

FAYSAL BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED
AS AT DECEMBER 31, 2021

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.

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, 2021 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.

An additional capital conservation buffer (CCB) of 1.5% (to be met from CET1) has to be maintained over and above the minimum requirement level.

The paid-up capital of the Bank for the year ended December 31, 2021 stood at Rs 15.177 billion (2020: Rs 15.177 billion). As at December 31, 2021 Bank's CAR stood at 17.53% whereas CET1 and Tier 1 ratios both stood at 15.68%.

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	2021	2020
	Amount	
	----- Rupees '000 -----	
Common Equity Tier 1 capital (CET1): Instruments and reserves		
- Fully paid-up capital / capital deposited with the SBP	15,176,965	15,176,965
- Balance in share premium account	10,131	10,130
- Reserve for issue of bonus shares	-	-
- Discount on issue of shares	-	-
- General / statutory reserves	12,603,052	11,022,516
- Gain / (losses) on derivatives held as cash flow hedge	-	-
- Unappropriated profit	30,971,591	24,870,347
- 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	58,761,740	51,079,959
Total regulatory adjustments applied to CET1	1,613,399	1,365,985
Common Equity Tier 1 (a)	57,148,341	49,713,974
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)	57,148,341	49,713,974
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	945,573	915,776
- Revaluation reserves of which:		
- revaluation reserves on fixed assets	5,692,850	5,809,075
- unrealized gain / (loss) on AFS	111,599	1,778,725
- Foreign exchange translation reserves	-	-
- Undisclosed / other reserves (if any)	-	-
T2 before regulatory adjustments	6,750,021	8,503,577
Total regulatory adjustment applied to T2 capital	-	-
Tier 2 capital (T2) after regulatory adjustments	6,750,021	8,503,577
Portion of Tier 1 capital recognised in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy (d)	6,750,021	8,503,577
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	63,898,362	58,217,551
Total risk weighted assets (i)	364,529,067	311,761,926

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Particulars	2021	2020
	Percentage	
Capital ratios and buffers (in percentage of risk weighted assets)		
- CET1 to total RWA (a / i)	15.68%	15.95%
- Tier-1 capital to total RWA (c / i)	15.68%	15.95%
- Total capital to RWA (e / i)	17.53%	18.67%
- Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) of which:	7.50%	7.50%
- capital conservation buffer requirement	1.50%	1.50%
- 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)	8.18%	8.45%
National minimum capital requirements prescribed by SBP		
- CET1 minimum ratio	7.50%	7.50%
- Tier 1 minimum ratio	9.00%	9.00%
- Total capital minimum ratio	11.50%	11.50%

Particulars	2021		2020	
	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)	1,548,292	-	1,330,203	-
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	65,107	-	35,782	-
Cash flow hedge reserve	-	-	-	-
Investment in own shares / CET1 instruments	-	-	-	-
Securitization gain on sale	-	-	-	-
Capital shortfall of regulated subsidiaries	-	-	-	-
Deficit on account of revaluation from bank's holdings of fixed assets / AFS	-	-	-	-
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding 15% threshold	-	-	-	-
of which: significant investments in the common stocks of financial entities	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments applied to CET1 capital	-	-	-	-
Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
Any other deduction specified by SBP (mention details)	-	-	-	-
Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments applied to CET1	1,613,399	-	1,365,985	-

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Particulars	2021		2020	
	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	-	-	-	-
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	-	-	-	-

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

1.3.4 Additional Information

2021 2020

----- 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	2,535,246	2,366,969
Significant investments in the common stock of financial entities	1,139,891	1,139,893
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-

Applicable caps on the inclusion of provisions in Tier 2

Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	945,573	915,776
Cap on inclusion of provisions in Tier 2 under standardized approach	3,450,375	2,979,223
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	2021	
	Balance sheet	Under regulatory scope of reporting
	-----Rupees '000-----	
Assets		
Cash and balances with treasury banks	58,516,627	58,516,627
Balances with other banks	3,517,282	3,517,282
Lendings to financial institutions	-	-
Investments	357,471,437	357,471,437
Advances	396,295,362	396,295,362
Fixed Assets	28,081,412	28,081,412
Deferred tax assets - net	-	-
Other assets	25,730,086	25,730,086
Total assets	869,612,206	869,612,206
Liabilities and equity		
Bills payable	14,122,901	14,122,901
Borrowings	111,189,829	111,189,829
Deposits and other accounts	644,089,308	644,089,308
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	592,332	592,332
Other liabilities	33,794,514	33,794,514
Total liabilities	803,788,884	803,788,884
Represented by:		
Share capital	15,176,965	15,176,965
Reserves	12,613,183	12,613,183
Unappropriated profit	30,971,591	30,971,591
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	7,061,583	7,061,583
	65,823,323	65,823,323
Total liabilities and equity	869,612,207	869,612,207

1.4.2 Reconciliation of balance sheet to eligible regulatory capital

Particulars	Reference	2021	
		Balance sheet as in published financial statements	Under regulatory scope of reporting
		-----Rupees '000-----	
Assets			
Cash and balances with treasury banks		58,516,627	58,516,627
Balances with other banks		3,517,282	3,517,282
Lendings to financial institutions		-	-
Investments of which:		357,471,437	357,471,437
- 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	65,107	65,107
- others	e	-	-
Advances		396,295,362	396,295,362
- shortfall in provisions / excess of total EL amount over eligible provisions under IRB	f	-	-
- general provisions reflected in Tier 2 capital	g	945,573	945,573
Operating fixed assets of which:		28,081,412	28,081,412
- Intangibles	k	1,743,446	1,743,446
Deferred tax assets of which:		-	-
- 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:		25,730,086	25,730,086
- goodwill	j	-	-
- defined-benefit pension fund net assets	l	-	-
Total assets		869,612,206	869,612,206

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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		14,122,901	14,122,901
Borrowings		111,189,829	111,189,829
Deposits and other accounts		644,089,308	644,089,308
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:		592,332	592,332
- 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	592,332	592,332
Other liabilities		33,794,514	33,794,514
Total liabilities		803,788,884	803,788,884
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:		12,613,183	12,613,183
- portion eligible for inclusion in CET1 - Statutory reserves		12,253,682	12,253,682
- portion eligible for inclusion in CET1 - General and other reserves	u	359,501	359,501
- portion eligible for inclusion in Tier 2	v	-	-
Unappropriated profit	w	30,971,591	30,971,591
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:		7,061,583	7,061,583
- Revaluation reserves on fixed assets		5,692,850	5,692,850
- Revaluation reserves on Non-banking assets acquired in satisfaction of claims		1,257,134	1,257,134
- Unrealized gains / (losses) on AFS securities	aa	111,599	111,599
- In case of deficit on revaluation (deduction from CET1)	ab	-	-
Total liabilities and equity		869,612,207	869,612,207

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)	10,131
3 Reserve for issue of bonus shares		-
4 General / statutory reserves	(u)	12,603,052
5 Gain / (losses) on derivatives held as cash flow hedge		-
6 Unappropriated profit	(w)	30,971,591
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		58,761,740

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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)	1,548,292
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)	65,107
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)	-
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		1,613,399
Common equity tier 1			57,148,341
Additional Tier 1 (AT 1) Capital			
27	Qualifying additional Tier-1 instruments plus any related share premium <i>of which:</i> - classified as equity - classified as liabilities	(t) (m)	- -
28	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties - of which: instrument issued by subsidiaries subject to phase out	(y)	- -
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)			57,148,341
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 - of which: instruments issued by subsidiaries subject to phase out	(z)	-
43	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	(g)	945,573
44	Revaluation reserves eligible for Tier 2 of which:		5,804,449
	- portion pertaining to fixed assets		5,692,850
	- portion pertaining to AFS securities		111,599
45	Foreign exchange translation reserves	(v)	-
46	Undisclosed / other reserves (if any)		-
47	T2 before regulatory adjustments		6,750,021
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)		6,750,021
55	Tier 2 capital recognised for capital adequacy		6,750,021
56	Excess additional Tier 1 capital recognised in Tier 2 capital		-
Total Tier 2 capital admissible for capital adequacy			6,750,021
TOTAL CAPITAL (T1 + admissible T2)			63,898,362

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

1.6 Risk Weighted Assets

Credit risk

On-Balance sheet

*Portfolios subject to standardized approach
(Comprehensive)*

Sovereign
Public Sector entities
Banks
Corporate
Retail
Residential Mortgages
Past Due loans
Operating Fixed Assets
Other assets

Capital Requirements		Risk Weighted Assets	
2021	2020	2021	2020
----- Rupees '000 -----			
95,682	23,989	832,014	208,600
351,542	506,695	3,056,883	4,406,039
197,782	228,610	1,719,840	1,987,911
17,019,298	13,632,092	147,993,892	118,539,927
4,384,713	3,834,454	38,127,942	33,343,076
436,239	291,131	3,793,387	2,531,577
447,355	704,446	3,890,044	6,125,616
3,051,309	2,788,688	26,533,120	24,249,464
1,391,317	1,043,958	12,098,412	9,077,892
27,375,236	23,054,063	238,045,534	200,470,101

Off-Balance sheet

Non-market related

Loan Repayment Guarantees
Purchase and Resale Agreements
Performance Bonds etc
Revolving underwriting Commitments
Stand By Letters of Credit

Market related

Derivative Instruments
Foreign Exchange Contracts

1,096,751	972,061	9,536,962	8,452,707
-	-	-	-
470,249	326,851	4,089,124	2,842,181
1,675,485	2,116,855	14,569,436	18,407,432
872,406	707,949	7,586,135	6,156,079
-	-	-	-
120	405	1,041	3,523
139,639	139,352	1,214,249	1,211,753
4,254,649	4,263,473	36,996,948	37,073,675

Equity Exposure Risk in the Banking Book

Under simple risk weight method

Listed Shares
Unlisted Shares

97,305	69,828	846,128	607,202
16,258	21,493	141,374	186,893
113,563	91,321	987,501	794,095
31,743,448	27,408,856	276,029,983	238,337,872

Total Credit Risk-Weighted Exposures

Market Risk - capital requirement for portfolios subject to standardised approach

Interest rate risk
Equity position risk
Foreign exchange risk

Total market risk

1,130,877	741,215	14,135,968	9,265,191
1,209,911	955,289	15,123,887	11,941,116
59,904	61,817	748,803	772,712
2,400,693	1,758,321	30,008,658	21,979,018

Operational Risk - Capital requirement for operational risks

Total operational risk

4,679,234	4,115,603	58,490,426	51,445,036
38,823,375	33,282,782	364,529,067	311,761,926

Capital Adequacy Ratio

Total Eligible Regulatory Capital held

Total risk weighted assets

Capital adequacy ratio

2021
----- Rupees '000 -----

63,898,362 58,217,551

364,529,067 311,761,926

17.53% 18.67%

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 Standardised 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 65.11% (2020: 64.42%) of the total credit risk weighted assets, 1.79% (2020: 1.88%) represents claims on PSEs and 14.49% (2020: 15.9%) 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, 2021 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:

Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
Rupees '000				
- Cash and Cash Equivalent		15,203,644	-	15,203,644
- Corporate	1	83,680,641	1,124,060	82,556,581
	2	62,795,925	1,042,929	61,752,996
	3,4	1,098,878	-	1,098,878
	5,6	22,040	-	22,040
	Unrated	40,830,881	2,310,411	38,520,470
	Unrated-2	48,822,343	59,407	48,762,936
- Public Sector Entities	1	12,288,890	-	12,288,890
	2,3	-	-	-
	Unrated	1,198,210	-	1,198,210
- Banks	1,2,3	7,730,476	929	7,729,547
	4,5,6	2,239	-	2,239
	Unrated	1,358	-	1,358
- Sovereigns etc.	1	-	-	-
	2	-	-	-
	3	-	-	-
	4,5	832,014	-	832,014
	6	-	-	-
	Unrated	-	-	-
- Government of Pakistan		139,602,080	-	139,602,080
- SBP		5,727,863	-	5,727,863
- Retail		53,146,709	2,309,453	50,837,256
- Residential Mortgage		11,261,427	-	11,261,427
- Past Dues Loans		3,522,826	306,298	3,216,528
- Past Dues against Residential Mortgage		301,220	-	301,220
- Significant investment in Commercial entities		-	-	-
- Significant investment and DTAs above 15% threshold		1,139,891	-	1,139,891
- Unlisted Equity Investments		94,249	(0)	94,249
- Listed Equity Investments		846,128	-	846,128
- Operating Fixed Assets		26,533,120	-	26,533,120
- Other Assets		9,248,684	-	9,248,684
		525,931,735	7,153,487	518,778,249

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.

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, 2021 stood at 5.46% (2020: 5.96%).

Particulars	2021	2020
	-----Rupees '000-----	
On balance sheet exposures		
On-balance sheet items (excluding derivatives but including collateral)	866,125,134	707,561,714
Derivatives	1,871,593	840,129
A) Total On balance sheet exposures	867,996,727	708,401,842
Off balance sheet exposures		
Off-balance sheet items (excluding derivatives)	178,060,385	124,456,694
Commitment in respect of derivatives (derivatives having negative fair value are also included)	856,433	719,597
B) Total Off balance sheet exposures	178,916,818	125,176,292
Capital and total exposures		
Tier 1 capital	57,148,341	49,713,974
Total Exposure (A+B)	1,046,913,545	833,578,134
Leverage ratio	5.46%	5.96%

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%.

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.

Particulars	2021		2020	
	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)	327,727,701	265,715,345
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CASH OUTFLOWS

2	Retail Deposits and deposits from small business customers	339,465,901	33,216,824	291,719,183	28,636,031
	of which:	-	-	-	-
2.1	Stable deposits	14,595,323	729,766	10,717,746	535,887
2.2	Less stable deposits	324,870,579	32,487,058	281,001,437	28,100,144
3	Unsecured Wholesale funding of which:	241,202,181	111,893,099	205,018,749	91,996,405
3.1	Operational deposits(all counterparties)	39,493,014	9,873,253	35,095,556	8,773,889
3.2	Non operational deposits (all counterparties)	201,709,168	102,019,846	169,923,193	83,222,516
3.3	Unsecured debt	-	-	-	-
4	Secured wholesale funding	260,765	21,730	-	-
5	Additional requirements of which:	753,092	753,092	1,066,102	1,066,102
5.1	Outflows related to derivative exposures and other collateral requirements	753,092	753,092	1,066,102	1,066,102
5.2	Outflows related to loss of funding on debt products	-	-	-	-
5.3	Credit and Liquidity facilities	-	-	-	-
6	Other contractual funding obligations	67,576,893	6,738,147	47,911,832	4,788,504
7	Other contingent funding obligations	131,570,807	30,733,191	88,927,530	27,261,915
8	TOTAL CASH OUTFLOWS	183,356,085		153,748,957	

CASH INFLOWS

9	Secured lending	1,293,120	-	6,930,364	-
10	Inflows from fully performing exposures	52,763,386	29,762,665	53,733,419	27,795,443
11	Other Cash inflows	4,385,142	331,265	4,308,414	2,272
12	TOTAL CASH INFLOWS	58,441,648	30,093,931	64,972,197	27,797,716

Total adjusted value

Total adjusted value

21	TOTAL HQLA	327,727,701	265,715,345
22	TOTAL NET CASH OUTFLOWS	153,262,154	125,951,241
23	LIQUIDITY COVERAGE RATIO	2.138	2.110

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.

		2021				
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:	65,511,763	-	-	70,576,751	136,088,514
2	Regulatory capital	65,511,763	-	-	-	65,511,763
3	Other capital instruments	-	-	-	70,576,751	70,576,751
4	Retail deposits and deposit from small business customers:	338,076,652	-	28,246,620	-	330,693,282
5	Stable deposits	19,755,592	-	291,156	-	19,044,410
6	Less stable deposits	318,321,060	-	27,955,464	-	311,648,872
7	Wholesale funding:	18,260,055	-	199,941,314	-	109,100,684
8	Operational deposits	18,260,055	-	-	-	9,130,028
9	Other wholesale funding	-	-	199,941,314	-	99,970,657
10	Other liabilities:	111,085,109	-	36,637,774	8,179,605	18,318,887
11	NSFR derivative liabilities	-	-	-	7,214,995	-
12	All other liabilities and equity not included in other categories	111,085,109	-	36,637,774	964,610	18,318,887
13	Total ASF					594,201,368

Required Stable Funding (RSF) Item						
14	Total NSFR high-quality liquid assets (HQLA)	399,260,456				5,764,708
15	Deposits held at other financial institutions for operational purposes	3,517,282	-	-	-	1,758,641
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	-	853,834	-	-	128,075
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	123,225,633	104,741,788
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	89,609,744	58,246,334
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		6,250,385			160,927,260
26	NSFR derivative liabilities before deduction of variation margin posted		7,214,995			
27	All other assets not included in the above categories	246,685,645	-	-	7,873,149	
28	Off-balance sheet items					14,397,262
29	Total RSF					345,964,068
30	Net Stable Funding Ratio (%)					171.75%

		2020				
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:	59,583,536	-	-	43,089,915	102,673,451
2	Regulatory capital	59,583,536	-	-	-	59,583,536
3	Other capital instruments	-	-	-	43,089,915	43,089,915
4	Retail deposits and deposit from small business customers:	275,996,312	-	41,530,885	-	286,350,190
5	Stable deposits	11,205,997	-	308,261	-	10,938,545
6	Less stable deposits	264,790,315	-	41,222,624	-	275,411,645
7	Wholesale funding:	44,102,773	-	153,165,743	-	98,634,258
8	Operational deposits	44,102,773	-	-	-	22,051,387
9	Other wholesale funding	-	-	153,165,743	-	76,582,871
10	Other liabilities:	79,654,805	-	11,535,550	9,851,324	5,767,775
11	NSFR derivative liabilities	-	-	-	9,076,782	-
12	All other liabilities and equity not included in other categories	79,654,805	-	11,535,550	774,542	5,767,775
13	Total ASF					493,425,675

Required Stable Funding (RSF) Item						
14	Total NSFR high-quality liquid assets (HQLA)	318,116,023				3,934,864
15	Deposits held at other financial institutions for operational purposes	2,878,547	-	-	-	1,439,273
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	-	1,489,314	-	-	223,397
19	Performing loans to nonfinancial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	91,538,279	77,807,537
20	With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	85,864,489	55,811,918
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	8,302,241				
26	NSFR derivative liabilities before deduction of variation margin posted	9,076,782				
27	All other assets not included in the above categories	199,743,543	-	-	12,143,118	139,498,136
28	Off-balance sheet items					12,776,071
29	Total RSF					291,491,198
30	Net Stable Funding Ratio (%)					169.28%