ALLIED BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED
AS AT DECEMBER 31, 2019

1 CAPITAL ASSESSMENT AND ADEQUACY

1.1 Capital Adequacy

1.1.1 Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank’s Asset & Liability Committee (ALCO), Risk Management Committee (RMC) and Management Committee (MANCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (BRMC) and Strategic Planning and Monitoring Committee (SPMC).

Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank’s assets to allow for an optimal deployment of the Bank’s resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank’s ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Bank through Internal Capital Adequacy Assessment Process (ICAAP) and Advance Stress Testing assesses overall capital adequacy on a periodic basis in relation to Bank’s risk profile. Utilizing sensitivity and stress analysis techniques, Bank assesses adequacy of Bank’s total capital against adverse shocks with respect to credit risk, market risk, operational risk, concentration risk, interest rate risk, liquidity risk, country risk, reputational risk and strategic risk. Further, Bank formulates its strategy, including assessment for raising additional capital for maintaining adequate capital under stressed conditions.

1.1.2 Externally imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFIs), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 asked the Banks to raise their minimum paid up capital to Rs. 10 billion free of losses.

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 12.50% on standalone as well as on consolidated basis till December 31, 2019. A phase in arrangement was put in place whereby the banks were required to maintain the following ratios on an ongoing basis:

	Year end as of December 31,				
	2015	**2016**	**2017**	**2018**	**2019**
Common Equity Tier-1 - CET1	6.00%	6.00%	6.00%	6.00%	6.00%
Additional Tier-1	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	7.50%	7.50%	7.50%	7.50%	7.50%
Total Capital	**10.00%**	**10.00%**	**10.00%**	**10.00%**	**10.00%**
*Capital Conservation Buffer - CCB	0.25%	0.65%	1.275%	1.90%	2.50%
Total Capital plus CCB	**10.25%**	**10.65%**	**11.275%**	**11.90%**	**12.50%**

* Consisting of CET1 only.

The paid up capital and Consolidated CAR of the Bank stands at Rs. 11.451 billion and 21.79% of its total risk weighted assets as at December 31, 2019, respectively.

The Bank has complied with all externally imposed capital requirements as at year end.

1.1.3 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

1.1.4 Capital Structure - Basel III transition

State Bank of Pakistan vide BPRD circular # 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after regulatory deductions.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), reserves on the revaluation of fixed assets and equity investments and subordinated debt. Bank has also implemented full standards of Basel III with respect to capital deductions as per road map laid down by SBP through BPRD Circular # 6 dated August 15, 2013.

The required capital is achieved by the Bank through:

(a) enhancement in the risk profile of asset mix at the existing volume level;
(b) ensuring better recovery management; and
(c) maintaining acceptable profit margins.

1.2 Leverage Ratio

The leverage ratio of the Group as on December 31, 2019 is 4.56% (2018: 4.61%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2019; Total Tier 1 capital of the Group amounts to Rs. 82,135,834 thousands (2018: Rs. 75,372,381 thousands) whereas the total exposure measure amounts to Rs. 1,801,242,634 thousands (2018: Rs. 1,634,600,480 thousands).

Shift in leverage ratio is mainly due to increase in assets as of December 31, 2019.

Detail of the Bank's eligible capital is as follows:

			`December 31, 2019	`December 31, 2018
			Rupees in '000	
1.3	**CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2019**			
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
	Fully Paid-up Capital/ Capital deposited with SBP		11,450,739	11,450,739
	Balance in Share Premium Account		-	-
	Reserve for issue of Bonus Shares		-	-
	General/ Statutory Reserves		20,448,505	19,037,214
	Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
	Unappropriated/unremitted profits/ (losses)		57,681,932	53,985,383
	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		89,581,176	84,473,336
	Common Equity Tier 1 capital: Regulatory adjustments			
	Total regulatory adjustments applied to CET1 (Note 1.3.1)		(7,445,342)	(9,100,955)
	Common Equity Tier 1	a	82,135,834	75,372,381
	Additional Tier 1 (AT 1) Capital			
	Qualifying Additional Tier-1 instruments plus any related share premium			
	of which: Classified as equity		-	-
	of which: Classified as liabilities		-	-
	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which: instrument issued by subsidiaries subject to phase out		-	-
	AT1 before regulatory adjustments		-	-
	Total regulatory adjustment applied to AT1 capital (Note 1.3.2)		-	-
	Additional Tier 1 capital after regulatory adjustments		.	.
	Additional Tier 1 capital recognized for capital adequacy	b	-	-
	Tier 1 Capital (CET1 + admissible AT1)	(c=a+b)	82,135,834	75,372,381
	Tier 2 Capital			
	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		-	-
	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)		-	-
	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out		-	-
	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		39,795	15,868
	Revaluation Reserves (net of taxes)		23,067,977	20,941,178
	of which: Revaluation reserves on Property		15,638,996	15,755,409
	of which: Unrealized Gains/Losses on AFS		7,428,981	5,185,769
	Foreign Exchange Translation Reserves		1,821,720	1,239,301
	Undisclosed/Other Reserves (if any)		-	-
	T2 before regulatory adjustments		24,929,492	22,196,347
	Total regulatory adjustment applied to T2 capital (Note 1.3.3)		(2,578,335)	(1,631,416)
	Tier 2 capital (T2) after regulatory adjustments		22,351,157	20,564,931
	Tier 2 capital recognized for capital adequacy		22,351,157	20,564,931
	Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
	Total Tier 2 capital admissible for capital adequacy	(d)	22,351,157	20,564,931
	TOTAL CAPITAL (T1 + admissible T2)	(e=c+d)	104,486,991	95,937,312
	Total Risk Weighted Assets	(f)	479,617,816	434,992,408
	Capital Ratios and buffers (in percentage of risk weighted assets)			
	CET1 to total RWA	(a/f)	17.13%	17.33%
	Tier-1 capital to total RWA	(c/f)	17.13%	17.33%
	Total capital to RWA	(e/f)	21.79%	22.05%
	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		8.50%	7.90%
	of which: capital conservation buffer requirement		2.50%	1.90%
	of which: countercyclical buffer requirement		-	-
	of which: D-SIB or G-SIB buffer requirement		-	-
	CET1 available to meet buffers (as a percentage of risk weighted assets)		8.63%	9.43%
	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 plus CCB		12.50%	11.90%

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	Regulatory Adjustments and Additional Information	`December 31, 2019	`December 31, 2018
		Rupees in '000	
1.3.1	**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)	(1,948,235)	(1,748,960)
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	(4,440,411)	(4,560,065)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(858,740)	(1,250,256)
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	-	-
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)	-	(1,450,844)
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	Amount exceeding 15% threshold	-	-
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)	(197,956)	(90,830)
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)**	(7,445,342)	(9,100,955)
1.3.2	**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)**	-	-
1.3.3	**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)	-	(1,631,416)
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(2,578,335)	-
36	**Total regulatory adjustment applied to T2 capital (sum of 31 to 35)**	(2,578,335)	(1,631,416)

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		December 31, 2019	December 31, 2018
		Rupees in '000	
1.3.4	**Additional Information**		
	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)	345,197,859	315,518,950
(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	7,930,707	10,773,665
39	Significant investments in the common stock of financial entities	4,696,580	1,075,653
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)	39,795	15,868
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-	-
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	-	-

		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		December 31, 2019		
		Rupees in '000		
1.4	**Capital Structure Reconciliation**			
1.4.1	**Step 1**			
	Assets			
	Cash and balances with treasury banks	119,935,126	119,935,126	
	Balances with other banks	602,582	602,582	
	Lendings to financial institutions	13,606,921	13,606,921	
	Investments	759,654,427	759,654,427	
	Advances	485,051,568	485,051,568	
	Operating fixed assets	64,215,960	64,215,960	
	Deferred tax assets	-	-	
	Other assets	40,316,857	40,316,857	
	Total assets	1,483,383,441	1,483,383,441	
	Liabilities & Equity			
	Bills payable	7,878,626	7,878,626	
	Borrowings	266,448,386	266,448,386	
	Deposits and other accounts	1,049,018,804	1,049,018,804	
	Sub-ordinated loans	-	-	
	Liabilities against assets subject to finance lease	-	-	
	Deferred tax liabilities	5,912,375	5,912,375	
	Other liabilities	36,913,696	36,913,696	
	Total liabilities	1,366,171,887	1,366,171,887	
	Share capital/ Head office capital account	11,450,739	11,450,739	
	Reserves	22,270,225	22,270,225	
	Unappropriated/ Unremitted profit/ (losses)	57,681,932	57,681,932	
	Minority Interest	-	-	
	Surplus on revaluation of assets	25,808,658	25,808,658	
	Total Equity	117,211,554	117,211,554	
	Total liabilities & equity	1,483,383,441	1,483,383,441	

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		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		December 31, 2019		
		Rupees in '000		
1.4.2	**Step 2**			
	Assets			
	Cash and balances with treasury banks	119,935,126	119,935,126	
	Balances with other banks	602,582	602,582	
	Lending to financial institutions	13,606,921	13,606,921	
	Investments	759,654,427	759,654,427	
	of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
	of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
	of which: Mutual Funds exceeding regulatory threshold	-	-	c
	of which :Reciprocal cross holdings in CET1	-	858,740	d
	of which :Reciprocal cross holdings in Tier2	-	-	e
	of which: others (mention details)	-	-	f
	Advances	485,051,568	485,051,568	
	shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	g
	general provisions reflected in Tier 2 capital	-	39,795	h
	Fixed Assets	64,215,960	64,215,960	
	of which: Intangibles	-	1,975,898	i
	Deferred Tax Assets	-	-	
	of which: DTAs excluding those arising from temporary differences	-	-	j
	of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	k
	Other assets	40,316,857	40,316,857	
	of which: Goodwill	-	-	l
	of which: Defined-benefit pension fund net assets	-	4,440,411	m
	Total assets	1,483,383,441	1,483,383,441	
	Liabilities & Equity			
	Bills payable	7,878,626	7,878,626	
	Borrowings	266,448,386	266,448,386	
	Deposits and other accounts	1,049,018,804	1,049,018,804	
	Sub-ordinated loans	-	-	
	of which: eligible for inclusion in AT1	-	-	n
	of which: eligible for inclusion in Tier 2	-	-	o
	Liabilities against assets subject to finance lease	-	-	
	Deferred tax liabilities	5,912,375	5,912,375	
	of which: DTLs related to goodwill	-	-	p
	of which: DTLs related to intangible assets	-	27,662	q
	of which: DTLs related to defined pension fund net assets	-	-	r
	of which: other deferred tax liabilities	-	-	s
	Other liabilities	36,913,696	36,913,696	
	Total liabilities	1,366,171,887	1,366,171,887	

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	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2019		
	Rupees in '000		
Share capital	11,450,739	11,450,739	
of which: amount eligible for CET1	-	11,450,739	t
of which: amount eligible for AT1	-	-	u
Reserves	22,270,225	22,270,225	
of which: portion eligible for inclusion in CET1:Share Premium	-	-	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	-	20,448,505	w
of which: portion eligible for inclusion in Tier 2	-	1,821,720	x
Unappropriated profit / (losses)	57,681,932	57,681,932	y
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	z
of which: portion eligible for inclusion in AT1	-	-	aa
of which: portion eligible for inclusion in Tier 2	-	-	ab
Surplus on revaluation of assets	25,808,658	25,808,658	
of which: Revaluation reserves on Property	-	15,638,996	ac
of which: Unrealized Gains / Losses on AFS	-	7,428,981	
In case of Deficit on revaluation (deduction from CET1)	-	-	ad
Total Equity	117,211,554	117,211,554	

1.4.3 Step 3

		Component of regulatory capital reported by bank	Source based on reference number from step 2
		Rupees in '000	
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital / Capital deposited with SBP	11,450,739	(t)
2	Balance in Share Premium Account	-	(v)
3	Reserve for issue of Bonus Shares	-	
4	General / Statutory Reserves	20,448,505	(w)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated / unremitted profits/(losses)	57,681,932	(y)
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)	-	(z)
8	**CET 1 before Regulatory Adjustments**	89,581,176	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(l) - (p)
10	All other intangibles (net of any associated deferred tax liability)	1,948,235	(i) - (q)
11	Shortfall of provisions against classified assets	-	(g)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(j) - (s)} * x%
13	Defined-benefit pension fund net assets	4,440,411	{(m) - (r)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	858,740	(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 property/ AFS	-	(ad)
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) - (ae) - (ah)
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) - (af) - (ai)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(k)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	Investment in TFCs of other banks exceeding the prescribed limit	-	
28	Any other deduction specified by SBP (mention details)	197,956	
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)	7,445,342	
	Common Equity Tier 1	82,135,834	

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		Component of regulatory capital reported by bank	Source based on reference number from step 2
		Rupees in '000	
	Additional Tier 1 (AT 1) Capital		
31	Qualifying Additional Tier-1 instruments plus any related share premium	-	
32	of which: Classified as equity	-	(u)
33	of which: Classified as liabilities	-	(n)
34	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(x)
35	of which: instrument issued by subsidiaries subject to phase out	-	
36	**AT1 before regulatory adjustments**	-	
	Additional Tier 1 Capital: regulatory adjustments	-	
37	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38	Investment in own AT1 capital instruments	-	
39	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40	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)
41	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
42	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		
43	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44	Total of Regulatory Adjustment applied to AT1 capital	-	
45	Additional Tier 1 capital	-	
46	Additional Tier 1 capital recognized for capital adequacy	-	
	Tier 1 Capital (CET1 + admissible AT1)	82,135,834	
	Tier 2 Capital		
47	Qualifying Tier 2 capital instruments under Basel III	-	
48	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(o)
49	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(ab)
50	of which: instruments issued by subsidiaries subject to phase out	-	
51	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	39,795	(h)
52	Revaluation Reserves eligible for Tier 2		
53	of which: portion pertaining to Property	15,638,996	(ac)
54	of which: portion pertaining to AFS securities	7,428,981	
55	Foreign Exchange Translation Reserves	1,821,720	(x)
56	Undisclosed / Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	24,929,492	
	Tier 2 Capital: regulatory adjustments		
58	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	-	
59	Reciprocal cross holdings in Tier 2 instruments	-	(e)
60	Investment in own Tier 2 capital instrument	-	
61	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)	-	(ah)
62	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	2,578,335	(ai)
63	Amount of Regulatory Adjustment applied to T2 capital	2,578,335	
64	Tier 2 capital (T2)	22,351,157	
65	Tier 2 capital recognized for capital adequacy	22,351,157	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	**Total Tier 2 capital admissible for capital adequacy**	22,351,157	
	TOTAL CAPITAL (T1 + admissible T2)	104,486,991	

1.5 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares
1	Issuer	Allied Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	ABL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	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 and standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739
9	Par value of instrument	10
10	Accounting classification	Shareholders equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
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	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
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	N/A
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 (specify instrument type immediately senior to instrument)	Rank inferior to creditors including deposits
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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1.6 Risk Weighted Exposures

The capital requirements for the Bank as per the major risk categories is indicated below:-

	Capital Requirement		Risk Weighted Assets	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees in '000			
CREDIT RISK				
On-Balance sheet				
Portfolios subject to standardized approach (Simple)				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	3,227,605	1,833,782	25,820,837	15,409,929
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank and European Community	- -	-	-	-
Claims on Multilateral Development Banks	-	-	-	-
Claims on Public Sector Entities in Pakistan	2,580,748	792,254	20,645,980	6,657,601
Claims on Banks	1,412,173	1,019,040	11,297,383	8,563,358
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	- 23,621	18,433	188,968	154,897
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	- 231,665	484,503	1,853,323	4,071,455
Claims on Corporates (excluding equity exposures)	17,487,259	18,029,214	139,898,069	151,506,000
Claims categorized as retail portfolio	1,477,950	1,574,093	11,823,597	13,227,673
Claims fully secured by residential property	348,652	321,650	2,789,214	2,702,941
Past Due loans	94,848	65,360	758,787	549,241
Investments in premises, plant and equipment and all other fixed assets	7,780,008	5,998,426	62,240,063	50,406,941
All other assets	764,557	674,305	6,116,453	5,666,429
	35,429,086	30,811,060	283,432,673	258,916,465
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	3,022,978	1,688,310	24,183,823	14,187,478
Performance related contingencies	722,925	647,480	5,783,401	5,441,009
Trade Related contingencies/Other Commitments with original maturity of one year or less	- 732,665	- 864,193	5,861,317	7,262,130
	4,478,568	**3,199,983**	**35,828,541**	**26,890,617**
Market related Exposures	**574,496**	**619,317**	**4,595,971**	**5,204,341**
Equity Exposure Risk in the Banking Book				
Unlisted equity investments (other than that deducted from capital) held in banking book	438,181	383,927	3,505,452	3,226,279
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	1,858,995	2,212,462	14,871,958	18,592,115
Significant investment and DTAs above 15% threshold	370,408	320,007	2,963,264	2,689,133
	2,667,584	**2,916,396**	**21,340,673**	**24,507,527**
Total Credit Risk	**43,149,734**	**37,546,756**	**345,197,859**	**315,518,950**
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	761,710	481,857	6,093,682	4,049,215
Equity position risk etc.	4,495,425	3,798,355	35,963,401	31,918,951
Foreign exchange risk	939,729	559,922	7,517,834	4,705,230
	6,196,864	**4,840,134**	**49,574,917**	**40,673,396**
OPERATIONAL RISK				
Capital Requirement for operational risks	**10,605,630**	**9,377,207**	**84,845,040**	**78,800,062**
Total Risk Weighted Assets	**59,952,229**	**51,764,097**	**479,617,816**	**434,992,408**

	December 31, 2019		December 31, 2018	
Capital Adequacy Ratios	**Required**	**Actual**	**Required**	**Actual**
CET1 to total RWA	6.00%	17.13%	6.00%	17.33%
Tier-1 capital to total RWA	7.50%	17.13%	7.50%	17.33%
Total capital plus CCB to total RWA	12.50%	21.79%	11.90%	22.05%

1.7 Credit risk - General disclosure

The Bank is following standardized approach for all its Credit Risk Exposures.

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP.

1.7.1 Mapping to SBP Rating Grades

The selected final ratings for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long – Term Rating Grades Mapping

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

Short – Term Rating Grades Mapping

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

Types of exposures and ECAI's used

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	Yes	Yes	Yes	-	-
SME's	-	-	-	-	-
Securitizations	-	-	-	-	-
Public Sector Enterprises	-	-	-	Yes	Yes

Credit exposures subject to Standardized Approach

		December 31, 2019			December 31, 2018		
		Rupees in '000					
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	91,402,243	6,110	91,396,133	79,473,794	107,489	79,366,305
	2	87,834,824	47,924	87,786,900	68,665,816	188,380	68,477,436
	3 , 4	5,990,559	20,423	5,970,136	2,507,532	423	2,507,109
	5 , 6						-
Claims on banks with original maturity of 3 months or less		207,843,973	198,465,857	9,378,116	229,608,083	207,408,362	22,199,721
Retail	-	18,328,150	1,549,864	16,778,286	20,095,775	1,387,065	18,708,710
Public sector entities	1	27,882,757	7,124,206	20,758,551	41,511,664	8,289,243	33,222,421
Others	-	1,020,530,625	2,539,063	1,017,991,562	904,774,010	2,930,000	901,844,010
Unrated	-	243,725,719	107,842,356	135,883,363	202,300,362	98,658,781	103,641,581
Total		**1,703,538,850**	**317,595,803**	**1,385,943,047**	**1,548,937,036**	**318,969,743**	**1,229,967,293**

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

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises of equity investments and units in open ended mutual funds, therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

2 Liquidity Risk

Liquidity Risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. Bank's BOD has delegated the responsibility to ALCO for ensuring that Bank's policy for liquidity management is adhered to on a continual basis. ALCO uses gap analysis based on "maturity schedule" to assess Bank's liquidity risk and devise strategies accordingly. Bank also has in place triggers and limits to monitor liquidity risk on a periodic basis and uses stress testing & scenario analysis to assess adequacy of Bank's liquid assets. Bank also complies with SBP's instructions on Liquidity Standards as prescribed under the Basel III Framework.

Bank has in place a robust Liquidity Crisis Contingency Plan in place to deal with any liquidity crisis in the most efficient and effective manner.

2.1 Liquidity Coverage Ratio

The purpose of this disclosure is to provide the information pursuant to Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016. This supplements the disclosure in the Risk Management sections as well as related information in the Notes to the Financial Statements. This public disclosure should be read in conjunction with the Bank's Financial Statements as of December 31, 2019.

The Liquidity Coverage Ratio "LCR" ensures that Allied Bank Limited (the "Bank") maintains sufficient unencumbered High-Quality Liquid Assets ("HQLA") to survive a significant liquidity stress scenario over a 30-day horizon. LCR reporting to SBP commenced from January 31, 2017 on a monthly basis. Minimum requirement was set at 90% as of December 31, 2017 and 100% from December 31, 2018.

Liquidity Management Framework

Daily Liquidity Management is carried out centrally by the Asset and Liability Management ("ALM") Desk in Treasury Group which regulates the day-to-day Liquidity needs of the Bank. Funding and Liquidity Management Strategies are regularly discussed during Asset and Liability Committee "ALCO" meetings. Such discussions include analysis on composition of Deposits and tenure, Funding Gaps and Concentration, monitoring of Short and Long-term Liquidity Ratios (including LCR and NSFR). The Bank utilizes internal Management Action Triggers and Limits which act as early warning indicators and safeguards to ensure sufficient liquidity buffers at all times. Additionally, external and internal liquidity stress tests are performed to evaluate available liquidity under a range of adverse scenarios and to identify potential vulnerabilities in portfolios. The Bank also has in place contingency funding plans that identify specific management action that can be invoked in times of liquidity crisis.

Funding Sources & Drivers of LCR

The Bank holds a funding base that is driven by Current and Savings Account "CASA" and Term Deposits from retail, affluent and corporate customers. This is complemented by wholesale funding from operational & non-operational deposits held by commercial clients of the Bank and funding from interbank market. Bank's LCR is sensitive to changes in (a) balance sheet movements resulting from retail, commercial and corporate loan/deposits activities as well as inter-bank borrowing and lending; (b) maturity movements in the balance sheet and balances falling into and out of the 30-day tenor; (c) HQLA movements driven by changes in Government Securities and Balances held with SBP.

Liquidity Risk Mitigation Techniques

The Bank uses the following tools to identify and mitigate Liquidity Risk:
- Gap Analysis
- Liquidity Ratios
- Liquidity Stress Testing
- Liquidity Contingency Plan
- Risk Control Limits

Composition of High Quality Liquid Assets ("HQLA")

The Bank holds an adequate portfolio of HQLA that are available to meet the Liquidity needs under Stress Scenarios. The HQLA comprise primarily of Level 1 securities in the form of Cash and Treasury Balances, Unencumbered Fixed Income Securities issued by Government of Pakistan in local currency and Foreign Currency Debt securities issued by Government of Pakistan. Level 1 securities are included at 100% of their Market Value in the portfolio of HQLA. Level 2A Assets consist of marketable Securities held with a 20% risk weight under Basel Framework Standardized Approach for Credit Risk, whereas level 2B Assets include marketable Corporate Debt Securities and Non-Financial Common Equity Shares. Level 2A and 2B securities are subject to weights of 85% and 50% as prescribed by the LCR rules.

Currency Mismatch

The Bank predominately operates in the Pakistani Rupee. FCY exposures are maintained within pre-defined thresholds and liquidity for each Foreign Currency is managed by utilizing Interbank Market through currency swaps.

Derivative Exposures

Derivative flows comprise mainly of Foreign Exchange flows driven by swaps, forwards and spots. Such derivative positions are marked-to market in the computation of net outflows.

Quantitative Disclosure

The data presented in the Quantitative Disclosure is a simple average of quarterly LCRs, wherein quarterly LCR is a simple average of monthly observations. Bank's average LCR during the year 2019 was 167.84%. In the first quarter of 2019, Bank's LCR was 181.6%. The average LCR decreased in the second quarter to 164.8% due to increase in Net Cash Outflows. Average third quarter LCR increased slightly to 165.8% due to increase in HQLA and fourth quarter LCR decreased to 161.4%. In all quarters, Bank's LCR remained well above the regulatory minimum requirement of 100%.

		TOTAL UNWEIGHTED* VALUE (average)	TOTAL WEIGHTED** VALUE (average)
		Rupees in '000	
HIGH QUALITY LIQUID ASSETS			
1	Total high quality liquid assets (HQLA)		**460,376,621**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers of which:**	**576,681,041**	**49,856,859**
2.1	Stable deposit	156,224,905	7,811,245
2.2	Less stable deposit	420,456,136	42,045,614
3	**Unsecured wholesale funding of which:**	**440,969,236**	**228,631,754**
3.1	Operational deposits (all counterparties)	1,729,025	431,683
3.2	Non-operational deposits (all counterparties)	390,304,969	195,024,831
3.3	Unsecured debt	48,935,242	33,175,240
4	**Secured wholesale funding**		-
5	**Additional requirements of which:**	**16,521,664**	**3,505,227**
5.1	Outflows related to derivative exposures and other collateral requirements	1,132,736	1,132,736
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	15,388,928	2,372,491
6	**Other contractual funding obligations**	**10,962,303**	**10,962,303**
7	**Other contingent funding obligations**	**208,856,328**	**4,857,388**
8	**TOTAL CASH OUTFLOWS**		**297,813,531**
	CASH INFLOWS		
9	**Secured lending**	**60,783,167**	-
10	**Inflows from fully performing exposures**	**39,301,028**	**21,914,025**
11	**Other Cash inflows**	**2,983,779**	**1,605,447**
12	**TOTAL CASH INLFOWS**	**103,067,974**	**23,519,472**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**460,376,621**
22	**TOTAL NET CASH OUTFLOWS**		**274,294,059**
23	**LIQUIDITY COVERAGE RATIO**		**167.84%**

* Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
** Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outlfow rates (for inflows and outflows).

2.2 Net Stable Funding Ratio

Net Stable Funding Ratio "NSFR" ensures that Allied Bank Limited reduces funding risk over a longer time horizon by requiring banks to fund their activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. NSFR reporting to SBP commenced from March 31, 2017 on a quarterly basis. Minimum requirement is set at 100%, effective from December 31, 2017 onwards.

		unweighted value by residual maturity				
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	Weighted value
		Rupees in '000				
ASF Item						
1	**Capital:**	**112,649,947**	**-**	**-**	**-**	**112,649,947**
2	Regulatory capital	87,720,455	-	-	-	87,720,455
3	Other capital instruments	24,929,492	-	-	-	24,929,492
4	**Retail deposits and deposit from small business customers:**	**-**	**105,481,902**	**30,869,499**	**470,481,688**	**594,885,566**
5	Stable deposits	-	26,110,923	7,641,416	116,462,736	148,527,458
6	Less stable deposits	-	79,370,979	23,228,083	354,018,952	446,358,108
7	**Wholesale funding:**	**-**	**265,020,642**	**33,644,268**	**143,545,033**	**260,827,161**
8	Operational deposits	-	492,203	140,893	943,235	788,165
9	Other wholesale funding	-	264,528,439	33,503,375	142,601,798	260,038,996
10	**Other liabilities:**	**-**	**278,941,052**	**2,723,641**	**37,782,305**	**39,144,126**
11	NSFR derivative liabilities	-	2,719,611	-	-	-
12	All other liabilities and equity not included in other categories	-	276,221,441	2,723,641	37,782,305	39,144,126
13	**Total ASF**					**1,007,506,800**
RSF Item						
14	**Total NSFR high-quality liquid assets (HQLA)**	-	-	-	-	**224,176,327**
15	**Deposits held at other financial institutions for operational purposes**		**602,582**	**-**	**-**	**301,291**
16	**Performing loans and securities:**	-	**118,499,259**	**69,802,441**	**335,501,986**	**357,039,011**
17	Performing loans to financial institutions secured by Level 1 HQLA	-	3,520,605	-	-	205,249
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	18,363,209	6,038,009	20,157,613	25,931,099

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		unweighted value by residual maturity				
		No Maturity	**< 6 months**	**6 months to < 1**	**≥ 1 yr**	**Weighted value**
		Rupees in '000				
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	73,628,767	29,797,311	216,050,317	235,355,809
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	21,344,043	33,967,121	86,649,966	83,978,060
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	1,642,635	-	12,644,090	11,568,794
22	**Other assets:**	**-**	**21,356,058**	**5,529,632**	**78,551,094**	**92,528,165**
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	1,068,451	-	-	1,068,451
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	-	20,287,607	5,529,632	78,551,094	91,459,714
28	**Off-balance sheet items**	-	**473,875,950**	**79,441,993**	**43,909,728**	**29,861,383**
29	**Total RSF**	-	**-**	**-**	**-**	**703,906,177**
30	**Net Stable Funding Ratio (%)**	-	**-**	**-**	**-**	**143.13%**