

FAYSAL BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED
AS AT DECEMBER 31, 2018

1 CAPITAL ADEQUACY

- 1.1** The State Bank of Pakistan (SBP) through its BPRD Circular No. 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. Basel III instructions have become effective from December 31, 2013. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. However, there is a transitional phase for implementation of Basel III requirements whereas the complete requirements would become applicable with full implementation by December 31, 2019.

Under Basel III framework, Bank's regulatory capital has been analyzed into two tiers as follows:

- Tier 1 capital (going concern capital) which is sub divided into:
 - a) Common Equity Tier 1 (CET1), which includes fully paid up capital, reserve for bonus issue, general reserves and un-appropriated profits (net of losses), etc. after threshold deductions on deferred tax assets, reciprocal crossholdings and deduction for book value of intangibles.
 - b) Additional Tier 1 capital (AT1), which includes instruments issued by the Bank which meet the specified criteria.

Presently the Bank does not have any AT1 capital.

- Tier II capital, which includes general provisions for loan losses (upto a maximum of 1.25% of credit risk weighted assets), reserves on revaluation of fixed assets and available for sale investments after deduction of deficit on available for sale investments.
- The deductions from Tier II capital mainly involves reciprocal crossholdings and investment in majority owned securities.

Banking operations are categorized in either the trading book or the banking book and risk weighted assets are determined according to the specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures.

1.2 Capital Management

The objective of capital management is to ensure the Bank's ability to operate as a going concern by maintaining appropriate capital base in line with minimum regulatory requirements. The Bank has implemented the applicable requirements of Basel III capital adequacy framework that applies to all Banks as prescribed under BPRD Circular No. 06 of August 15, 2013 and amendments made by State Bank of Pakistan through various circulars. The Bank has adopted Standardized Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risk.

The Bank ensures that it:

- a) complies with the capital requirements set by the State Bank of Pakistan;
- b) safeguards the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- c) maintains a strong capital base to support the developments of its business.

Capital adequacy is regularly monitored by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as per the requirements of the SBP. The required information is submitted to the SBP on a quarterly basis.

As at December 31, 2018 the SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid-up capital of Rs 10 billion; (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum level of 10.00% and (c) maintain Common Equity Tier I (CET1) ratio and Tier 1 ratio of 6.0% and 7.5% respectively.

With effect from December 31, 2018 an additional Capital Conservation Buffer (CCB) of 1.90% (to be met from CET1) has to be maintained over and above the minimum required level.

The paid-up capital of the Bank for the year ended December 31, 2018 stood at Rs 15.176 billion (2017: Rs 13.197 billion). As at December 31, 2018 Bank's CAR stood at 16.80% whereas CET1 and Tier 1 ratios both stood at 14.81%.

The Bank is also in compliance with the CCB requirements.

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The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflection of an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. A similar treatment is adopted for off balance sheet exposures, with some adjustments to reflect the more contingent nature of the associated risks.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

The required capital adequacy ratio is achieved by the Bank through:

- (a) Adequate level of paid up capital;
- (b) Adequate risk profile of asset mix;
- (c) Ensuring better recovery management; and
- (d) Maintaining acceptable profit margins.

1.3 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy, under Basel III and Pre-Basel III treatment using Standardized Approach for Credit and Market Risks and Basic Indicator Approach for Operational Risk is presented below:

Particulars	2018	2017
	Amount	
	----- Rupees '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
- Fully paid-up capital / capital deposited with the SBP	15,176,965	13,197,361
- Balance in share premium account	10,130	10,131
- Reserve for issue of bonus shares	-	-
- Discount on issue of shares	-	-
- General / statutory reserves	8,768,778	7,926,207
- Gain / (losses) on derivatives held as cash flow hedge	-	-
- Unappropriated profit	14,448,975	12,527,973
- Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
CET 1 before regulatory adjustments	38,404,848	33,661,672
Total regulatory adjustments applied to CET1	1,544,633	1,090,867
Common Equity Tier 1 (a)	36,860,215	32,570,805
Additional Tier 1 (AT 1) Capital		
- Qualifying Additional Tier-1 instruments plus any related share premium of which:		
- classified as equity	-	-
- classified as liabilities	-	-
- Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties 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 recognised for capital adequacy (b)	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	36,860,215	32,570,805
Tier 2 Capital		
- Qualifying Tier 2 capital instruments under Basel III	-	-
- Tier 2 capital instruments subject to phase out arrangement	-	-
- Tier 2 capital instruments issued to third party by consolidated subsidiaries 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	678,187	568,666
- Revaluation reserves of which:		
- revaluation reserves on fixed assets	4,291,972	3,854,430
- unrealized gain / (loss) on AFS	-	1,290
- Foreign exchange translation reserves	-	-
- Undisclosed / other reserves (if any)	-	-
T2 before regulatory adjustments	4,970,159	4,424,386
Total regulatory adjustment applied to T2 capital	-	2,317
Tier 2 capital (T2) after regulatory adjustments	4,970,159	4,422,069
Portion of Tier 1 capital recognised in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy (d)	4,970,159	4,422,069
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	41,830,374	36,992,874
Total risk weighted assets	248,969,881	232,685,032

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Particulars	2018	2017
	Percentage	
Capital ratios and buffers (in percentage of risk weighted assets)		
- CET1 to total RWA (a / i)	14.81%	14.00%
- Tier-1 capital to total RWA (c / i)	14.81%	14.00%
- Total capital to RWA (e / i)	16.80%	15.90%
- Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.90%	7.275%
- capital conservation buffer requirement	1.90%	1.275%
- counter cyclical buffer requirement	0.00%	0.00%
- Domestic Systemically Important Banks (SIB) or Global SIB buffer requirement	0.00%	0.00%
- CET1 available to meet buffers (as a percentage of risk weighted assets)	6.91%	6.72%
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	11.90%	11.275%

Particulars	2018		2017	
	Amount	Pre - Basel III treatment	Amount	Pre - Basel III treatment

Rupees '000

1.3.1 Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	-	-	-	-
All other intangibles (net of any associated deferred tax liability)	991,418	-	1,088,550	-
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)	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	117,269	-	-	-
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	435,946	-	-	-
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	-	-	2,317	2,317
Total regulatory adjustments applied to CET1	1,544,633	-	1,090,867	2,317

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Particulars	2018		2017	
	Amount	Pre - Basel III treatment	Amount	Pre - Basel III treatment

----- Rupees '000 -----

1.3.2 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	-	-	-	-

1.3.3 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	-	-	2,317	2,317
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	-	-	2,317	2,317

* This column highlights items that are still subject to Basel II treatment during the transitional period.

1.3.4 Additional Information

	2018	2017
	----- Rupees '000 -----	
"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	2,210,563	1,277,205
Significant investments in the common stock of financial entities	639,893	18,535
Deferred tax assets arising from temporary differences (net of related tax liability)	523,518	2,015,172
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)	678,187	568,665
Cap on inclusion of provisions in Tier 2 under standardized approach	2,485,707	2,352,986
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	-	-

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1.4 Capital Structure Reconciliation

1.4.1 Reconciliation of each financial statement line item to item under regulatory scope of reporting

Particulars	2018	
	Balance sheet	Under regulatory scope of reporting
-----Rupees '000-----		
Assets		
Cash and balances with treasury banks	43,173,993	43,173,993
Balances with other banks	1,847,595	1,847,595
Lendings to financial institutions	2,997,486	2,997,486
Investments	214,185,591	214,185,591
Advances	296,444,861	296,444,861
Operating fixed assets	12,943,738	12,943,738
Deferred tax assets - net	183,206	183,206
Other assets	28,137,713	28,137,713
Total assets	599,914,183	599,914,183
Liabilities and equity		
Bills payable	23,543,525	23,543,525
Borrowings	98,351,921	98,351,921
Deposits and other accounts	409,383,802	409,383,802
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	25,136,420	25,136,420
Total liabilities	556,415,668	556,415,668
Represented by:		
Share capital	15,176,965	15,176,965
Reserves	8,778,908	8,778,908
Unappropriated profit	14,448,975	14,448,975
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	5,093,667	5,093,667
	43,498,515	43,498,515
Total liabilities and equity	599,914,183	599,914,183

1.4.2 Reconciliation of balance sheet to eligible regulatory capital

Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
Assets			
Cash and balances with treasury banks		43,173,993	43,173,993
Balances with other banks		1,847,595	1,847,595
Lendings to financial institutions		2,997,486	2,997,486
Investments of which:		214,185,591	214,185,591
- non-significant capital investments in capital of other financial institutions exceeding 10% threshold	a	-	-
- significant capital investments in financial sector entities exceeding regulatory threshold	b	-	-
- mutual funds exceeding regulatory threshold	c	-	-
- reciprocal crossholding of capital instrument	d	117,269	117,269
- others	e	-	-
Advances		296,444,861	296,444,861
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	678,187	678,187
Operating fixed assets of which:		12,943,738	12,943,738
- Intangibles	k	991,418	991,418
Deferred tax assets of which:		183,206	183,206
- DTAs that rely on future profitability excluding those arising from temporary differences	h	-	-
- DTAs arising from temporary differences exceeding regulatory threshold	i	-	-
Other assets of which:		28,137,713	28,137,713
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		599,914,183	599,914,183

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Particulars	Reference	Balance sheet as in published financial statements	Under regulatory scope of reporting
-----Rupees '000-----			
Liabilities and Equity			
Bills payable		23,543,525	23,543,525
Borrowings		98,351,921	98,351,921
Deposits and other accounts		409,383,802	409,383,802
Sub-ordinated loans of which:		-	-
- eligible for inclusion in AT1	m	-	-
- eligible for inclusion in Tier 2	n	-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities of which:		-	-
- DTLs related to goodwill	o	-	-
- DTLs related to intangible assets	p	-	-
- DTLs related to defined pension fund net assets	q	-	-
- other deferred tax liabilities	r	-	-
Other liabilities		25,136,420	25,136,420
Total liabilities		556,415,668	556,415,668
Share capital		15,176,965	15,176,965
- of which: amount eligible for CET1	s	15,176,965	15,176,965
- of which: amount eligible for AT1	t	-	-
Reserves of which:		8,778,908	8,778,908
- portion eligible for inclusion in CET1 - Statutory reserves	u	8,112,821	8,112,821
- portion eligible for inclusion in CET1 - General and other reserves	v	666,087	666,087
- portion eligible for inclusion in Tier 2	w	-	-
Unappropriated profit		14,448,975	14,448,975
Minority Interest of which:		-	-
- portion eligible for inclusion in CET1	x	-	-
- portion eligible for inclusion in AT1	y	-	-
- portion eligible for inclusion in Tier 2	z	-	-
Surplus on revaluation of assets of which:		5,093,667	5,093,667
- Revaluation reserves on fixed assets		4,291,972	4,291,972
- Revaluation reserves on Non-banking assets acquired in satisfaction of claims		1,237,641	1,237,641
- Unrealized gains / (losses) on AFS securities	aa	-	-
- In case of deficit on revaluation (deduction from CET1)	ab	(435,946)	(435,946)
Total liabilities and equity		599,914,183	599,914,183

1.4.3 Basel III Disclosure (with added column)

Particulars	Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
Rupees '000		
Common equity Tier 1 capital (CET1): instruments and reserves		
1 Fully paid-up capital		15,176,965
2 Balance in share premium account	(s)	10,130
3 Reserve for issue of bonus shares		-
4 General / statutory reserves	(u)	8,768,778
5 Gain / (losses) on derivatives held as cash flow hedge		-
6 Unappropriated profit	(w)	14,448,975
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		38,404,848

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Particulars		Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
			Rupees '000
Common Equity Tier 1 capital: Regulatory adjustments			
9	Goodwill (net of related deferred tax liability)	(j) - (s)	
10	All other intangibles (net of any associated deferred tax liability)	(k) - (p)	991,418
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)	117,269
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 securities	(ab)	435,946
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)	(i) * x%	-
23	Amount exceeding 15% threshold of which:		-
	- significant investments in the common stocks of financial entities		-
	- deferred tax assets arising from temporary differences		-
24	National specific regulatory adjustments applied to CET1 capital of which:		-
	- investment in TFCs of other banks exceeding the prescribed limit		-
	- any other deduction specified by the SBP		-
25	Regulatory adjustment applied to CET1 due to insufficient AT1 and		-
	- Tier 2 to cover deductions		-
26	Total regulatory adjustments applied to CET1		1,544,633
Common equity tier 1			36,860,215
Additional Tier 1 (AT 1) Capital			
27	Qualifying additional Tier-1 instruments plus any related share premium		-
	of which:		
	- classified as equity	(t)	-
	- classified as liabilities	(m)	-
28	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties	(y)	-
	- of which: instrument issued by subsidiaries subject to phase out		-
29	AT1 before regulatory adjustments		-
Additional Tier 1 Capital: regulatory adjustments			
30	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)		-
31	Investment in own AT1 capital instruments		-
32	Reciprocal cross holdings in additional Tier 1 capital instruments		-
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)	(ac)	-

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Particulars	Source based on reference number from 1.4.2	Component of regulatory capital reported by the Bank
Rupees '000		
34 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(ad)	-
35 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		-
36 Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		-
37 Total of regulatory adjustment applied to AT1 capital		-
38 Additional Tier 1 capital		-
39 Additional Tier 1 capital recognised for capital adequacy		-
Tier 1 Capital (CET1 + admissible AT1)		36,860,215
Tier 2 Capital		
40 Qualifying Tier 2 capital instruments under Basel III		-
41 Capital instruments subject to phase out arrangement from Tier 2	(n)	-
42 Tier 2 capital instruments issued to third party by consolidated subsidiaries	(z)	-
- of which: instruments issued by subsidiaries subject to phase out		-
43 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	678,187
44 Revaluation reserves eligible for Tier 2 of which:		4,291,972
- portion pertaining to fixed assets		4,291,972
- portion pertaining to AFS securities		-
45 Foreign exchange translation reserves	(v)	-
46 Undisclosed / other reserves (if any)		-
47 T2 before regulatory adjustments		4,970,159
Tier 2 Capital: regulatory adjustments		
48 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		-
49 Reciprocal cross holdings in Tier 2 instruments	(d)	-
50 Investment in own Tier 2 capital instruments		-
51 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)	-
52 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(af)	-
53 Amount of regulatory adjustment applied to T2 capital		-
54 Tier 2 capital (T2)		4,970,159
55 Tier 2 capital recognised for capital adequacy		4,970,159
56 Excess additional Tier 1 capital recognised in Tier 2 capital		-
57 Total Tier 2 capital admissible for capital adequacy		4,970,159
TOTAL CAPITAL (T1 + admissible T2)		41,830,374

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1.5 Main features of regulatory capital instruments

S.No	Main Features	Common Shares
1	Issuer	Faysal Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	FABL
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	Group & Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (Currency in PKR thousands, as of reporting date)	15,176,965
9	Par value of instrument	10
10	Accounting classification	Shareholders' equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index / benchmark	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non - Cumulative
23	Convertible or non-convertible	Non - Convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

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1.6 Risk Weighted Assets

	Capital Requirements		Risk Weighted Assets	
	2018	2017	2018	2017
	Rupees '000			
Credit risk				
On-Balance sheet				
<i>Portfolios subject to standardized approach</i>				
<i>(Comprehensive)</i>				
Sovereign	22,729	10,604	191,001	94,051
Public Sector entities	363,578	342,412	3,055,281	3,036,917
Banks	241,801	244,232	2,031,942	2,166,136
Corporate	12,435,101	11,111,157	104,496,646	98,546,844
Retail	3,358,349	3,188,861	28,221,420	28,282,584
Residential Mortgages	203,701	168,135	1,711,776	1,491,217
Past Due loans	426,997	404,923	3,588,213	3,591,339
Operating Fixed Assets	1,381,829	1,290,258	11,612,008	11,443,527
Other assets	1,448,565	1,386,806	12,172,813	12,299,828
	19,882,650	18,147,388	167,081,100	160,952,443
Off-Balance sheet				
Non-market related				
Loan Repayment Guarantees	1,380,138	1,307,153	11,597,801	11,593,377
Purchase and Resale Agreements	-	12,392	-	109,909
Performance Bonds etc	359,926	305,702	3,024,586	2,711,326
Revolving underwriting Commitments	1,331,701	892,906	11,190,763	7,919,348
Stand By Letters of Credit	364,500	363,851	3,063,021	3,227,063
Market related				
Derivative Instruments	6	9,974	48	88,458
Foreign Exchange Contracts	249,679	68,496	2,098,140	607,502
	3,685,950	2,960,474	30,974,358	26,256,983
Equity Exposure Risk in the Banking Book				
<i>Under simple risk weight method</i>				
Listed Shares	80,986	102,484	680,557	908,947
Unlisted Shares	14,342	13,589	120,519	120,519
	95,328	116,073	801,076	1,029,466
Total Credit Risk-Weighted Exposures	23,663,928	21,223,935	198,856,534	188,238,892
Market Risk - capital requirement for portfolios subject to standardised approach				
Interest rate risk	351,751	288,744	4,396,889	3,609,303
Equity position risk	777,849	607,870	9,723,107	7,598,370
Foreign exchange risk	6,402	12,942	80,027	161,781
Total market risk	1,136,002	909,556	14,200,024	11,369,454
Operational Risk - Capital requirement for operational risks				
Total operational risk	2,873,066	2,646,135	35,913,323	33,076,686
	27,672,996	24,779,626	248,969,881	232,685,032
Capital Adequacy Ratio	2018	2017		
Total Eligible Regulatory Capital held	41,830,374	36,992,874		
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	14.81%	6.00%	14.00%
Tier-1 capital to total RWA	7.50%	14.81%	7.50%	14.00%
Total capital to total RWA	11.90%	16.80%	11.275%	15.90%

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1.7 Credit Risk: General disclosures Basel II specific

The Bank has adopted the Standardized Approach under Basel. According to the regulatory statement submitted under the Standardized approach, the portfolio has been divided into claims on public sector entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorised as retail portfolio. Claims on corporate constitute 64.34% (2017: 63.33%) of the total risk weighted assets, 3.33% (2017: 3.21%) represents claims on PSEs and 15.72% (2017: 16.56%) exposure pertains to claims categorised as retail portfolio.

1.7.1 Credit Risk: Disclosures for portfolio subject to Standardised Approach

For domestic claims, External Credit Assessment Institutions (ECAIs) recommended by the 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. Exposures not rated by any of the aforementioned rating agencies are categorized as unrated.

Types of exposure for which each agency is used in the year ended December 31, 2018 are as follows;

Exposures	PACRA	JCR-VIS	Standard and Poor's	Moody's	Fitch
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns	-	-	✓	✓	✓
PSEs	✓	✓	-	-	-

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

Long Term Rating Grades Mapping

SBP Rating	ECA Scores	PACRA	JCR-VIS	S & P	Moody's	Fitch
1	0,1	AA- and above	AA- and above	AA- and above	Aa3 and above	AA- and above
2	2	A+ to A-	A+ to A-	A+ to A-	A1 to A3	A+ to A-
3	3	BBB+ to BBB-	BBB+ to BBB-	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	4	BB+ to BB-	BB+ to BB-	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	5,6	B+ to B-	B+ to B-	B+ to B-	B1 to B3	B+ to B-
6	7	CCC+ & Below	CCC+ & Below	CCC+ & Below	Caa1 & Below	CCC+ & Below

Short Term Rating Grades Mapping

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

For exposure amounts after risk mitigation subject to the standardized approach, amount of Bank's / DFI's outstanding (rated and unrated) in each risk bucket as well as those that are deducted are as follows:

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Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Rupees '000				
- Cash and Cash Equivalent		12,795,524	-	12,795,524
- Corporate	1	60,051,281	192,139	59,859,142
	2	38,757,010	8,322	38,748,688
	3,4	566,919	4,565	562,354
	5,6	-	-	-
	Unrated	33,072,695	1,008,714	32,063,980
	Unrated-2	33,273,527	854,216	32,419,312
- Public Sector Entities	1	12,260,815	-	12,260,815
	2,3	-	-	-
	Unrated	1,206,237	-	1,206,237
- Banks	1,2,3	5,752,627	-	5,752,627
	4,5,6	26,735	-	26,735
	Unrated	14,218	-	14,218
- Sovereigns etc.	1	-	-	-
	2	-	-	-
	3	-	-	-
	4,5	191,001	-	191,001
	6	-	-	-
	Unrated	-	-	-
- Government of Pakistan		127,013,974	2,982,448	124,031,526
- SBP		6,470,965	-	6,470,965
- Retail		42,071,563	4,443,003	37,628,560
- Residential Mortgage		4,903,880	13,092	4,890,787
- Past Dues Loans		3,071,581	222,085	2,849,496
- Past Dues against Residential Mortgage		327,658	6,140	321,518
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		1,163,411	-	1,163,411
- Unlisted Equity Investments		80,346	-	80,346
- Listed Equity Investments		714,657	34,100	680,557
- Operating Fixed Assets		11,612,008	-	11,612,008
- Other Assets		9,264,286	-	9,264,286
		404,662,917	9,768,824	394,894,093

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the Bank reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

Collaterals used by the Bank for Credit Risk Mitigation (CRM) were as follows:

- Cash margin
- Government securities
- Guarantees of governments and banks
- Shares listed on recognized stock exchange.

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1.8 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. Banks are required to maintain minimum leverage ratio of 3%.

The leverage ratio of the Bank for the year ended December 31, 2018 stood at 4.89% (2017: 5.24%).

Particulars	2018	2017
	-----Rupees '000-----	
On balance sheet exposures		
On-balance sheet items (excluding derivatives but including collateral)	587,905,840	486,936,040
Derivatives	2,824,081	1,157,061
A) Total On balance sheet exposures	590,729,921	488,093,101
Off balance sheet exposures		
Off-balance sheet items (excluding derivatives)	161,548,419	132,891,442
Commitment in respect of derivatives (derivatives having negative fair value are also included)	814,156	447,305
B) Total Off balance sheet exposures	162,362,575	133,338,747
Capital and total exposures		
Tier 1 capital	36,860,215	32,570,805
Total Exposure (A+B)	753,092,496	621,431,848
Leverage ratio	4.89%	5.24%

2 Liquidity Coverage Ratio (LCR)

According to Basel III instructions issued by State Bank of Pakistan vide its BPRD Circular No. 08 dated June 23, 2016, it is mandatory for all the banks to calculate and report the LCR statement on monthly frequency with the minimum benchmark of 100% as of December 31, 2018.

The Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that the Bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon at both the entity and consolidated level.

The LCR has two components:

- Value of the stock of High Quality Liquid Assets (HQLA) in stressed conditions; and
- Total net cash outflows, calculated according to the stress scenario for which the Bank would need sufficient liquidity on hand to survive for up to 30 days.

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Particulars	2018		2017	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	----- (Rupees '000) -----		----- (Rupees '000) -----	
High Quality Liquid Assets				
1 Total High Quality Liquid assets(HQLA)		142,734,534		158,597,029
CASH OUTFLOWS				
2 Retail Deposits and deposits from small business customers of which:	124,584,578	12,232,797	115,895,154	11,589,515
2.1 Stable deposits	4,513,209	225,660	-	-
2.2 Less stable deposits	120,071,370	12,007,137	115,895,154	11,589,515
3 Unsecured Wholesale funding of which:	269,311,718	84,610,443	234,367,012	67,120,201
3.1 Operational deposits(all counterparties)	22,663,517	5,665,879	22,685,554	5,671,389
3.2 Non operational deposits (all counterparties)	227,100,886	59,397,248	195,399,424	45,166,778
3.3 Unsecured debt	19,547,315	19,547,315	16,282,034	16,282,034
4 Secured wholesale funding		-		194,475
5 Additional requiremnts of which:	60,616,436	6,061,531	50,731,529	5,072,845
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	60,616,436	6,061,531	50,731,529	5,072,845
6 Other contractual funding obligations	14,622,461	14,622,461	10,733,965	10,733,965
7 Other contingent funding obligations	222,742,067	6,519,829	185,493,357	5,663,845
8 TOTAL CASH OUTFLOWS		124,047,061		100,374,846
CASH INFLOWS				
9 Secured lending	4,570,240	-	2,263,392	-
10 Inflows from fully performing exposures	51,097,140	25,999,301	42,193,406	21,871,590
11 Other Cash inflows	1,155,674	(387,359)	2,335,742	882,120
12 TOTAL CASH INFLOWS	56,823,054	25,611,942	46,792,540	22,753,710
	Total adjusted value		Total adjusted value	
21 TOTAL HQLA		142,734,534		158,597,029
22 TOTAL NET CASH OUTFLOWS		98,435,120		77,621,136
23 LIQUIDITY COVERAGE RATIO		1.452		2.118

3 Net Stable Funding Ratio (NSFR)

According to Basel III instructions issued by State Bank of Pakistan BPRD Circular No. 08 dated June 23, 2016, it is mandatory for all the banks to calculate and report the Net Stable Funding Ratio (NSFR) on a quarterly basis with the minimum of 100% on an ongoing basis from December 31, 2017.

The purpose of the NSFR is to ensure that Bank holds a minimum amount of stable funding based on the liquidity characteristics of its assets and off-balance sheet activities over a one year horizon.

The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on- and off-balance sheet items and promotes funding stability. The objective is to reduce maturity mismatches between the asset and liability items on the balance sheet and thereby reduce funding and rollover risk.

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		2018				
Particulars		Unweighted Value By Residual Maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		------(Rupees '000)-----				
Available Stable Funding (ASF) Item						
1	Capital:	43,375,007	-	-	21,386,138	64,761,145
2	Regulatory capital	43,375,007	-	-	-	43,375,007
3	Other capital instruments	-	-	-	21,386,138	21,386,138
4	Retail deposits and deposit from small business customers:	197,480,724	-	38,057,151	-	212,438,517
5	Stable deposits	8,824,704	-	263,886	-	8,634,160
6	Less stable deposits	188,656,021	-	37,793,265	-	203,804,357
7	Wholesale funding:	24,637,380	-	125,761,066	-	75,199,223
8	Operational deposits	24,637,380	-	-	-	12,318,690
9	Other wholesale funding	-	-	125,761,066	-	62,880,533
10	Other liabilities:	125,174,364	-	14,688,383	5,376,826	7,344,192
11	NSFR derivative liabilities	-	-	-	4,605,500	-
12	All other liabilities and equity not included in other categories	125,174,364	-	14,688,383	771,327	7,344,192
13	Total ASF					359,743,076

Required Stable Funding (RSF) Item						
14	Total NSFR high-quality liquid assets (HQLA)	243,950,435				8,113,640
15	Deposits held at other financial institutions for operational purposes	1,847,595	-	-	-	923,798
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA					
18	Performing loans to financial institutions secured by nonLevel 1 HQLA and unsecured performing loans to financial institutions					
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:					
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk					
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	-	2,997,486	-	-	299,749
25	NSFR derivative assets	-	102,461	75,000	-	52,869
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	82,771,650	70,355,903
27	All other assets not included in the above categories	-	-	-	67,530,853	43,895,054
28	Off-balance sheet items	-	-	-	-	-
29	Total RSF	3,834,173				
30	Net Stable Funding Ratio (%)	4,605,500				
		196,250,418	-	-	16,945,699	136,394,001
						15,265,048
						275,300,061
						130.67%

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		2017				
Particulars		Unweighted Value By Residual Maturity				Weighted Value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
		------(Rupees '000)-----				
Available Stable Funding (ASF) Item						
1	Capital:	33,661,677	-	-	225,885,348	259,547,025
2	Regulatory capital	33,661,677	-	-		33,661,677
3	Other capital instruments	-	-	-	225,885,348	225,885,348
4	Retail deposits and deposit from small business customers:	-	-	52,011,179	-	46,810,061
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	-	52,011,179	-	46,810,061
7	Wholesale funding:	26,583,244	-	68,669,201	-	47,626,223
8	Operational deposits	26,583,244	-	-	-	13,291,622
9	Other wholesale funding	-	-	68,669,201	-	34,334,601
10	Other liabilities:	73,141,268	-	4,329,288	2,547,599	2,164,644
11	NSFR derivative liabilities		-	-	2,481,931	-
12	All other liabilities and equity not included in other categories	73,141,268	-	4,329,288	65,668	2,164,644
13	Total ASF					356,147,953

Required Stable Funding (RSF) Item						
14	Total NSFR high-quality liquid assets (HQLA)	200,957,709				2,761,690
15	Deposits held at other financial institutions for operational purposes	1,872,771	-	-	-	936,386
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	6,010,335		-	-	601,034
18	Performing loans to financial institutions secured by nonLevel 1 HQLA and unsecured performing loans to financial institutions	-	3,350,852	221,719	-	613,487
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	65,419,655	55,606,707
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	53,748,773	34,936,702
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		-			-
25	NSFR derivative assets		2,416,263			
26	NSFR derivative liabilities before deduction of variation margin posted		2,481,931			
27	All other assets not included in the above categories	142,723,860	-	-	15,546,128	
28	Off-balance sheet items					13,236,619
29	Total RSF					213,926,847
30	Net Stable Funding Ratio (%)					166.48%