As mentioned in Note 46.1 of Financial Statements, Full Disclosure on the Capital Adequacy, leverage Ratio & liquidity Requirements as per SBP Instructions has been placed below

1 CAPITAL ASSESSMENT AND ADEQUACY

1.1 Scope of Applications

Amounts subject to Pre - Basel III treatment

The Basel-III Framework is applicable to the Group at the consolidated level (comprising of wholly/partially owned subsidiaries & associates) and also on stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Group using full consolidation method whereas associates on which the Group has significant influence, on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, higher of Alternate Standardized Approach (ASA) or 70% of Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purpose.

1.2 Capital Management

1.2.1 Objectives and goals of managing capital

The Group manages its capital to attain following objectives and goals:

- an appropriately capitalized status, as defined by Banking regulations;
- acquire strong credit ratings that enable an optimized funding mix and liquidity sources at lesser costs;
- cover major risks underlying business activities; and
- retain flexibility to harness future investment opportunities, build and expand even in stressed times.

1.2.2 Statutory Minimum Capital Requirement and Capital Adequacy Ratio

The State Bank of Pakistan through its BSD Circular No.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) of all locally incorporated Banks to be raised to PKR 10 billion. The paid up capital of the Bank for the year ended December 31, 2019 stands at PKR 17.77 billion and is in compliance with the SBP requirement for the said year.

The capital adequacy ratio of the Group is subject to the Basel III capital adequacy guidelines stipulated by the State Bank of Pakistan through its BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation by December 31, 2019. Under Basel III guidelines Banks are required to maintain the following ratios on an ongoing basis:

Phase-in arrangement and full implementation of the minimum capital requirements:

Sr. No	Ratio	2016	2017	2018	2019
1	CET 1	6.0%	6.0%	6.0%	6.0%
2	ADT 1	1.5%	1.5%	1.5%	1.5%
3	Tier 1	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%
5	*CCB	0.65%	1.28%	1.90%	2.50%
6	Total Capital Plus CCB	10.65%	11.28%	11.90%	12.50%

** Capital conservation buffer*

Group’s regulatory capital is analysed into three tiers

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements and net unappropriated profits after all regulatory adjustments applicable on CET1

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium on issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net reserves on revaluation of fixed assets and equity investments is availed at the rate 100% per annum and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

The required capital adequacy ratio was achieved by the Group through improvement in the capital base, asset quality, ensuring better recovery management and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise of the credit risk, market risk and operational risk.

Basel-III Framework enables a more risk-sensitive regulatory capital calculation to promote long term viability of the Group. As the Group carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organization and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Group to particular operations. The Group remained compliant with all externally imposed capital requirements through out the year. Further, there has been no material change in the Group’s management of capital during the year.

1.2.3 Leverage Ratio

Leverage ratio is defined as ratio of Bank's Eligible Tier 1 Capital to Total Exposure. The leverage ratio of the Group as at December 31, 2019 is 5.67 % (2018: 5.68%). 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 PKR 74.64 billion (2018: PKR 67.49 billion) whereas the total exposure measure amounts to PKR. 1,315.45 (2018: PKR 1,187.55 billion).

1.2.4 Risk Appetite

In line with the corporate goal, mission and strategy, bank’s risk exposure is maintained within the risk appetite of the stakeholders as defined by the Board of Directors. Risk Appetite Statement is an expression of the amount of risk that is prepared to achieve its strategic objectives. In effect, it is the maximum threshold beyond which bank does not take any additional risk. The Bank has defined its risk appetite in the form of ‘Risk Appetite Statement’ which has duly been approved by the Board & monitored on quarterly basis.

1.2.5 Stress Testing

Stress testing examines the sensitivity of Bank's Capital for Regulatory as well as Economic capital under a number of scenarios and ensures that emerging risks stemming into its portfolio are appropriately accounted. The exercise is submitted to the regulator at regular intervals as per the requirements. The scope of this exercise has been expanded to incorporate internally developed scenarios based on macroeconomic situation & portfolio composition as well.

1.2.6 Capital Adequacy

Group's approach for assessing the adequacy of the capital to support current and future business operations based on the following:

a. Capital Adequacy plays key consideration for not only arriving at the business projections / plans but it is well monitored while undertaking transactions.

b. The Group has demonstrated the capability to comfortably meet new & enhanced capital adequacy standards, therefore it is now following controlled growth strategy. The TFC was issued to support the growth but gradually the bank is enriching the Tier 1 capital while ensuring regular dividend to share holders.

c. The capital base forms the very basic foundation of business plans. The capital base is sufficient to support the envisaged business growth and this would be monitored regularly.

d. The Group enjoys strong sponsor support from Abu Dhabi Group and IFC , leading to increased investor confidence . Moreover, the Bank has been issuing TFCs successfully on a regular basis, demonstrating Bank's capacity to raise capital when required.

1.3 Capital Adequacy Ratio as at December 31, 2019

		Note	2019	2018
			(Rupees in '000)	
	Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP		17,771,651	17,743,629
2	Balance in Share Premium Account		4,731,050	4,695,600
3	Reserve for issue of Bonus Shares		-	30,590
4	Discount on Issue of shares		-	-
5	General/ Statutory Reserves		14,542,658	13,273,115
6	Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
7	Unappropriated/unremitted profits/ (losses)		33,996,703	28,323,588
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		77,768	34,351
9	**CET 1 before Regulatory Adjustments**		**71,119,830**	**64,100,873**
10	Total regulatory adjustments applied to CET1 **(Note 1.3.1 to 1.3.4)**		3,494,811	3,436,462
11	**Common Equity Tier 1**		**67,625,018**	**60,664,411**
	Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier-1 capital instruments plus any related share premium		7,000,000	7,000,000
13	of which: Classified as equity		-	-
14	of which: Classified as liabilities		7,000,000	7,000,000
15	Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)		11,045	6,062
16	of which: instrument issued by subsidiaries subject to phase out		-	-
17	**AT1 before regulatory adjustments**		7,011,045	7,006,062
18	Total regulatory adjustment applied to AT1 capital **(Note 1.3.1 to 1.3.4)**		-	178,311
19	Additional Tier 1 capital after regulatory adjustments		**7,011,045**	**6,827,751**
20	**Additional Tier 1 capital recognized for capital adequacy**		**7,011,045**	**6,827,751**
21	**Tier 1 Capital (CET1 + admissible AT1) (11+20)**		**74,636,064**	**67,492,162**
	Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		997,000	1,994,400
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		-	-
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)		3,477	9,745
25	of which: instruments issued by subsidiaries subject to phase out		-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets		1,103,370	939,815
27	Revaluation Reserves (net of taxes)	c=a+b	11,163,610	7,260,245
28	of which: Revaluation reserves on fixed assets	a	7,109,145	7,210,344
29	of which: Unrealized gains/losses on AFS	b	4,054,465	49,901
30	Foreign Exchange Translation Reserves		6,772,311	5,051,449
31	Undisclosed/Other Reserves (if any)		-	-
32	**T2 before regulatory adjustments**		**20,039,768**	**15,255,654**
33	Total regulatory adjustment applied to T2 capital **(Note 1.3.1 to 1.3.4)**		-	-
34	Tier 2 capital (T2) after regulatory adjustments		20,039,768	15,255,654
35	Tier 2 capital recognized for capital adequacy		20,039,768	15,255,654
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital		-	-
37	**Total Tier 2 capital admissible for capital adequacy**		**20,039,768**	**15,255,654**
38	**TOTAL CAPITAL (T1 + admissible T2) (21+37)**		**94,675,832**	**82,747,816**
39	**Total Risk Weighted Assets (RWA) {for details refer Note 1.6}**		**567,362,817**	**557,226,896**
	Capital Ratios and buffers (in percentage of risk weighted assets)			
40	**CET1 to total RWA**		**11.92%**	**10.89%**
41	**Tier-1 capital to total RWA**		**13.15%**	**12.11%**
42	**Total capital to total RWA**		**16.69%**	**14.85%**
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		8.50%	7.90%
44	of which: capital conservation buffer requirement		2.50%	1.90%
45	of which: countercyclical buffer requirement		-	-
46	of which: D-SIB or G-SIB buffer requirement		-	-
47	CET1 available to meet buffers (as a percentage of risk weighted assets)		5.92%	4.89%
	National minimum capital requirements prescribed by SBP			
48	**CET1 minimum ratio**		**6.00%**	**6.00%**
49	**Tier 1 minimum ratio**		**7.50%**	**7.50%**
50	**Total capital minimum ratio (Inclusive of CCB)**		**12.50%**	**11.90%**

	Regulatory Adjustments and Additional Information	Note	2019 Amount	2019 Amounts subject to Pre-Basel III treatment*	2018 Amount	2018 Amounts subject to Pre-Basel III treatment*
			(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)		1,513,804		1,317,271	
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		1,019,177		923,633	
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities		896,038		1,099,258	
7	Cash flow hedge reserve		-		-	
8	Investment in own shares/ CET1 instruments		65,792		96,300	
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 SBP (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)**		**3,494,811**		**3,436,462**	
1.3.2	**Additional Tier-1 & Tier-1 Capital: regulatory adjustments**					
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]		-		178,311	
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)**		**-**		**178,311**	
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		-		-	
36	**Total regulatory adjustment applied to T2 capital (sum of 31 to 35)**		**-**		**-**	

*The amount represents regulatory deductions that are still subject to pre-Basel-III treatment during the transitional period.

		2019	2018	
		Amount (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)	493,722,320	492,623,069	
(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	949,334	416,577	
(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	949,334	416,577	
39	Significant investments in the common stock of financial entities	797,190	340,921	
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)	1,103,370	939,815	
42	Cap on inclusion of provisions in Tier 2 under standardized approach	6,183,396	6,162,996	
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	-	-	

1.4 Capital Structure Reconciliation

Table: 1.4.1

	Balance sheet as in published financial statements	Under regulatory scope of consolidation
	2019	
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	100,731,903	100,731,903
Balanced with other banks	4,926,852	4,926,852
Lending to financial institutions	71,434,895	71,434,895
Investments	300,905,557	300,905,557
Advances	511,237,780	511,237,780
Operating fixed assets	29,107,718	29,107,718
Intangible assets	1,260,321	1,260,321
Deferred tax assets	-	-
Assets held for sale	-	-
Other assets	47,505,353	47,505,353
Total assets	**1,067,110,379**	**1,067,110,379**
Liabilities & Equity		
Bills payable	17,169,059	17,169,059
Borrowings	103,133,573	103,133,573
Deposits and other accounts	782,274,861	782,274,861
Sub-ordinated loans	11,987,000	11,987,000
Deferred tax liabilities	4,137,406	4,137,406
Liabilities directly associated with the assets held for sale	-	-
Other liabilities	59,125,293	59,125,293
Total liabilities	**977,827,192**	**977,827,192**
Share capital/ Head office capital account	17,771,651	17,771,651
Reserves	26,046,019	26,046,019
Unappropriated/ Unremitted profit/ (losses)	33,996,703	33,996,703
Minority Interest	92,301	92,301
Surplus on revaluation of assets	11,376,513	11,376,513
Total equity	**89,283,187**	**89,283,187**
Total liabilities & equity	**1,067,110,379**	**1,067,110,379**

Table: 1.4.2	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	2019		
	(Rupees in '000)		
Assets			
Cash and balances with treasury banks	100,731,903	100,731,903	
Balanced with other banks	4,926,852	4,926,852	
Lending to financial institutions	71,434,895	71,434,895	
Investments	300,905,557	300,905,557	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument		-	
CET1	896,038	896,038	d
AT1	-	-	
T2	-	-	
of which: others (mention details)	-	-	e
Advances	511,237,780	511,237,780	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	994,583	994,583	g
Fixed Assets	29,107,718	29,107,718	
of which: Intangibles	1,260,321	1,513,804	k
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Assets held for sale	-	-	
Other assets	47,505,353	47,505,353	
of which: Goodwill	-	-	j
of which: Defined-benefit pension fund net assets	1,019,177	1,019,177	l
Total assets	**1,067,110,379**	**1,067,363,862**	
Liabilities & Equity			
Bills payable	17,169,059	17,169,059	
Borrowings	103,133,573	103,133,573	
Deposits and other accounts	782,274,861	782,274,861	
Sub-ordinated loans	11,987,000	11,987,000	
of which: eligible for inclusion in AT1	7,011,045	7,011,045	m
of which: eligible for inclusion in Tier 2	997,000	997,000	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	4,137,406	4,137,406	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Liabilities directly associated with the assets held for sale	-	-	
Other liabilities	59,125,293	59,125,293	
Total liabilities	**977,827,192**	**977,827,192**	
Share capital	**17,771,651**	**17,771,651**	
of which: amount eligible for CET1	17,771,651	17,771,651	s
of which: amount eligible for AT1	-	-	t
Reserves	**26,046,019**	**26,046,019**	
of which: portion eligible for inclusion in CET1	**19,273,708**	**19,273,708**	
General Reserve	14,542,658	14,542,658	u
Reserve For Employee Stock Option Scheme	-	-	
Share Premium	4,731,050	4,731,050	
of which: portion eligible for inclusion in Tier 2	**6,772,311**	**6,772,311**	v
Unappropriated profit/ (losses)	**33,996,703**	**33,996,703**	w
Minority Interest	**92,301**	**92,301**	
of which: portion eligible for inclusion in CET1	77,768	77,768	x
of which: portion eligible for inclusion in AT1	11,045	11,045	y
of which: portion eligible for inclusion in Tier 2	3,477	3,477	z
Surplus on revaluation of assets	**11,376,514**	**11,376,514**	
of which: Revaluation reserves on Fixed Assets	7,109,145	7,109,145	
of which: Non-banking assets acquired in satisfaction of claims	212,903	212,903	aa
of which: Unrealized Gains/Losses on AFS	4,054,465	4,054,465	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total equity	**89,283,188**	**89,283,188**	
Total liabilities & Equity	**1,067,110,380**	**1,067,110,380**	

Table: 1.4.3

		Component of regulatory capital reported by bank 2019 Rupees in '000	Source based on reference number from step 2
	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Capital/ Capital deposited with SBP	17,771,651	
2	Balance in Share Premium Account	4,731,050	(s)
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	14,542,658	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	33,996,703	(w)
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)	77,768	(x)
8	**CET 1 before Regulatory Adjustments**	**71,119,830**	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	1,513,804	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r} * 100%
13	Defined-benefit pension fund net assets	1,019,177	{(l) - (q)} * 100%
14	Reciprocal cross holdings in CET1 capital instruments	896,038	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	65,792	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
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	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: 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)**	**3,494,811**	
31	**Common Equity Tier 1**	**67,625,018**	

	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	7,000,000	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	7,000,000	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	11,045	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	**AT1 before regulatory adjustments**	**7,011,045**	
	Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
39	Investment in own AT1 capital instruments	-	
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43	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	-	
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45	**Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 43)**	**-**	
46	**Additional Tier 1 capital**	**7,011,045.13**	
47	**Additional Tier 1 capital recognized for capital adequacy**	**7,011,045.13**	
48	**Tier 1 Capital (CET1 + admissible AT1) (31+47)**	**74,636,064**	
	Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	997,000	
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	3,477	(z)
52	of which: instruments issued by subsidiaries subject to phase out	-	
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	1,103,370	(g)
54	Revaluation Reserves	**11,163,610**	
55	of which: Revaluation reserves on fixed assets	7,109,145	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	4,054,465	
57	Foreign Exchange Translation Reserves	6,772,311	(v)
58	Undisclosed/Other Reserves (if any)	-	
59	**T2 before regulatory adjustments**	**20,039,768**	
	Tier 2 Capital: regulatory adjustments		
60	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	-	
61	Reciprocal cross holdings in Tier 2 instruments	-	
62	Investment in own Tier 2 capital instrument	-	
63	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)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	**Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)**	**-**	
66	Tier 2 capital (T2)	20,039,768	
67	Tier 2 capital recognized for capital adequacy	20,039,768	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	**Total Tier 2 capital admissible for capital adequacy**	**20,039,768**	
70	**TOTAL CAPITAL (T1 + admissible T2) (48+69)**	**94,675,832**	

1.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments				
S. No.	Main Features	Common Shares	TFC V	ADT 1
1	Issuer	Bank Alfalah Limited	Bank Alfalah Limited	Bank Alfalah Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	BAFL	BAFL TFC 5	BAFL TFC 6
3	Governing law(s) of the instrument	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan	Laws of Islamic Republic of Pakistan
	Regulatory treatment			
4	Transitional Basel III rules	Commom Equity Tier 1	Tier 2	Additional Tier 1
5	Post-transitional Basel III rules	Commom Equity Tier 1	Eligible	Additional Tier 1
6	Eligible at solo/ group/ group&solo	Standalone & Group	Standalone & Group	Standalone & Group
7	Instrument type	Ordinary shares	Subordinated debt	Subordinated debt
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	17,771,651	997,000	7,000,000
9	Par value of instrument	Rs. 10	Rs. 5,000	Rs. 5,000
10	Accounting classification	Share holders' equity	Liability	Liability
11	Original date of issuance	Jun-92	Feb-13	Mar-18
12	Perpetual or dated	Perpetual	Dated	Perpetual
13	Original maturity date	NA	Feb 2021	NA
14	Issuer call subject to prior supervisory approval	NA	No	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	26-Mar-23
16	Subsequent call dates, if applicable	NA	NA	On any date after 60 months from the date of issuance, subject to regulatory approval
	Coupons / dividends			
17	Fixed or floating dividend/ coupon	NA	Floating	Floating
18	Coupon rate and any related index/ benchmark	NA	6 Months KIBOR*(Base Rate) plus 125 basis points per annum without any floor or CAP	6-Months KIBOR (ask side) plus 150 bps per annum
19	Existence of a dividend stopper	No	No	Yes
20	Fully discretionary, partially discretionary or mandatory	NA	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NA	No	No
22	Noncumulative or cumulative	NA	Cumulative	Non-Cumulative
23	Convertible or non-convertible	NA	Convertible	Convertible
24	If convertible, conversion trigger (s)	NA	At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.	Upon occurrence of the PONV Trigger Event, CET 1 Trigger Event or Lock-in Clause, if directed by the SBP, the TFCs shall be converted into ordinary shares or permanently written off. 1. Point of Non-Viability Trigger Event (PONV Trigger Event) shall be earlier of: a. A decision made by the SBP that a conversion or permanent write-off is necessary without which the Issuer would become nonviable; or b. The decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become nonviable, as determined by SBP The SBP will have full discretion in declaring the PONV Trigger Event. 2. CET 1 Trigger Event: The pre-specified trigger for loss absorption through conversion shall be the Issuer's Shareholders Equity Tier 1 ratio falling to or below 6.625% of Risk Weighted Assets ("CET 1 Trigger Event"). The Issuer shall immediately notify the SBP upon the occurrence of the CET 1 Trigger Event 3. Lock-in Clause: any inability to exercise the lock-in clause or non-cumulative feature will subject these TFCs to mandatory conversion into ordinary shares/write off at the discretion of SBP Based on the above contingent events, SBP may ask the Bank to convert the TFCs into ordinary shares
25	If convertible, fully or partially	NA	May convert fully or partially	May convert fully or partially
26	If convertible, conversion rate	NA	To be determined in the case of trigger event	To be determined in the case of trigger event
27	If convertible, mandatory or optional conversion	NA	Optional	To be determined as per Basel III guidelines
28	If convertible, specify instrument type convertible into	NA	Common Equity Tier 1	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	NA	BAFL	BAFL
30	Write-down feature	No	Yes	Yes
31	If write-down, write-down trigger(s)	NA	At the option of supervisor it can be either written off upon occurrence of a certain trigger event , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP.	The Issuer shall, if directed by the SBP, write-off the Relevant Amount of the TFCs (i) upon the PONV Trigger Event; (ii) upon the CET 1 Trigger Event; (iii) upon the Lock-In Event; or (iv) if it is not possible to convert the TFCs into ordinary shares upon the CET 1 Trigger Event. A write off due to PONV Trigger Event shall occur prior to any public sector injection of capital so that the capital provided by the public sector is not diluted.
32	If write-down, full or partial	NA	Fully and Partially both	Fully and Partially both
33	If write-down, permanent or temporary	NA	Temporary	Permanent
34	If temporary write-down, description of write-up mechanism	NA	As may be determined by reversal of trigger event and subject to regulator's approval	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	NA	Depositors	Depositors and general creditors
36	Non-compliant transitioned features	NA	No	No
37	If yes, specify non-compliant features	NA	NA	NA

1.6 Risk Weighted Assets

The capital requirements for the banking group as per the major risk categories should be indicated in the manner given below:-

	Capital Requirements		Risk Weighted Assets	
	2019	2018	2019	2018
	(Rupees in '000)			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Cash & cash equivalents	-	-	-	-
Sovereign	3,721,778	2,974,365	29,774,222	24,994,660
Public Sector entities	737,786	594,175	5,902,286	4,993,069
Banks	2,811,491	2,312,599	22,491,926	19,433,603
Corporate	32,512,788	31,710,625	260,102,304	266,475,839
Retail	6,990,027	6,652,774	55,920,213	55,905,660
Residential Mortgages	574,271	468,621	4,594,166	3,937,988
Past Due loans	668,516	487,635	5,348,126	4,097,773
Operating Fixed Assets	3,670,150	2,180,843	29,361,201	18,326,411
Other assets	870,288	636,052	6,962,304	5,344,976
	52,557,095	**48,017,689**	**420,456,748**	**403,509,979**
Portfolios subject to Internal Rating Based (IRB) Approach				
e.g. Corporate, Sovereign, Corporate, Retail, Securitization etc.	-	-	-	-
Off-Balance sheet				
Non-market related				
Financial guarantees	3,487,548	5,594,342	27,900,384	47,011,279
Acceptances	-	-	-	-
Performance Related Contingencies	1,168,969	1,109,400	9,351,749	9,322,688
Trade Related Contingencies	1,157,336	1,106,005	9,258,691	9,294,157
	5,813,853	**7,809,747**	**46,510,824**	**65,628,125**
Market related				
Foreign Exchange contracts	210,752	95,195	1,686,014	799,960
Derivatives	14,605	7,723	116,838	64,899
	225,357	**102,918**	**1,802,852**	**864,859**
Equity Exposure Risk in the Banking Book				
Under simple risk weight method				
Listed Equity Investment	899,957	907,782	7,199,658	7,628,424
Unlisted Equity Investment	2,337,697	1,833,583	18,701,573	15,408,260
	3,237,654	**2,741,365**	**25,901,231**	**23,036,684**
Under Internal models approach				
	61,833,959	**58,671,719**	**494,671,654**	**493,039,646**
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	399,153	185,952	4,989,413	2,324,400
Equity position risk	86,066	27,261	1,075,825	340,763
Foreign Exchange risk	81,978	9,503	1,024,725	118,788
	567,197	**222,716**	**7,089,963**	**2,783,950**
Capital Requirement for portfolios subject to Internal Models Approach				
Operational Risk [70% of BIA or ASA whichever is higher is taken as capital charge (2017-70%)]*				
Capital Requirement for operational risks	**5,248,096**	**4,912,264**	**65,601,200**	**61,403,300**
Total Risk Weighted Exposures	**67,649,252**	**63,806,699**	**567,362,817**	**557,226,896**

* SBP has accorded approval to the bank vide SBP letter No. BPRD/ BA&CP/ 614/ 17838/2013 dated December 03, 2013 for adoption of ASA based on the following capital floor i.e. operational risk charge under ASA should not fall below a certain percentage of operational risk capital charge calculated under Basic Indicator Approach (BIA)

Capital Floor (for operational risk capital charge only)		
Year 2013 & 2014	**Year 2015**	**From Year 2016 onwards**
90%	**80%**	**70%**

Capital Adequacy Ratios	2019		2018	
	Required	Actual	Required	Actual
CET1 to total RWA	6.00%	11.92%	6.00%	10.89%
Tier-1 capital to total RWA	7.50%	13.15%	7.50%	12.11%
Total capital to total RWA	12.50%	16.69%	11.90%	14.85%

2 Liquidity Coverage Ratio for the year 2019

		TOTAL UNWEIGHTED[a] VALUE (average)	TOTAL WEIGHTED[b] VALUE (average)
High Quality Liquid Assets		(Rupees in '000)	
1	Total high quality liquid assets (HQLA)		285,456,439
Cash Outlflows			
2	Retail deposits and deposits from small business customers of which:	471,254,204	43,559,624
2.1	Stable deposit	71,315,921	3,565,796
2.2	Less stable deposit	399,938,283	39,993,828
3	Unsecured wholesale funding of which:	284,880,928	155,742,902
3.1	Operational deposits (all counterparties)	-	-
3.2	Non-operational deposits (all counterparties)	273,231,663	144,093,637
3.3	Unsecured debt	11,649,265	11,649,265
4	Secured wholesale funding	-	6,114,158
5	Additional requirements of which:	35,595,563	6,120,542
5.1	Outflows related to derivative exposures and other collateral requirements	2,845,539	2,845,539
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	32,750,024	3,275,002
6	Other contractual funding obligations	331,765	331,765
7	Other contingent funding obligations	512,542,005	7,270,054
8	**TOTAL CASH OUTFLOWS**	-	219,139,046
Cash Inflows			
9	Secured lending	68,701,293	-
10	Inflows from fully performing exposures	54,060,146	40,533,659
11	Other Cash inflows	11,027,793	3,990,458
12	**TOTAL CASH INFLOWS**		44,524,117
		TOTAL ADJUSTED VALUE	
13	**Total HQLA**		285,456,439
14	**Total Net Cash Outflows**		174,614,928
15	**Liquidity Coverage Ratio**		163%

a unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inlfow and outlfow rates (for inflows nd outflows)

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on INFLOWS

Liquidity Coverage Ratio for the year 2018

		TOTAL UNWEIGHTED[a] VALUE (average)	TOTAL WEIGHTED[b] VALUE (average)
High Quality Liquid Assets		(Rupees in '000)	
1	Total high quality liquid assets (HQLA)		252,703,051
Cash Outlflows			
2	Retail deposits and deposits from small business customers of which:	441,836,109	42,389,106
2.1	Stable deposit	35,890,092	1,794,505
2.2	Less stable deposit	405,946,018	40,594,602
3	Unsecured wholesale funding of which:	253,385,019	138,176,032
3.1	Operational deposits (all counterparties)	-	-
3.2	Non-operational deposits (all counterparties)	242,326,366	127,117,379
3.3	Unsecured debt	11,058,654	11,058,654
4	Secured wholesale funding	-	5,649,098
5	Additional requirements of which:	24,169,752	4,070,619
5.1	Outflows related to derivative exposures and other collateral requirements	1,837,382	1,837,382
5.2	Outflows related to loss of funding on debt products	-	-
5.3	Credit and Liquidity facilities	22,332,370	2,233,237
6	Other contractual funding obligations	149,490	149,490
7	Other contingent funding obligations	506,890,472	7,447,952
8	**TOTAL CASH OUTFLOWS**	-	197,882,297
Cash Inflows			
9	Secured lending	25,108,008	-
10	Inflows from fully performing exposures	43,756,512	32,557,147
11	Other Cash inflows	2,961,888	2,961,888
12	**TOTAL CASH INFLOWS**		35,519,036
		TOTAL ADJUSTED VALUE	
13	**Total HQLA**		252,703,051
14	**Total Net Cash Outflows**		162,363,261
15	**Liquidity Coverage Ratio**		156%

a unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows)

b Weighted values must be calculated after the application of respective haircuts (for HQLA) or inlfow and outlfow rates (for inflows nd outflows)

c Adjusted values must be calculated after the application of both (i) haircuts and inflow and outflow rates and (ii) any applicable caps (ie cap on level 2B and level 2 assets for HQLA and cap on INFLOWS

3 Net Stable Funding Ratio for the year 2019

(Rupees. In '000)		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	95,918,049			997,000	96,915,049
3	Other capital instruments		1,000	1,000	3,988,000	3,988,000
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	68,950,614	-	-	-	65,503,083
6	Less stable deposits	393,639,582	15,569,392	8,690,941	1,654,033	377,763,956
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	118,368,787	89,864,041	20,876,157	2,242,300	116,796,793
10	Other liabilities:					
11	NSFR derivative liabilities				3,693,707	-
12	All other liabilities and equity not included in other categories	117,257,767	89,167,712	15,581,575	19,205,016	26,995,804
13	**Total ASF**					687,962,685
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					13,570,569
15	Deposits held at other financial institutions for operational purposes	4,709,968				2,354,984
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA		24,931,724			2,493,172
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions		9,313,005	854,273	-	1,824,087
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:		281,541,506	24,944,172	143,939,831	280,197,749
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	46,960,933	30,524,606
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.		-	4,061,090	13,052,185	13,124,902
22	Other assets:					
23	Physical traded commodities, including gold					-
24	Assets posted as initial margin for derivative contracts				-	-
25	NSFR derivative assets				2,457,277	-
26	NSFR derivative liabilities before deduction of variation margin posted				3,693,707	738,741
27	All other assets not included in the above categories	75,692,591	75,016,723	6,394,331	39,031,092	124,969,215
28	Off-balance sheet items		109,224,036	14,540,103	460,392,615	29,207,838
29	Total RSF					499,005,864
30	Net Stable Funding Ratio (%)					138%

Net Stable Funding Ratio for the year 2018

(Rupees. In '000)		unweighted value by residual maturity				weighted value
		No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
ASF Item						
1	Capital:					
2	Regulatory capital	83,457,813	-	-	1,994,400	85,452,213
3	Other capital instruments		1,000	1,000	2,992,600	-
4	Retail deposits and deposit from small business customers:					
5	Stable deposits	71,951,454	-	-	-	68,353,881
6	Less stable deposits	362,293,360	15,922,012	6,731,847	2,404,725	348,857,221
7	Wholesale funding:					
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	150,163,631	198,246,841	24,258,038	13,844,281	126,894,332
10	Other liabilities:					
11	NSFR derivative liabilities				971,671	-
12	All other liabilities and equity not included in other categories		69,805,615	2,070,702		1,035,351
13	**Total ASF**					630,592,999
RSF item						
14	Total NSFR high-quality liquid assets (HQLA)					42,304,686
15	Deposits held at other financial institutions for operational purposes	7,306,850	-	-	-	3,653,425
16	Performing loans and securities:					
17	Performing loans to financial institutions secured by Level 1 HQLA	-	37,214,313			3,721,431
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financail institutions	-	48,155,806	887,978	453,333	8,578,383
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:	158,899,150	87,732,391	38,211,810	131,875,006	281,914,303
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	18,860,646	5,934,819	3,710,412	44,638,535	30,705,509
21	Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	2,115,911	2,832,929		1,879,495	4,812,559
22	Other assets:					
23	Physical traded commodities, including gold	-				-
24	Assets posted as initial margin for derivative contracts				-	-
25	NSFR derivative assets				4,587,828	3,616,157
26	NSFR derivative liabilities before deduction of variation margin posted				194,334	194,334
27	All other assets not included in the above categories		66,658,799			66,658,799
28	Off-balance sheet items		164,286,600	108,190,891	259,514,365	26,599,593
29	Total RSF					472,759,179
30	Net Stable Funding Ratio (%)					133%