 Other contractual funding obligations	3,440,195	3,440,195	2,389,315	2,389,315
7 Other contingent funding obligations	44,279,339	1,122,738	18,280,778	866,863
8 TOTAL CASH OUTFLOWS		38,206,709		30,882,547
CASH INFLOWS				
9 Secured lending	-	-	-	-
10 Inflows from fully performing exposures	11,279,843	5,643,965	11,006,767	5,551,145
11 Other Cash inflows	5,839,815	2,828,507	5,151,887	2,775,196
12 TOTAL CASH IN FLOWS		8,472,472		8,326,341
21 TOTAL HQLA		34,199,441		27,536,984
22 TOTAL NET CASH OUTFLOWS		29,734,237		22,556,206
23 LIQUIDITY COVERAGE RATIO		115.02%		122.08%

Governance of Liquidity Risk Management

Liquidity risk is the potential for loss to the Bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost. The Bank's Board of Directors sets Bank's policy for managing liquidity risk and entrusts accountability for supervision of the implementation of this strategy to senior management. Senior management exercises its responsibilities for managing market & liquidity risk through various committees including the Asset & Liability Management Committee (ALCO). Treasury department manages the Bank's liquidity position on a daily basis. The Bank's main approach of managing the liquidity risk is to make certain that it will always have adequate liquidity to meet its liabilities when they are due in normal and stressed scenarios without incurring any untoward expenditure or risking reputational harm. ALCO monitors the maintenance of liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. There is an Asset Liability Management Framework in place for focused handling of Liquidity. This framework also incorporates early warning indicators.

Liquidity Gap Reporting

Regarding behaviour of non-maturity deposits (non-contractual deposits), the Bank conducted a behavioural study using value at risk methodology. On the basis of its findings 19.03% of current accounts and saving accounts are bucketed into Upto 1- year maturity while 80.97% of current accounts saving accounts are bucketed in over 1 year maturity.

Net Stable Funding Ratio (NSFR)

The objective of Net Stable Funding Ratio (NSFR) is to reduce funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding on ongoing basis. Banks are required to maintain NSFR requirement of at least 100% on an ongoing basis from December 31, 2017.

		2021				
		Unweighted value by residual maturity				
		No Maturity	Less than 6 months	6 months to greater than 1year	Greater than or equal to 1year	
		Rupees in '000				
ASF Items						
1	Capital:					10,604,555
2	Regulatory capital	10,604,555				10,604,555
3	Other capital instruments					-
4	Retail deposits and deposit from small business customers:					59,201,764
5	Stable deposits					-
6	Less stable deposits	59,664,128	4,308,927	1,755,687	50,996	59,201,764
7	Wholesale funding:	-	-	-	-	26,695,653
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	27,050,506	23,481,800	2,859,000	-	26,695,653
10	Other liabilities:		15,900	4,253,243	7,793,074	9,919,696
11	NSFR derivative liabilities					
12	All other liabilities and equity not included in other categories					
13	Total ASF	-	-	-	-	106,421,668
RSF Items						
14	Total NSFR high-quality liquid assets (HQLA)					188,714
15	Deposits held at other financial institutions for operational purposes	3,629,331				1,814,666
16	Performing loans and securities:	-	-	-	-	-
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-		-	-	
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	53,629,172	45,584,796
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	596,352	387,629
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-		
22	Other assets:	-	-	-	-	-
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	17,548				-
25	NSFR derivative assets	7,859				7,859
26	NSFR derivative liabilities before deduction of variation margin posted	1938				1938
27	All other assets not included in the above categories	17,253,249	1,716,742	42,198,038		38,609,780
28	Off-balance sheet items		23,624,947		24,508,472	2,406,671
29	Total RSF	-	-	-	-	89,002,052
30	Net Stable Funding Ratio (%)	-	-	-	-	119.57%

2020

Unweighted value by residual maturity

		No Maturity	Less than 6 months	6 months to greater than 1 year	Greater than or equal to 1 year	
Rupees in '000						
ASF Items						
1	Capital:					10,768,619
2	Regulatory capital	10,768,619	-	-	-	10,768,619
3	Other capital instruments	-	-	-	-	-
4	Retail deposits and deposit from small business customers:	-	-	-	-	55,711,696
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	55,837,244	4,773,379	1,043,715	247,546	55,711,696
7	Wholesale funding:	-	-	-	-	15,676,110
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	19,336,376	11,792,770	223,074		15,676,110
10	Other liabilities:		38,684	290,165	8,140,536	8,285,618
11	NSFR derivative liabilities	181,783				
12	All other liabilities and equity not included in other categories		28,537,842			
13	Total ASF	-	-	-	-	90,442,043
RSF Items						
14	Total NSFR high-quality liquid assets (HQLA)					516,960
15	Deposits held at other financial institutions for operational purposes	4,995,048				2,497,524
16	Performing loans and securities:	-	-	-	-	-
17	Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	42,476,525	36,105,046
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	1,096,887	932,354
22	Other assets:	-	-	-	-	-
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	-	-	-	-
26	NSFR derivative liabilities before deduction of variation margin posted	36,357				36,357
27	All other assets not included in the above categories	7,806,584	31,016,862	17,716,818	1,885,891	34,058,772
28	Off-balance sheet items		28,013,681	20,323,707	1,007,451	2,467,242
29	Total RSF	-	-	-	-	76,614,255
30	Net Stable Funding Ratio (%)	-	-	-	-	118%