ALLIED BANK LIMITED
CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - UNCONSOLIDATED
AS AT DECEMBER 31, 2020

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 State Bank of Pakistan (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), State Bank of Pakistan through its BSD Circular No. 07 of 2009 dated April 15, 2009 prescribed the Banks to raise their minimum paid up capital to Rs. 10 billion free of losses.

State Bank of Pakistan through its BPRD Circular # 6 of 2013 dated August 15, 2013 has required Banks to maintain the minimum Capital Adequacy Ratio (CAR) of 12.5% inclusive of Capital Conservation Buffer (CCB) of 2.5% on standalone as well as on consolidated basis. However, to support the banking sector in extending financing or credit facilities to their customers during COVID-19, State Bank of Pakistan vide BPRD Circular # 12 of 2020 has relaxed CAR requirements to 11.5% by reducing the Capital Conservation Buffer (CCB) from 2.5% to 1.5% till further instructions.

The Paid up Capital and Capital Adequacy Ratio (CAR) of the Bank stood at Rs. 11.451 billion and 25.20% of its total risk weighted assets (RWA) as at December 31, 2020 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.

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 State Bank of Pakistan 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 Bank as on December 31, 2020 is 5.07% (2019: 4.47%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2020; Total Tier 1 capital of the Bank amounts to Rs. 93,659,434 thousands (2019: Rs. 80,480,270 thousands) whereas the total exposure measure amounts to Rs. 1,847,990,820 thousands (2019: Rs. 1,798,987,646 thousands).

Shift in leverage ratio is mainly due to increase in Tier 1 capital as of December 31, 2020.

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

1.3 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2020

		December 31, 2020	December 31, 2019
		Rupees in '000	
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with State Bank of Pakistan		11,450,739	11,450,739
Balance in Share Premium Account		-	-
Reserve for issue of Bonus Shares		-	-
General/ Statutory Reserves		22,251,451	20,448,505
Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
Unappropriated/unremitted profits/ (losses)		66,994,523	55,821,211
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		100,696,713	87,720,455
Common Equity Tier 1 capital: Regulatory adjustments			
Total regulatory adjustments applied to CET1 (Note 1.3.1)		(7,037,279)	(7,240,185)
Common Equity Tier 1	a	93,659,434	80,480,270
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)	93,659,434	80,480,270
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		109,459	39,795
Revaluation Reserves (net of taxes)		28,198,689	23,067,977
of which: Revaluation reserves on Property		23,322,739	15,638,996
of which: Unrealized Gains/Losses on Avaialable for Sale (AFS) Securities		4,875,950	7,428,981
Foreign Exchange Translation Reserves		2,025,733	1,821,720
Undisclosed/Other Reserves (if any)		-	-
Tier 2 before regulatory adjustments		30,333,881	24,929,492
Total regulatory adjustment applied to Tier 2 capital (Note 1.3.3)		(2,630,857)	(2,578,335)
Tier 2 capital (T2) after regulatory adjustments		27,703,024	22,351,157
Tier 2 capital recognized for capital adequacy		27,703,024	22,351,157
Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
Total Tier 2 capital admissible for capital adequacy	(d)	27,703,024	22,351,157
TOTAL CAPITAL (T1 + admissible Tier 2)	(e=c+d)	121,362,458	102,831,427
Total Risk Weighted Assets	(f)	481,664,734	474,092,440
Capital Ratios and buffers (in percentage of Risk Weighted Assets)			
CET1 to total RWA	(a/f)	19.44%	16.98%
Tier 1 capital to total RWA	(c/f)	19.44%	16.98%
Total capital to RWA	(e/f)	25.20%	21.69%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		7.50%	8.50%
of which: capital conservation buffer requirement		1.50%	2.50%
of which: countercyclical buffer requirement		-	-
of which: Domestic Systemically Important Banks or Global Systemically Important Banks buffer requirement		-	-
CET1 available to meet buffers (as a percentage of Risk Weighted Assets)		11.94%	8.48%
National minimum capital requirements prescribed by State Bank of Pakistan			
CET1 minimum ratio		6.00%	6.00%
Tier 1 minimum ratio		7.50%	7.50%
Total Capital Minimum Ratio plus Capital Conservation Buffer		11.50%	12.50%

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		December 31, 2020	December 31, 2019
		Rupees in '000	
	Regulatory Adjustments and Additional Information		
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)	(2,669,617)	(1,941,388)
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	(3,786,440)	(4,440,411)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(581,222)	(858,386)
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)	-	-
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 State Bank of Pakistan (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	**Total regulatory adjustments applied to CET1 (sum of 1 to 21)**	(7,037,279)	(7,240,185)
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)		-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	(2,630,857)	(2,578,335)
36	**Total regulatory adjustment applied to Tier 2 capital (sum of 31 to 35)**	(2,630,857)	(2,578,335)

		December 31, 2020	December 31, 2019
		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)	345,701,270	345,902,918
(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	7,194,815	5,810,653
39	Significant investments in the common stock of financial entities	949,752	5,196,580
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)	109,459	39,795
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 per published financial statements	Under regulatory scope of consolidation	Reference
		December 31, 2020		
		Rupees in '000		
1.4	**Capital Structure Reconciliation**			
1.4.1	**Step 1**			
	Assets			
	Cash and balances with treasury banks	128,391,896	128,391,896	
	Balances with other banks	7,236,502	7,236,502	
	Lendings to financial institutions	17,996,123	17,996,123	
	Investments	829,621,110	829,621,110	
	Advances	496,431,756	496,431,756	
	Operating fixed assets	76,246,229	76,246,229	
	Deferred tax assets	-	-	
	Other assets	34,534,399	34,534,399	
	Total assets	1,590,458,015	1,590,458,015	
	Liabilities & Equity			
	Bills payable	9,622,020	9,622,020	
	Borrowings	193,928,086	193,928,086	
	Deposits and other accounts	1,216,678,254	1,216,678,254	
	Sub-ordinated loans	-	-	
	Liabilities against assets subject to finance lease	-	-	
	Deferred tax liabilities	3,991,750	3,991,750	
	Other liabilities	34,677,798	34,677,798	
	Total liabilities	1,458,897,908	1,458,897,908	
	Share capital/ Head office capital account	11,450,739	11,450,739	
	Reserves	24,277,184	24,277,184	
	Unappropriated/ Unremitted profit/ (losses)	66,994,523	66,994,523	
	Minority Interest	-	-	
	Surplus on revaluation of assets	28,837,661	28,837,661	
	Total Equity	131,560,107	131,560,107	
	Total liabilities & equity	1,590,458,015	1,590,458,015	

1.4.2 Step 2

	Balance sheet as per published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2020		
	Rupees in '000		
Assets			
Cash and balances with treasury banks	128,391,896	128,391,896	
Balances with other banks	7,236,502	7,236,502	
Lending to financial institutions	17,996,123	17,996,123	
Investments	829,621,110	829,621,110	
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	-	581,222	d
of which :Reciprocal cross holdings in Tier2	-	-	e
of which: others (mention details)	-	-	f
Advances	496,431,756	496,431,756	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	g
general provisions reflected in Tier 2 capital	-	109,459	h
Fixed Assets	76,246,229	76,246,229	
of which: Intangibles	-	2,716,789	i
Deferred Tax Assets	-	-	
of which: Deferred Tax Assets (DTAs) excluding those arising from temporary differences	-	-	j
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	k
Other assets	34,534,399	34,534,399	
of which: Goodwill	-	-	l
of which: Defined-benefit pension fund net assets	-	3,786,440	m
Total assets	1,590,458,015	1,590,458,015	
Liabilities & Equity			
Bills payable	9,622,020	9,622,020	
Borrowings	193,928,086	193,928,086	
Deposits and other accounts	1,216,678,254	1,216,678,254	
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	3,991,750	3,991,750	
of which: Deferred Tax Liabilities (DTLs) related to goodwill	-	-	p
of which: DTLs related to intangible assets	-	47,172	q
of which: DTLs related to defined pension fund net assets	-	-	r
of which: other deferred tax liabilities	-	-	s
Other liabilities	34,677,798	34,677,798	
Total liabilities	1,458,897,908	1,458,897,908	
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	24,277,184	24,277,184	
of which: portion eligible for inclusion in CET1:Share Premium	-	-	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	-	22,251,451	w
of which: portion eligible for inclusion in Tier 2	-	2,025,733	x
Unappropriated profit / (losses)	66,994,523	66,994,523	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	28,837,661	28,837,661	
of which: Revaluation reserves on Property	-	23,322,739	ac
of which: Unrealized Gains / Losses on AFS	-	4,875,950	
In case of Deficit on revaluation (deduction from CET1)	-	-	ad
Total Equity	131,560,107	131,560,107	

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		Component of regulatory capital reported by bank	Source based on reference number from step 2
		Rupees in '000	
1.4.3	**Step 3**		
	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	22,251,451	(w)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated / unremitted profits/(losses)	66,994,523	(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**	100,696,713	
	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)	2,669,617	(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)
13	Defined-benefit pension fund net assets	3,786,440	(m) - (r)
14	Reciprocal cross holdings in CET1 capital instruments	581,222	(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)		
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)	-	
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)	7,037,279	
	Common Equity Tier 1	93,659,434	
	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)	93,659,434	

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		Component of regulatory capital reported by bank	Source based on reference number from step 2
		Rupees in '000	
	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	109,459	(h)
52	Revaluation Reserves eligible for Tier 2		
53	of which: portion pertaining to Property	23,322,739	(ac)
54	of which: portion pertaining to AFS securities	4,875,950	(ac)
55	Foreign Exchange Translation Reserves	2,025,733	(x)
56	Undisclosed / Other Reserves (if any)	-	
57	**T2 before regulatory adjustments**	30,333,881	
	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	2,630,857	
63	Amount of Regulatory Adjustment applied to T2 capital	2,630,857	
64	Tier 2 capital (T2)	27,703,024	
65	Tier 2 capital recognized for capital adequacy	27,703,024	
66	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67	Total Tier 2 capital admissible for capital adequacy	27,703,024	
	TOTAL CAPITAL (T1 + admissible T2)	121,362,458	

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, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees in '000			
CREDIT RISK				
On-Balance sheet				
Portfolios subject to standardized approach				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	2,657,857	3,227,605	23,111,803	25,820,837
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	707,273	2,580,748	6,150,197	20,645,980
Claims on Banks	1,456,312	1,412,173	12,663,582	11,297,383
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	178,476	23,621	1,551,962	188,968
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	267,007	231,665	2,321,800	1,853,323
Claims on Corporates (excluding equity exposures)	17,321,366	17,487,259	150,620,578	139,898,069
Claims categorized as retail portfolio	1,403,518	1,474,604	12,204,503	11,796,832
Claims fully secured by residential property	352,451	348,652	3,064,795	2,789,214
Past Due loans	62,561	94,848	544,011	758,787
Investments in premises, plant and equipment and all other fixed assets	8,455,886	7,764,331	73,529,440	62,114,649
All other assets	408,025	715,462	3,548,042	5,723,692
	33,270,732	35,360,968	289,310,712	282,887,734
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	3,256,738	3,022,978	28,319,459	24,183,823
Performance related contingencies	257,550	722,925	2,239,561	5,783,401
Trade Related contingencies/Other Commitments with original maturity of one year or less	1,015,796	732,665	8,833,006	5,861,317
	4,530,084	4,478,568	39,392,026	35,828,541
Market related Exposures	237,583	574,496	2,065,943	4,595,971
Equity Exposure Risk in the Banking Book				
Unlisted equity investments (other than that deducted from capital) held in banking book	406,862	438,181	3,537,932	3,505,452
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	1,149,903	1,858,995	9,999,160	14,871,957
Significant investment and DTAs above 15% threshold	160,482	526,658	1,395,496	4,213,264
	1,717,247	2,823,834	14,932,588	22,590,673
Total Credit Risk	39,755,646	43,237,866	345,701,270	345,902,918
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	482,776	611,136	4,198,055	4,889,086
Equity position risk etc.	3,435,598	4,037,125	29,874,765	32,296,999
Foreign exchange risk	832,278	939,729	7,237,198	7,517,834
	4,750,652	5,587,990	41,310,018	44,703,919
OPERATIONAL RISK				
Capital Requirement for operational risks	10,885,146	10,435,700	94,653,446	83,485,603
Total Risk Weighted Assets	55,391,444	59,261,556	481,664,734	474,092,440

	December 31, 2020		December 31, 2019	
Capital Adequacy Ratios	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	19.44%	6.00%	16.98%
Tier 1 capital to total RWA	7.50%	19.44%	7.50%	16.98%
Total capital plus CCB to total RWA	11.50%	25.20%	12.50%	21.69%

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, 2020			December 31, 2019		
		Rupees in '000					
Exposures	**Rating Category**	**Amount Outstanding**	**Deduction CRM**	**Net Amount**	**Amount Outstanding**	**Deduction CRM**	**Net Amount**
Corporate	1	115,233,900	57,783	115,176,117	91,402,243	6,110	91,396,133
	2	86,674,602	65,924	86,608,678	87,834,824	47,924	87,786,900
	3 , 4	8,636,867	148,382	8,488,485	5,990,559	20,423	5,970,136
	5 , 6	-	-	-	-	-	-
Claims on banks with original maturity of 3 months or less		128,224,106	116,068,499	12,155,607	207,843,973	198,465,857	9,378,116
Retail	-	20,060,475	1,610,743	18,449,732	18,292,463	1,549,864	16,742,599
Public sector entities	1	39,045,868	14,957,656	24,088,212	27,882,757	7,124,206	20,758,551
Others	-	1,135,220,254	2,148,438	1,133,071,816	1,020,508,404	2,539,063	1,017,969,341
Unrated	-	221,006,396	126,457,577	94,548,819	243,725,719	107,842,356	135,883,363
Total		1,754,102,468	261,515,002	1,492,587,466	1,703,480,942	317,595,803	1,385,885,139

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 government 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.

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, 2020.

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 2020 was 179.27%. In the first quarter of 2020, Bank's LCR was 158.1%. The average LCR increased in the second quarter to 167.9% due to increase in HQLA. Average third quarter LCR also increased to 195.2% due to increase in HQLA and fourth quarter LCR slightly increased to 195.9%. 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)		**526,731,728**
CASH OUTFLOWS			
2	**Retail deposits and deposits from small business customers of which:**	**652,880,266**	**57,185,084**
2.1	Stable deposit	162,058,861	8,102,943
2.2	Less stable deposit	490,821,405	49,082,141
3	**Unsecured wholesale funding of which:**	**441,361,657**	**240,503,872**
3.1	Operational deposits (all counterparties)	3,299,182	824,045
3.2	Non-operational deposits (all counterparties)	387,558,960	206,426,385
3.3	Unsecured debt	50,503,515	33,253,442
4	**Secured wholesale funding**		
5	**Additional requirements of which:**	**19,942,676**	**3,434,665**
5.1	Outflows related to derivative exposures and other collateral requirements	1,151,451	1,151,451
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	18,791,225	2,283,214
6	**Other contractual funding obligations**	**10,374,250**	**10,374,250**
7	**Other contingent funding obligations**	**201,987,844**	**4,976,543**
8	**TOTAL CASH OUTFLOWS**	**-**	**316,474,414**
	CASH INFLOWS		
9	**Secured lending**	**12,932,682**	**-**
10	**Inflows from fully performing exposures**	**35,742,764**	**21,619,708**
11	**Other Cash inflows**	**2,336,349**	**1,028,527**
12	**TOTAL CASH INLFOWS**	**51,011,795**	**22,648,235**
		TOTAL ADJUSTED VALUE	
21	**TOTAL HQLA**		**526,731,728**
22	**TOTAL NET CASH OUTFLOWS**		**293,826,179**
23	**LIQUIDITY COVERAGE RATIO**		**179.27%**

* 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 outflow 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:**	**131,030,594**	**-**	**-**	**-**	**131,030,594**
2	Regulatory capital	100,696,713	-	-	-	100,696,713
3	Other capital instruments	30,333,881	-	-	-	30,333,881
4	**Retail deposits and deposit from small business customers:**	**-**	**141,094,778**	**43,421,585**	**537,190,954**	**706,156,578**
5	Stable deposits	-	44,364,772	13,653,154	168,910,251	224,027,281
6	Less stable deposits	-	96,730,006	29,768,431	368,280,703	482,129,297
7	**Wholesale funding:**	**-**	**297,597,905**	**45,945,146**	**151,427,885**	**266,710,497**
8	Operational deposits	-	675,634	180,363	2,398,865	1,627,431
9	Other wholesale funding	-	296,922,271	45,764,783	149,029,020	265,083,066
10	**Other liabilities:**	**-**	**178,655,274**	**4,107,205**	**61,474,535**	**63,528,137**
11	NSFR derivative liabilities	-	2,017,360	-	-	-
12	All other liabilities and equity not included in other categories	-	176,637,914	4,107,205	61,474,535	63,528,137
13	**Total ASF**					**1,167,425,806**
RSF Item						
14	**Total NSFR high-quality liquid assets (HQLA)**	-	-	-	-	**254,341,465**
15	**Deposits held at other financial institutions for operational purposes**		**7,236,502**	**-**	**-**	**3,618,251**
16	**Performing loans and securities:**	-	**120,566,309**	**44,205,034**	**371,508,005**	**365,898,172**
17	Performing loans to financial institutions secured by Level 1 HQLA	-	8,299,435	-	-	734,500
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	19,313,375	7,314,551	20,031,052	26,585,333

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		Unweighted value by residual maturity				
		No Maturity	**< 6 months**	**6 months to < 1 yr**	**≥ 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:	-	71,622,170	22,272,149	210,331,289	225,728,755
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	20,721,454	14,618,334	125,495,314	99,241,848
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	609,875	-	15,650,350	13,607,736
22	**Other assets:**	**-**	**26,480,498**	**4,977,675**	**88,616,971**	**104,732,423**
23	Physical traded commodities, including gold	-	-	-	-	-
24	Assets posted as initial margin for derivative contracts	-	-	-	-	-
25	NSFR derivative assets	-	772,732	-	-	772,732
26	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
27	All other assets not included in the above categories	-	25,707,766	4,977,675	88,616,971	103,959,691
28	**Off-balance sheet items**	-	**318,002,329**	**68,510,417**	**79,168,538**	**23,284,064**
29	**Total RSF**	-	**-**	**-**	**-**	**751,874,375**
30	**Net Stable Funding Ratio (%)**	-	**-**	**-**	**-**	**155.27%**