

**ALLIED BANK LIMITED**  
**CAPITAL ADEQUACY AND LIQUIDITY DISCLOSURES - CONSOLIDATED**  
**AS AT DECEMBER 31, 2018**

**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 (DFI), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 has 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 11.90% on standalone as well as on consolidated basis till December 31, 2018. Subsequently, a phase in arrangement has been put in place whereby the banks are 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%
<b>Total Capital</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
*Capital Conservation Buffer - CCB	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.275%</b>	<b>11.90%</b>	<b>12.50%</b>

\* Consisting of CET1 only.

The paid up capital and Consolidated CAR of the Bank stands at Rs. 11.451 billion and 22.05% of its total risk weighted assets as at December 31, 2018, 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 as at December 31, 2018 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, 2018 is 4.61% (2017: 4.71%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2018; Total Tier 1 capital of the Group amounts to Rs. 75,372,381 thousands (2017: Rs. 72,204,657 thousands) whereas the total exposure measure amounts to Rs. 1,634,600,480 thousands (2017: Rs. 1,534,209,065 thousands).

Shift in leverage ratio is mainly due to increase in assets as of December 31, 2018.

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

		December 31, 2018	December 31, 2017
		Rupees in '000	
<b>1.3</b>	<b>CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2018</b>		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>			
	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	19,037,214	17,749,162
	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
	Unappropriated/unremitted profits/ (losses)	53,985,383	50,546,126
	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
	<b>CET 1 before Regulatory Adjustments</b>	<b>84,473,336</b>	<b>79,746,027</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
	<b>Total regulatory adjustments applied to CET1 (Note 1.3.1)</b>	<b>(9,100,955)</b>	<b>(7,541,370)</b>
	<b>Common Equity Tier 1</b>	<b>75,372,381</b>	<b>72,204,657</b>
	<b>Additional Tier 1 (AT 1) Capital</b>		
	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	-	-
	<b>AT1 before regulatory adjustments</b>	<b>-</b>	<b>-</b>
	<b>Total regulatory adjustment applied to AT1 capital (Note 1.3.2)</b>	<b>-</b>	<b>-</b>
	<b>Additional Tier 1 capital after regulatory adjustments</b>	<b>-</b>	<b>-</b>
	<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>-</b>	<b>-</b>
	<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>75,372,381</b>	<b>72,204,657</b>
	<b>Tier 2 Capital</b>		
	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	15,868	11,701
	Revaluation Reserves (net of taxes)	20,941,178	23,582,703
	of which: Revaluation reserves on Property	15,755,409	14,243,627
	of which: Unrealized Gains/Losses on AFS	5,185,769	9,339,076
	Foreign Exchange Translation Reserves	1,239,301	230,954
	Undisclosed/Other Reserves (if any)	-	-
	<b>T2 before regulatory adjustments</b>	<b>22,196,347</b>	<b>23,825,358</b>
	<b>Total regulatory adjustment applied to T2 capital (Note 1.3.3)</b>	<b>(1,631,416)</b>	<b>(1,045,475)</b>
	Tier 2 capital (T2) after regulatory adjustments	20,564,931	22,779,883
	Tier 2 capital recognized for capital adequacy	20,564,931	22,779,883
	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
	<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>20,564,931</b>	<b>22,779,883</b>
	<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>95,937,312</b>	<b>94,984,540</b>
	<b>Total Risk Weighted Assets</b>	<b>434,992,408</b>	<b>424,451,794</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
	CET1 to total RWA	17.33%	17.01%
	Tier-1 capital to total RWA	17.33%	17.01%
	Total capital to RWA	22.05%	22.38%
	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.90%	7.275%
	of which: capital conservation buffer requirement	1.90%	1.275%
	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)	9.43%	9.74%
<b>National minimum capital requirements prescribed by SBP</b>			
	CET1 minimum ratio	6.00%	6.00%
	Tier 1 minimum ratio	7.50%	7.50%
	Total capital Minimum Ratio plus CCB	11.90%	11.275%

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Regulatory Adjustments and Additional Information	December 31, 2018		December 31, 2017	
	Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
	Rupees in '000			
<b>1.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>				
1 Goodwill (net of related deferred tax liability)				
2 All other intangibles (net of any associated deferred tax liability)	(1,748,960)	-	(1,457,499)	-
3 Shortfall in provisions against classified assets	-	-	(886,726)	-
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	(4,560,065)	-	(2,953,626)	(738,406)
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(1,250,256)	-	(960,911)	-
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)	-	(1,205,467)	(301,367)
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)	(90,830)	-	(77,141)	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-	-	-
<b>22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>(9,100,955)</b>	<b>-</b>	<b>(7,541,370)</b>	<b>(1,039,773)</b>
<b>1.3.2 Additional Tier-1 &amp; Tier-1 Capital: regulatory adjustments</b>				
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)	-	-	-	-
<b>1.3.3 Tier 2 Capital: regulatory adjustments</b>				
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)	-	(1,045,475)	(261,369)
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36 Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(1,631,416)	-	(1,045,475)	(261,369)

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	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>1.3.4 Additional Information</b>		
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)	315,518,950	308,576,331
(i) of which: deferred tax assets		
(ii) of which: Defined-benefit pension fund net assets	-	738,406
(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	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	-	-
38 Non-significant investments in the capital of other financial entities	10,773,665	10,088,564
39 Significant investments in the common stock of financial entities	1,075,653	1,075,653
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	15,868	11,701
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, 2018		
Rupees in '000		

**1.4 Capital Structure Reconciliation**

**1.4.1 Step 1**

**Assets**

Cash and balances with treasury banks	99,188,414	99,188,414	
Balances with other banks	2,564,202	2,564,202	
Lendings to financial institutions	53,785,679	53,785,679	
Investments	672,587,309	672,587,309	
Advances	438,357,880	438,357,880	
Operating fixed assets	52,155,900	52,155,900	
Deferred tax assets	-	-	
Other assets	33,751,113	33,751,113	
<b>Total assets</b>	<b>1,352,390,497</b>	<b>1,352,390,497</b>	

**Liabilities & Equity**

Bills payable	7,752,959	7,752,959	
Borrowings	225,882,986	225,882,986	
Deposits and other accounts	984,463,067	984,463,067	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	4,751,359	4,751,359	
Other liabilities	20,750,315	20,750,315	
<b>Total liabilities</b>	<b>1,243,600,686</b>	<b>1,243,600,686</b>	

Share capital/ Head office capital account	11,450,739	11,450,739	
Reserves	20,276,515	20,276,515	
Unappropriated/ Unremitted profit/ (losses)	53,985,383	53,985,383	
Minority Interest	-	-	
Surplus on revaluation of assets	23,077,174	23,077,174	
<b>Total Equity</b>	<b>108,789,811</b>	<b>108,789,811</b>	
<b>Total liabilities &amp; equity</b>	<b>1,352,390,497</b>	<b>1,352,390,497</b>	

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Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
December 31, 2018		
Rupees in '000		

**1.4.2 Step 2**

**Assets**

Cash and balances with treasury banks	99,188,414	99,188,414	
Balanced with other banks	2,564,202	2,564,202	
Lending to financial institutions	53,785,679	53,785,679	
Investments	672,587,309	672,587,309	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	3,082,259	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	-	1,250,256	d
of which :Reciprocal cross holdings in Tier2	-	-	e
of which: others (mention details)	-	-	f
Advances	438,357,880	438,357,880	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB	-	-	g
general provisions reflected in Tier 2 capital	-	15,868	h
Fixed Assets	52,155,900	52,155,900	
of which: Intangibles	-	1,756,126	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	33,751,113	33,751,113	
of which: Goodwill	-	-	l
of which: Defined-benefit pension fund net assets	-	4,560,065	m
<b>Total assets</b>	<b>1,352,390,497</b>	<b>1,352,390,497</b>	

**Liabilities & Equity**

Bills payable	7,752,959	7,752,959	
Borrowings	225,882,986	225,882,986	
Deposits and other accounts	984,463,067	984,463,067	
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	4,751,359	4,751,359	
of which: DTLs related to goodwill	-	-	p
of which: DTLs related to intangible assets	-	7,166	q
of which: DTLs related to defined pension fund net assets	-	-	r
of which: other deferred tax liabilities	-	-	s
Other liabilities	20,750,315	20,750,315	
<b>Total liabilities</b>	<b>1,243,600,686</b>	<b>1,243,600,686</b>	

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	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	<b>December 31, 2018</b>		
	<b>Rupees in '000</b>		
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	20,276,515	20,276,515	
of which: portion eligible for inclusion in CET1:Share Premium	-	-	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	-	19,037,214	w
of which: portion eligible for inclusion in Tier 2	-	1,239,301	x
Unappropriated profit / (losses)	53,985,383	53,985,383	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	23,077,174	23,077,174	
of which: Revaluation reserves on Property	-	15,755,409	
of which: Unrealized Gains / Losses on AFS	-	5,185,769	ac
In case of Deficit on revaluation (deduction from CET1)	-	-	ad
Total liabilities & Equity	108,789,811	108,789,811	

**Component of  
regulatory capital  
reported by bank**

**Source based on  
reference  
number from  
step 2**

**Rupees in '000**

**1.4.3 Step 3**

<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
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	19,037,214	(w)
5 Gain / (losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated / unremitted profits/(losses)	53,985,383	(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)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>84,473,336</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(l) - (p)
10 All other intangibles (net of any associated deferred tax liability)	1,748,960	(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	4,560,065	{(m) - (r) * x%
14 Reciprocal cross holdings in CET1 capital instruments	1,250,256	(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)	1,450,844	(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)	90,830	
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 25)	9,100,955	
<b>Common Equity Tier 1</b>	<b>75,372,381</b>	

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	Component of regulatory capital reported by bank	Source based on reference number from step 2
Rupees in '000		
<b>Additional Tier 1 (AT 1) Capital</b>		
31	-	
32	-	(u)
33	-	(n)
34	-	(x)
35	-	
36	-	
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
37	-	
38	-	
39	-	
40	-	(ae)
41	-	(af)
42	-	
43	-	
44	-	
45	-	
46	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>		75,372,381
<b>Tier 2 Capital</b>		
47	-	
48	-	(o)
49	-	(ab)
50	-	
51	15,868	(h)
52	-	
53	15,755,409	(ac)
54	5,185,769	
55	1,239,301	(x)
56	-	
57	22,196,347	
<b>Tier 2 Capital: regulatory adjustments</b>		
58	-	
59	-	(e)
60	-	
61	1,631,416	(ah)
62	-	(ai)
63	1,631,416	
64	20,564,931	
65	20,564,931	
66	-	
67	20,564,931	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>		95,937,312

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**1.5 Main Features of Regulatory Capital Instruments**

<b>Sr. No.</b>	<b>Main Features</b>	<b>Common Shares</b>
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
	<b>Regulatory treatment</b>	
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
	<b>Coupons / dividends</b>	
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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
<b>Rupees in '000</b>				
<b>CREDIT RISK</b>				
<b>On-Balance sheet</b>				
<b>Portfolios subject to standardized approach (Simple)</b>				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,833,782	2,413,170	15,409,929	21,402,839
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	792,254	447,347	6,657,601	3,967,597
Claims on Banks	1,019,040	768,523	8,563,358	6,816,165
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	18,433	21,038	154,897	186,587
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	484,503	193,091	4,071,455	1,712,559
Claims on Corporates (excluding equity exposures)	18,029,214	16,344,205	151,506,000	144,959,692
Claims categorized as retail portfolio	1,574,093	1,247,534	13,227,673	11,064,602
Claims fully secured by residential property	321,650	299,487	2,702,941	2,656,201
Past Due loans	65,360	54,431	549,241	482,757
Investments in premises, plant and equipment and all other fixed assets	5,998,426	5,286,933	50,406,941	46,890,760
All other assets	674,305	831,225	5,666,429	7,372,282
	30,811,060	27,906,984	258,916,465	247,512,041
<b>Off- Balance Sheet</b>				
<b>Non Market related Exposures</b>				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	1,688,310	2,105,645	14,187,478	18,675,343
Performance related contingencies	647,480	780,418	5,441,009	6,921,670
Trade Related contingencies/Other Commitments with original maturity of one year or less	-	-	-	-
	864,193	939,669	7,262,130	8,334,091
	<b>3,199,983</b>	<b>3,825,732</b>	<b>26,890,617</b>	<b>33,931,104</b>
<b>Market related Exposures</b>	<b>619,317</b>	<b>153,116</b>	<b>5,204,341</b>	<b>1,358,017</b>
<b>Equity Exposure Risk in the Banking Book</b>				
Unlisted equity investments (other than that deducted from capital) held in banking book	383,927	369,114	3,226,279	3,273,739
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,212,462	2,233,836	18,592,115	19,812,297
Significant investment and DTAs above 15% threshold	320,007	303,200	2,689,133	2,689,133
	-	-	-	-
	<b>2,916,396</b>	<b>2,906,150</b>	<b>24,507,527</b>	<b>25,775,169</b>
<b>Total Credit Risk</b>	<b>37,546,756</b>	<b>34,791,982</b>	<b>315,518,950</b>	<b>308,576,331</b>
<b>MARKET RISK</b>				
<b>Capital Requirement for portfolios subject to Standardized Approach</b>				
Interest rate risk	481,857	238,027	4,049,215	2,111,108
Equity position risk etc.	3,798,355	3,676,496	31,918,951	32,607,506
Foreign exchange risk	559,922	15,135	4,705,230	134,232
	<b>4,840,134</b>	<b>3,929,658</b>	<b>40,673,396</b>	<b>34,852,846</b>
<b>OPERATIONAL RISK</b>				
<b>Capital Requirement for operational risks</b>	<b>9,377,207</b>	<b>9,135,300</b>	<b>78,800,062</b>	<b>81,022,617</b>
<b>Total Risk Weighted Assets</b>	<b>51,764,097</b>	<b>47,856,940</b>	<b>434,992,408</b>	<b>424,451,794</b>
<b>Capital Adequacy Ratios</b>				
	<b>December 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Required</b>	<b>Actual</b>	<b>Required</b>	<b>Actual</b>
CET1 to total RWA	6.00%	17.33%	6.00%	17.01%
Tier-1 capital to total RWA	7.50%	17.33%	7.50%	17.01%
Total capital plus CCB to total RWA	11.90%	22.05%	11.275%	22.38%

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**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	-	-	-	-	-
Securitized	-	-	-	-	-
Public Sector Enterprises	-	-	-	Yes	Yes

**Credit exposures subject to Standardized Approach**

December 31, 2018	December 31, 2017
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Exposures	Rating Category	Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	79,473,794	107,489	79,366,305	59,159,663	102,523	59,057,139
	2	68,665,816	188,380	68,477,436	34,980,938	-	34,980,938
	3, 4	2,507,532	423	2,507,109	3,612,121	-	3,612,121
	5, 6	-	-	-	-	-	-
Claims on banks with original maturity of 3 months or less	-	229,608,083	207,408,362	22,199,721	186,358,145	176,900,699	9,457,447
Retail	-	20,095,775	1,387,065	18,708,710	17,459,717	1,444,080	16,015,636
Public sector entities	1	41,511,664	8,289,243	33,222,421	26,178,963	7,320,678	18,858,285
Others	-	904,774,010	2,930,000	901,844,010	888,588,567	5,449,000	883,139,567
Unrated	-	202,300,362	98,658,781	103,641,581	203,114,038	82,997,396	120,116,641
<b>Total</b>		<b>1,548,937,036</b>	<b>318,969,743</b>	<b>1,229,967,293</b>	<b>1,419,452,152</b>	<b>274,214,376</b>	<b>1,145,237,774</b>

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**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 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.