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 December 31, 2018. 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.10.01 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:

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Ratio</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CET1</td>
<td>5.50%</td>
</tr>
<tr>
<td>2</td>
<td>ADT-1</td>
<td>1.50%</td>
</tr>
<tr>
<td>3</td>
<td>Tier-1</td>
<td>7.00%</td>
</tr>
<tr>
<td>4</td>
<td>Total Capital</td>
<td>10.00%</td>
</tr>
<tr>
<td>5</td>
<td>* CCB</td>
<td>0.00%</td>
</tr>
<tr>
<td>6</td>
<td>Total Capital plus CCB</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

* (Consisting of CET1 only)

Group’s regulatory capital is analysed into three tiers
- Common Equity Tier 1 capital (CET1), which includes fully paid-up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.
- Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares, balance in share premium account after all regulatory adjustments applicable on AT1.
- Tier 2 capital, which includes Subordinated debt / Instruments, share premium on issuance of Subordinated debt / instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

The required capital adequacy ratio (11.90% 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 2018, the Group suffered losses, arising mainly due to provisioning of non-performing loans. Due to these losses, the Group’s equity as at December 31, 2018 is reduced to Rs. 11.2 billion from Rs. 16.1 billion as at December 31, 2017 and the Group’s Capital Adequacy Ratio as at 31 December 2018 is also reduced to 8.59 percent of Risk Weighted Assets (RWA), as against required minimum of 11.90 percent. To address any material uncertainty about the Group’s going concern status and keeping in view the present and future capital requirements, the Group has submitted to the State Bank of Pakistan, a time-bound capital plan, duly approved by Board of Directors of Sindh Bank. Based on this plan, the management has prepared these financial statements on going concern basis. The plan, envisages injection of an amount of Rs.14.7 billion of which Rs. 11.2 billion will be injected by December 31, 2019 and a further amount of Rs.3.5 billion by June 30, 2020, in the following manner (subject to regulatory approvals):

- **Cash equity injection of Rs. 8 billion.**
- **Equity injection of Rs. 3 billion through merger of Sindh Leasing Company Limited.**
- **Cash equity/ or issue of unsecured Term Finance Certificates of Rs. 1.3 billion for Additional Tier I capital (subject to GoS rules);**
- **Cash equity/ or issue of unsecured Term Finance Certificates of Rs. 2.4 billion for Tier II capital (subject to GoS rules).**

The Board of Directors of the Bank and SLCL have already given their ‘in principle’ approval for merger of Sindh Leasing Company Limited into Sindh Bank as well as approved the Draft Term Sheets for the issuance of above TFCs, subject to regulatory approvals. Other formalities are in process.

The Group is also undertaking an organizational restructuring exercise aimed at improving its business focus and setting up a dedicated Department/Unit for undertaking efforts for recovery/restructuring of its Non...

The Government of Sindh, the Bank’s major shareholder holding 99.9 percent of the Bank’s equity is fully committed to supporting the Group, whenever required.
## Capital Adequacy

### Common Equity Tier 1 capital (CET1): Instruments and reserves

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully Paid-up Capital / Capital deposited with SBP</td>
<td>10,010,130</td>
<td>10,010,130</td>
</tr>
<tr>
<td>Balance in Share Premium Account</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Reserve for issue of Bonus Shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Discount on issue of shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General/Statutory Reserves</td>
<td>1,473,799</td>
<td>1,464,278</td>
</tr>
<tr>
<td>Gain/(Losses) on derivatives held as Cash Flow Hedge</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unappropriated/unremitted profits/ (losses)</td>
<td>4,023,905</td>
<td>5,212,873</td>
</tr>
<tr>
<td>Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>CET 1 before Regulatory Adjustments</strong></td>
<td>15,507,885</td>
<td>16,687,332</td>
</tr>
</tbody>
</table>

#### Total regulatory adjustments applied to CET1 (note 41.1.5)

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total regulatory adjustments applied to CET1</strong></td>
<td>7,875,848</td>
<td>1,342,618</td>
</tr>
</tbody>
</table>

### Common Equity Tier 1

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Equity Tier 1</strong></td>
<td>7,632,037</td>
<td>15,344,714</td>
</tr>
</tbody>
</table>

### Additional Tier 1 (AT 1) Capital

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying Additional Tier-1 capital instruments plus any related share premium</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which: Classified as equity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which: Classified as liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which: instrument issued by subsidiaries subject to phase out</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>AT1 before regulatory adjustments</strong></td>
<td>257,297</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Total regulatory adjustment applied to AT1 capital (note 41.1.5)

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total regulatory adjustment applied to AT1 capital</strong></td>
<td>257,297</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Additional Tier 1 capital recognized for capital adequacy

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier 1 Capital (CET1 + admissible AT1) (11+20)</strong></td>
<td>7,632,037</td>
<td>15,344,714</td>
</tr>
</tbody>
</table>

### Tier 2 Capital

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying Tier 2 capital instruments under Basel III plus any related share premium</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tier 2 capital instruments subject to phase-out arrangement issued under pre-Basel 3 rules</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which: instruments issued by subsidiaries subject to phase out</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets</td>
<td>7,890</td>
<td>815,886</td>
</tr>
<tr>
<td>Revaluation Reserves (net of taxes)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which: Revaluation reserves on fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>of which: Unrealized gains/losses on AFS</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign Exchange Translation Reserves</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Undisclosed/Other Reserves (if any)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>T2 before regulatory adjustments</strong></td>
<td>7,890</td>
<td>815,886</td>
</tr>
</tbody>
</table>

#### Total regulatory adjustment applied to T2 capital (note 41.1.5)

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total regulatory adjustment applied to T2 capital</strong></td>
<td>257,297</td>
<td>171,414</td>
</tr>
</tbody>
</table>

#### Tier 2 capital recognized for capital adequacy

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier 2 Capital admissible for capital adequacy</strong></td>
<td>644,472</td>
<td>-</td>
</tr>
</tbody>
</table>

#### TOTAL CAPITAL (T1 + admissible T2) (21+37)

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL CAPITAL (T1 + admissible T2) (21+37)</strong></td>
<td>7,632,037</td>
<td>15,989,186</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 to total RWA</td>
<td>8.59%</td>
<td>15.76%</td>
</tr>
<tr>
<td>Tier-1 capital to total RWA</td>
<td>8.59%</td>
<td>15.76%</td>
</tr>
<tr>
<td>Total capital to total RWA</td>
<td>8.59%</td>
<td>16.42%</td>
</tr>
<tr>
<td>Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)</td>
<td>7.90%</td>
<td>7.28%</td>
</tr>
<tr>
<td>of which: capital conservation buffer requirement</td>
<td>1.90%</td>
<td>1.28%</td>
</tr>
<tr>
<td>of which: counter cyclical buffer requirement</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>of which: D-SIB or G-SIB buffer requirement</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>CET1 available to meet buffers (as a percentage of risk weighted assets)</td>
<td>0.69%</td>
<td>8.48%</td>
</tr>
</tbody>
</table>

### National minimum capital requirements prescribed by SBP

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 minimum ratio</td>
<td>6.00%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Tier 1 minimum ratio</td>
<td>7.50%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Total capital minimum ratio</td>
<td>11.90%</td>
<td>11.275%</td>
</tr>
<tr>
<td>Total capital minimum ratio plus CCB</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Regulatory Adjustments and Additional Information:

<table>
<thead>
<tr>
<th>Common Equity Tier 1 capital: Regulatory adjustments</th>
<th>Amount subject to Pre- Basel III treatment</th>
<th>Amount subject to Pre- Basel III treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goodwill (net of related deferred tax liability)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Shortfall in provisions against classified assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4. Defined-benefit pension fund net assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5. Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Cash flow hedge reserve</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7. Investment in own shares/ CET1 instruments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8. Securitization gain on sale</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9. Capital shortfall of regulated subsidiaries</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10. Deficit on account of revaluation from bank’s holdings of fixed assets/AFS</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>11. 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)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>12. Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>13. Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>14. Amount exceeding 15% threshold</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15. 15% threshold of significant investments &amp; deferred tax assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>16. National specific regulatory adjustments applied to CET1 capital</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>17. Investments in TFCs of other banks exceeding the prescribed limit</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>18. Any other deduction specified by SBP (mention details)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>19. Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>20. Total regulatory adjustments applied to CET1 (sum of 1 to 21)</td>
<td>432,681</td>
<td>813,676</td>
</tr>
<tr>
<td>21. Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</td>
<td>7,875,846</td>
<td>7,875,846</td>
</tr>
<tr>
<td>22. Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>23. Investment in own AT1 capital instruments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>24. Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>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)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>26. Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>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</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>28. Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions</td>
<td>257,297</td>
<td>257,297</td>
</tr>
<tr>
<td>29. Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)</td>
<td>257,297</td>
<td>257,297</td>
</tr>
<tr>
<td>Tier 2 Capital: regulatory adjustments</td>
<td>Amount</td>
<td>Amount</td>
</tr>
<tr>
<td>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</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31. Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>32. Investment in own Tier 2 capital instrument</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>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)</td>
<td>257,297</td>
<td>214,268</td>
</tr>
<tr>
<td>34. Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation</td>
<td>257,297</td>
<td>214,268</td>
</tr>
<tr>
<td>35. Total regulatory adjustment applied to T2 capital (sum of 31 to 35)</td>
<td>257,297</td>
<td>214,268</td>
</tr>
</tbody>
</table>
## Additional Information

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III treatment)</td>
<td>4,447,621</td>
</tr>
<tr>
<td></td>
<td>(i) of which: deferred tax assets</td>
<td>2,651,515</td>
</tr>
<tr>
<td></td>
<td>(ii) of which: defined-benefit pension fund net assets</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(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</td>
<td>1,796,106</td>
</tr>
<tr>
<td></td>
<td>(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</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,447,621</td>
</tr>
</tbody>
</table>

## Amounts below the thresholds for deduction (before risk weighting)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>Non-significant investments in the capital of other financial entities</td>
<td>-</td>
</tr>
<tr>
<td>38</td>
<td>Significant investments in the common stock of financial entities</td>
<td>-</td>
</tr>
<tr>
<td>39</td>
<td>Deferred tax assets arising from temporary differences (net of related tax liability)</td>
<td>3,785,222</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,785,222</td>
</tr>
</tbody>
</table>

## Applicable caps on the inclusion of provisions in Tier 2

<table>
<thead>
<tr>
<th></th>
<th>As per published financial statements</th>
<th>Under regulatory scope of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)</td>
<td>-</td>
</tr>
<tr>
<td>41</td>
<td>Cap on inclusion of provisions in Tier 2 under standardized approach</td>
<td>-</td>
</tr>
<tr>
<td>42</td>
<td>Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)</td>
<td>-</td>
</tr>
<tr>
<td>43</td>
<td>Cap for inclusion of provisions in Tier 2 under internal ratings-based approach</td>
<td>-</td>
</tr>
</tbody>
</table>

## Capital Structure Reconciliation

### Step 1

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>(Rupees in '000)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>155,703,225</td>
<td>155,703,225</td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>9,122,815</td>
<td>9,122,815</td>
</tr>
<tr>
<td>Balanced with other banks</td>
<td>725,400</td>
<td>725,400</td>
</tr>
<tr>
<td>Lending to financial institutions</td>
<td>5,383,162</td>
<td>5,383,162</td>
</tr>
<tr>
<td>Investments</td>
<td>54,700,066</td>
<td>54,700,066</td>
</tr>
<tr>
<td>Advances</td>
<td>74,138,210</td>
<td>74,138,210</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>1,624,874</td>
<td>1,624,874</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>52,940</td>
<td>52,940</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>4,027,784</td>
<td>4,027,784</td>
</tr>
<tr>
<td>Other assets</td>
<td>5,927,974</td>
<td>5,927,974</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>155,703,225</td>
<td>155,703,225</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>144,377,308</th>
<th>144,377,308</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td>155,703,225</td>
<td>155,703,225</td>
</tr>
<tr>
<td>Bills payable</td>
<td>9,122,815</td>
<td>9,122,815</td>
</tr>
<tr>
<td>Borrowings</td>
<td>26,771,698</td>
<td>26,771,698</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>113,640,900</td>
<td>113,640,900</td>
</tr>
<tr>
<td>Sub-ordinated loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,035,284</td>
<td>3,035,284</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>144,377,308</td>
<td>144,377,308</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>10,010,130</th>
<th>10,010,130</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>155,703,225</td>
<td>155,703,225</td>
</tr>
</tbody>
</table>
### Step 2

**As per published financial statements**

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with treasury banks</td>
<td>9,122,815</td>
</tr>
<tr>
<td>Balanced with other banks</td>
<td>725,400</td>
</tr>
<tr>
<td>Lending to financial institutions</td>
<td>5,383,162</td>
</tr>
<tr>
<td>Investments</td>
<td>54,700,066</td>
</tr>
<tr>
<td>- of which: non-significant capital investments in capital of other financial institutions exceeding 10% threshold</td>
<td>-</td>
</tr>
<tr>
<td>CET-1</td>
<td>432,681</td>
</tr>
<tr>
<td>ADT</td>
<td>-</td>
</tr>
<tr>
<td>T2</td>
<td>257,297</td>
</tr>
<tr>
<td>- of which: significant capital investments in financial sector entities exceeding regulatory threshold</td>
<td>-</td>
</tr>
<tr>
<td>CET-1</td>
<td>-</td>
</tr>
<tr>
<td>ADT</td>
<td>-</td>
</tr>
<tr>
<td>T2</td>
<td>-</td>
</tr>
<tr>
<td>- of which: mutual funds exceeding regulatory threshold</td>
<td>-</td>
</tr>
<tr>
<td>- of which: reciprocal crossholding of capital instrument</td>
<td>-</td>
</tr>
<tr>
<td>- of which: others (mention details)</td>
<td>-</td>
</tr>
<tr>
<td>Advances</td>
<td>74,138,210</td>
</tr>
<tr>
<td>Shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</td>
<td>-</td>
</tr>
<tr>
<td>General provisions reflected in Tier 2 capital</td>
<td>7,890</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>1,624,874</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>4,027,784</td>
</tr>
<tr>
<td>- of which: DTAs excluding those arising from temporary differences</td>
<td>242,562</td>
</tr>
<tr>
<td>- of which: DTAs arising from temporary differences exceeding regulatory threshold</td>
<td>2,724,616</td>
</tr>
<tr>
<td>Other assets</td>
<td>5,927,974</td>
</tr>
<tr>
<td>- of which: goodwill</td>
<td>-</td>
</tr>
<tr>
<td>- of which: intangibles</td>
<td>52,940</td>
</tr>
<tr>
<td>- of which: Defined-benefit pension fund net assets</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>155,703,225</td>
</tr>
</tbody>
</table>

**Liabilities and equity**

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills payable</td>
<td>929,426</td>
</tr>
<tr>
<td>Borrowings</td>
<td>26,771,698</td>
</tr>
<tr>
<td>Deposits and other accounts</td>
<td>113,640,900</td>
</tr>
<tr>
<td>Sub-ordinated loans</td>
<td>113,640,900</td>
</tr>
<tr>
<td>- of which: eligible for inclusion in AT1</td>
<td>-</td>
</tr>
<tr>
<td>- of which: eligible for inclusion in Tier 2</td>
<td>-</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>8,326</td>
</tr>
<tr>
<td>- of which: DTLs related to goodwill</td>
<td>-</td>
</tr>
<tr>
<td>- of which: DTLs related to intangible assets</td>
<td>8,326</td>
</tr>
<tr>
<td>- of which: DTLs related to defined pension fund net assets</td>
<td>-</td>
</tr>
<tr>
<td>- of which: other deferred tax liabilities</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,035,284</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>144,377,308</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>10,010,130</td>
</tr>
<tr>
<td>- of which: amount eligible for CET1</td>
<td>10,010,130</td>
</tr>
<tr>
<td>- of which: amount eligible for AT1</td>
<td>-</td>
</tr>
<tr>
<td>Reserves</td>
<td>1,473,850</td>
</tr>
<tr>
<td>- of which: portion eligible for inclusion in CET1</td>
<td>1,473,850</td>
</tr>
<tr>
<td>- of which: portion eligible for inclusion in Tier 2</td>
<td>-</td>
</tr>
<tr>
<td>Unappropriated profit / (losses)</td>
<td>4,023,905</td>
</tr>
<tr>
<td>Minority interest</td>
<td>-</td>
</tr>
<tr>
<td>- of which: portion eligible for inclusion in CET1</td>
<td>-</td>
</tr>
<tr>
<td>- of which: portion eligible for inclusion in AT1</td>
<td>-</td>
</tr>
<tr>
<td>- of which: portion eligible for inclusion in Tier 2</td>
<td>-</td>
</tr>
<tr>
<td>Surplus on revaluation of assets</td>
<td>(4,181,968)</td>
</tr>
<tr>
<td>- of which: revaluation reserves on property</td>
<td>-</td>
</tr>
<tr>
<td>- of which: unrealized gains / (losses) on AFS</td>
<td>-</td>
</tr>
<tr>
<td>- In case of deficit on revaluation (deduction from CET1)</td>
<td>4,181,968</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>11,325,917</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td>155,703,225</td>
</tr>
</tbody>
</table>
### Common Equity Tier 1 capital (CET1): Instruments and reserves

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Rupees in '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fully paid-up capital / capital deposited with SBP</td>
<td>10,010,130</td>
</tr>
<tr>
<td>2</td>
<td>Balance in share premium account</td>
<td>51</td>
</tr>
<tr>
<td>3</td>
<td>Reserve for issue of bonus shares</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>General / statutory reserves</td>
<td>1,473,799</td>
</tr>
<tr>
<td>5</td>
<td>Gain / (loss) on derivatives held as cash flow hedge</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Unappropriated / unremitted profits / (losses)</td>
<td>4,023,905</td>
</tr>
<tr>
<td>7</td>
<td>Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>CET 1 before Regulatory Adjustments</td>
<td>15,507,885</td>
</tr>
</tbody>
</table>

### Common Equity Tier 1 capital: Regulatory Adjustments

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Goodwill (net of related deferred tax liability)</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td>All other intangibles (net of any associated deferred tax liability)</td>
<td>44,614</td>
</tr>
<tr>
<td>11</td>
<td>Shortfall of provisions against classified assets</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)</td>
<td>242,562</td>
</tr>
<tr>
<td>13</td>
<td>Defined-benefit pension fund net assets</td>
<td>-</td>
</tr>
<tr>
<td>14</td>
<td>Reciprocal cross holdings in CET1 capital instruments</td>
<td>-</td>
</tr>
<tr>
<td>15</td>
<td>Cash flow hedge reserve</td>
<td>-</td>
</tr>
<tr>
<td>16</td>
<td>Investment in own shares/ CET1 instruments</td>
<td>-</td>
</tr>
<tr>
<td>17</td>
<td>Securitization gain on sale</td>
<td>-</td>
</tr>
<tr>
<td>18</td>
<td>Capital shortfall of regulated subsidiaries</td>
<td>-</td>
</tr>
<tr>
<td>19</td>
<td>Deficit on account of revaluation from bank’s holdings of property / AFS</td>
<td>4,181,968</td>
</tr>
<tr>
<td>20</td>
<td>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)</td>
<td>432,681</td>
</tr>
<tr>
<td>21</td>
<td>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)</td>
<td>-</td>
</tr>
<tr>
<td>22</td>
<td>Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)</td>
<td>2,724,616</td>
</tr>
<tr>
<td>23</td>
<td>Amount exceeding 15% threshold</td>
<td>-</td>
</tr>
<tr>
<td>24</td>
<td>- of which: significant investments in the common stocks of financial entities</td>
<td>-</td>
</tr>
<tr>
<td>25</td>
<td>- of which: deferred tax assets arising from temporary differences</td>
<td>-</td>
</tr>
<tr>
<td>26</td>
<td>National specific regulatory adjustments applied to CET1 capital</td>
<td>-</td>
</tr>
<tr>
<td>27</td>
<td>Investment in TFCs of other banks exceeding the prescribed limit</td>
<td>-</td>
</tr>
<tr>
<td>28</td>
<td>Any other deduction specified by SBP (mention details)</td>
<td>-</td>
</tr>
<tr>
<td>29</td>
<td>Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions</td>
<td>249,407</td>
</tr>
<tr>
<td>30</td>
<td>Total regulatory adjustments applied to CET1</td>
<td>7,875,848</td>
</tr>
<tr>
<td>31</td>
<td>Common Equity Tier 1</td>
<td>7,632,037</td>
</tr>
</tbody>
</table>

### Additional Tier 1 (AT 1) Capital

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>Qualifying additional Tier-1 instruments plus any related share premium</td>
<td>-</td>
</tr>
<tr>
<td>33</td>
<td>- of which: classified as equity</td>
<td>-</td>
</tr>
<tr>
<td>34</td>
<td>- of which: classified as liabilities</td>
<td>-</td>
</tr>
<tr>
<td>35</td>
<td>Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)</td>
<td>-</td>
</tr>
<tr>
<td>36</td>
<td>- of which: instrument issued by subsidiaries subject to phase out</td>
<td>-</td>
</tr>
<tr>
<td>37</td>
<td>AT1 before regulatory adjustments</td>
<td>-</td>
</tr>
</tbody>
</table>
### Additional Tier 1 Capital: regulatory adjustments

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Source based on reference number from step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)</td>
<td>-</td>
</tr>
<tr>
<td>39</td>
<td>Investment in own AT1 capital instruments</td>
<td>-</td>
</tr>
<tr>
<td>40</td>
<td>Reciprocal cross holdings in additional Tier 1 capital instruments</td>
<td>-</td>
</tr>
<tr>
<td>41</td>
<td>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)</td>
<td>-</td>
</tr>
<tr>
<td>42</td>
<td>Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation</td>
<td>(ac)</td>
</tr>
<tr>
<td>43</td>
<td>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</td>
<td>(ad)</td>
</tr>
<tr>
<td>44</td>
<td>Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions</td>
<td>(249,407)</td>
</tr>
<tr>
<td>45</td>
<td>Total of regulatory adjustment applied to AT1 capital</td>
<td>(249,407)</td>
</tr>
<tr>
<td>45.1</td>
<td>Transfer to CET1 due to insufficient amount in AT1</td>
<td>249,407</td>
</tr>
<tr>
<td>46</td>
<td>Additional Tier 1 capital</td>
<td>-</td>
</tr>
</tbody>
</table>

### Additional Tier 1 capital recognized for capital adequacy

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>47</td>
<td>-</td>
</tr>
</tbody>
</table>

### Tier 1 Capital (CET1 + admissible AT1)

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>7,632,037</td>
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</tbody>
</table>

### Tier 2 Capital

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>49</td>
<td>Qualifying Tier 2 capital instruments under Basel III</td>
</tr>
<tr>
<td>50</td>
<td>Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)</td>
</tr>
<tr>
<td>51</td>
<td>Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)</td>
</tr>
<tr>
<td>52</td>
<td>- of which: instruments issued by subsidiaries subject to phase out</td>
</tr>
<tr>
<td>53</td>
<td>General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets</td>
</tr>
<tr>
<td>54</td>
<td>Revaluation reserves eligible for Tier 2</td>
</tr>
<tr>
<td>55</td>
<td>- of which: portion pertaining to Property</td>
</tr>
<tr>
<td>56</td>
<td>- of which: portion pertaining to AFS securities</td>
</tr>
<tr>
<td>57</td>
<td>Foreign exchange translation reserves</td>
</tr>
<tr>
<td>58</td>
<td>Undisclosed / other reserves (if any)</td>
</tr>
<tr>
<td>59</td>
<td>T2 before regulatory adjustments</td>
</tr>
</tbody>
</table>

### Tier 2 Capital: regulatory adjustments

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>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</td>
</tr>
<tr>
<td>61</td>
<td>Reciprocal cross holdings in Tier 2 instruments</td>
</tr>
<tr>
<td>62</td>
<td>Investment in own Tier 2 capital instrument</td>
</tr>
<tr>
<td>63</td>
<td>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)</td>
</tr>
<tr>
<td>64</td>
<td>Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation</td>
</tr>
<tr>
<td>65</td>
<td>Amount of regulatory adjustment applied to T2 capital</td>
</tr>
<tr>
<td>66</td>
<td>Tier 2 capital (T2)</td>
</tr>
<tr>
<td>67</td>
<td>Tier 2 capital recognized for capital adequacy</td>
</tr>
<tr>
<td>68</td>
<td>Transfer to ADT1 due to insufficient amount</td>
</tr>
<tr>
<td>69</td>
<td>Total Tier 2 capital admissible for capital adequacy</td>
</tr>
</tbody>
</table>

### Total capital (T1 + admissible T2)

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>69</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total capital (T1 + admissible T2)</td>
</tr>
</tbody>
</table>

### Step 3

<table>
<thead>
<tr>
<th>Source based on reference number from step 2</th>
<th>Source based on reference number from step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupees in '000</td>
<td></td>
</tr>
</tbody>
</table>

---

**Notes:**
- (ac): Additional Tier 1 capital
- (ad): Additional Tier 1 capital due to insufficient Tier 2
- (n): Qualifying Tier 2 capital instruments under Basel III
- (z): Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)
- (g): General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit risk weighted assets
- (aa): Revaluation reserves eligible for Tier 2
- (af): Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation
## Main features template of Regulatory Capital Instruments

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Issuer</td>
</tr>
<tr>
<td>2</td>
<td>Unique identifier (e.g PSX Symbol or Bloomberg identifier etc.)</td>
</tr>
<tr>
<td>3</td>
<td>Governing law(s) of the instrument</td>
</tr>
</tbody>
</table>

**Regulatory treatment**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>- Transitional Basel III rules</td>
</tr>
<tr>
<td>5</td>
<td>- Post-transitional Basel III rules</td>
</tr>
<tr>
<td>6</td>
<td>- Eligible at solo / group / group &amp; solo</td>
</tr>
<tr>
<td>7</td>
<td>- Instrument type</td>
</tr>
<tr>
<td>8</td>
<td>Amount recognized in regulatory capital (currency in PKR thousands as of reporting date)</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Par value of instrument</td>
</tr>
<tr>
<td>10</td>
<td>Accounting classification</td>
</tr>
<tr>
<td>11</td>
<td>Original date of issuance</td>
</tr>
<tr>
<td>12</td>
<td>Perpetual or dated</td>
</tr>
<tr>
<td>13</td>
<td>Original maturity date</td>
</tr>
<tr>
<td>14</td>
<td>Issuer call subject to prior supervisory approval</td>
</tr>
<tr>
<td>15</td>
<td>Optional call date, contingent call dates and redemption amount</td>
</tr>
<tr>
<td>16</td>
<td>Subsequent call dates, if applicable</td>
</tr>
</tbody>
</table>

**Coupons / Dividends**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Fixed or floating dividend/ coupon</td>
</tr>
<tr>
<td>18</td>
<td>Coupon rate and any related index/ benchmark</td>
</tr>
<tr>
<td>19</td>
<td>Existence of a dividend stopper</td>
</tr>
<tr>
<td>20</td>
<td>Fully discretionary, partially discretionary or mandatory</td>
</tr>
<tr>
<td>21</td>
<td>Existence of step up or other incentive to redeem</td>
</tr>
<tr>
<td>22</td>
<td>Non-cumulative or cumulative</td>
</tr>
</tbody>
</table>

**Convertible or non-convertible**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>If convertible, conversion trigger(s)</td>
</tr>
<tr>
<td>24</td>
<td>If convertible, fully or partially</td>
</tr>
<tr>
<td>25</td>
<td>If convertible, conversion rate</td>
</tr>
<tr>
<td>26</td>
<td>If convertible, mandatory or optional conversion</td>
</tr>
<tr>
<td>27</td>
<td>If convertible, specify instrument type convertible into</td>
</tr>
<tr>
<td>28</td>
<td>If convertible, specify issuer of instrument it converts into</td>
</tr>
</tbody>
</table>

**Write-down feature**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>If write-down, write-down trigger(s)</td>
</tr>
<tr>
<td>30</td>
<td>If write-down, full or partial</td>
</tr>
<tr>
<td>31</td>
<td>If write-down, permanent or temporary</td>
</tr>
<tr>
<td>32</td>
<td>If temporary write-down, description of write-up mechanism</td>
</tr>
<tr>
<td>33</td>
<td>Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)</td>
</tr>
<tr>
<td>34</td>
<td>Non-compliant transitioned features</td>
</tr>
<tr>
<td>35</td>
<td>If yes, specify non-compliant features</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Requirements</td>
<td>Risk Weights</td>
<td>Capital Requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>Public sector entities</td>
<td>3,825</td>
<td>38,253</td>
</tr>
<tr>
<td>Banks</td>
<td>51,543</td>
<td>515,429</td>
</tr>
<tr>
<td>Corporate</td>
<td>3,254,873</td>
<td>32,548,734</td>
</tr>
<tr>
<td>Retail</td>
<td>14,388</td>
<td>143,881</td>
</tr>
<tr>
<td>Residential mortgages</td>
<td>1,399,265</td>
<td>13,992,655</td>
</tr>
<tr>
<td>Past due loans</td>
<td>577,705</td>
<td>5,777,049</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>381,278</td>
<td>3,812,783</td>
</tr>
<tr>
<td>Listed equity investment</td>
<td>39,063</td>
<td>390,634</td>
</tr>
<tr>
<td>Un-listed equity investment</td>
<td>9,196</td>
<td>91,958</td>
</tr>
<tr>
<td>Operating fixed assets</td>
<td>160,183</td>
<td>1,601,831</td>
</tr>
<tr>
<td>Other assets</td>
<td>63,471</td>
<td>634,712</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,563,883</td>
</tr>
</tbody>
</table>

Off-Balance sheet:
- Non-market related
  - Financial guarantees, acceptances, performance related commitments, trade related etc.
    - 680,277
  - Market related
    - Foreign exchange contracts/ derivatives etc.
      - 39,050

TOTAL CREDIT RISK (a) 6,283,215 (b) 15,590,337

Market Risk:
- Capital Requirement for portfolios subject to standardized approach
  - Interest rate risk
    - 1,067,977
  - Equity position risk
    - 438,270
  - Foreign exchange risk
    - 52,786

TOTAL MARKET RISK (b) 1,559,034

Operational Risk:
- Capital Requirement for portfolios subject to basic indicator approach
  - Operational risk
    - 1,045,569

TOTAL RISK WEIGHTED ASSETS (a)+(b)+(c) 8,887,818

Capital Adequacy Ratios

<table>
<thead>
<tr>
<th></th>
<th>Required</th>
<th>Actual</th>
<th>Required</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 to total RWA</td>
<td>6.00%</td>
<td>8.59%</td>
<td>6.00%</td>
<td>15.76%</td>
</tr>
<tr>
<td>Tier-1 capital to total RWA</td>
<td>7.50%</td>
<td>8.59%</td>
<td>7.50%</td>
<td>15.76%</td>
</tr>
<tr>
<td>Total capital to total RWA</td>
<td>10.00%</td>
<td>8.59%</td>
<td>10.00%</td>
<td>16.42%</td>
</tr>
<tr>
<td>Total capital plus CCB to total RWA</td>
<td>11.90%</td>
<td>8.59%</td>
<td>11.275%</td>
<td>16.42%</td>
</tr>
</tbody>
</table>

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, 2018 stood at 4.40% (2017: 7.07%).

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exposure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On balance sheet exposures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-balance sheet items (excluding derivatives)</td>
<td>155,703,225</td>
<td>200,525,063</td>
</tr>
<tr>
<td>Derivatives</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total on balance sheet exposures (A)</td>
<td>155,703,225</td>
<td>200,525,063</td>
</tr>
<tr>
<td>Off balance sheet exposures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Off-balance sheet items (excluding derivatives)</td>
<td>11,498,768</td>
<td>16,294,344</td>
</tr>
<tr>
<td>Derivatives in respective of commitments</td>
<td>710,125</td>
<td>69,333</td>
</tr>
<tr>
<td>Total Off balance sheet exposures (B)</td>
<td>12,208,893</td>
<td>16,363,677</td>
</tr>
<tr>
<td>Total Exposure (A+B)</td>
<td>167,912,118</td>
<td>216,888,740</td>
</tr>
<tr>
<td>Tier-1 Capital</td>
<td>7,632,037</td>
<td>15,344,715</td>
</tr>
</tbody>
</table>

Leverage Ratio (%) 4.55% 7.07%

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.

<table>
<thead>
<tr>
<th></th>
<th>2018 Unweighted Value</th>
<th>2018 Weighted Value</th>
<th>2017 Unweighted Value</th>
<th>2017 Weighted Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGH QUALITY LIQUID ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total high quality liquid assets (HQLA)</td>
<td>37,014,311</td>
<td></td>
<td>58,757,071</td>
<td></td>
</tr>
<tr>
<td><strong>CASH OUTFLOWS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail deposits and deposits from small business customers of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable deposit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less stable deposit</td>
<td>29,908,899</td>
<td>2,990,899</td>
<td>4,592,361</td>
<td>459,236</td>
</tr>
<tr>
<td>Unsecured wholesale funding of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational deposits (all counterparties)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-operational deposits (all counterparties)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unsecured debt</td>
<td>70,141,888</td>
<td>22,309,430</td>
<td>11,646,103</td>
<td>5,436,414</td>
</tr>
<tr>
<td>Secured wholesale funding</td>
<td>-</td>
<td>6,712,403</td>
<td>20,963,844</td>
<td>2,791,315</td>
</tr>
<tr>
<td>Additional requirements of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outflows related to derivative exposures and other collateral requirements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Outflows related to loss of funding on debt products</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Credit and liquidity facilities</td>
<td>9,051,673</td>
<td>1,091,889</td>
<td>15,399,094</td>
<td>1,821,899</td>
</tr>
<tr>
<td>Other contractual funding obligations</td>
<td>455,158</td>
<td>455,158</td>
<td>384,602</td>
<td>384,603</td>
</tr>
<tr>
<td>Other contingent funding obligations</td>
<td>8,693,631</td>
<td>1,091,889</td>
<td>10,280,399</td>
<td>1,821,899</td>
</tr>
<tr>
<td><strong>TOTAL CASH OUTFLOWS</strong></td>
<td>118,251,339</td>
<td>33,994,461</td>
<td>63,266,403</td>
<td>11,407,286</td>
</tr>
<tr>
<td><strong>CASH INFLOWS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured lending</td>
<td>2,845,928</td>
<td>1,345,791</td>
<td>1,489,466</td>
<td>-</td>
</tr>
<tr>
<td>Inflows from fully performing exposures</td>
<td>16,568,931</td>
<td>8,907,640</td>
<td>9,600,128</td>
<td>5,002,847</td>
</tr>
<tr>
<td>Other cash inflows</td>
<td>1,950,798</td>
<td>-</td>
<td>3,301,282</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CASH INFLOWS</strong></td>
<td>21,365,658</td>
<td>10,253,430</td>
<td>14,390,877</td>
<td>5,002,847</td>
</tr>
<tr>
<td>Total adjusted value</td>
<td>37,014,311</td>
<td>58,757,071</td>
<td>23,741,031</td>
<td>6,404,440</td>
</tr>
<tr>
<td><strong>LIQUIDITY COVERAGE RATIO (LCR)</strong></td>
<td>156%</td>
<td>917%</td>
<td>917%</td>
<td>917%</td>
</tr>
</tbody>
</table>

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.

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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.

<table>
<thead>
<tr>
<th>2018</th>
<th>Unweighted value by residual maturity</th>
<th>Weighted value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No maturity</td>
<td>Below 6 months</td>
</tr>
<tr>
<td>Capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory capital</td>
<td>15,507,885</td>
<td>-</td>
</tr>
<tr>
<td>Other capital instruments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Retail deposits and deposit from small business customers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stable deposits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less stable deposits</td>
<td>28,640,118</td>
<td>4,274,245</td>
</tr>
<tr>
<td>Wholesale funding:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational deposits</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other wholesale funding</td>
<td>65,118,911</td>
<td>9,093,249</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSFR derivative liabilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All other liabilities and equity not included in other categories</td>
<td>2,163,870</td>
<td>27,522,759</td>
</tr>
<tr>
<td>Total ASF</td>
<td>99,894,009</td>
<td></td>
</tr>
<tr>
<td>Total NSFR high-quality liquid assets (HQLA)</td>
<td>42,681,342</td>
<td>1,277,651</td>
</tr>
<tr>
<td>Deposits held at other financial institutions for operational purposes</td>
<td>507,605</td>
<td>-</td>
</tr>
<tr>
<td>Performing loans and securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing loans to financial institutions secured by Level 1 HQLA</td>
<td>-</td>
<td>5,383,162</td>
</tr>
<tr>
<td>Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</td>
<td>-</td>
<td>2,820,122</td>
</tr>
<tr>
<td>Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk</td>
<td>-</td>
<td>30,522,994</td>
</tr>
<tr>
<td>Securities that are not in default and do not qualify as HQLA including exchange-traded equities.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical traded commodities, including gold</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assets posted as initial margin for derivative contracts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NSFR derivative assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NSFR derivative liabilities before deduction of variation margin posted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All other assets not included in the above categories</td>
<td>16,894,173</td>
<td>21,152,930</td>
</tr>
<tr>
<td>Off-balance sheet items</td>
<td>-</td>
<td>4,768,194</td>
</tr>
<tr>
<td>Total RSF</td>
<td>80,679,221</td>
<td></td>
</tr>
</tbody>
</table>

Net Stable Funding Ratio (%) | 124%
### Net Stable Funding Ratio (NSFR)

#### 2017

<table>
<thead>
<tr>
<th>Capital:</th>
<th>No maturity</th>
<th>Below 6 months</th>
<th>6 months to below 1 year</th>
<th>1 year and above 1 year</th>
<th>Weighted value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory capital</td>
<td>14,913,809</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,913,809</td>
</tr>
<tr>
<td>Other capital instruments</td>
<td>264,239</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,381,324</td>
</tr>
<tr>
<td>Retail deposits and deposit from small business customers:</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Stable deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Less stable deposits</td>
<td>10,997,656</td>
<td>3,044,866</td>
<td>460,601</td>
<td>1,294,781</td>
<td>13,052,811</td>
</tr>
<tr>
<td>Wholesale funding:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other wholesale funding</td>
<td>15,692,612</td>
<td>5,052,835</td>
<td>7,622,321</td>
<td>154,167</td>
<td>17,692,215</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSFR derivative liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All other liabilities and equity not included in other categories</td>
<td>71,240,671</td>
<td>57,346,594</td>
<td>16,143,567</td>
<td>292,962</td>
<td>47,256,802</td>
</tr>
</tbody>
</table>

**Total ASF** | 94,296,961 |

| Total NSFR high-quality liquid assets (HQLA) | - | - | - | - | - |
| Deposits held at other financial institutions for operational purposes | - | - | - | - | - |

**Performing loans and securities:**

| Performing loans to financial institutions secured by Level 1 HQLA | - | - | - | - | - |
| Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 473,125 | 2,684,645 | 471,535 | 1,884,826 |
| Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | - | 29,540,065 | 11,092,197 | 19,390,101 | 38,191,662 |
| With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | 626,099 | 148,585 | 315,481 | 661,285 |
| 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 | 16,106,355 | 60,952,291 | 527,100 | 59,170,653 | 32,387,893 |
| Off-balance sheet items | - | 25,385,674 | 4,978,192 | 5,255,126 | 1,780,950 |

**Total RSF** | 74,906,615 |

**Net Stable Funding Ratio (%)** | 126% |