

47.1 CAPITAL ASSESSMENT AND ADEQUACY - BASEL III SPECIFIC

The Basel-III Framework is applicable to the bank on a stand alone basis and the bank has adopted the Standardized approach for Credit / Market Risk and the Basic Indicator Approach for Operational Risk while using the simple approach for Credit Risk Mitigation as per SBP guidelines. Saudi Pak Insurance Company Limited (SPICL) is an associate company of Silkbank Limited which has not been considered for consolidation both under accounting and regulatory scope of consolidation. Silkbank Limited owns 23.07% investment in shares of SPICL due to which the bank has acquired significant influence, but not management control, over financial and operating policies of SPICL.

Capital Management

Objective of Capital Management:

The bank manages its capital to attain the following objectives and goals:

- To comply with statutory capital requirements set up by regulators and comparable with peers.
- Ensuring sufficient liquidity to support financial obligations and execute operating and strategic plans
- Maintaining healthy liquidity reserves and access to capital.
- To mitigate all expected and unexpected losses to keep the institution a going concern so it can continue to provide adequate return to share holders.
- To extend credit to support growth in businesses even in adverse and stressed economic environment.

Statutory Minimum Capital and Capital Adequacy Requirements

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009 set the Minimum Capital Requirement (MCR) for Banks of Rs. 10 billion (net of losses) for all locally incorporated banks to be achieved up to December 31, 2013. The Banks are also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% plus capital conservation buffer of 1.50% of the risk weighted exposures of the Bank. The capital of the Bank (net of losses and discount on shares) as of December 31, 2021 amounted to Rs.(9.06) billion excluding general reserves of Rs. 821 million and CAR of -24.13%

The capital adequacy ratio of the Bank is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through BPRD Circular No. 06 of 2013 dated August 15, 2013 (as amended). These instructions are effective from December 31, 2013 in a phased manner with full implementation specified by December 31, 2019. Under 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:

Under Basel III guidelines banks are required to maintain the following ratios on an ongoing basis.

Ratio	Year						As of Dec 31
	2013	2014	2015	2016	2017	2018	2019
CET I	5.00%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
ADT I	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	6.50%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
*CCB	-	-	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	10.00%	10.00%	10.25%	10.65%	11.28%	11.90%	12.50%

*Capital Conservation Buffer (CCB) Consisting of CET1 only

Bank's regulatory capital is categorized into three tiers.

Common Equity Tier 1 capital (CET1), which includes fully paid up capital, balance in share premium account / discount on issue of right shares, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1.

The deduction from Tier 1 Capital includes mainly:

- (i) Book value of intangibles
- (ii) Threshold deductions applicable from 2014 on deferred tax assets
- (iii) Significant minority investment in banking and other financial entities

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of 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 securities up to a maximum of 45% of the balance were allowed, however since the B-III deductions have commenced from Dec 2014, the recognition of the remaining revaluation (55%) has been allowed gradually.

The deductions from Tier 2 includes mainly:

- (i) Significant minority investment in banking and other financial entities

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 uses reputable SBP approved rating agencies for allocating risk weights to specific credit exposures. These are applied consistently across the Bank's credit portfolio for both on-balance sheet and off-balance sheet exposures.

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) are used. For claims on foreign entities, ratings assigned by Standard and Poor's, Fitch and Moody's are used. Foreign exposures not rated by any of the aforementioned rating agencies are categorized as unrated.

Exposures	2021				
	JCR	PACRA	S&P	FITCH	Moody's
Corporate	✓	✓			
Banks	✓	✓	✓	✓	✓

SBP indicative mapping process as instructed in SBP circular "Minimum Capital Requirements for Banks and DFIs" (indicated in table below) was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

Mapping to SBP Ratings Grades

Long-term rating grade mapping

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

Short-term ratings grade mapping

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

Note 47.2 Capital Adequacy Ratio (CAR) disclosure template:

		2021	2020
		Rupees in '000	
Rows #	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	90,818,612	90,818,612
2	Balance in Share Premium Account		
3	Reserve for issue of Bonus Shares		
4	Discount on Issue of shares	(67,387,238)	(67,387,238)
5	General/ Statutory Reserves	820,890	820,890
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		
7	Unappropriated/unremitted profits/ (losses)	(33,368,216)	(21,154,082)
8	Minority interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
9	CET 1 before Regulatory Adjustments	(9,115,952)	3,098,182
10	Total regulatory adjustments applied to CET1 (Note 47.2.1)	15,675,649	9,385,163
	Adjustment to CET1 due to insufficient AT1 capital and T2 capital to cover adjustments		
11	Common Equity Tier 1	(24,791,601)	(6,286,981)
	Additional Tier 1 (AT 1) Capital		
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		
13	of which: Classified as equity		
14	of which: Classified as liabilities		
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		
16	of which: instrument issued by subsidiaries subject to phase out		
17	AT1 before regulatory adjustments	-	-
18	Total regulatory adjustment applied to AT1 capital (Note 46.2.2)	-	-
19	Additional Tier 1 capital after regulatory adjustments	-	-
20	Additional Tier 1 capital recognized for capital adequacy	-	-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	(24,791,601)	(6,286,981)
	Tier 2 Capital		
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	1,598,720	1,998,800
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	866,128	742,034
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	917,496	-
29	of which: Unrealized gains/losses on AFS	(849,111)	-
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before regulatory adjustments	2,533,233	2,740,834
33	Total regulatory adjustment applied to T2 capital (Note 46.2.3)	-	-
34	Tier 2 capital (T2) after regulatory adjustments	2,533,233	2,740,834
35	Tier 2 capital recognized for capital adequacy	-	-
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 capital admissible for capital adequacy	-	-
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	(24,791,601)	(6,286,981)
39	Total Risk Weighted Assets (RWA) {for details refer Note 46.5}	102,723,667	141,360,267
	Capital Ratios and buffers (in percentage of risk weighted assets)		
40	CET1 to total RWA	-24.13%	-4.45%
41	Tier-1 capital to total RWA	-24.13%	-4.45%
42	Total capital to total RWA	-24.13%	-4.45%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		
44	of which: capital conservation buffer requirement		
45	of which: countercyclical buffer requirement		
46	of which: D-SIB or G-SIB buffer requirement		
47	CET1 available to meet buffers (as a percentage of risk weighted assets)		
	National minimum capital requirements prescribed by SBP		
48	CET1 minimum ratio	6.00%	6.00%
49	Tier 1 minimum ratio	7.50%	7.50%
50	Total capital minimum ratio	11.50%	11.50%
	Leverage Ratio		
	Tier 1 Capital	(24,791,601)	(6,286,981)
	Total Exposures	288,790,214	283,240,383
	Leverage Ratio	-8.58%	-2.22%

		2021	2020
		Rupees in '000	
Regulatory Adjustments and Additional Information		Amount	Amount
Note 47.2.1	Common Equity Tier 1 capital: Regulatory adjustments		
1	Goodwill (net of related deferred tax liability)		
2	All other intangibles (net of any associated deferred tax liability)	390,129	283,831
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
5	Defined-benefit pension fund net assets	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	161,310
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	15,137,587	8,529,952
15	Amount exceeding 15% threshold	147,933	410,070
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital		
19	Investments in TFCs of other banks exceeding the prescribed limit		
20	Any other deduction specified by SBP (mention details)		
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	15,675,649	9,385,163
Note 47.2.2	Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
23			
	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]		
24			
	Investment in own AT1 capital instruments		
25			
	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities		
26	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)		
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
28	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		
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-
Note 47.2.3	Tier 2 Capital: regulatory adjustments		
31	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	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities		
33	Investment in own Tier 2 capital instrument		
34	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)		
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-

		2021	2020
		Rupees in '000	Rupees in '000
Note 47.2.4	Additional Information	Amount	Amount
	Risk Weighted Assets subject to pre-Basel III treatment		
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)		
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets		
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(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		
	Amounts below the thresholds for deduction (before risk weighting)		
38	Non-significant investments in the capital of other financial entities	50,125	62,347
39	Significant investments in the common stock of financial entities	147,933	144,766
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
	Applicable caps on the inclusion of provisions in Tier 2		
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	866,128	742,034
42	Cap on inclusion of provisions in Tier 2 under standardized approach	1,138,044	1,583,993
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Note 47.2.5

In view of repurchase of the property, State Bank of Pakistan while recognizing the sale as a "sale", vide their letter dated August 24, 2011, has advised the Bank to reclassify 50% of the gain realized on sale of the said property (including amount transferred from revaluation surplus to accumulated loss) for capital adequacy calculation purposes as part of Tier-2 capital with treatment similar to revaluation reserves. Initially revaluation reserves upto 45% were allowed, however since the B-III deductions have commenced from Dec 2014, the recognition of the remaining revaluation (55%) has been allowed gradually. Accordingly, an amount of Rs. 877.937 million has been transferred from accumulated loss to revaluation reserve as Tier II Capital for capital adequacy calculations.

NOTE 47.3 Capital Structure Reconciliation

Step I	Balance sheet of the published financial statements	Under regulatory scope of consolidation
	As at December 31, 2021	
	Rs. In 000	
Assets		
Cash and balances with treasury banks	12,224,513	12,224,513
Balanced with other banks	547,553	547,553
Lending to financial institutions	3,388,407	3,388,407
Investments	144,283,901	144,283,901
Advances	75,429,764	75,429,764
Operating fixed assets	5,885,493	5,885,493
Intangible assets	390,129	390,129
Deferred tax assets	15,137,587	15,137,587
Other assets	15,265,573	15,265,573
Total assets	272,552,920	272,552,920
Liabilities & Equity		
Bills payable	4,262,080	4,262,080
Borrowings	122,122,429	122,122,429
Deposits and other accounts	143,755,073	143,755,073
Sub-ordinated loans	2,438,666	2,438,666
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	7,135,318	7,135,318
Total liabilities	279,713,566	279,713,566
Share capital/ Head office capital account	90,818,612	90,818,612
Advance against proposed issue of right shares	-	-
Discount on issue of right shares	(67,387,238)	(67,387,238)
Reserves	820,890	820,890
Convertible preference shares	-	-
Unappropriated/ Unremitted profit/ (losses)	(32,490,279)	(32,490,279)
Total Equity	(8,238,015)	(8,238,015)
Surplus on revaluation of assets	1,077,369	1,077,369
Total liabilities & equity	272,552,920	272,552,920

Step II	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at December 31, 2021		
Assets			
Cash and balances with treasury banks	12,224,513	12,224,513	
Balanced with other banks	547,553	547,553	
Lending to financial institutions	3,388,407	3,388,407	
Investments	144,283,901	144,283,901	
<i>of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold</i>	-	-	a
<i>of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)</i>	-	-	d
<i>of which: others (mention details)</i>	-	-	e
Advances	75,429,764	75,429,764	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	-	-	g
Fixed Assets	5,885,493	5,885,493	
Deferred Tax Assets	15,137,587	15,137,587	
<i>of which: DTAs that rely on future profitability excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	15,137,587	15,137,587	i
Other assets	15,655,702	15,655,702	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	390,129	390,129.0	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total assets	272,552,920	272,552,920	
Liabilities & Equity			
Bills payable	4,262,080	4,262,080	
Borrowings	122,122,429	122,122,429	
Deposits and other accounts	143,755,073	143,755,073	
Sub-ordinated loans	2,438,666	2,438,666	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	1,998,400	1,998,400	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	7,575,584	7,575,584	
Total liabilities	279,713,566	279,713,566	
Share capital	90,818,612	90,818,612	
<i>of which: amount eligible for CET1</i>	90,818,612	90,818,612	s
<i>of which: amount eligible for AT1</i>	-	-	t
Discount on issue of right shares	(67,387,238)	(67,387,238)	
Reserves	820,890	820,890	
<i>of which: portion eligible for inclusion in CET1(provide breakup)</i>	-	-	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Convertible preference shares	-	-	
Unappropriated profit/ (losses)	(32,490,279)	(32,490,279)	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	1,077,369	1,077,369	
<i>of which: Revaluation reserves on Fixed Assets</i>	39,559	39,559	
<i>of which: Revaluation Non banking Assets</i>	1,886,921	1,886,921	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	(849,111)	(849,111)	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total liabilities & Equity	272,552,920	272,552,920	

Basel III Disclosure Template (with added column)		
Step III	Component of regulatory capital reported by bank	Source based on reference number from step 2
Rs. in 000		

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

1	Fully Paid-up Capital/ Capital deposited with SBP	90,818,612	
2	Discount on issue of right shares	(67,387,238)	(s)
3	Reserve for issue of Bonus Shares		
4	General/ Statutory Reserves	820,890	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	(33,368,216)	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments	(9,115,952)	

Common Equity Tier 1 capital: Regulatory adjustments

9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	390,129	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve		
16	Investment in own shares/ CET1 instruments		
17	Securitization gain on sale		
18	Capital shortfall of regulated subsidiaries		
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	15,137,587	(i)
23	Amount exceeding 15% threshold	147,933	
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 (mention details)		
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	15,675,649	
31	Common Equity Tier 1	(24,791,601)	

Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	
33	of which: Classified as equity	(t)
34	of which: Classified as liabilities	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	
36	of which: instrument issued by subsidiaries subject to phase out	(y)
37	AT1 before regulatory adjustments	-
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 (sum of 38 to 44)	-
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	(24,791,601)
Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	1,598,720 (n)
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	(z)
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	866,128 (g)
54	Revaluation Reserves	68,385
55	of which: Revaluation reserves on fixed assets	917,496
56	of which: Unrealized Gains/Losses on AFS	(849,111) portion of (aa)
57	Foreign Exchange Translation Reserves	(v)
58	Undisclosed/Other Reserves (if any)	
59	T2 before regulatory adjustments	2,533,233
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 (sum of 60 to 64)	-
66	Tier 2 capital (T2)	2,533,233
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) (48+69)	(24,791,601)

Note 47.4 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments			
	Main Features	Common Shares	Instrument - 2
1	Issuer	Silk Bank Limited	Silk Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	SILK	SILK
3	Governing law(s) of the instrument	Relevant Capital Market Laws	Relevant Capital Market Laws
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier I	Tier-II
5	Post-transitional Basel III rules	Common Equity Tier I	Tier-II
6	Eligible at solo/ group/ group & solo	standalone	-
7	Instrument type	Ordinary Shares	TFC
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. (Thousand) 23,431,374 (net of discount on issue of shares)	Rs. (Thousand) 1,998,800
9	Par value of instrument	PKR 10	PKR 5,000
10	Accounting classification	Shareholders' Equity	Subordinated Debt
11	Original date of issuance	1994	10-Aug-17
12	Perpetual or dated	-	-
13	Original maturity date	-	8 years after issuance
14	Issuer call subject to prior supervisory approval	-	Yes
15	Optional call date, contingent call dates and redemption	-	After 5 year
16	Subsequent call dates, if applicable	-	-
17	Coupons / dividends	-	Semi-annually
18	Fixed or floating dividend/ coupon	-	Floating
19	coupon rate and any related index/ benchmark	-	6 month Kibor plus 1.85% per annum
20	Existence of a dividend stopper	-	-
21	Fully discretionary, partially discretionary or mandatory	-	-
22	Existence of step up or other incentive to redeem	-	None
23	Noncumulative or cumulative	-	Noncumulative
24	Convertible or non-convertible	-	non-Convertible
25	If convertible, conversion trigger (s)	-	
26	If convertible, fully or partially	-	
27	If convertible, conversion rate	-	-
28	If convertible, mandatory or optional conversion	-	
29	If convertible, specify instrument type convertible into	-	Common Equity
30	If convertible, specify issuer of instrument it converts into	-	Silk Bank Limited
31	Write-down feature	-	-
32	If write-down, write-down trigger(s)	-	-
33	If write-down, full or partial	-	-
34	If write-down, permanent or temporary	-	-
35	If temporary write-down, description of write-up	-	-
36	Position in subordination hierarchy in liquidation (specify	-	-
37	Non-compliant transitioned features	-	-
38	If yes, specify non-compliant features	-	-

47.5 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<hr/>				
Credit Risk				
On-Balance sheet				
<u>Portfolios subject to standardized approach (Simple or Comprehensive)</u>				
e.g.				
Banks	99,680	88,118	866,786	704,943
Corporate	3,449,941	4,384,625	29,999,488	35,077,003
Retail	2,005,514	2,373,662	17,439,248	18,989,293
Residential Mortgages	101,534	124,153	882,900	993,224
Past Due loans	2,419,445	5,214,872	21,038,648	41,718,978
Significant investment and DTA	-	7,793	-	62,347
Operating Fixed Assets	676,832	845,300	5,885,493	6,762,402
Other assets	1,250,957	2,276,199	10,877,888	18,209,595
<hr/>				
<u>Portfolios subject to Internal Rating Based (IRB) Approach</u>				
e.g.	Corporate, Sovereign, Corporate, Retail, Securitization etc.			
<hr/>				
Off-Balance sheet				
Non-market related				
e.g. Financial guarantees, acceptances, performance related commitments, trade related etc.	459,027	518,974	3,991,541	4,151,794
Market related				
e.g. Foreign Exchange contracts/ derivatives etc.	7,077	6,237	61,536	49,896
<hr/>				
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
e.g. Listed, Unlisted				
Under Internal models approach				
<hr/>				
Market Risk				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	230,388	230,608	2,003,377	1,844,862
Equity position risk	14,737	104,998	128,151	839,983
Foreign Exchange risk	55,968	11,381	486,677	91,050
<hr/>				
<u>Capital Requirement for portfolios subject to Internal Models Approach</u>				
<hr/>				
Operational Risk				
Capital Requirement for operational risks	1,042,122	1,483,112	9,061,934	11,864,897
<hr/>				
TOTAL	11,813,222	17,670,033	102,723,667	141,360,267

Capital Adequacy Ratios

	December 31, 2021		December 31, 2020	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	-24.13%	6.00%	-4.45%
Tier-1 capital to total RWA	7.50%	-24.13%	7.50%	-4.45%
Total capital to total RWA	10.00%	-24.13%	10.00%	-4.45%
Total capital plus CCB to total RWA	11.50%	-24.13%	11.50%	-4.45%