

**Corporate Affairs Group****FORM-5**

HOL/CAG/CAD/2019/12

March 07, 2019

**The General Manager**

Pakistan Stock Exchange Limited

Stock Exchange Building

Stock Exchange Road

**Karachi**

Subject: **Transmission of Annual Report for the year ended December 31, 2018 along with an annual Independent Reasonable Assurance Report on Statement of Free Float of Shares of the Bank duly verified by the auditor**

Dear Sir

We have to inform you that the Annual Report of the Company for the year ended December 31, 2018 have been transmitted through PUCARS and is also available on Banks' website.

Beside above, please note that in compliance with Clause 5.7.2 (C) (ii) of PSX Rule Book an annual Independent Reasonable Assurance Report on Statement of Free Float of Shares of the Bank duly verified by external auditors is also embedded in the Annual Report of the Bank on the prescribed format.

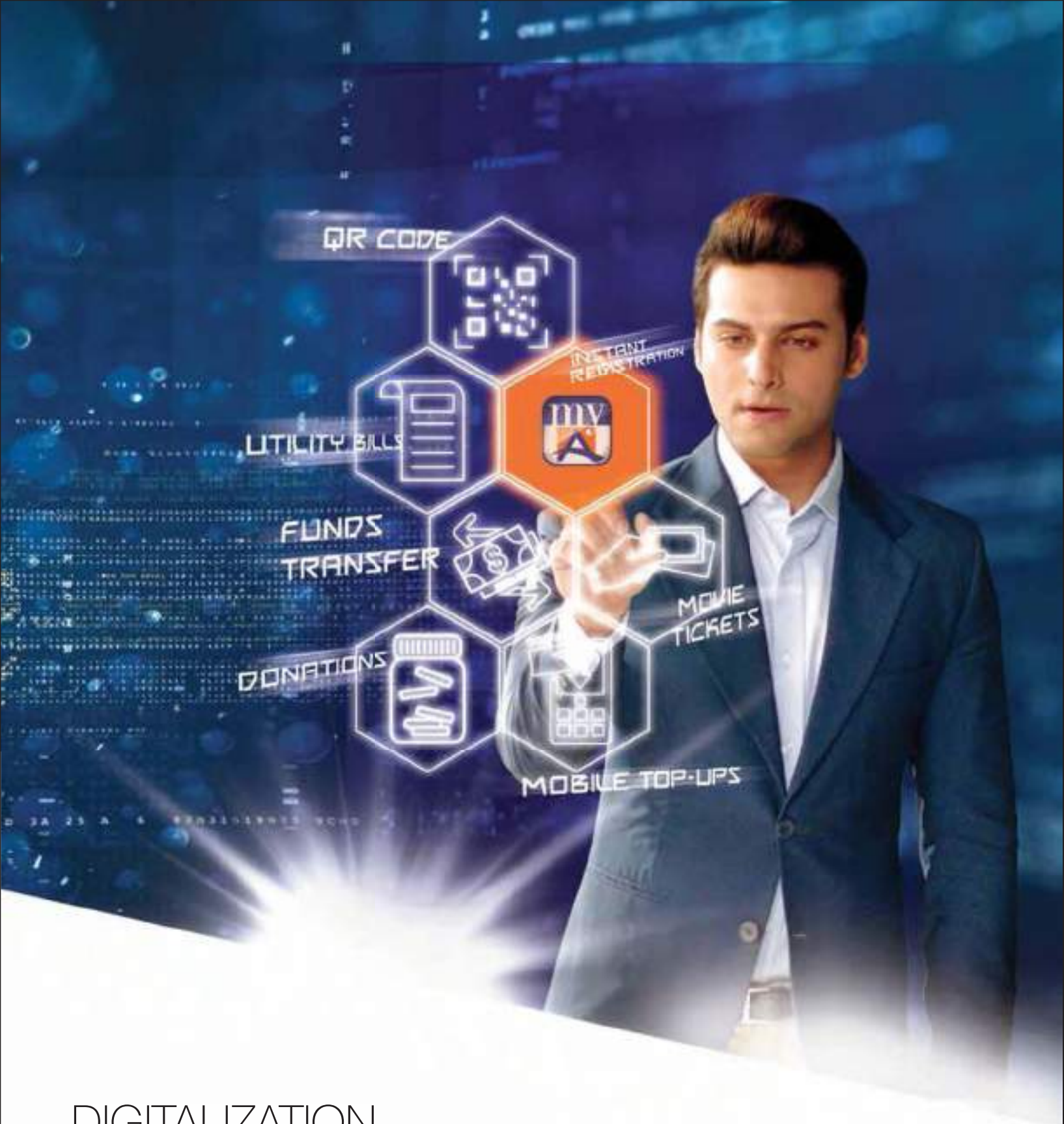
You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely

  
**Company Secretary**  
Allied Bank LimitedEncl: **As above**

DIGITALIZATION  
DIGITALIZATION  
DIGITALIZATION  
DIGITALIZATION  
DIGITALIZATION

Annual  
Report  
● 2018



## DIGITALIZATION

*“Global banking is rapidly adopting evolving mobile technologies along with Blockchain, Machine Learning, Big Data and Robotics resulting in a gradual yet visible strategic shift from traditional brick and mortar model to digitalization driven businesses.”*



# KEY MILESTONES & ACCOLADES IN 2018

**Highest Credit Rating  
Awarded by PACRA**

**AAA**



**Best Bank in Pakistan**  
By The EuroMoney Magazine (UK)



**Best Loan Adviser-Pakistan and  
Best Micro financing & Telecom Deal of the Year**  
By The Asset Magazine (HK)



**Corporate Excellence Award**  
By Management Association of Pakistan



**Best Bank for CSR-Pakistan**  
By The Asia Money Magazine (UK)



**Achievement Award**  
By The Federation of Pakistan Chamber  
of Commerce & Industry



**Best Corporate Report Award**  
By ICAP & ICMAP



# ABOUT OUR REPORT

Allied Bank Limited (the Bank) has adopted the Integrated Reporting Framework to give an overview of Your Bank's philosophy to explain connection between its financial and non-financial information, which would enhance the users understanding as to how Your Bank is working to improve its performance keeping in view the stakeholders interest.

This integrated reporting framework facilitates sustainable value creation over the long term by minimizing risks, improving harmony, generating cost efficiencies, and making capital allocation more efficient.

Your Bank is well aware that information needs of stakeholders are changing in keeping with the dynamic environment we operate in. Investors in particular are increasingly becoming interested in the past performance as well as non-financial information which is becoming more and more relevant for ascertaining the future potential. Accordingly, Your Bank has enhanced its disclosures of non-financial information in this Annual Report.

This report is developed in accordance with the International Integrated Reporting Council's (IIRC) principal-based International Integrated Reporting <IR> Framework to communicate with all our stakeholders with a concise and transparent assessment of the banks to perform and create sustainable value.

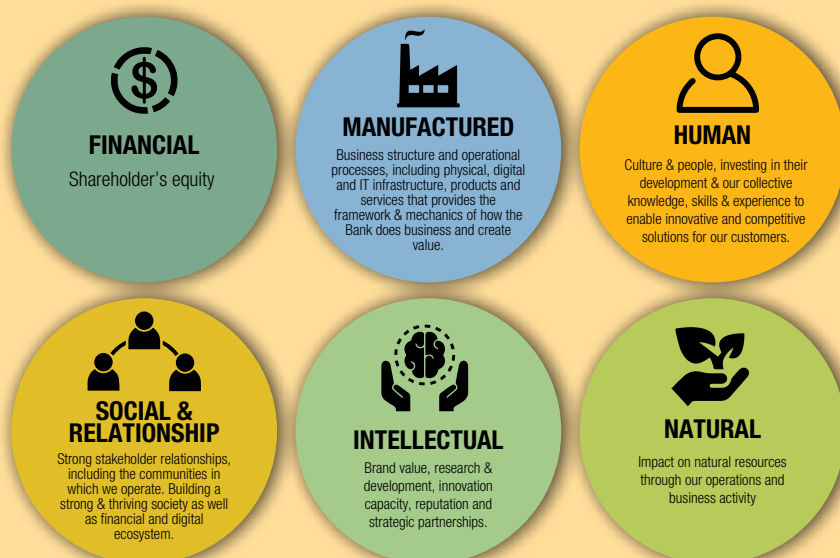
## KEY CONCEPTS

### Defining Value and Integrated Thinking

Value creation is the outcome of how we apply and leverage our capitals, using our business model and governance practices, in delivering financial performance and value for all stakeholders while making reasonable tradeoffs. Our value-creation process [page 14] is structured to show the relationship between the various elements involved in achieving our stakeholder goals.

### Our Capitals

The Bank depends on these capitals, for usage, impact and value creation:



### Materiality

Your Bank has reported on matters which are most important and have substantial effect on Your Bank's value creation in the short, medium and long term, by analyzing and considering the effect of relevant matters on Bank's strategy, governance, performance, future outlook, the risks and opportunities identified in our operating environment and stakeholder engagement process. There were no significant organizational changes during the current reporting period.

## SCOPE AND BOUNDARY OF REPORTING

### Integrated reporting boundary

- Organizational overview and external environment
- Strategy and resource allocation
- Risk and opportunities
- Governance
- Performance

- Integrated Reporting Framework
- Banking Companies Ordinance, 1962
- Companies Act, 2017
- Listed Companies (Code of Corporate Governance)
- Regulations, 2017

**Reporting Period:** January 01, 2018 to December 31, 2018. Any material events after this date and up to the Board of Directors approval date of February 13, 2019 have also been included.

**Group structure:** Allied Bank Limited (Parent) and ABL Asset Management Limited (wholly owned subsidiary)

### Financial reporting boundary

- Unconsolidated Financial Statements of Allied Bank Limited
- Consolidated Financial Statements of Allied Bank Limited and its subsidiary

- International Financial Reporting Standards
- Islamic Financial Accounting Standards
- Banking Companies Ordinance, 1962
- Companies Act, 2017
- Directives issued by the SBP & SECP

**Target Readers:** This report is primarily intended to address the information requirements of long-term investors (equity shareholders and prospective investors). We also present information relevant to the way we create value for other key stakeholders, including our staff, customers, regulators, research analysts, rating agencies and society.

This Annual Report is published within three months of the date of the Statement of Financial Position.

## EXTERNAL ASSURANCE

Independent External Auditors, Messrs KPMG have assured the Group's Financial Statements. As required by the regulators, these Auditors are rotated every five years to ensure their independence and objectivity.

## TRANSCENDING THE MEDIUM

This Report is available in three mediums to cater to the different needs of our various readers. A limited number of printed annual reports have been produced to be despatched to those who have requested for the same. Readers who prefer the ease of accessing this Annual Report online through either a computer or mobile device can access our Online Annual Report through our website. A soft copy (PDF) version of the report is also available in portable format for those who would like to maintain an easily-portable digital version of the Report.

## CONTACT

For further clarification and feedback on this report, please contact via email [investor.relations@abl.com](mailto:investor.relations@abl.com)

# CONTENTS

## Organization Overview and External Environment

<b>06</b>	Corporate Profile
<b>08</b>	Board of Directors
<b>12</b>	Corporate Structure
<b>13</b>	Management Committees
<b>14</b>	Value Creation Business Model
<b>16</b>	Key Operational Milestones

## Strategy and Resource Allocation

<b>18</b>	Directors' Report
<b>24</b>	Directors' Report (Urdu)
<b>30</b>	Chairmans Message
<b>34</b>	CEO's Review
<b>45</b>	Group Review
<b>54</b>	Key Performance Indicators and Outlook
<b>56</b>	Stakeholders Engagement

## Risk Management

<b>60</b>	Risk Management Approach & Oversight
<b>61</b>	Risk & Opportunities

## Unconsolidated Financial Statements

<b>105</b>	Independent Auditors' Report to the Members
<b>108</b>	Statement of Financial Position
<b>109</b>	Profit & Loss Account
<b>110</b>	Statement of Comprehensive Income
<b>111</b>	Statement of Cash Flow
<b>112</b>	Statement of Changes in Equity
<b>113</b>	Notes to the Financial Statements
<b>180</b>	Annexure I
<b>183</b>	Annexure II
<b>191</b>	Annexure III

## Governance

<b>64</b>	Board Committees
<b>66</b>	Management Team
<b>68</b>	Report of the Audit Committee
<b>69</b>	Statement of Internal Controls
<b>70</b>	Statement of Compliance
<b>71</b>	Independent Auditors Review Report
<b>72</b>	Profile of Shariah Advisors
<b>72</b>	Report of Shariah Advisor
<b>76</b>	Information Technology Governance
<b>78</b>	Whistle Blowing Policy
<b>79</b>	Business at Last AGM
<b>79</b>	Investor Grievance
<b>80</b>	Managing Conflict of Interest
<b>81</b>	Our Governance Philosophy
<b>82</b>	Notice of 73rd Annual General Meeting

## Performance

<b>84</b>	Horizontal & Vertical Analysis
<b>88</b>	Value Creation for Shareholders
<b>90</b>	Cash Flow
<b>91</b>	Products & Services
<b>96</b>	Corporate Social Responsibility Policy
<b>97</b>	Corporate Sustainability Report

## Consolidated Financial Statements

<b>193</b>	Directors' Report on Consolidated Financial Statements
<b>194</b>	Independent Auditors' Report to the Members
<b>198</b>	Statement of Financial Position
<b>199</b>	Profit & Loss Account
<b>200</b>	Statement of Comprehensive Income
<b>201</b>	Statement of Cash Flow
<b>202</b>	Statement of Changes in Equity
<b>203</b>	Notes to the Financial Statements

<b>270</b>	Pattern of Shareholding
------------	-------------------------

<b>274</b>	Glossary
------------	----------

<b>277</b>	Form of Proxy
------------	---------------



## VISION

To become a dynamic and efficient bank providing integrated solutions in order to be the first choice bank for the customers.

## MISSION

- To provide value added services to our customers
- To provide high tech innovative solutions to meet customers' requirements
- To create sustainable value through growth, efficiency and diversity for all stakeholders
- To provide a challenging work environment and reward dedicated team members according to their abilities and performance
- To play a proactive role in contributing towards the society

## STRATEGIC OBJECTIVES

- Enhancing brand image and creating shareholders' value through sustainable performance, while optimizing return against acceptable risk appetite.
- Augmenting financial inclusion of unbanked population through innovative and diversified technologies, building customers' confidence through convenient delivery channels and product designs.
- Continuous re-engineering of policies, procedures, SOPs, SLAs and TATs, ensuring operational efficiencies through effective management of key resources.
- Instilling a culture of ethics and responsibility among human resource and becoming an 'Employer of Choice' for the Top Professionals.

## CORE VALUES



Integrity



Excellence in Service



High Performance



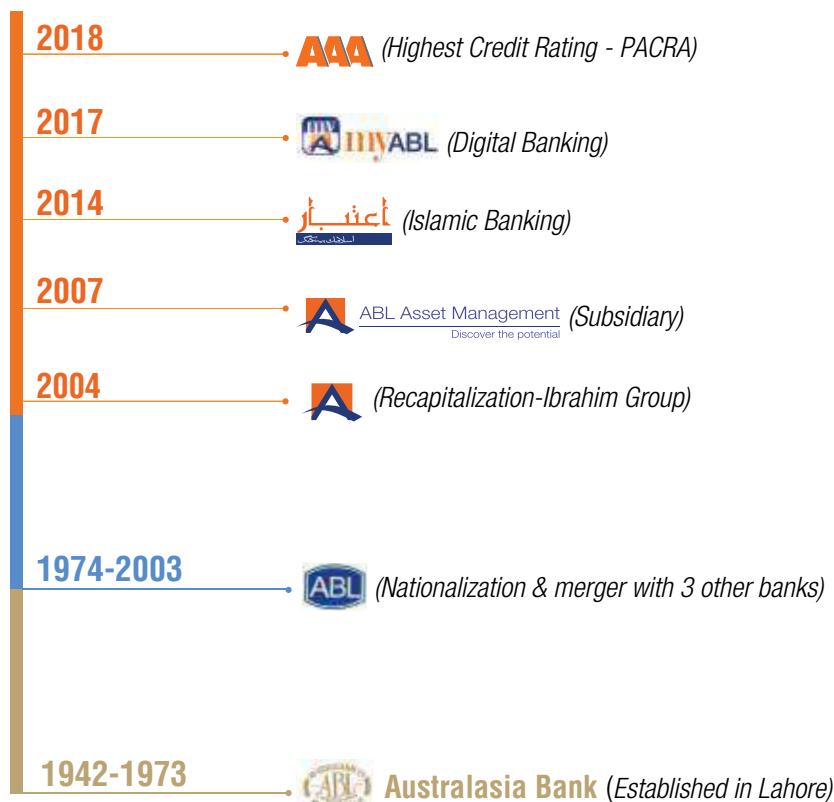
Innovation and Growth

# ABL AT GLANCE

Operational since 1942, ABL is one of the oldest Bank incorporated in Pakistan.

The Bank celebrates the culmination of **76 years of banking and commitment** towards strong equity, assets and deposit base, which positions the Bank as the **4th Largest Private Bank in Pakistan.**

**Holding Company**  
Ibrahim Holdings (Private) Limited



## Board of Directors

Mr. Mohammad Naeem Mukhtar (Chairman)  
Mr. Abdul Aziz Khan  
Ms. Nazrat Bashir \*

Mr. Sheikh Mukhtar Ahmad  
Mr. Zafar Iqbal  
Mr. Tahir Hassan Qureshi (CEO)

Mr. Muhammad Waseem Mukhtar  
Dr. Muhammad Akram Sheikh

\* Mr. Mubashir A. Akhtar retired on August 23, 2018

## Company Secretary

Muhammad Raffat

## Legal Adviser

Mandviwalla & Zafar Advocates

## Contact Detail

(+92-42) 35880043  
UAN: 111-225-225

## Chief Financial Officer

Muhammad Farhanullah Khan

## Shares Registrar

Central Depository Company of Pakistan Limited (CDCPL)

www.abl.com  
info@abl.com

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Registered & Head Office

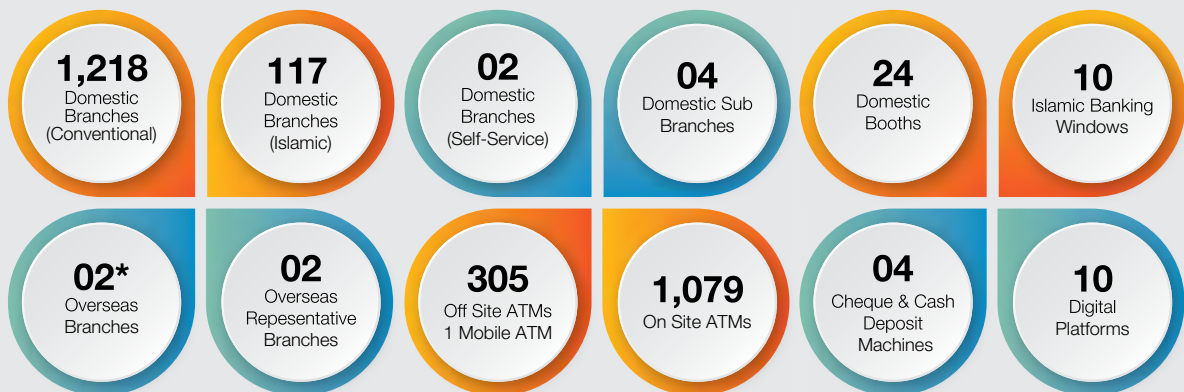
3 Tipu Block, New Garden Town,  
Lahore - Pakistan Postal Code 54000

<https://twitter.com/ablpk>  
<https://www.facebook.com/alliedbankpk>  
<https://www.youtube.com/user/alliedbankitd>  
<https://www.instagram.com/ablpk>

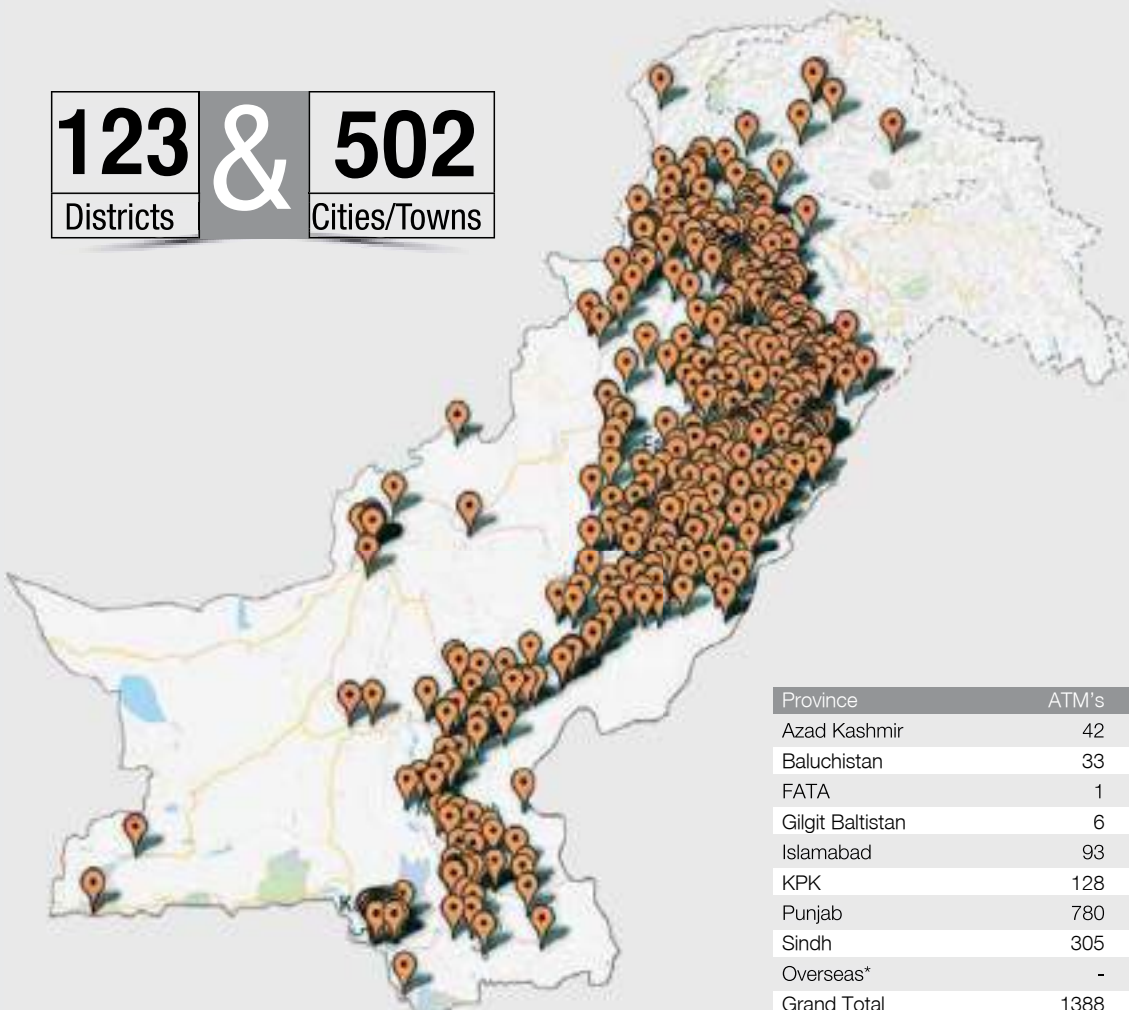
# PAKISTAN'S WIDEST NETWORK WITH

# 2,750+

CUSTOMER TOUCH POINTS



**123** & **502**  
Districts Cities/Towns



Province	ATM's	Branches
Azad Kashmir	42	63
Baluchistan	33	49
FATA	1	7
Gilgit Baltistan	6	7
Islamabad	93	69
KPK	128	158
Punjab	780	701
Sindh	305	289
Overseas*	-	2
Grand Total	1388	1345

\* Including branch in Export Processing Zone



# BOARD OF DIRECTORS



## Sitting from Left to Right

- Nazrat Bashir • Mohammad Naeem Mukhtar
- Sheikh Mukhtar Ahmad
- Abdul Aziz Khan

## Standing from Left to Right

- Zafar Iqbal • Muhammad Waseem Mukhtar
- Tahir Hassan Qureshi
- Dr. Muhammad Akram Sheikh





# BOARD OF DIRECTORS



**Mohammad Naeem Mukhtar**

Chairman / Non-Executive Sponsor Director

He is Chairman of the Board of Allied Bank since 2004. He has done MBA from Cardiff Business School UK, Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (CText ATI) from The Textile Institute in Manchester UK. He has over 33 years of experience of finance and industrial manufacturing. Besides Chairman of Board of Directors of Allied Bank Limited, he is also Chief Executive Officer/ Director of M/s. Ibrahim Fibres Limited and M/s. Ibrahim Holdings (Pvt.) Limited. In addition, he is also on the boards of M/s. Ibrahim Agencies (Pvt.) Limited. ABL Asset Management Company Limited, Karachi Education Initiative and Pakistan German Business Forum. He is also a Member of Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS). He is also representing ABL at Pakistan Business Council and is Industry Co-Chair Banking Sector of NUST Corporate Advisory Council (CAC) as well as Senior Fellow at Global Think Tank Network (GTTN).



**Sheikh Mukhtar Ahmad**

Non-Executive Sponsor Director

He started his business career immediately after migrating from India at the time of independence of Pakistan in 1947 and contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over 57 years of experience in establishing and successfully managing various industrial and financial companies. He has been on the Board of Directors of Allied Bank Limited since 2005 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Chairman of the Board of Directors of M/s. Ibrahim Fibres Limited, Ibrahim Holdings (Pvt.) Limited, Ibrahim Agencies (Pvt.) Limited and ABL Asset Management Company Limited.



**Muhammad Waseem Mukhtar**

Non-Executive Sponsor Director

He is MBA from the University of Chicago Booth School of Business, Illinois, USA. He also holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, UK, and has 21 years of diversified experience of Finance, IT and Industry. His strategic guidance played a vital role in technological up-gradation of the Bank. He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Director on the Boards of M/s. Ibrahim Fibres Limited, Ibrahim Holdings (Pvt.) Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company Limited and Arabian Sea Country Club.



**Abdul Aziz Khan**

Non-Executive Director

He has enriched and diversified experience of more than 55 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including 9 years of international banking, holding key positions abroad. He also remained CEO of M/s. Ibrahim Leasing for 11 years. He is on the Board of Allied Bank Limited since 2004.





**Zafar Iqbal**

Independent Director

He has 33 years' experience in senior management positions in financial and power generation sector. He was the Managing Director/ CEO of Pak Oman Investment Company Limited, a DFI owned jointly by the Governments of Pakistan and Sultanate of Oman. During his 8 years stay at Pak Oman he led the company in becoming the leading DFI in its peer group. Over the past 26 years, he has served on the Boards of number of listed and non-listed companies and financial institutions. He is a Fellow member of Institute of Chartered Accountants in England & Wales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP). He is a "Certified Director" from Pakistan Institute of Corporate Governance. He specialized in Investment Banking, Corporate Finance, Capital Markets, Leasing, Aircraft Financing and Energy & Power Generation. Presently, he is associated in advisory business and extensively travels within Middle East, South Asia, Europe and North America for business negotiation. He is on the Board of Directors of Allied Bank Limited since August 2015.



**Dr. Muhammad Akram Sheikh**

Independent Director

Dr. Muhammad Akram Sheikh (Hilale-Imtiaz) has over 53 years of work experience in the public and private sectors. He has founded Global Think Tank Network (GTTN) and currently chairs its Board of Directors. He is also Director on the Boards of Quality School Foundation and Tricon Boston Consulting (Pvt.) Limited (a 100% subsidiary of Sapphire Textile Mills Limited - STML).

He has held prestigious senior positions including Federal Minister/Head of Planning Commission, Federal Secretary of the Ministries of Communication, Water & Power and Industries & Production, Managing Director and Chairman of some of the largest public sector industrial establishments. During the period from 1998 to 2008, he also spearheaded many strategic policy initiatives including Medium Term Development Framework and Vision 2030 which lays down strategic directions for the future of the Country. He is on the Board of Directors of Allied Bank Limited since February 2015.

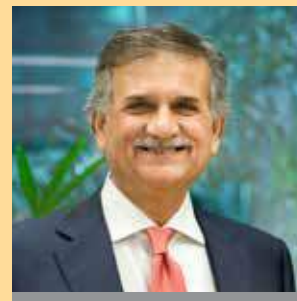


**Nazrat Bashir**

Independent Director

Ms. Nazrat Bashir belongs to Pakistan Administrative Service. She retired in BPS-22 from the government Service. Her academic qualifications are Master's in Economics from New York University, USA and Master's in Psychology from University of Peshawar. She is a Certified Director from the PICG.

Ms. Bashir has over 35 years of diversified civil service experience to her credit. During her career she served in different Ministries. She remained Additional Finance Secretary, Internal Finance, Finance Division, Government of Pakistan, Managing Director, Public Procurement Regulatory Authority (PPRA) and Senior Advisor, Wafaqi Mohtasib Secretariat. She also held directorship in various Government and Semi Government Organizations and attended numerous Conferences, Workshops, Seminars in Pakistan and abroad. She is on the Board of Directors of Allied Bank Limited since August 2018.

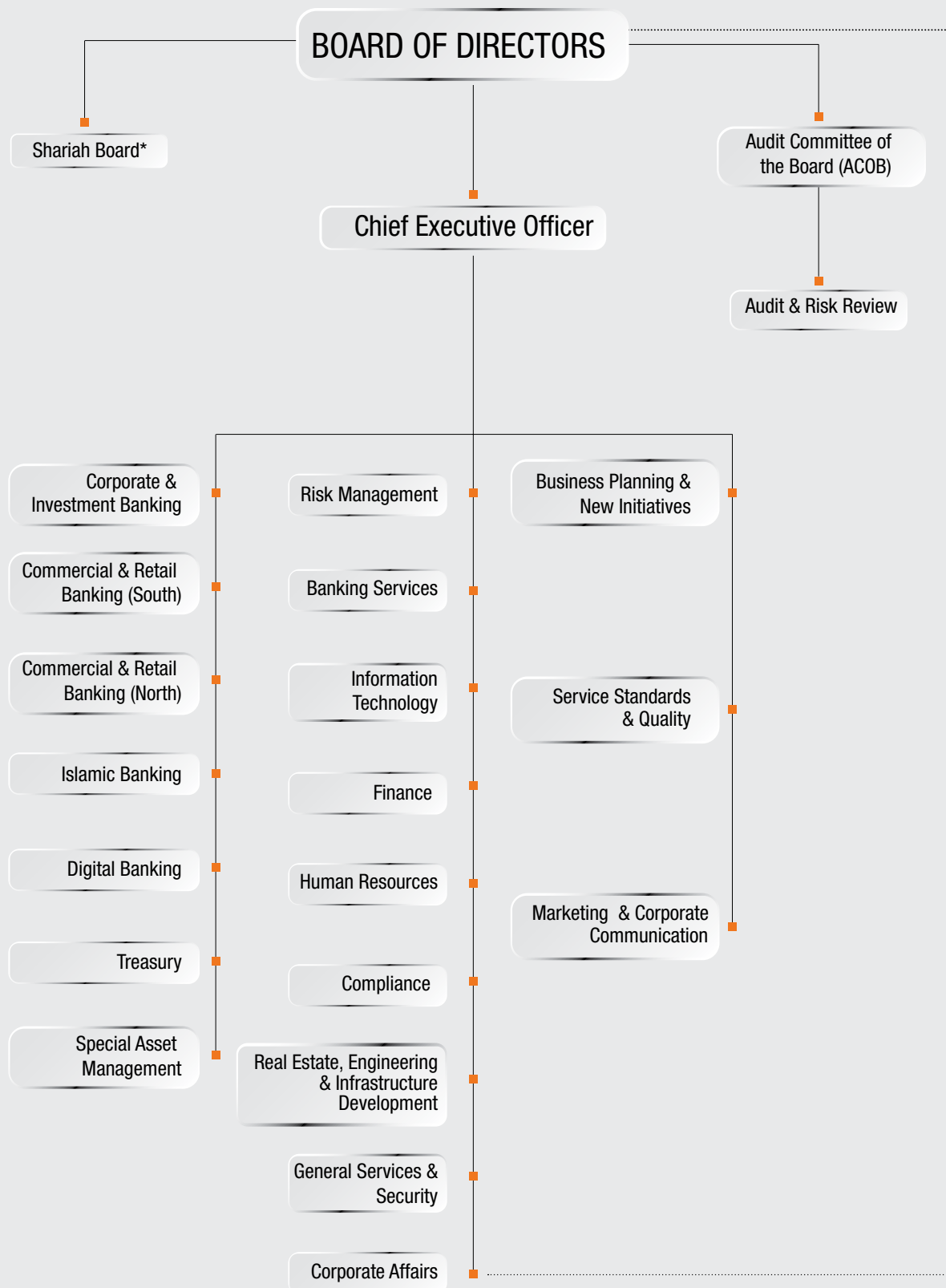


**Tahir Hassan Qureshi**

Chief Executive Officer

He is a seasoned professional banker and Fellow member (FCA) of the Institute of Chartered Accountants of Pakistan (ICAP) with a diversified experience of more than 30 years including over 25 years of experience in the banking industry where he has held senior management positions. He has served on various Committees of the ICAP and Pakistan Banks' Association. Before Joining Allied Bank Limited he held senior management positions in The Bank of Punjab, Habib Bank Limited and MCB Bank Ltd. He joined Allied Bank Limited in 2008 and served as Chief, Audit & Risk Review (A&RR), Chief Financial Officer and Chief Operating Officer (COO). Apart from attending various seminars and conferences locally and internationally, he also represented Allied Bank Limited on World Economic Forum's annual meetings of the New Champions. He is "Certified Director" from the ICAP and is Bank's nominee on the Board of Directors of Habib Allied Holding Limited - UK, ABL Asset Management Company Limited, Council of the Institute of Bankers Pakistan. He is a lifetime fellow member of Institute of Bankers Pakistan and representative of the Bank at Management Association of Pakistan and Pakistan Business Council.

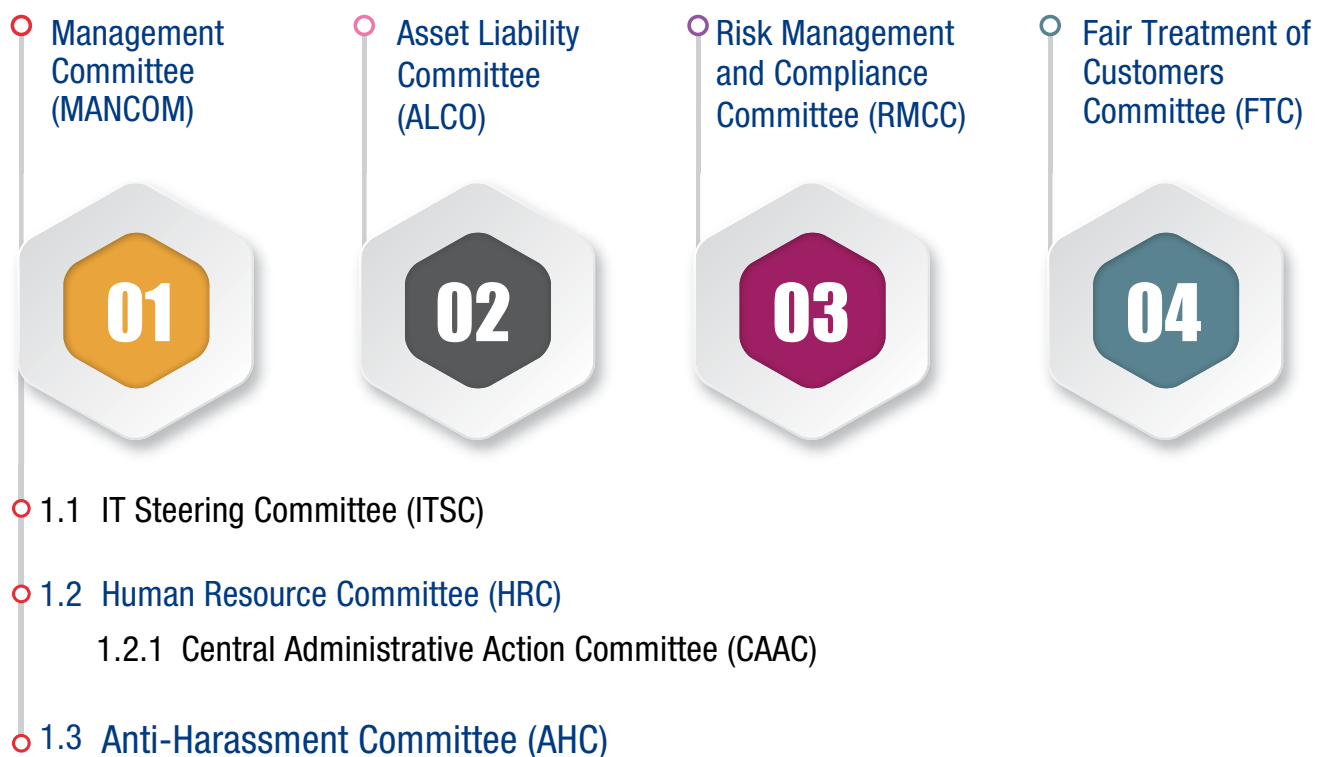
# CORPORATE STRUCTURE



\* Independent Shariah Board oversees Islamic banking operations



# MANAGEMENT COMMITTEES





# OUR VALUE CREATION BUSINESS MODEL

## OUR CAPITALS - Inputs



### Financial

- Equity - Tier 1 84,228 million
- Total Equity 107,305 million
- Deposits 984,475 million



### Manufactured

- Domestic & Foreign Branches 1,345
- ATM Network 1,388
- Core IT Systems 96
- Other Fixed Assets



### Human Capital

- Female Employees 1,850
- Male Employees 9,356
- Total Number of Employees 11,206
- Total Number of Graduates 10,306
- Management Development Centers 3
- Culture of Empathy



### Social And Relationship Capital

- Depositors
- Obligors
- Community Service (CSR)
- Strong Social Media Presence
- Robust Complaint Handling Mechanism



### Intellectual Capital

- 10 Year Strategic Rolling Plan
- Strong IT Platform
- Robust Risk Management (RAMS)
- Comprehensive Compliance Framework
- Detailed Policies & Procedures
- Competent Management



### Natural Capital

- Solar Branches 58
- Inverters 817
- Green Banking Initiatives
- Compliance to Environmental Laws

## ACTIVITIES

Enrichment of Customer Experience

Risk Management to balance Risk and Reward

Generate NIM on earning Assets/ Liabilities

Maintain, optimise and invest in operations, including technology, infrastructure and regulatory compliance

Facilitate Payments and Transactions-Conventional & Digital

Data Analytics

SUPPORTED BY  
HIGH STANDARDS  
OF GOVERNANCE

FINAN  
INTERME

Pay taxes in the jurisdictions in which we operate

Reward performance and invest in attracting, developing and retaining quality staff

Collaboration & Alliances

CIAL  
DIATION

# Creating Value For Our Stakeholders



## Shareholders

• 4th Largest Bank	
• Profit Before Tax	Rs. 21,016 million
• Profit After Tax	Rs. 12,881 million
• Earning per Share	Rs. 11.25
• Full-year dividend per share	Rs 8
• Return on Equity (Tier 1)	16%
• Return on Assets	1%



## Customers

• Advances Growth	+18%
• Deposits Mobilization	+11%
• Non Performing Loans Reduction	-11%
• CASA Mix	+4%
• Customer Onboarding (Approx)	650,000+
• Customer Complaint Resolutions	98%
• Customer Awareness Sessions	324
• myABL Registered Users (Approx)	290,000+
• No. of Debit Cards issued (Approx)	400,000+
• ATM Uptime	96%
• Digital Transactions	+14%
• Corporate Website Visits	6,032,454
• Social Media Fans	879,143



## Employees

• Salaries and Benefits	Rs. 12,370 million
• Female Representation	17%
• Employee Retention Ratio	94%
• Training Programs	806
• Employees Trained in Service	10,034
• Total Investment in Employee Trainings	Rs. 102 million



## Regulators / Rating Agencies

• Long Term Rating	AAA
• Short Term Rating	A1+
• Corporate Governance	CGR 9+
• Compliance with all Regulatory and Taxation requirements	



## Society

• Contribution to Local Society	Rs. 15,619 million
• Customer Relations	Rs. 749 million
• Improving Workplace Environment	Rs. 471 million
• Environmental Sustainability	Rs. 140 million

# KEY OPERATIONAL MILESTONES 2018

In house - Innovation Lab	DIGITAL TRANSFORMATION INITIATIVES
Launch of Pakistan's 1st 24/7 Digital (Automated Robotic) Lockers	
Launch of Biometric ATM Service "Be Smart Go Cardless"	
Launch of Interactive Teller Machine	
Launch of Mobile ATM Service	
Installation of anti-skimming devices in ATMs	
Upgrade of ATM network with EMV compliance	
Launch of myABL FonePay Apps for iOS & Android	
Launch of Branch POS Facility in Selected ABL Branches	
Phased Installation of Digital Signage to replace conventional notice boards in Branches	
Launch of E-Dividend Processing Mechanism for shareholders	
Launch of FBR Taxes/Payments facility through Digital Banking Channels.	
Agreement with IBM for Implementation of Big Data	
ABL Signed Contract with FetchSky Technologies for Peekaboo Connect Data Services	
First Ever PayPak-UnionPay Co-Badged Card Agreement Signed Between Allied Bank and 1Link	
T24 Release Upgrade to R16	
Launch of Allied Youth & Senior Citizen's Account	
Opening of 1,300th Domestic Branch	
Allied Bank Ranked among Top 3 Primary Dealers	
Full Day Banking Operations from Disaster Recovery Site	
Development of Green Banking Policy	

## FINANCIAL CALENDAR

2018	
1st Quarter results issued on	April 25, 2018
2nd Quarter results issued on	August 09, 2018
3rd Quarter results issued on	October 24, 2018
Recommendation of Annual Results by the BOD	February 13, 2019
73rd AGM scheduled for approval of Annual Results	March 28, 2019

# OPENING OF INNOVATION LAB





# DIRECTOR'S REPORT

## Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Annual Report of Your Bank for the year ended December 31, 2018. The operating results and appropriations, as recommended by the Board are included in the appended table:

	Year ended December 31,		
	2018	2017	Growth
	Rs. In Million		%
Profit after tax for the year	12,881	12,734	1
Accumulated profits brought forward	49,212	46,490	6
Effect of re-measurement of defined benefit plans - net of tax	455	-966	147
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit - net of tax	112	55	104
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit - net of tax	3	188	-98
Profit available for appropriation	62,663	58,501	4%
Final cash dividend for the year ended December 31, 2017 at Rs. 1.75 per share (2017: Year ended December 31, 2016 at Rs. 1.75 per share)	-2,004	-2,004	-
First interim cash dividend for the year ended December 31, 2018 at Rs. 2 per share (2017: Year ended December 31, 2017 at Rs. 1.75 per ordinary share)	-2,290	-2,004	14
Second interim cash dividend for the year ended December 31, 2018 at Rs. 2 per share (2017: Year ended December 31, 2017 at Rs. 1.75 per ordinary share)	-2,290	-2,004	14
Third interim cash dividend for the year ended December 31, 2018 at Rs. 2 per share (2017: Year ended December 31, 2017 at Rs. 1.75 per ordinary share)	-2,290	-2,004	14
Transfer to statutory Reserves	-1,288	-1,273	1
Accumulated profits carried forward	52,501	49,212	7
Earnings Per Share (EPS) (Rs.)	11.25	11.12	1

The Board of Directors has proposed a final cash dividend of Rs. 2 per share (aggregate cash dividend of Rs. 8 per share including interim dividends). This, together with the interim dividends declared during 2018, will be approved in the forthcoming Annual General Meeting.

## Macroeconomic Developments 2018

Pakistan's economic growth trajectory remained on the positive track, with Gross Domestic Product (GDP) rising by a healthy 5.8% in FY2017-18. This momentum was sustained by strong growth in Agriculture, continued expansion by Services sector and Large-Scale Manufacturing (LSM).

Industrial activity posted marginal uptick during the year under review, driven by improved energy supply, strong domestic demand, higher fiscal spending and favorable business sentiments.

Going forward, policy measures such as monetary tightening, exchange rate depreciation and changes in import and custom duties are likely to weigh in on domestic demand. Optimization of development spending together with

additional revenue measures are likely to assist in containing fiscal deficit.

Moreover, the support from 'Friends of Pakistan' especially KSA, UAE, China, is expected to reduce the pressure on the foreign exchange reserves in the short term. The country has to seek another bailout under a new IMF program, as it is only long-term window to manage the pressure on current account.

The aforementioned measures to curtail twin deficits is expected to fuel inflationary pressures, thereby affecting growth prospects. In this background, SBP as per its latest projections, is forecasting real GDP growth to adjust downwards to 4% against government's target of 6.2%. similar to IMF Projections at 4% during FY2018-19, with inflation breaching annual target of 6.0% (SBP latest Projection: 6.5% - 7.5%).

State Bank of Pakistan (SBP) accordingly adopted a Monetary Policy (MP) tightening stance, as the Policy Rate was increased by 425 bps to 10% by November 2018, which has further increased by 25 bps in January 2019.

Despite the rising interest rate scenario, the main challenge of immediate re-pricing on the liability side while staggered re-pricing on the asset side continued to put pressure on the growth in Net Interest Margins (NIM).

Similarly, the rising cost of doing business, new regulatory levies, heightened compliance related costs along with extra ordinary costs with reference to retirement benefits kept the pressure on the operating environment and bottom line of the banking sector.

Overall industry advances rose to Rs.7,888 billion at end December 2018

as compared to Rs.6,530 billion recorded in the last December, posting an increase of 21%. While industry deposits accumulated to Rs. 13,354 billion at end December 2018 as compared to Rs. 12,362 billion in December 2017; registering a growth of 8%, being lowest in a decade.

Banking sector investments closed at Rs.7,583 billion at end December 2018 as compared to Rs.8,542 at the end of corresponding year; posting a decline of 11%.

Total assets of the banking sector amounted to Rs. 18,547 billion as at December 31, 2018 as compared to Rs. 17,594 billion as at December 31, 2017, posting a 5% increase.

In view of the waning economic growth in medium term, banking sector sustainable future entails with higher focus on customer onboarding by offering customer centric innovative products and services, higher level of service quality, augmented technology platforms, robust risk management and compliance framework along with simultaneous focus on data governance, management information systems and cyber security.

It is imperative for the Banking Sector to manage hybrid banking business model comprising of digital and conventional banking services in harmony to cater for financial inclusion while facilitating in meeting the growing digital banking needs of the urban banked populations.

## Financial Performance

In light of evolving macro- economic situation and to ensure stability, the benchmark Policy Rate was increased gradually by 425 bps in absolute terms during the year, while on average the increase in rates was 136 bps as compared to 2017.

At the same time banking industry witnessed challenging business environment stemming from rising cost of doing business, currency devaluation amidst increasing regulatory requirements with higher focus on compliance.

Despite the aforementioned challenging circumstances, Your Bank continued to follow strategy of sustainable growth by focusing on further strengthening risk and compliance management; offering digital



banking products to enhance customer experience; optimizing operating efficiency by using technology-based solutions and intensifying capacity to ensure diversification in asset mix and innovative service offerings to earn fund based and fee-based revenues.

Volumetric growth in average earning assets, particularly advances, along with effective mix of shorter tenor investments in a rising interest rate scenario duly enabled Your Bank to post a higher gross mark-up income by Rs.7,565 million, up 12% over last year.

In-spite of volumetric growth in deposits with immediate re-pricing upon each policy rate change, gross mark-up expense growth curtailed to Rs.7,028 million.

As a result, Your Bank posted net mark-up income of Rs.32,115 million against Rs.31,578 million in 2017, reflecting a growth of 2%.

In view of the squeezing interest margins, management made concerted efforts towards generating Non-mark-up income, which increased by Rs. 2,577 million or 30% against 2017 to close at Rs.11,289 million.

The realized gains on sale of securities, increased by Rs.1,741 million to close at Rs. 2,382 million for the year as against

Rs. 641 million in 2017. Your Bank's timely diversification from the fixed rate bond portfolio in the first quarter mitigated the embedded mark to market loss risk in view of the subsequent interest rate hikes during the year.

The prudent positioning and management of Bank's foreign exchange (FX) assets and liabilities has enabled Your Bank to post a healthy FX income of Rs.1,504 million as against Rs.762 million in 2017, posting a growth of 97%.

In order to augment the fee-based income, various initiatives undertaken by Your Bank during the year under review, started yielding results; thereby fee and commission income posted an increase of 11% and amounted to Rs.4,360 million as against Rs. 3,917 million in 2017.

Your Bank continued to maintain blue-chip equity portfolio, resulting into sizeable dividend income of Rs.2,791 million despite lower dividend payouts from IPPs due to liquidity constraints.

During the year under review Your Bank continued to optimize operating costs by implementing technology-based solutions despite accounting for the significant impacts of new and ongoing compliance related regulatory charges, additional costs emanating from retirement benefits and outreach expansion.

# DIRECTOR'S REPORT

Branch network of Your Bank has increased to 1,345 branches including 1,228 conventional and 117 Islamic banking branches across Pakistan, while concurrent focus on expanding ATM network was maintained, which has increased to 1,388 locations including 305 off-site ATMs as at December 31, 2018.

Supreme Court of Pakistan vide order dated November 10, 2016 held that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were not lawful. Federal Board of Revenue filed review petition against the subject order, which is currently pending for adjudication.

However, based on the above referred order and legal opinion of the Bank's tax consultant, Your Bank has conservatively reversed the cumulative provision against WWF from January 2008 to December 2013; before the levy of WWF by a Provincial Government, which is under litigation.

Resultantly, the total non-mark-up expenses of Your Bank has increased by 6% to close at Rs.23,306 million.

Under the Suo Moto case SMC No. 20/2016 the Honourable Supreme Court had taken up the matter relating to pension arrangements of privatized banks.

The Honourable Supreme Court of Pakistan concluded the Suo Moto case on February 13, 2018, by using judicial discretion and fixed the minimum pension and indexation levels for eligible staff, on humanitarian grounds.

In view of the underlying judgement, the Bank under the guidance of legal counsel, has booked the related past service cost based on an annual actuarial valuation.

Profit before tax of Rs. 21,016 million earned by Your Bank for the year ended December 31, 2018 as compared to Rs.20,879 million in 2017.

Super Tax, which was initially levied vide Finance Act 2015, continued for the year. Resultantly effective tax rate stood at 39%.

The Bank posted profit after tax of Rs. 12,881 million as against Rs. 12,734 million in 2017. Resultantly the EPS of Your Bank has stood at Rs.11.25 per share as compared to 11.12 per share in 2017. While Return on Assets (ROA) and Return on Equity (ROE) have stood at 1% and 16% respectively as at December 31, 2018.

Owing to continuous growth in informal business activities and reduction in Government borrowings from banking sector, total assets of banking industry witnessed growth of 5%; whereas total assets of Your Bank increased by 8% to close at Rs.1,351 billion as at December 31, 2018.

The major contribution in total assets included increase of Rs 66,281 million in advances, which posted a growth of 18% and stood at Rs. 438,319 million during the year under review. As a result, the ADR of Your Bank has increased to 46%.

Lendings to financial institutions increased by Rs 45,091 million to close at Rs.53,786 million while there was a net decrease in total investments by Rs 26,854 million, which stood at Rs.671,228 million as at December 31, 2018.

Investment mix continued to shift from long-term PIBs to the short-term MTBs during the year in the wake of rising interest rate scenario. Resultantly investment to deposit ratio has declined by 11% as compared to last year.

Continued focus on recovery efforts has assisted in reducing Non-Performing Advances by Rs. 1,987 million to close at Rs.16,065 million, thereby infection ratio fell by 1% to close at 3.7% while coverage ratio improved to 96.7%.

Provision against Non-Performing Loans has stood at Rs 15,533 million as at December 31, 2018, while no FSV benefit of underlying collateral has been taken while determining the provision against Non-Performing Advances as allowed under guidelines of the State Bank of Pakistan.

On the liabilities side, the deposit base of Your Bank has registered a healthy increase of Rs 100,734 million and stood at Rs.984,475 million, indicative of a double-digit growth of 11% from the year 2017; well above the industry's deposits, which grew by 8%.

The Bank continued its focus on increasing no cost deposits, with 15% growth in Non-remunerative current deposits which closed at Rs. 363,639 million. Resultantly, CASA deposit mix has improved to 82% as at December 31, 2018 from 78% as at December 31, 2017.

The Bank's Equity base stood at Rs. 107,305 million. Your Bank's Capital Adequacy ratio (CAR) has also stood well above the requirements of the State Bank of Pakistan. The standalone and consolidated CAR under Basel III has stood at 22.23% and 22.05% respectively.

Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) have stood at 17.34% as against the requirement of 6.0% and 7.5% respectively; clearly depicting a well-capitalized position of Your Bank.

## Risk Management Framework

The Board of Directors manages risk through a framework of sound risk principles which include establishment of risk tolerance limits, identification of potential risks, assessment of their impact on the Bank and formulation of strategies to mitigate all foreseeable risks to the Bank while ensuring continuous monitoring.

Risk mitigating strategies were recommended and monitored through Board of Directors' sub-committee "Board Risk Management Committee" (BRMC). Management sub-committees "Risk Management Committee" (RMC) and "Asset and Liability Committee" (ALCO) ensuring effective risk management. Summarized Risk and related mitigating factors are covered in annexed Risk and Opportunity Report.

The Risk Management Group (RMG) is mandated to implement this framework as a function independent of commercial lines of business, working under the oversight of BRMC.

RMG took following major initiatives in 2018 to further strengthen the risk management framework:

- Owing to Small and Medium Enterprises economic significance and in light of SBP's initiative to promote SME financing, ABL participated in Innovative Challenge Fund (ICF3) "Transforming SME Financing,





Innovative Credit Scoring Model of SMEs” launched by Karandaaz Pakistan (a non-profit organization) and got selected as a Partner for this project. This project will not only help us in fulfilling our social responsibility of financial inclusion while simultaneously creating business opportunities for the Bank.

- In compliance with SBP directives, the Bank has carried out a detailed quantitative and qualitative impact analysis exercise for the adoption of IFRS-9 on Annual Financial statement of the year 2017. Implementation of IFRS-9 may develop a comprehensive forward-looking approach and a fundamental shift in provisioning from incurred loss model to expected loss model, however, we believe that implementation of IFRS-9 in Pakistan involves considerable challenges in terms of relevance to on-ground realities, regulatory oversight and review of existing well- defined Prudential Regulations.

- Implemented BASEL Capital calculation module of Oracle Risk Management Solution. Through this automated system, the Bank has automated the calculation of Capital Adequacy Ratio (CAR). This module also provides dashboard for analytical views about CAR movements.
- The Bank has acquired Bench Matrix Solution for Operational and Compliance Risk Management. This system shall enable the bank to automate various functions pertaining to Operational and Compliance risk management as per best practices in the field.
- In continuance of Bank’s distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; two interactive seminars for corporate, commercial & SME obligors on the topic “Transition from Family Owned Business Structure to Corporate Structure” were organized during 2018.

The Bank devotes considerable resources in managing the risks to which it is exposed. The momentum attained thus far will be continued in the future through significant investments in human resources, training and technology.

The Bank has also revamped its remuneration policy by introducing risk-based compensation mechanism as stipulated under “Guidelines on Remuneration Practices” by SBP.

### Chief Executive Officer’s Review

The Board of Directors fully endorses the Chief Executive Officer’s Review on the Bank’s operational performance for the year ended December 31, 2018.

### Statement of Internal Control.

The Board is pleased to endorse the statement made by management relating to internal controls including management’s evaluation of ICFR. The Management’s Statement on Internal Control is included in the Annual Report.

# DIRECTOR'S REPORT



## Corporate Sustainability

The Board is pleased to endorse the Corporate Sustainability initiatives taken by Your Bank, as disclosed separately in the Annual Report.

## Entity Rating

Pakistan Credit Rating Agency (PACRA) upgraded Bank's long-term rating from "AA+" (Double A Plus) to "AAA" (Triple A) during the year and maintained the already highest short-term rating of "A1+" (A One Plus). These ratings indicate a very high credit quality.

## Corporate Governance Rating

JCR-VIS Credit Rating Company Limited re-affirmed Allied Bank's Corporate Governance Rating of 'CGR-9+'. The rating indicates a 'high level of corporate governance'; thus, depicting a strong commitment towards governance framework by the Board and Management of Your Bank. JCR-VIS has noted that Human Resource and Remuneration Committee be chaired by an independent director as per Listed Companies (Code of Corporate Governance) Regulations 2017, which is currently being headed by non-executive director.

## Board of Directors

The profile of all Board members is disclosed separately in the Annual

Report's section related to Corporate Profile.

Composition of the Board of Directors is specified in "Statement of Compliance with Code of Corporate Governance. While Composition of Board committees is also disclosed separately in the Annual Report.

Non-executive directors including independent directors excluding those who have opted not to receive meeting fee, are paid a reasonable and appropriate remuneration for attending the Board and/or its committee meetings which is disclosed in the Financial Statements note 39.

This remuneration is not at a level that could be perceived to compromise independence. No fee is paid to the directors who do not attend a meeting. Similarly, fee is not paid for the proposals considered through circulation.

## Performance evaluation Mechanism for the Board

The Board of Directors (BOD), while ensuring regulatory compliance, is also vested with fiduciary responsibility on behalf of the shareholders to protect Bank's interests, provide strategic direction and monitor the execution of strategic objectives.

The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations and Code of

Corporate Governance (The Code) describes the role of Board of Directors along with its responsibilities and functions.

To comply with the requirement of Code, the Board, in the year 2014, put in place an effective mechanism for Board Evaluation.

Subsequently, SBP vide BPRD Circular No. 11 dated August 22, 2016, issued detailed Guidelines on Performance Evaluation of Board of Directors. As per these Guidelines, Board decided to opt for in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years.

The Bank has evaluated the performance of the overall Board as per the following categories:

- I. Chairman.
- II. Overall Board of Directors
- III. Sponsor Directors.
- IV. Independent Directors.
- V. Individual Directors (other than Chairman, Sponsors, Independent Directors and CEO).
- VI. Board of Directors' Committees.
- VII. Chief Executive Officer.

As per the approved mechanism, the responses/ feedback from the directors on each of the above-mentioned categories (except Chairman) is compiled and submitted to the Chairman. The Chairman discusses the results/findings with each individual Board member. The authorized independent director communicates the feedback in respect of the Chairman for incorporation in the consolidated performance report.

Messrs. Deloitte Yousuf Adil Chartered Accountants were engaged during the year as an independent evaluator to issue a formal report covering following areas:

- I. Board's structure and composition
- II. Board's role and responsibilities
- III. Board's processes.
- IV. Board's committees' organization and process
- V. Board's compensation
- VI. Potential Boards' development needs
- VII. Overall Board's effectiveness
- VIII. Chief executive Officer oversight



The Independent evaluation is placed before the Board of Directors for review and consideration.

During the year, the election of directors was held on August 27, 2018. Accordingly, the Board composition was changed as Mr. Mubashir A. Akhtar, a non-executive director, retired. He remained associated with the Bank since 2006 and we sincerely thank Mr. Mubashir on behalf of the Board for his valuable contribution and guidance during his tenure.

The Board of Directors welcomes Ms. Nazrat Bashir on the Board as an independent female director. She is Masters in Economics from New York University, USA and Certified Director from the PICG.

She has over 35 years of diversified civil service experience to her credit. During her career, she served in different ministries of the Government of Pakistan including Managing Director, Public Procurement Regulatory Authority (PPRA) and Senior Advisor, Wafaqi Mohtasib Secretariat. She also held directorship in various Government and Semi Government Organizations and attended numerous Conferences, Workshops, Seminars in Pakistan and abroad

After the election, the Bank stands compliant with COCG Chapter II Clause 7 requirement, which required presence of at least one female director on the Board.

## Auditors

The present auditors Messrs. KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

The Board of Directors on the recommendation of the Audit Committee, has recommended Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, as statutory auditors for the next term.

## Pattern of Shareholding

Pattern of Shareholding, is annexed.

## Events after the Balance Sheet date

Federal Government vide Finance Supplementary (Second Amendment) Bill, 2019 (Bill) dated January 23, 2019, has proposed to amend rate of Super Tax for Banks for Tax Year 2018 (Accounting Year ended 31 December, 2017) from "0%" to "4%". As a result, the proposed implementation shall result in a retrospective levy. The Pakistan Banking Association has made representation to withdraw proposed amendment. The proposed bill would take effect only upon approval by the Parliament.

The unconsolidated financial statements of the Bank for the year ended December 31, 2018 do not include the effect of this new proposed levy, which would

be accounted for in the year ending December 31, 2019 as prior year tax charge; if the proposed bill is approved by the Parliament.

## Acknowledgement

On behalf of the Board and the Management, we would like to place on record our gratitude to esteemed shareholders and valuable customers for their continued commitment with Allied Bank Limited; Securities and Exchange Commission of Pakistan, State Bank of Pakistan and other regulatory authorities for their guidance and assistance. We would also like to recognize the commitment and devotion of our colleagues towards the advancement and growth of the Bank.

For and on behalf of the Board of Directors.

**Tahir Hassan Qureshi**  
Chief Executive Officer

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

Faisalabad  
February 13, 2019

# ڈائریکٹرز جائزہ رپورٹ

محترم محسن پاکستان!

بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کے بنک کے 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ پیش کرتے ہوئے نہایت مسرت محسوس کر رہا ہوں۔ بورڈ کی طرف سے سفارش کردہ کاروباری نتائج اور تخصیص مندرجہ ذیل ہیں:

سال برائے اختتام 31 دسمبر			
اضافہ فی صدہ %	2017	2018	ملین روپے
1	12,734	12,881	منافع بعد از ٹیکس
6	46,490	49,212	گزشتہ جمع شدہ منافع
147	(966)	455	معین شدہ مفید منصوبوں کی تخصیص ثانی کے اثرات۔ خالص از ٹیکس
104	55	112	پائیدار اثاثہ جات کی قدر و پیمائش سے منتقلی۔ خالص از ٹیکس
(98)	188	3	غیر منگنا اثاثہ جات کی قدر و پیمائش سے غیر تخصیص شدہ کو منتقلی۔ خالص از ٹیکس
4	58,501	62,663	تصرف کے لیے دستیاب منافع
-	(2,004)	(2,004)	حتمی کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2017
بحساب 1.75 روپے فی عام حصص (2017: سال ختمہ 31 دسمبر 2016 - 1.75 روپے فی عام حصص)			
14	(2,004)	(2,290)	پہلا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2018
بحساب 2 روپے فی عام حصص (2017: سال ختمہ 31 دسمبر 2017 - 1.75 روپے فی حصص)			
14	(2,004)	(2,290)	دوسرا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2018
بحساب 2 روپے فی عام حصص (2017: سال ختمہ 31 دسمبر 2017 - 1.75 روپے فی حصص)			
14	(2,004)	(2,290)	تیسرا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2018
بحساب 2 روپے فی عام حصص (2017: سال ختمہ 31 دسمبر 2017 - 1.75 روپے فی حصص)			
1	(1,273)	(1,288)	ضوابطی ریزرو میں منتقلی
7	49,212	52,501	آگے منتقل کیا گیا جمع شدہ منافع
1	11.12	11.25	فی حصص آمدنی (EPS) روپے

بورڈ آف ڈائریکٹرز نے 2 روپے فی شیئر کا فائل کیش ڈیویڈنڈ تجویز کیا ہے۔ (مجموعی کیش ڈیویڈنڈ 8 روپے فی شیئر بشمول عبوری ڈیویڈنڈز) اس تجویز اور سال 2018 کے دیگر مجوزہ ڈیویڈنڈز کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں دی جائے گی۔

توقع ہے۔ ترقیاتی اخراجات کا بہترین استعمال اور اس کے ساتھ ساتھ آمدنی کے اضافی ذرائع کے حصول کیلئے کئے گئے اقدامات کی بدولت، مالیاتی خسارہ کو کم کرنے میں مدد مل سکتی ہے۔

باعث مثبت رجحان برقرار ہے۔ اس معیار حرکت کا حصول زرعی شعبہ میں توانا ترقی اور اس کے ساتھ خدمات کے شعبہ اور بڑے پیمانے کی صنعت میں جاری وسعت کی بدولت حاصل ہوا ہے۔

مزید برآں پاکستان کے دوست ممالک خصوصاً سعودی عرب، متحدہ عرب امارات اور چین کی جانب سے تعاون کے باعث غیر ملکی زر مبادلہ کے ذخائر پر قلیل مدت میں دباؤ کم ہونے کی قوی امید ہے۔ ملک کو آئی ایم ایف (بین الاقوامی مالیاتی فنڈ) کے ایک نئے پروگرام کے ذریعہ بیل آؤٹ پیکیج کیلئے رجوع کرنا پڑے گا جو کہ کرنٹ اکاؤنٹ پر دباؤ کا انتظام

صنعتی شعبہ میں بھی اس زیر تجزیہ عرصہ کے دوران توانائی کی بہتر ہوتی رسد، مضبوط داخلی طلب، زیادہ اخراجات اور موافق کاروباری ماحول کے باعث قدرے بہتری ہوئی۔ مستقبل میں آگے بڑھتے ہوئے، چند پالیسی اقدامات جیسا کہ مالیاتی انضباط، شرح تبادلہ میں تنزلی اور درآمدات اور کسٹم ڈیوٹی میں تبدیلی کے ذریعہ اندرونی طلب پر اثر انداز ہونے کی

میکھنا کا کسٹم برقیہ 2018ء

پاکستان کی معاشی ترقی میں مالی سال 2017-18 کے دوران مجموعی داخلی پیداوار (گراس ڈومیسٹک پراڈکٹس) جی ڈی پی میں 5.8 فیصد کی بڑھتی ہوئی مضبوط نمو کے

کرنے کی واحد اور دیرپا سہولت ہے۔

دہرے خسارہ کو کم کرنے کے لیے مندرجہ بالا اقدامات کے باعث افراط زر کے دباؤ میں مزید اضافہ بھی متوقع ہے جو کہ معاشی ترقی کی امید پر بھی اثر انداز ہو سکتا ہے۔ ان معاملات کے پیش نظر اسٹیٹ بینک آف پاکستان نے اپنی حالیہ پیش درازی میں حکومت کے 6.2 فیصد کے ہدف کے مقابلہ میں جی ڈی پی کی نمو میں تخفیف کرتے ہوئے 4 فیصد کی شرح کی توقع کا اظہار کیا ہے۔ 4 فیصد کی یہ شرح مالی سال 2018-19 کے لئے آئی ایم ایف کی متوقع شرح نمو سے مطابقت رکھتی ہے۔ جس کے ساتھ افراط زر کی شرح بھی اپنے سالانہ ہدف سے انحراف کرتے ہوئے 6 فیصد پر تین کی گئی ہے (اسٹیٹ بینک آف پاکستان کی توقع 6.5 فیصد سے 7.5 فیصد ہے)۔ چنانچہ اسٹیٹ بینک آف پاکستان نے مالیاتی پالیسی کے کڑے بنیاد کو اختیار کیا ہے اور پالیسی ریٹ کو نومبر 2018 میں 425 بی پی ایس تک بڑھا کر 10 فیصد پر کر دیا ہے۔ جبکہ جنوری 2019ء میں اس میں مزید 25 بی پی ایس کا اضافہ کیا گیا ہے۔

شرح سود میں بڑھوتی کے رجحان کے باوجود، واجبات کی قدر و قیمت کی فوری اور دوبارہ تشخیص اور اس کے ساتھ ساتھ اثاثہ جات کی قدر و پیمائش میں اتار چڑھاؤ کی بدولت، خالص انٹرست مارجنز کی نمو پر دباؤ برقرار ہے۔ اسی طرح کاروبار کرنے کی لاگت میں اضافہ، نئے ضوابط کی محصولات، بڑھتی ہوئی تعمیلی لاگت اور اس کے ساتھ ریٹائرمنٹ کے فوائد سے متعلق اخراجات میں غیر معمولی اضافہ نے بینکنگ کے شعبہ کی کارکردگی کے ماحول اور منفعت کو متاثر کیا ہے۔

مجموعی طور پر صنعت کے قرضہ جات گزشتہ دسمبر میں ریکارڈ کئے گئے 6,530 بلین روپے کے حجم کی نسبت دسمبر 2018 کے اختتام تک 7,888 بلین روپے تک بڑھ گئے اور اس طرح 21 فیصد کا اضافہ درج کیا گیا ہے۔ جبکہ صنعت کے مجموعی ڈیپازٹس دسمبر 2017ء کے 12,362 بلین روپے کے حجم سے 8 فیصد کی بڑھوتی (جو کہ گزشتہ دس سال میں کم ترین ہے) کے ساتھ دسمبر 2018 کے اختتام

تک 13,354 بلین روپے کی سطح پر جا پہنچے ہیں۔

بینکنگ کے شعبہ کی سرمایہ کاری کا حجم گزشتہ تقابلی سال کی 8,542 بلین روپے کی سطح میں 11 فیصد کی کمی کے ساتھ دسمبر 2018 اختتام تک 7,583 بلین روپے رہا۔ بینکنگ کے شعبہ کے کل اثاثہ جات 31 دسمبر 2017ء کے 17,594 بلین روپے کے مقابلہ میں 5 فیصد کے اضافہ کے ساتھ 31 دسمبر 2018 تک 18,547 بلین روپے تک جا پہنچے۔

درمیانی مدت میں کمزور معاشی ترقی کے تناظر میں بینکنگ کے شعبہ کے پائیدار مستقبل کا دار و مدار صارفین کے مزاج اور ضروریات پر منحصر جدید مصنوعات اور خدمات کی فراہمی، خدمات کے اعلیٰ ترین معیار، ٹیکنالوجی سے مزین سہولیات، خدشات کے تذراک کا مضبوط نظام اور تعمیلی طریقہ کار جیسے عوامل پر اپنی زیادہ تر توجہ مرکوز کرنے پر ہے۔ اسی کے ساتھ اعداد و شمار کی نگرانی، اختطائی معلومات کا نظام اور سائبر سیکیورٹی جیسے دیگر معاملات پر بھی بینک کی بروقت توجہ کی ضرورت ہے۔

بینکنگ کے شعبہ کو ایک مخلوط بینکنگ کے کاروبار کے فروغ کی ناگزیر ضرورت ہے۔ جس میں روایتی اور ڈیجیٹل بینکنگ خدمات کی آمیزش ہو۔ جو بینکاری سے محروم افراد کی مالی شمولیت کے ساتھ بڑھتی ہوئی ڈیجیٹل بینکنگ کی ضرورت کو پورا کرنے میں مددگار اور ہم آہنگ ہو۔

### مالیاتی کارکردگی:

سال کے دوران کلاں معاشی صورتحال کے ارتکاء کے تناظر میں اور اس کے استحکام کو یقینی بنانے کیلئے بنیادی پالیسی ریٹ میں 425 بی پی ایس کا بتدریج اضافہ کیا گیا۔ جبکہ سال 2017 کے مقابلہ میں ریٹ کا اوسط اضافہ 136 بی پی ایس رہا۔

اسی اثناء میں بینکنگ کی صنعت کو کاروبار کرنے کی لاگت میں اضافہ اور کرنسی کی متزلی جیسے عوامل کے باعث ایک مشکل کاروباری ماحول کا سامنا رہا، مبادیہ کہ اضافی ضوابطی مطلوبات اور اس کے ساتھ تعمیل کے بڑھتے ارتکاز کا بھی سامنا رہا۔

مندرجہ بالا مسابقتی حالات کے باوجود، آپ کے بینک نے، اپنے خدشات اور تعمیل کے انتظام کو مزید مضبوطی کے ساتھ، اپنے صارفین کے تجربہ میں اضافہ کے لئے ڈیجیٹل بینکنگ کی مصنوعات کی پیشکش، جدید ٹیکنالوجی سے مزین اپنی کارکردگی کی صلاحیتوں کے بہترین استعمال اور اپنے اثاثہ جات کی ترکیب تنوع کو یقینی بنانے کیلئے اپنی استطاعت میں مزید گہرائی اور ایسی اختراعی خدمات کی پیشکشوں سے جن سے سرمایہ اور فیس کی بنیاد پر آمدنی میں اضافہ ہو سکے، جیسے معاملات پر مزید ارتکاز کے ذریعہ اپنی ترقی کی حکمت عملی کو جاری رکھا۔

اپنے اوسط پیداواری اثاثہ جات میں قابل قدر اضافہ خصوصاً قرضہ جات کی مد میں اور اس کے ساتھ بڑھتے ہوئے انٹرست ریٹ کے پیش نظر قلیل مدت کی سرمایہ کاری کی بہترین ترکیب کی بدولت آپ کے بینک نے گزشتہ سال کی نسبت 12 فیصد اضافہ کے ساتھ 7,565 بلین روپے کی مجموعی مارک اپ آمدنی کی بلند ترین سطح کو حاصل کیا ہے۔ قیمتوں کے دوبارہ تعین کے بعد ڈپازٹس کے حجم میں اضافے کے باوجود مجموعی مارک اپ اخراجات میں 7,028 بلین روپے کی کمی واقع ہوئی۔ جس کے نتیجہ میں آپ کے بینک نے 2017 کے 31,578 بلین روپے کی نسبت 32,115 بلین روپے کی خالص مارک اپ آمدنی درج کی ہے جو کہ 2 فیصد کا اضافہ ظاہر کرتی ہے۔

سکڑتے ہوئے انٹرست مارجنز کے پیش نظر بینک کی انتظامیہ نے غیر مارک اپ آمدنی میں اضافہ کیلئے خصوصی کادشیں کی ہیں جو کہ 2017 کے مقابلہ میں 2577 بلین روپے یا 30 فیصد اضافہ کے ساتھ 11,289 بلین روپے پر اختتام پذیر ہوئی۔

سال کے دوران تمسکات (سیکوریٹیز) کی فروخت سے حاصل ہونے والی آمدنی 2017 کے 641 بلین روپے کے حجم کی نسبت 1,741 بلین روپے کے اضافہ کے ساتھ 2,382 بلین روپے پر بند ہوئی۔

پہلی سہ ماہی میں آپ کے بینک کے معینہ ریٹ کے حاصل بانڈز کے حجم میں بروقت تنوع کے فیصلے نے اس سے



جزے مارک ٹو مارکیٹ (Mark to Market) نقصان کے خدشات سے نپٹنے میں معاونت کی جو کہ سال کے دوران بعد میں بڑھتے ہوئے انٹرسٹ ریٹ کے تناظر میں کیا گیا۔

بینک کے زرمبادلہ سے متعلقہ اثاثہ جات اور واجبات کے بہترین انتظام و انصرام کی بدولت آپکا بینک، زرمبادلہ کی آمدنی میں 1,504 ملین روپے کے خاطر خواہ حجم کو حاصل کرنے میں کامیاب رہا ہے۔ جو 2017 میں 762 ملین روپے کی حاصل شدہ آمدنی کی نسبت 97 فیصد اضافی آمدنی کا مظہر ہے۔

اپنی فیس سے متعلقہ آمدنی کے فروغ کے لیے اس زیر تجزیہ سال کے دوران آپکے بینک کی طرف سے اٹھائے گئے کئی اقدامات کے ثمرات آنا شروع ہو گئے ہیں۔ چنانچہ فیس اور کمیشن کی آمدنی 11 فیصد کے اضافہ کے ساتھ 2017 کے 3,917 ملین روپے کے مقابلہ میں 4,360 ملین روپے پر درج کی گئی۔

بینک اپنے بلوچ سرمائے کے قلدان کو برقرار رکھے ہوئے ہے۔ جس کے نتیجے میں آئی پی پیز (IPPs) کو سیال پذیری کی مشکلات کے باعث ڈیوڈنڈ کی ادائیگی میں کمی کے باوجود، اپنی ڈیوڈنڈ کی آمدنی میں 2,791 ملین روپے کی خاطر خواہ سطح حاصل ہوئی ہے۔ اس زیر تجزیہ سال کے دوران حالیہ اور جاری تعمیل کے ضوابطی اخراجات کے نمایاں اثرات، ریٹائرمنٹ کے فوائد سے ابھرنے والی اضافی لاگت اور اپنی وسعت میں فروغ کے اخراجات کے باوجود، بینک کی طرف سے ٹیکنالوجی سے آراستہ طریقوں پر عملدرآمد کے ذریعہ اپنی آپریشنل لاگت کا بہترین انتظام جاری ہے۔

آپکے بینک کا برانچ نیٹ ورک مزید اضافہ کے ساتھ 1345 برانچوں تک پہنچ گیا۔ ان میں 1228 روایتی اور 117 اسلامک بینکاری کی برانچیں شامل ہیں۔ جبکہ اے ٹی ایٹمز (ATMs) کے نیٹ ورک میں بھی اضافہ کے رجحان کے باعث ان کی تعداد 1388 لوکیشنز تک بڑھ گئی ہے۔ جن میں 31 دسمبر 2018 تک 305 آف سائٹ اے ٹی

ایز بھی شامل ہیں۔

سپریم کورٹ آف پاکستان نے اپنے 10 نومبر 2016 کے فیصلے میں واضح کیا ہے کہ وفاقی حکومت کی جانب سے فنانس ایکٹ 2008 کے ذریعہ نافذ شدہ ورکرز ویلفیئر فنڈ (WWF) کی کوئی قانونی حیثیت نہیں ہے۔ فیڈرل بورڈ آف ریونیو نے اس فیصلہ کے خلاف ریویو (دوبارہ جائزہ) کی پٹیشن دائر کر رکھی ہے جو فی الحال زیر التوا ہے۔

بحر حال، آپکے بینک نے اس مذکورہ فیصلہ اور اپنے ٹیکس کے قانونی ماہرین کے مشورہ کے بعد WWF (ڈبلیو ڈبلیو ایف) کے متعلقہ اخراجات میں جنوری 2008 سے دسمبر 2013 تک کے حجم کو محتاط طریقہ سے واپس (ریورس) کر دیا ہے۔ جو صوبائی حکومت کے ڈبلیو ڈبلیو ایف (WWF) کے نافذ کرنے سے پہلے کا عرصہ ہے، گو یہ معاملہ بھی عدالتوں میں زیر التوا ہے۔

ان عوامل کے نتیجے میں آپکے بینک کے نان مارک اپ اخراجات 6 فیصد اضافہ کے ساتھ 23,306 ملین روپے پر درج ہوئے۔ اپنے سو موٹو کیس نمبر 20/2016 کے تحت سپریم کورٹ آف پاکستان نے نئی ٹیکسوں کے پیشکش کے انتظام سے متعلقہ معاملات کا جائزہ لیا ہے

معزز سپریم کورٹ آف پاکستان نے قانونی/عدالتی صوابدید کا استعمال کرتے ہوئے 13 فروری 2018 کو اس سو موٹو کیس کا فیصلہ کیا ہے اور کم سے کم پیشکش کی حد اور اسکے ساتھ اہل شاف کی فہرست سازی کی درجہ بندی کو انسانی ہمدردی کی بنیاد پر استوار کرنے جیسے معاملات کا تعین کیا ہے۔ اس فیصلہ کی روشنی میں اور اپنے قانونی ماہرین کی ہدایت کے مطابق بینک نے ماضی میں کی گئی ملازمت کے اخراجات کو انکی سالانہ قدر کے تخمینہ (اکچو ریل Actural) کی بنیاد پر اپنے کھاتوں میں شمار کیا ہے۔

آپکے بینک کا قبل از ٹیکس منافع 2017 کے 20,879 ملین روپے کی نسبت 31 دسمبر 2018 تک بڑھ کے 21,016 ملین روپے پہنچ گیا۔

سپر ٹیکس جس کا اولین نفاذ فنانس ایکٹ 2015 میں کیا گیا تھا اس سال بھی جاری رہا جس کے نتیجے میں حقیقی

ٹیکس کا ریٹ 39 فیصد رہا۔ بینک کا منافع قبل از ٹیکس 2017 کے 12,734 ملین روپے کی نسبت 12,881 ملین روپے پر درج کیا گیا۔ جس کے نتیجے میں آپکے بینک کی فی حصص آمدنی 2017 کے 11.12 روپے فی حصص سے بڑھ کر 11.25 روپے فی حصص پر جا پہنچی۔ جبکہ اثاثوں پر آمدنی (ROA) اور سرمائے پر آمدنی (ROE) 31 دسمبر 2018 تک بالترتیب 1 فیصد اور 16 فیصد کی شرح پر رہیں۔ غیر رسمی کاروباری سرگرمیوں میں مسلسل اضافہ اور حکومت کی جانب سے بینکنگ کے شعبہ سے حاصل کئے گئے قرضوں میں کمی کی بدولت، بینکنگ کے شعبہ کے کل اثاثہ جات میں 5 فیصد کی بڑھوتی دیکھی گئی جبکہ آپ کے بینک کے کل اثاثہ جات 8 فیصد کی شرح سے بڑھتے ہوئے 31 دسمبر 2018 تک 1,351 ملین روپے پر جا پہنچے۔ کل اثاثہ جات کی اس اہم حصہ داری میں قرضہ جات میں 66,281 ملین روپے کا اضافہ بھی شامل ہے۔ جو اس زیر تجزیہ عرصہ میں 18 فیصد کے اضافہ کے ساتھ 438,319 ملین روپے پر جا پہنچے، جس کی بدولت آپکے بینک کی اے ڈی آر (ADR) کی شرح 46 فیصد تک بڑھ گئی۔ مالیاتی اداروں کو دیئے گئے قرضوں کا حجم 45,091 ملین روپے کے اضافے کے ساتھ 53,786 ملین روپے پر ریکارڈ ہوا، جبکہ کل سرمایہ کاری میں 26,854 ملین روپے کی خالص کمی ہوئی جو کہ 31 دسمبر 2018 تک 671,228 ملین روپے پر درج ہوئی۔ بڑھتے ہوئے انٹرسٹ ریٹ کے تناظر میں سرمایہ کاری کی ترکیب میں طویل المدت پی آئی بیز (PIBs) سے قلیل المدتی ایم ٹی بیز (MTBs) میں تبدیلی جاری رہی جسکے نتیجے میں سرمایہ کاری سے ڈیپازٹ کی شرح میں گزشتہ سال کی نسبت 11 فیصد کمی واقع ہوئی۔

وصولیوں کی کوششوں پر مسلسل توجہ کے باعث غیر فعال قرضہ جات میں کمی ہوئی جو 1,987 ملین روپے کی کمی کے ساتھ 16,065 ملین روپے پر بند ہوئے۔ چنانچہ انٹیکشن کی شرح 1 فیصد کی کمی کے ساتھ 3.7 فیصد پر رہی جبکہ کوریج کی شرح بہتر ہوتے ہوئے 96.7 فیصد پر رہی۔ 31 دسمبر 2018 تک غیر فعال قرضوں کے اخراجات (پروویژن)

15,533 ملین روپے رہے۔ جبکہ اسٹیٹ بینک آف پاکستان کی رہنمائی نے اصولوں کے تحت اجازت کے باوجود غیر فعال قرضوں کے اخراجات کا تعین کرتے ہوئے جائیداد کی (ایف ایس وی) جبری فروخت کے فوائد کو شامل نہیں کیا گیا ہے۔

واجبات کی مد میں آپ کے بینک کے ڈیپازٹس 100,734 ملین روپے کی شاندار بڑھوتی کے ساتھ 984,475 ملین روپے پر پہنچ گئے جو کہ سال 2017 سے 11 فیصد کی دہرے اعداد کی نمو کو آشکار کرتا ہے۔ یہ شرح صنعت کے ڈیپازٹس میں 8 فیصد ترقی کی سطح سے کہیں زیادہ ہے۔ بینک غیر پیداواری کرنٹ اکاؤنٹ میں 15 فیصد اضافہ کے ساتھ، جس کا مجموعی حجم 363,639 ملین روپے ہے، اپنی مسلسل توجہ بغیر لاگت کے ڈیپازٹس میں اضافہ پر مرکوز کئے ہوئے ہے۔ جس کے نتیجے میں کاسا (CASA) ڈیپازٹ کی ترکیب 31 دسمبر 2017 کی 78 فیصد تک کی شرح سے بہتری کے ساتھ 82 فیصد پر رہی ہے۔

بینک کے سرمایہ کی اساس 107,305 ملین روپے پر رہی۔ آپ کے بینک کی کپٹل ایڈیکویٹی کی شرح (CAR) بھی اسٹیٹ بینک آف پاکستان کی مطلوبہ حد سے کہیں بلند رہی۔ بیزل (BASEL) - III کے تحت انفرادی اور مجموعی CAR بالترتیب 22.23 فیصد اور 22.05 فیصد پر رہی۔ کامن ایکویٹی ٹائیر (CET) کی شرح اور ٹائیر-1 (CET 1) کی شرح اپنی بالترتیب 6 فیصد اور 7.5 فیصد کی مطلوبہ شرح کی نسبت 17.34 فیصد پر رہے جو کہ آپ کے بینک کی مضبوط سرمائی حیثیت کا مظہر ہے۔

### رہنما بینک فریم ورک (ڈھانچہ):

بورڈ آف ڈائریکٹرز اپنے خدشات کا نظم و نسق مضبوط اصولوں پر استوار ایک فریم ورک کے ذریعہ کرتا ہے۔ جس میں خدشات کو برداشت کرنے کی حدود کا تعین، امکانی خدشات کی نشاندہی، بینک پر اس کے اثرات کی احاطہ اور ایسی حکمت عملیوں کا فروغ شامل ہے جن سے مکمل نگرانی کو یقینی بناتے ہوئے بینک کے لئے تمام قابل قیاس خدشات کا تدارک کیا جاسکے۔

خدشات کے تدارک کی حکمت عملیوں کی سفارش اور نگرانی بورڈ آف ڈائریکٹرز کی ذیلی کمیٹی بورڈ رسک مینجمنٹ کمیٹی (BRMC)، انتظامیہ کی ذیلی کمیٹیوں؛ رسک مینجمنٹ کمیٹی (RMC) اور اینسٹ و لائٹنٹی کمیٹی (ALCO) کے ذریعے کی جاتی ہے تاکہ خدشات کے انتظام کی موزونیت کو یقینی بنایا جاسکے۔ خدشات کا خلاصہ اور اس سے متعلقہ تدارکات کے عوامل، ممکنہ خدشات (رسک) اور مواقع (اپریچونز) رپورٹ میں درج کئے گئے ہیں۔

رسک مینجمنٹ گروپ (RMG) کو یہ اختیار تفویض کیا گیا ہے کہ اس فریم ورک کو کاروبار کی کمرشل حدود سے ماورا رکھتے ہوئے BRMC کی زیر نگرانی ایک آزاد جزو کے طور پر لاگو کرے۔ RMG نے سال 2018 کے دوران خدشات کے انتظام کو مضبوط کرنے کے لیے مندرجہ ذیل اقدامات اٹھائے ہیں:

- چھوٹے اور درمیانی کاروباروں کی معاشی اہمیت اور اسٹیٹ بینک آف پاکستان کے ایس ایم ای (SME) قرضوں میں فروغ کے اقدام کے باعث ABL (اے بی ایل) نے کاران داز پاکستان (ایک غیر منفعت بخش ادارہ) کی جانب سے آغاز کئے گئے انویو چیلنج فنڈ - ICF 3 (Innovative challenge Fund) " ایس ایم ای فنڈنگ کی ہیبت میں تبدیلی۔ ایس ایم ایز کے قرضوں کے نئے ماڈل " میں شرکت کی ہے اور اس پراجیکٹ کے ایک شراکت کار کے طور پر منتخب ہوا ہے۔ یہ پراجیکٹ بینک کے لیے نئے کاروباری مواقع کی فراہمی کے ساتھ ساتھ ہمیں اپنی مالی شمولیت کی معاشرتی ذمہ داری کو پورا کرنے میں مددگار ہو گا۔

- اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق بینک نے (IFRS-9) آئی ایف آر ایس -9 کو سال 2017 کی سالانہ مالیاتی گوشواروں میں اختیار کرنے کے لیے مقداری اور معیاری اثرات پر ایک تفصیلی تجزیہ کیا تھا۔ IFRS-9 کے نفاذ کے ذریعہ مستقبل کی جامع پیش بینی پیدا ہو سکتی ہے اور اخراجات کے تعین میں نقصان کے وقوع پذیر ہونے کے ماڈل سے نقصان کے متوقع ماڈل پر منتقلی کی پیش بین

سوچ کو اختیار کیا جاسکے گا۔ تاہم ہم کو یقین ہے کہ پاکستان میں IFRS -9 کے نفاذ میں زمینی حقائق سے متعلقہ ضوابطی بصیرت اور پوری طرح سے واضح پروڈیونل ریگولیشنز کے تجزیہ جیسے قابل ذکر خدشات کا سامنا ہوگا۔

- اوریکل رسک مینجمنٹ سولوشن کے بازل کپٹل کے شار کے ماڈل کو نافذ کر دیا گیا ہے۔ اس خود کار نظام کے تحت بینک نے اپنے سرمائے کی موزونیت (کپٹل ایڈیکویٹی) کی شرح (CAR) کے شار کو خود کار بنادیا ہے۔ یہ نظام CAR کے نشیب و فراز کے بارے میں تجزیاتی رائے کے لیے ایک ڈیشن بورڈ (DASHBOARD) بھی فراہم کرتا ہے۔

- بینک نے اپنے آپریشنل اور تعمیلی خدشات کے انتظام کے لیے مینج میٹریکس سولوشن BENCH MATERIX SOLUTION حاصل کیا ہے۔ اس سسٹم کے حصول سے بینک اپنے آپریشنل اور تعمیلی خدشات کے انتظام کے مختلف شعبوں کو اس وقت کے مروجہ اعلی ترین ضابطہ عمل کے مطابق خود کار کرنے کے قابل ہو چکا ہے۔

- بینک نے قرض دہندگان سے رابطہ اور ان کو کاروباری انتظام اور حکمت عملیوں سے آگاہی کے منفرد اقدام کو جاری رکھتے ہوئے سال 2018 میں کارپوریٹ، کمرشل اور ایس ایم ای قرض دہندگان کے لیے خاندانی ملکیتی کاروبار کے سٹرکچر سے کارپوریٹ سٹرکچر کی تبدیلی کے موضوع پر متعلق (Iterative) سیمیناروں کا انعقاد کیا ہے۔

- بینک نے قابل ذکر ذرائع اور وسائل خود کو درپیش خدشات اور رسکس کے انتظام کرنے کیلئے وقف کیے ہیں۔ اب تک کے حاصل کردہ متحرک معیار کو مستقبل میں برقرار رکھنے کے لیے افرادی وسائل ٹریننگ اور ٹیکنالوجی میں نمایاں سرمایہ کاری جاری رہے گی۔

- بینک نے اسٹیٹ بینک آف پاکستان کے جاری کردہ معاوضوں کی ادائیگی کے طریقہ کار کی رہنمائی میں اپنی معاوضوں کی پالیسی کی تشکیل نو کی ہے اور رسک کی بنیاد پر معاوضوں کا نظام متعارف کروایا ہے۔

## چیف ایگزیکٹو آفیسر کا تجزیہ:

بورڈ آف ڈائریکٹرز، چیف ایگزیکٹو آفیسر کے 31 دسمبر 2018 کو اختتام پذیر سال میں بینک کی کارکردگی کے بارے میں تجزیہ کی مکمل تصدیق کرتے ہیں۔

## اندرونی انضباط کا بیانیہ:

بورڈ انتظامیہ کے اندرونی انضباط کے بارے میں بیانیہ بشمول انتظامیہ کی ICFR کی قدر دہائی کی بخوشی تصدیق کرتا ہے۔ اندرونی انضباط کے بارے میں انتظامیہ کا بیانیہ سالانہ رپورٹ میں شامل ہے۔

## کارپوریٹ پائیداری:

بورڈ آپ کے بینک کے کارپوریٹ پائیداری (Sustainability) کے لیے اٹھائے گئے اقدامات کی بخوشی توثیق کرتا ہے جو کہ سالانہ رپورٹ میں الگ طور پر مذکور ہیں۔

## ایسٹیلی ریٹنگ:

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے اس سال کا دوران الائٹڈ بینک کی طویل المدتی ریٹنگ کو "AA+" (ڈبل اے پلس) کی سطح سے بہتری دیتے ہوئے "AAA" ٹریبل اے پر شمار کیا ہے۔ جبکہ قلیل المدتی ریٹنگ کی "A1+" (اے ون پلس) کی اعلیٰ سطح برقرار رہی۔ یہ درجہ بندیاں بینک کی مضبوط حصصی سرمایہ کی بنیاد اور سیال پذیری کے اعلیٰ معیار کو ظاہر کرتی ہیں۔

## کارپوریٹ گورننس ریٹنگ:

جے سی آر۔ وی آئی ایس (JCR-VIS) کریڈٹ ریٹنگ کمپنی لمیٹڈ نے الائٹڈ بینک لمیٹڈ کی کارپوریٹ گورننس کی درجہ بندی کو "CGR-9+" کی سطح پر برقرار رکھا ہے۔ ریٹنگ کی یہ بہتری کارپوریٹ گورننس کے اعلیٰ ترین معیار اور بورڈ اور مینجمنٹ کے ایک مضبوط اور مستحکم گورننس کے نظام (فریم ورک) پر مسلسل یقین اور اعادہ کا مظہر ہے۔ JCR-VIS نے اس بات پر توجہ دی ہے کہ ہیڈن ریسورس

اور معاوضاتی کمیٹی کا سربراہ لیسڈ کمپنی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 کے مطابق ایک آزاد ڈائریکٹر کو ہونا چاہیے جو کہ حالات حاضرہ میں ایک غیر انتظامی ڈائریکٹر ہیں۔

## بورڈ آف ڈائریکٹرز:

بورڈ کے تمام ممبران کے پروفائل کو سالانہ رپورٹ کے کارپوریٹ پروفائل کے متعلقہ سیکشن میں درج کیا گیا ہے۔ بورڈ آف ڈائریکٹرز کی بناوٹ کو کوڈ آف کارپوریٹ گورننس کی تعمیل کے بیانیہ میں درج کیا گیا ہے۔ جبکہ بورڈ کی کمیٹیوں کی بناوٹ کو بھی سالانہ رپورٹ میں الگ طور پر واضح کیا گیا ہے۔ غیر انتظامی ڈائریکٹرز بشمول آزاد ڈائریکٹرز، ما سوائے جنہوں نے اجلاس کی فیس نہ لینے کے اختیار کو اپنایا ہے، کو بورڈ یا اور اسکی کمیٹی کے اجلاس میں شریک ہونے کے لیے ایک مناسب اور موزوں معاوضہ دیا جاتا ہے۔ جبکہ ذکر مالیاتی گوشواروں کے نوٹ نمبر 39 میں کیا گیا ہے۔

معاوضے کا معیار ایسا نہیں ہے کہ جس سے یہ تاثر

بھی ملے کہ کسی آزاد حیثیت پر کوئی سمجھوتا ممکن ہے۔ جو ڈائریکٹر اجلاس میں شریک نہیں ہوا اسکو کوئی معاوضہ ادا نہیں کیا جاتا ہے۔ اسی طرح ایسی سفارشات جن پر سرکولیشن کے ذریعہ غور اور جانچا جاتا ہے ان کا بھی کوئی معاوضہ نہیں دیا جاتا۔

## بورڈ کی کارکردگی کا جائزہ لینے کا طریقہ:

بورڈ آف ڈائریکٹرز انضباطی تکمیل کو یقینی بناتے ہوئے حصص یافتگان کی جانب سے بینک کے مفادات کا تحفظ، حکمت عملی کی سمت کا تعین اور اہداف کے حصول کے عمل کو چلانے کی ذمہ داری کے بھی امین ہیں کیونکہ ایکٹ 2017، بینکنگ کمپنیز آرڈیننس 1962، اسٹیٹ بینک کے پروڈینٹیل ریگولیشنز اور کوڈ آف کارپوریٹ گورننس میں بورڈ کے کردار، ذمہ داریوں اور کارگزاری کو واضح کیا گیا ہے۔ اسی کوڈ کے تحت بورڈ نے سال 2014 میں اپنی کارکردگی کو موثر انداز میں جانچنے کے لیے ایک نظام رائج کیا ہے۔ بعد میں، سال 2016 میں، اسٹیٹ بینک نے (BPRD) بی پی آر ڈی سرکلر

نمبر 11 بتاریخ 22 اگست 2016 کے ذریعہ بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لینے کے لیے رہنمائی کے تفصیلی اصول وضع کیے ہیں۔ جس کی روشنی میں بورڈ نے مقداری تکنیک کے ساتھ بینک کے اندرونی نقطہ نظر اور ہر تین سال بعد ایک آزاد تہمینہ ساز سے اس کی جانچ کو اختیار کرنے کا فیصلہ کیا ہے۔

بینک نے مجموعی بورڈ کی کارکردگی کو مندرجہ ذیل درجات سے جانچا ہے۔

- 1۔ چیئرمین
- 2۔ مجموعی بورڈ آف ڈائریکٹرز
- 3۔ ضامن ڈائریکٹرز
- 4۔ آزاد ڈائریکٹرز
- 5۔ انفرادی ڈائریکٹرز (سوائے چیئرمین، ضامن و آزاد ڈائریکٹرز اور سی ای او (CEO))
- 6۔ بورڈ آف ڈائریکٹرز کی کمیٹیاں
- 7۔ چیف ایگزیکٹو آفیسر

ایک منظور شدہ نظام کے تحت مندرجہ بالا ہر درجہ (سوائے چیئرمین) کے بارے میں ڈائریکٹرز کے خیالات اور نقطہ نظر کو اکٹھا کر کے چیئرمین کو پیش کیا گیا۔ چیئرمین نے ان نتائج اور تجاویز پر بورڈ ممبر سے انفرادی طور پر گفتگو کی۔ مجاز آزاد ڈائریکٹرز نے اس بارے میں چیئرمین سے حاصل شدہ جواب کو مجموعی کارکردگی کی رپورٹ میں شامل کرنے کے لیے آگاہ کیا۔ میسرز ڈیلوائٹ (Deloitte) یوسف عادل، چارٹرڈ اکاؤنٹنٹس، کو اس کے دوران آزاد تہمینہ ساز کے طور پر منتخب کیا گیا تاکہ وہ مندرجہ ذیل عوامل کے تناظر میں ایک باقاعدہ رپورٹ جاری کریں:

- بورڈ کی حیثیت اور بناوٹ
- بورڈ کا کردار اور ذمہ داریاں
- بورڈ کے طریقہ کار
- بورڈ کی کمیٹیوں کی تشکیل اور طریقہ کار
- بورڈ کے معاوضہ



- بورڈ کی ڈیلیوٹیشن کی امکانی ضروریات
- مجموعی بورڈ کی موزونیت
- چیف ایگزیکٹو آفیسر کی پیش بینی

#### آڈیٹرز:

اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر انتظامی اداروں کا ان کی مسلسل رہنمائی اور تعاون پر مشکور ہیں۔ ہم اپنے سٹاف ممبرز کی انتھک خدمات اور تعاون پر ان کا نہایت شکر گزار ہیں جن کی بدولت بینک مسلسل ترقی اور بلند پروازی کی جانب گامزن ہے۔

موجودہ آڈیٹرز میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر اور دوبارہ تقرری کے اہل ہونے کے مجاز ہیں۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی تجویز پر میسرز KPMG تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو اگلی مدت کیلئے قانونی (Statutory) آڈیٹرز مقرر کرتے ہیں۔

#### منجانب و برائے بورڈ آف ڈائریکٹرز

#### حصص کی ملکیت کا نمونہ:

حصص کی ملکیت کا نمونہ ساتھ منسلک ہے۔

#### طاہر حسن قریشی

چیف ایگزیکٹو آفیسر

#### میزانیہ (بیلنس شیٹ) کی تاریخ کے بعد کے واقعات:

وفاقی حکومت نے ضمنی فنانس (دوسرا ترمیمی) بل برائے سال 2019 بتاریخ 23 جنوری 2019 کے تحت بینکوں کے لیے سپرنٹنڈنٹس کے ریٹ میں سالانہ 31 دسمبر 2017 کے لیے 0 فیصد سے 4 فیصد تک کی ترمیم تجویز کی ہے۔ جس کے نتیجے میں اس مجوزہ ترمیم کے اثرات ایک موثر بہ ماضی ٹیکس کی شکل میں ظاہر ہوں گے۔ پاکستان بینکنگ ایسوسی ایشن نے اس مجوزہ ترمیم کو واپس لینے کی گزارش کی ہے۔ اس مجوزہ بل کا اطلاق پارلیمنٹ کی منظوری کے بعد ہوگا۔ آپ کے بینک کے غیر مجموعی مالیاتی گوشواروں برائے سال ختمہ 31 دسمبر 2018 میں اس نئے مجوزہ ٹیکس کے اثرات کو شامل نہیں کیا گیا ہے۔ اگر یہ مجوزہ ترمیمی بل پارلیمنٹ سے منظور ہو گیا تو اس ٹیکس کا اندراج 31 دسمبر 2019 کو اختتام پذیر سال میں، پچھلے سال کے ٹیکس کے اخراجات کے طور پر کیا جائے گا۔

#### تسلیم و تحسین:

ہم، بورڈ اور مینجمنٹ کی جانب سے، اپنے قابل قدر صارفین اور شیئرز ہولڈرز کے الائیڈ بینک پر اعتماد، سکیورٹی

اس آزاد جانچ کو بورڈ آف ڈائریکٹرز کے سامنے جائزے اور غور کے لیے پیش کیا گیا۔ سال کے دوران، 27 اگست 2018 کو ڈائریکٹرز کے انتخابات منعقد کئے گئے۔ چنانچہ جناب مبشر اے اختر کے، بطور ایک غیر انتظامی ڈائریکٹر، ریٹائر ہونے سے بورڈ کی ہیئت تبدیل ہو گئی۔ جناب مبشر اے اختر صاحب 2006 سے بینک سے وابستہ تھے اور ہم بورڈ آف ڈائریکٹرز کی جانب سے مبشر صاحب کی ان کے عہدہ معیاد کے دوران دی گئی قیمتی خدمات اور رہنمائی کے معترف اور مشکور ہیں۔

بورڈ آف ڈائریکٹرز محترمہ نظرت بشیر کو بورڈ کے ایک آزاد خاتون ڈائریکٹر کی حیثیت سے خوش آمدید کہتے ہیں۔ انہوں نے نیویارک یونیورسٹی، امریکہ سے معاشیات میں ماسٹر کیا ہے۔ اور (PICG) پی آئی سی جی سے سرٹیفائڈ ڈائریکٹر ہیں۔ ان کے پاس 35 سال سے زائد سول سروس کا وسیع تجربہ ہے۔ اپنے کیریئر میں انہوں نے حکومت پاکستان کی کئی وزارتوں میں خدمات سرانجام دی ہیں۔ جن میں مینجنگ ڈائریکٹر پبلک پروکیورمنٹ ریگولیٹری اتھارٹی (PPRA) اور سینئر مشیر وفاقی محتسب شامل ہیں۔ ان کے پاس کئی سرکاری اور نیم سرکاری اداروں کی ڈائریکٹر شپ بھی رہی ہے اور انہوں نے پاکستان اور دیگر ممالک میں کئی کانفرنسوں، ورکشاپس اور سیمیناروں میں بھی شرکت کی ہے۔ اس انتخاب کے بعد بینک، (COCG) سی او سی جی کے باب II کی شق 7 کی مطلوبہ ہدایت، جس میں کم از کم ایک خاتون ڈائریکٹر کی بورڈ میں شمولیت ضروری ہے، کی مکمل تعمیل کر چکا ہے۔

تاریخ: 13 فروری 2019ء

بمقام: فیصل آباد

#### محمد نعیم مختار

چیئر مین بورڈ آف ڈائریکٹرز

# CHAIRMAN'S MESSAGE



Rapidly evolving digital technologies are challenging all business models including banking in this era of 4th industrial revolution. Banking sector's intermediary role is being progressively transformed, with paradigm shifts witnessed in international and domestic trade transactions. Transaction volumes in virtual currencies are also gradually increasing, mainly in developed economies, though the required regulatory framework is still at a very nascent stage.

Banking sector's future viability is linked with its ability to strategically transform legacy business processes and organization structures towards a 'Digitalized' and 'Artificial Intelligence' assisted pro-active and agile environment.

Global banking is rapidly adopting evolving mobile technologies along with Blockchain, Machine Learning, Big Data and Robotics resulting in a gradual yet visible strategic shift from traditional brick and mortar model to digitalization driven business models.

In view of the unique population demographics particularly with reference to lack of financial literacy and economic dynamics of Pakistan, threats emanating from digital disruptions to domestic banks are relatively diluted in the short term. However, there is little doubt that in the medium to long-term, the sector has to fully adopt digitization to the core.

Despite a robust GDP growth of 5.8% in FY 2017-18, country's economic outlook is engulfed with challenges threatening the continuation of the growth momentum. Revenue shortfalls and continued reliance on imports led to broadening of the twin deficits to unsustainable levels.

Continuation of tough ongoing policy measures including monetary tightening, currency valuation adjustments, further escalation of imports and custom duties along with structured broadening of taxation base and optimization of development spending seem unavoidable in the short term to address the aforementioned economic imbalances.

Negligible progress in industrialization poses another significant threat to viable economic growth. Low investment in deployment of modern technologies along with obsolete management techniques has been prevalent among almost all sectors. High input costs,

especially unviable energy related charges, further exacerbated the worsening situation.

As a consequence, most industries are fast becoming uncompetitive at the global level and export growth levels remain un-encouraging.

Infact, even in domestic consumption, a culture of trading activities instead of industrial manufacturing is rapidly overtaking the country and remained primary cause of the dwindling FX reserves. Without addressing this core issue, reliance on external funding also seems inevitable in the foreseeable future.

Growth in banking sector advances in 2018, which grew by 21%, is a positive sign for the country. However, recent benchmark interest rate hike of 425 bps along with 33% devaluation of PKR during 2018 may adversely impact the sustainability of advances growth outlook ahead and may also contribute towards potential increase related credit cost.

Despite the aforementioned growth, Pakistan continues to struggle in terms of Private Sector Credit (PSC) expansion; Country's PSC to GDP ratio remains under 20%, well below the South Asian average of 46% and global average of 104%.

According to the World Bank, there are an estimated 1.7 billion adult unbanked individuals globally. Pakistan with 100 million such adults represents the 3rd highest level or 6% of the global unbanked population. The ratio is more abysmal for the female population across the world.

Undocumented economy continues to grow in view of the aforementioned issues, along with financial and social exclusion while stifling growth prospects of Small and Medium Enterprises (SME); which can play a pivotal role in the overall sustainable growth of the country and redressal of low financial inclusion levels.

Your Bank's evolving 10 year rolling strategic plan takes into consideration the aforementioned changing operating environment and challenges while paving the Bank's future roadmap.

The Bank's primary focus is geared towards expanding its competitive positioning through significant investment towards customer onboarding, innovation and transformation, prudent risk management, augmented efficiency levels, enhanced service quality measures and talent pool retention.

In an environment requiring heightened focus on compliance culture, Your Bank continued to invest in technology driven compliance tools to further safeguard against compliance risk.

Your Bank is constantly working towards updating information systems and technology platforms to improve

the customer experience and enhance operating effectiveness. The Bank has also successfully upgraded Core banking T-24 system to R-16 version during the year.

Opening of the state of the art 'Innovation Lab' in early 2018 is in line with Bank's innovation strategy encompassing strong partnerships with leading technology platforms, solutions and partners to deliver the best financial services platform for our valuable customers while simultaneously playing a positive role in expanding the domestic innovation ecosystem.

Digital product suite is also being enriched on a continuous basis. A very favourable response to Your Bank's mobile banking app 'MyABL' along with corporate digital banking solution 'Business Internet Banking' is very encouraging.

Your Bank is continuing to invest in new innovative product offerings including digital lockers, digital signages, bulk account opening solutions, off-site account opening modules, payment hubs, mobile ATMs, Interactive teller machines and SMART self-service branches.

Launch of new tailored deposit products including millennial focussed Youth Account and the Senior Citizen Account, with unique product offerings, has further strengthened the deposit products suite.

As a strategic measure, adoption of robust risk management framework by Your Bank assisted in achieving lowest infection ratio, strong Equity base, highest Capital Adequacy level along with an overall healthy Balance Sheet.

Your Bank remains well poised to take benefit of all quality credit expansion opportunities. Considering significance of the SME sector, Allied Bank participated and got selected in the Innovative Challenge Fund (ICF) titled "Transforming SME Financing, Innovative Credit Scoring Model of SMEs" launched by Karandaaz Pakistan (a non-profit organization). The project would pave way to strengthen capacity building and assist in gradual growth in selected SME sectors.

With over 60% population under 25 years of age, Pakistan needs significant investment in human capital development. In the age of digitization, organizations shall only be thriving with lean and agile teams; while technology is rapidly reshaping the skill set requirements of Banking sector's workforce as well.

Your Bank is fully cognizant to keep on developing human resource skills to meet the digital banking transformation challenges proactively, through conventional and e-learning trainings; while simultaneously inculcating an organizational culture to promote empathy in human resources.



# CHAIRMAN'S MESSAGE

It gives me immense pleasure that Your Bank's strong fundamentals were independently acknowledged by Pakistan Credit Rating Agency (PACRA), with the upgrade of long-term credit rating to highest rating scale level of 'AAA'.

Solid capital base complemented by lowest loan loss ratio and highest coverage ratio amongst peer banks, were internationally recognized by one of the most prestigious Euromoney Magazine, UK, which awarded Your Bank as "Bank of the year 2018 – Pakistan".

Your Bank continued to generously contribute towards Corporate Social Responsibility (CSR) activities across the homeland. These efforts are well recognised internationally as prestigious Asiamoney magazine awarded Your Bank as "Best Bank for CSR - Pakistan" during the year.

## Future Outlook

The Banking sector's future success clearly depends on its ability to continuously transforming the developing banking ecosystem and provide integrated services according to the multi-faceted needs of customers.

In order to provide real-time interactive user experiences similar to tech giants like Amazon, Google, Alipay and Tencent, technologies like Artificial Intelligence, Advanced Machine Learning and Cloud Computing are beginning to have a marked impact on traditional banking processes including credit expansion, low cost funding mobilization, risk management, compliance and operations which traditionally required excessive human involvement.

Regulatory and supervisory frameworks will need to keep pace with the adoption of the aforementioned inevitable technology driven automations.

Pakistan remains at a critical juncture whereby concurrent focus on implementation of structural reforms and introducing global technological advancements is expected to reshape the economy.

According to World Bank, in a country of over 200 million population, a staggering 80% of population survives on a mere US \$ 5.50 per day or less; highlighting the enormity of the task at hand in achieving sustainable development goals.

Across the board reforms together with long term strategic planning remains imperative to eradicate massive poverty levels, creation of jobs, social welfare and achieve growth necessary to sustain growing population levels.

Various taxation reforms have already been undertaken but there still remains room for further improvement through reforms such as enhanced tax breaks for new tax filers to encourage growth in documented economy.

Recent improvement in Pakistan's "ease

of Doing Business" ranking from 147 to 136 is indicative of the steps in the right direction. However, further steps are required in improving underlying criteria including credit information systems, taxation compliance and broadening, contractual enforcements and insolvency treatment to encourage corporatization in the country.

Similarly, Industrial entities dependent upon depleting natural resources particularly natural gas projects need to re-align their long-term strategies. A comprehensive long-term strategy for alternate energy solutions must be put in place to ensure judicious and efficient usage of country's limited natural resources.

Going forward, development of Industrial Parks along CPEC route must be ensured to provide mutually beneficial growth

opportunities to both local businesses and Chinese investors respectively. At the same time enabling environment must also be ensured for banking sector to play its primary role of lending to private sector.

Encouraging corporatization in country and developing framework to protect local businesses from unfair trade practices including anti-dumping measures is essential.

Your Bank remains at the forefront in adoption of latest technology initiatives from developing automated Risk Assessment Management System (RAMS) to planned deployment of Big Data analytics for data driven decision making in future. I am very optimistic about the Big Data project that the Bank is planning to undertake in 2019, with the assistance of IBM and Oracle.







Your Bank's strategic priorities in years ahead include continuous focus on broad based digitalization and transformation through adoption of cutting-edge technologies to enhance user interfaces and customer service experiences.

Launch of Branchless banking including instant account opening is expected to boost the Bank's customer onboarding levels.

While simultaneous focus on Data Governance along with enhanced info-sec measures shall remain a strategic priority.

Further, expansion in the Bank managed warehouses for pledge financing will be maintained. The current operational six warehouses will be increased to 20 locations going forward.

The rapid pace of global transformation

in legal and compliance culture is persuading the banking sector to adopt de-risking policies. The complex and growing requirements are being accomplished through the strict implementation of technology driven compliance in a phased manner to manage risk at the enterprise level; ensuring meticulous compliance with local as well as international regulations.

Your Bank continues to invest in developing workforce for the 'Digital Banking Age'. With advanced e-learning portal, collaborations with leading universities across Pakistan and dedicated management trainee programs, Your Bank remains in a position of strength to develop requisite skillsets for the future.

Looking towards 2019, I am confident that Your Bank remains poised to post sustainable growth in shareholders' value.

On behalf of the Board of Directors, I would like to extend appreciation for the continuous co-operation extended by regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue.

I would also like to thank our shareholders, for their continued commitment and confidence in our long-term strategic vision.

Finally, I want to extend my sincere thanks to Allied Bank's management team and the 11,000+ Allied bankers, for their utmost commitment towards building a robust and technology enabled Allied Bank.

Mohammad Naeem Mukhtar  
Chairman

# CEO'S REVIEW







## Economic Review

Global economic growth, according to the IMF, remained static at 3.7% during 2018 due to weaker performance in key European and Asian countries, despite United States fiscal stimulus strategy yielding stronger results. Global growth for 2019 and 2020 projected at 3.5% and 3.6% respectively; owing to underlying challenges primarily emanating from ongoing trade confrontation between United States and China, rising public and private debt levels, volatile markets amidst liquidity constraints, Brexit linked uncertainties and higher inflation led monetary tightening stance across major economies.

Pakistan's economy has also faced various turmoil's, largely attributed to fiscal indiscipline and lack of governance framework. Notwithstanding a growth of 5.8% during FY2017-18, driven by strong performances particularly in Agriculture, Industrial and Services sectors, which grew by 3.8%, 5.8% and 6.4% respectively and simultaneous improvement in country's position on Ease of Doing Business Index 147th to 136th position, the economy could not demonstrate sustainable growth. As a result, domestic economic outlook remained sluggish in view of the tough fiscal and monetary measures adopted by incumbent government, on no choice basis, to curtail the burgeoning twin deficits and concurrently meet the prerequisites of the inevitable new IMF program. According to the latest SBP projections, forecasted GDP growth is at 4% for the FY 2019-20.

The Country's position on the external front remained perilous. Even with escalation in import tariffs and duties, overall imports registered a growth 5% to close at US\$66,971 million in 2018. Exports recorded meager growth of just 4% and stood at US\$30,080 million during 2018; which is well below the desired levels to address the trade imbalances.

Remittances registered growth of 5% to close at US\$ 20,597 million in 2018, compared to US\$19,591 million in 2017. Persistent uptick in inflows from US, UK and EU countries assisted in offsetting the decline from GCC countries in view of localization programs and fiscal consolidation measures. Resultantly, Current Account Deficit crossed US\$18,500 million at the close of 2018.

While Foreign Direct Investment (FDI) stood at US\$2,778 million in 2018, country's foreign debt and liabilities soared to US\$ 97 billion at the end of September 2018. In view of the heightened external financing risks coupled with elevated debt repayments Pakistan's sovereign long-term rating was downgraded to 'B negative' by an international rating agency.

Consequently, foreign exchange reserves remained under pressure and dropped significantly from US\$ 20,177 million at the end of 2017, to close at US\$13,753 million at end 2018. State Bank of Pakistan (SBP) adjusted the PKR/USD parity by 26% during the year under review, as a major monetary policy tool to address the deteriorating external front.

Country's domestic debt continued to grow unabatedly to close at Rs. 17,536 billion at end of 2018. While mounting

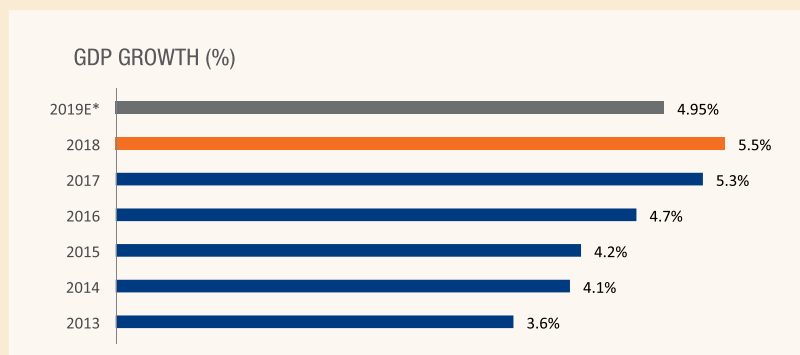
circular debt of Rs. 1,362 billion, of which Rs. 755 billion pertains to Power Holding Private Limited, posed another challenge to the future economic outlook.

FBR tax collection increased by 14% in FY 18 as compared to FY17 to close at 3,842 billion. Direct and Indirect taxes contributed equally to the revenue growth. However, tax to GDP ratio remained stagnant at approximately 11%; one of the lowest among large developing countries.

Evolving external and domestic challenges impacted the CPI inflation throughout the year, which showed an upswing particularly in the second half of 2018; recording a YoY growth of 6.2%. Therefore, in view of the rising inflation levels and intermittent balance of payment challenges along with significant above mentioned currency devaluation, SBP adopted monetary tightening policy stance throughout the year by revising the Policy Rate by 425bps to 10% at the close of 2018.

### Banking Sector Performance:

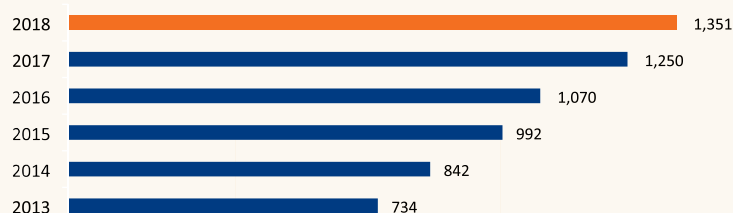
Despite the rising interest rate scenario, Banking sector's overall profitability remained static upto September 2018, compared to the corresponding period due to the multifarious challenges faced by larger banks emanating from re-





# CEO'S REVIEW

TOTAL ASSETS  
(Rs. in Billion)



pricing lag between earning assets and remunerative liabilities, rising compliance costs, new regulatory levies and enhanced retirement benefit costs.

Overall banking sector advances rose to Rs.7,888 billion at end December 2018, compared to Rs.6,530 billion recorded in 2017, posting an impressive increase of 21%. Major sectors contributing to this increase included Textile, Power, Cement and Chemical respectively. Non-Performing Loans of the sector stood at Rs.637 billion at end September 2018, while overall infection ratio and coverage ratio improved to 8% and 86% respectively.

Banking sector investments stood at Rs.7,583 billion at the end of December 2018, compared to Rs.8,542 billion at the end of 2017; posting a YoY decline of 11%. In sync with the rising interest rate scenario, investment mix in Government securities was diversified towards Treasury bills (T-Bills) from fixed rate Pakistan Investment Bonds (PIB). Overall T-bills and PIBs stood at Rs.2,545 billion and Rs.1,840 billion respectively as at November 2018.

While M2 growth registered at 11%, Currency in Circulation (CIC) grew to Rs. 4,531 billion at end December 2018. In the last decade, CAGR growth in CIC

aggregated to staggering level of 16% from Rs.1,320 billion at the end 2009; clearly depicting the unabated growth in undocumented economy.

Resultantly, overall industry deposits growth slowed down to close at Rs.13,354 billion as at end December 2018, compared to Rs.12,362 billion in December 2017; therefore, registering a growth of 8%, being the lowest growth level in a decade. Growth was tilted towards Public sector deposits which grew by 13%, while private sector deposits registered a growth of 9%.

## Business Performance:

Your Bank being cognizant of the developing economic scenario and rapidly changing banking sector dynamics continuously re-aligning its strategies towards digital transformation, comprehensive and innovative product suite, robust technology and compliance platforms and expanding outreach to remain the 'first choice' bank for the valued customers while persistently endeavoring towards building long-term sustainable shareholders' value.

Despite a challenging year for the Banking sector, Your Bank posted a stable performance during 2018. Consistent strategic focus on quality

growth enabled the Bank to register YoY growth of 8% in total Assets footing, which stood at Rs. 1,350,606 million, over 2017.

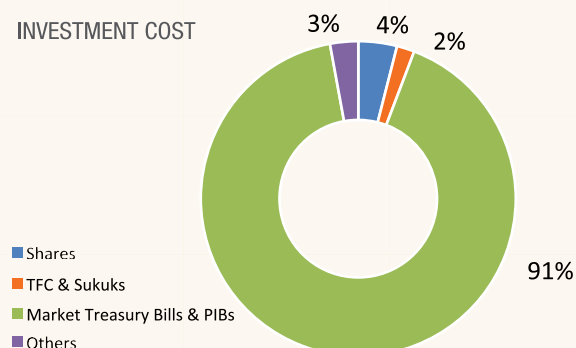
This growth was mainly driven by increase of 18% in advances portfolio. Apart from healthy growth in Corporate advances, profitable Middle Market segment posted a strong increase of 36%. Whereas focus on SME initiatives and enrichment of consumer product suite yielded results, which registered a growth of 11% and 35% respectively. Your Bank as part of business strategy extended 'Car Financing' and 'Personal loans' products, primarily to customers with proven relationship history with the Bank.

Considering the importance of the credit expansion, especially with reference to penetration in the Small and Medium sized Enterprises (SME) sector, Your Bank has participated and was preferred in the Innovative Challenge Fund (ICF) titled "Transforming SME Financing, Innovative Credit Scoring Model of SMEs" launched by Karandaaz Pakistan (a non-profit organization), paving way to gradually strengthen SME related credit skill sets while facilitating gradual growth in viable SMEs.

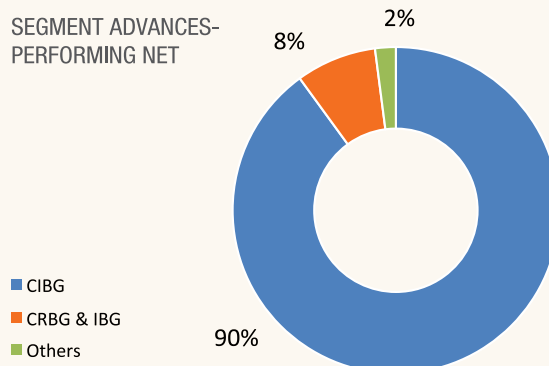
Effective risk management remained a strategic priority of Your Bank and is the main underlying driving force behind one of the lowest infection ratio of 3.5% along with one of the strongest coverage ratio of 97%. Concerted recovery efforts assisted in reducing total Non-Performing Advances portfolio by Rs.1,987 million to close at Rs.16,065 million at the end of 2018.

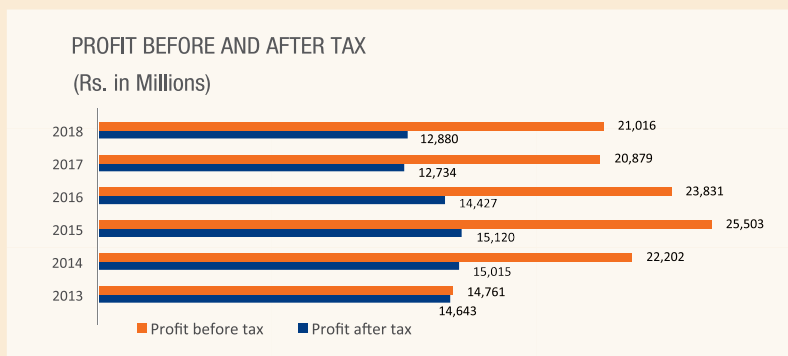
During the year under review, Your Bank remained fully abreast of the evolving economic scenario and proactively managed deployment of surplus liquidity towards short term investments and interbank lending opportunities. Effective

INVESTMENT COST



SEGMENT ADVANCES-  
PERFORMING NET





management of repricing and duration gaps have resulted in positive net interest income, realization of substantial capital gains along with curtailment of revaluation and opportunity losses.

In line with the SBP's objective of expanding Financial Inclusion, Your Bank took concrete measures to enhance customer onboarding during the year under review. Your Bank opened approximately 660,000 New to Bank (NTB) accounts in 2018. The aforementioned NTB accounts included approximately 231,000 Asaan accounts, which are geared towards the under privileged and largely under and/or unbanked population segment of the society.

Your Bank's comprehensive deposit product suite was further strengthened with the launch of 'Allied Youth Account' in August 2018. The product is designed to cater specific needs of the digital savvy 'millennials' segment and has received a positive response with the opening of approximately 20,000 NTB accounts opened during 2018. Simultaneously, 'Allied Senior Citizen Account', catering to the unique requirements of the senior segment of the society was launched on International Senior Citizen day also in August 2018, with positive customer feedback.

Substantial growth in customer base has greatly facilitated in enabling Your Bank to post a healthy YoY growth of 11% in Deposits, which stood at Rs.984,475 million at the end of 2018. Major accomplishment was the growth in zero-cost current account deposits, which closed at Rs.363,639 million as at December 31, 2018 with a YoY growth of 15% over 2017. Resultantly, CASA deposit mix has improved to 82% as at December 31, 2018 from 78% as at December 31, 2017.

Your Bank's strong Equity base stood at Rs.107,305 million and enabled Your Bank to post Capital Adequacy ratio

(CAR) well above the requirements of the State Bank of Pakistan. The standalone and consolidated CAR under Basel III has stood at 22.23% and 22.05% respectively. Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) have stood at 17.34% as against the requirement of 6.0% and 7.5% respectively; clearly depicting a well-capitalized position of Your Bank. With this strong Capital Adequacy level, Your Bank remains well positioned to take benefit of all growth opportunities including quality credit expansion in future.

Despite the challenges emanating from aforementioned monetary tightening and re-pricing lag on the asset side, Interest income aggregated to Rs.73,274 million during 2018, increasing by 12% on YoY basis, mainly on account of optimum earning assets mix. Meanwhile, interest expense for the year ended December 31, 2018 stood at Rs.41,159 million, mainly on account of 136 bps rise in average benchmark policy rate along with volumetric growth of deposits.

In view of the above-mentioned focused approach towards enhanced CASA mix in total Deposits, with stronger growth in average current accounts by 14%, enabled Your Bank to curtail cost of deposit increase to 49 bps only.

Your Bank's focus on diversifying revenue streams has yielded results as major fee-based income avenues showing healthy growth. Your Bank continues to derive steady fee income from Initiatives including debit cards, investment banking, Pakistan Remittance initiative, Banca/Takaful along with trade and branch banking activities. Overall fee and commission income increased by 11% to close at Rs.4,361 million during the year under review.

Your Bank has also maintained hold strategy for the blue-chip securities portfolio and derived healthy dividends and capital gains aggregating to Rs.3,397 million during the year 2018, thereby

enabling to post steady double-digit overall yields on the portfolio; inspite of lower dividend payouts by IPPs sector.

The foreign exchange (FX) market remained volatile throughout the year under review. Your Bank maintained a prudent approach and undertook risk averse positioning on FX exposures while earning the highest foreign exchange income exceeding Rs 1,500 million during the year under review. The overall Non-Interest Income (NII) grew significantly by 29% to close at Rs.11,440 million at the end of 2018.

Your Bank maintained continued focus on inculcating efficiencies across the entire broad spectrum of operations. These saving initiatives driven by judicious use of technology and centralization of operations were off-set by significant cost borne on account of enhanced regulatory levies along with incremental costs incurred on retirement benefits and outreach expansion. Overall administrative expenses of Your Bank for the year ended December 31, 2018, stood at Rs.2,923 million.

Supreme Court of Pakistan vide order dated November 10, 2016 decided that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were unlawful. Federal Board of Revenue had filed review petition against the subject order, which is currently pending for adjudication with no hearing till date. However, based on the above referred order and legal opinion of consultant, Your Bank has conservatively reversed the provision against WWF for the period from January 2008 to December 2013; before the provincial levy of WWF by Sindh Provincial Government, which is under litigation. Accordingly, provision for Workers Welfare Fund (WWF) and related Deferred Tax Asset were reversed for the aforesaid period.

During the year under review, the Honourable Supreme Court had also taken up the matter relating to pension arrangements of privatized banks under the Suo Moto case SMC No. 20/2016. The Honourable Supreme Court of Pakistan concluded the case, by using judicial discretion and fixed the minimum pension and indexation levels for eligible staff, on humanitarian grounds. In view of the underlying judgement, Your Bank under the guidance of legal counsel has booked the related past service cost of Rs. 172 million, based on an annual actuarial valuation.

# CEO'S REVIEW



Resultantly, the Profit before taxation for the year ended December 31, 2018 stood at the healthy level of Rs.21,016 million. Whereas, Profit after taxation for the year ended December 31, 2018 increased to close at Rs.12,880 million. The EPS of Your Bank increased to Rs.11.25 per share for the year ended December 2018 as compared to Rs.11.12 per share in December 2017.

## Event after the Balance Sheet Date

Federal Government vide Finance Supplementary (Second Amendment) Bill, 2019 (Bill) submitted on dated January 23, 2019, has proposed to amend rate of Super Tax for Banks for Tax Year 2018 (Accounting Year ended 31 December, 2017) from "0%" to "4%". As a result, the proposed implementation shall result in a retrospectively levy. The proposed bill is under debate in the Parliament and would take effect only upon approval by the Parliament. The appended unconsolidated financial statements of Your Bank for the year ended December 31, 2018 do not include the effect of this new proposed levy, which would be accounted for in the year ending December 31, 2019 as prior year tax charge; if the proposed bill is approved by the Parliament.

## Digital Banking Initiatives

Your Bank remaining well aware of the gradually rising disruptions under the digital era, continuously focused on strengthening the Bank's strong digital banking platform by enriching existing products while introducing new digital channels while simultaneously taking concrete steps towards avoiding related cyber security threats.

Digital Banking group's relentless efforts resulted in the launch of 'myABL-FonePay' app, which is an extension of myABL Digital Banking, exclusively designed to cater to a wide range of mobile payments. Through myABL FonePay, customers can seamlessly purchase products and services from any location by using their mobile phones.

Business Internet Banking (BIB) module, geared towards providing online banking facility to our institutional customers, continue to be well appreciated in the market. BIB facilitates in enabling customers to perform majority of banking transactions including bulk payments and trade business transactions from the convenience of their respective offices and off-site locations.

Your Bank, leading with a proactive strategy towards the evolving digital landscape, launched its 'Innovation Lab' during the year under review. This Lab shall assist in evaluating and adopting emerging technologies, inculcate a culture of innovation and support the Bank's successful transitioning towards the "Digital Age". The Lab supplements the Bank's robust technological infrastructure while providing a solid platform for digital banking team to check the highest industry standards through a rigorous testing environment preceding the roll-out of new digital products and services.

In view of the convenience to Debit and Prepaid cardholders, Biometric ATM service was also launched during 2018; which provides significant additional comfort to conduct card-less financial transactions through biometric

verification. At the close of 2018, 1,126 ATMs of Your Bank across Pakistan have been fitted with biometric facility. Furthermore, Your Bank enabled the entire ATM network with Anti-skimming devices and EMV compliance during the year under review.

Your Bank continued to augment its Debit Card base during the year under review. Total debit cards in circulation have increased to 4.3 million cards, registering a growth of 16%. Your Bank's initiative of issuing subsidized PayPak cards for the low-income segment yielded results as the volume increased by 1.3 times during the year under review, to close at 194,895 cards.

Moreover, to facilitate the valuable customers who seek both international and domestic spending convenience, Your Bank entered into an agreement with 1-Link for issuance of first ever 'PayPak- Union Pay International' (UPI) co-badged debit cards in Pakistan.

Furthermore, in order to shift over-the-counter (OTC) transactions towards digitized channel, Your Bank installed point-of-sale machines at its selective branches to facilitate personal banking and also reduce counter load.

These initiatives have enabled for reduction in mix of costlier OTC transactions which reduced from 49% in 2017 to 46% in 2018. Resulting, digital service channel mix increased to 54% in 2018 against 51% in 2017; clearly depicting the success in the digital journey of Your Bank.





Your Bank's mobile ATMs pilot was well appreciated by our Valued customer and the Bank intends to launch additional mobile ATMs in selected cities. Similarly, the 24/7 response to pilot digital locker facility with multiple security measures has been encouraging and Your Bank shall also expand this facility in other high-end niche markets.

Your Bank continued to expand strategic business alliances with ecommerce companies, large retailers, trading houses and major eateries chains for its debit card holders, who enjoyed substantial discounts. Resultantly, debit card spent increased by 25% on YoY basis.

Significant push towards provision of 'Payment Hub' solution to educational institutes, public utilities, government sector institutions and corporates assisted in augmenting the digitized cash management business of Your Bank.

Your Bank has also entered into agreement with 1-Link for FBR tax collection through digital banking channels. Payment through digital touch points shall facilitate Your Bank's account holders to pay their taxes and duties on 24/7 basis from the convenience of their homes and offices.

### Risk Management, Compliance and Controls

The key strategic attribute of Your Bank is the effective risk management, which is recognized as a primary barometer of the Bank's success. The Bank maintains a robust risk culture across the businesses, ensuring that risk-taking activities are consistent with the Bank's approved risk appetite, with an appropriate balance between risk and reward in order to maximize shareholder

value. The risk management framework, collectively known as Risk Assessment and Management System (RAMS), is being continuously evaluated and modified to cater to the dynamic business environment while adopting industry's best practices.

During the year under review, Your Bank also formulated a formal 'Recovery Plan' for effective monitoring, escalation, planning, and execution of recovery actions in the event of any unforeseen crisis situation. Although backed by "AAA" long term credit rating and "CG9+" corporate governance ratings, the chances of such incidence are very remote.

Your Bank's places immense importance on the information security, whereby constant monitoring of IT and Cyber security risk is being undertaken, with emphasis on safeguarding the Bank's and customers data while simultaneously ensuring overall IT environment's reliability and security. Significant efforts are being directed to ensure conformity with industry's best practices.

There is a dearth of quality warehousing in the country, leading to significant amount of deterioration and pilferage of the stored commodities. Your Bank's unique initiative of 6 strategically located warehouses was sustained during the year under review, which enabled enhanced security against pledge financing while simultaneously providing warehousing access to the Bank's obligors.

In wake of evolving landscape and promulgation of new laws and standards, Compliance function is being strengthened on continuous basis to mitigate associated compliance risks. The

main emphasis of Your Bank is to adopt alert-based technology enabled solutions to optimize the compliance functionality.

Your Bank took special measures for carrying out biometric verification of the existing account holders including Off-Site verification in order to comply with the SBP's initiative of further strengthening AML/KYC. During the year, Your Bank also deployed robust software for name screening, which enables Your Bank to scan NTB customers through various proscribed databases with real time update.

In line with the Bank's strategic vision, Banking Services undertook various business process re-engineering measures to centralize and automate branch banking operations enabling optimum customer services with improved TATs, enhanced internal controls while also supporting cost optimization. A comprehensive business continuity plan has been formalized and is updated regularly to safeguard Your Bank against any unforeseen disruptions in meeting customer banking and regulatory requirements. Higher focus was maintained on increasing the e-statement subscribers, no. of lockers issuances along with initiation of SMS based alerts to our valued customers.

### Information Technology

Your Bank is continuously making significant investments towards technology platform enhancements to enable superior customer user experiences, support risk management initiatives, strengthen compliance culture and improve data analytics to simultaneously drive business growth along with contributing towards operational efficiencies. Accordingly,



# CEO'S REVIEW



existing Information Technology Systems are timely upgraded while new software and hardware solutions are being promptly acquired to prevent systems failure and obsolescence.

Your Bank's T-24 core-banking software, was seamlessly upgraded to release 16, during the year under review. Further, in order to protect Your Bank's data base from any untoward incidence, a Disaster Recovery (DR) exercise was conducted successfully for all critical business applications from the DR site.

## Outreach Expansion

Your Bank expanded the conventional branch network to 1,345 branches by the end of 2018. Total branches comprise of 1,228 conventional and 117 Islamic banking branches at the close of 2018. During the year, Your Bank introduced a concept of flagship branches, under which selected top performing branches were renovated, supplemented with additional facilities and latest gadgets and by placement of premier staff to provide enhanced service quality and user experience for our valued customers.

Expansion strategy was also maintained in the Your Bank's ATM networks as well. At the close of 2018, there were 1,083 on-site and 305 off-site ATMs installed at major commercial hubs, shopping malls and public amenities to cater to the 24/7 cash requirements of Your Bank's valued customers. Your Bank also successfully maintained its ATM uptime at 99% during the year 2018, well above the industry average. Number of transactions vide ATM network grew by 9% during the year, to aggregate at 23.5 million transactions.

## Service Quality

Furthermore, to ensure fair treatment to all its customers, Your Bank formulated a Consumer Protection Framework (FCPF), in line with the SBP's directive. Moreover, in view of rising skimming and spoofing incidences, Your Bank is continuously educating its customers through awareness campaigns vide all touch points available including social media.

Your Bank is also continuously striving to deliver better service quality to esteemed customers. Therefore, Service Standards for Complaint Management Division (CMD) were developed to augment their management, registration and closure of complaints.

Further during the year under review, with the objective of continuously revamping customer service, Allied Phone Banking Division (APB) took concrete steps to reduce call abandoned ratio and improve the lead time for meeting customer queries.

## Islamic Banking

Islamic Banking remained a key focus area of Your Bank to meet the diversified needs of the customers demanding Sharia compliant financial solutions. Your Bank expanded its product range by introducing Consumer Car Ijarah, Allied Islamic Long-Term Financing Facility, Musawamah Finance along with two Shariah compliant deposit products including 'Allied Aitebar Senior Citizen Account' and 'Allied Islamic Youth Account' in 2018.

Total Assets of Islamic Banking

operations as at December 31, 2018 increased to Rs.27,304 million from Rs.17,350 million in December 2017, posting a growth of 57%. Islamic Banking deposits increased to Rs.24,633 million as at December 31, 2018 compared to Rs.15,547 million in December 31, 2017 reflecting growth of 58%.

Upon attaining reasonable footprint of Islamic banking branches, "Islamic Windows" were launched in 10 selected conventional branches; enabling Your Bank's Islamic Banking arm to further expand its low costs deposit base in this niche market, without needing to invest in new physical branches.

## Investments in Human Capital

Your Bank, remaining well abreast with the importance of human capital in the digital era, undertook various initiatives during 2018 to enhance and upgrade the workforce's skill set levels in digital and conventional banking, evolving compliance requirements along with improvement in leadership skills. Total of 10,034 participants attended more than 60 courses during the year under review.

During 2018, Your Bank has further revamped the Management Training Officer induction criterion. Furthermore, Your Bank developed and formalized KPI driven appraisals for all functional groups, conducted first ever indigenously developed employee satisfaction survey to help make informed decisions with respect to human resources policies and implemented ABL CARE, an in-house psychometric assessment center.

In view of the expansion plans, a total of 1,264 new staff members became part of Your Bank; hence increasing the overall



staff strength to 11,206 including 1,850 female staff. The overall female ratio stood at 17% during 2018.

#### Green Banking and environment protection

In compliance to the Green Banking Guidelines Issued by the SBP, Your Bank has formulated its own Green Banking Policy. Your Bank has established a Green Banking Office (GBO) in Risk Management Group in order to promote environment friendly practices. The objective was to identify and manage environmental risks, socially adverse actions and reducing carbon footprint while espousing paperless environment.

In view of promoting paperless environment, Your Bank also introduced a 'Workflow Automation System', which enabled workflow-based approval mechanism across the network and has led to significant reduction in paper usage, courier costs while significantly enhancing decision making TATs.

#### Strategy Conferences and Customer Awareness Sessions

Your Bank conducted two exclusive strategy conferences for the Middle and Senior management during the

year under review; with thread bare discussions on the digital transformation, strategic and operational plans. The conferences provided a great opportunity for the Senior and Middle managements cadres to interact freely, deliberate key challenges and issues on threadbare basis along with providing an enabling platform towards goal congruence.

Your Bank's unique initiative to impart insight into best corporate practices, management techniques, taxation practices and Islamic banking were well appreciated by the Obligors and customer. Two interactive seminars for Corporate, Commercial and SME obligors on the topic "Transition from Family Owned Business Structure to Corporate Structure" were organized during 2018. Your Bank also conducted SME awareness sessions during the year.

A seminar on Islamic banking was also organized in Quetta which was graced by the Chairman Shariah Board. Your Bank has also organized a seminar on 'Simpler taxation systems enabling high growth in tax net' at Islamabad. Dr. Ishrat Hussain was the key note speaker, which was also attended by member FBR, senior officials from SECP along with Your Bank's obligors and customers.

#### **Rewards and Accolades**

It is a matter of great pride that Your Bank's efforts towards excellence in various fields were acknowledged by the following national as well as international publications and regulators during 2018:

- Best Bank in Pakistan Award 2018 by Euromoney
- 6th FPCCI Achievement Award 2018
- Best Bank for CSR – Pakistan by Asia Money
- Best Micro Financing - Pakistan, 2018 by The Asset Magazine, Hong Kong
- Best Loan Adviser - Pakistan, 2018 by The Asset Magazine, Hong Kong
- Telecom Deal of the Year – Pakistan, 2018 by Asset Triple A Asia
- Infrastructure Awards 2018, Hong Kong
- Corporate Excellence Award by Management Association of Pakistan
- 2nd Position Best Corporate Report Award (Banks) by ICAP/ICMAP

#### **ABL Asset Management Company Limited**

Allied Bank Limited subsidiary, ABL Asset Management Company Limited (ABL AMC) maintained Asset under Management (AUM) size of Rs.44 billion during 2018.







ABL AMC continued to provide value added products and launched four new funds including Allied Capital Protected Fund, Allied Islamic Asset allocation Fund, ABL Islamic Asset Allocation Fund (IAAF) and Allied Finergy Fund; the total portfolio now comprising of 14 funds.

IAAF provides potentially high return through asset allocation between Shari'ah compliant deployment covering equity securities, fixed income instruments, money market instruments and any other Shari'ah compliant instruments as permitted by the SECP and Shari'ah advisors.

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) reaffirmed the Management Quality Rating (MQR) of ABL AMC at 'AM2++' (AM-Two-Double Plus). Outlook on the assigned rating stood at 'Stable'. The assigned rating was derived from ABL AMC's strong sponsor profile, effective corporate governance framework, adequate control functions and balanced board composition. ABL AMC is also ISO/IEC 27001: 2013 certified AMC in Pakistan and has also adopted Global Investment Performance Standards (GIPS).

## Credit and Corporate Governance Ratings

### Entity Ratings

Your Bank's continuous efforts to achieve sustainable and robust financial position, capable of absorbing economic cycles, one-off shocks and proficient enough to deliver stable results transpired in upgradation to the highest "AAA" rating by Pakistan Credit Rating Agency Limited (PACRA). With the achievement of this milestone, Your Bank is now among the select few top banks, who are rated in

this category. Prudent risk management framework, robust financial position along with strong sponsors profile played a pivotal role in this rating upgrade.

### Corporate Governance Rating

Your Bank's corporate governance aims to instill effective and prudent management to deliver sustainable long-term value. Therefore, Your Bank on yearly basis have its corporate governance practices reviewed by an independent evaluator. JCR-VIS Credit Rating Company Limited re-affirmed Your Bank's Corporate Governance Rating of 'CGR-9+'. Rating indicates a 'high level of corporate governance'; thus, depicting a strong commitment towards governance framework by the Board and management of Your Bank, while noting that the Human Resource and Remuneration Committee to be chaired by an independent director as per Listed Companies (Code of Corporate Governance) Regulations, 2017, requirements.

### International Rating

Moody's Investor Service maintained Your Bank's deposit rating at B3 during 2018, with outlook negative which is constrained by negative outlook on the sovereign rating; indicating stable deposit – based funding profile, high liquidity buffer and good earnings generating capacity.

### Future Outlook

Country's projected GDP growth level remains well under the desired levels to sustain more than 200 million population.



Drastic measures are urgently needed to implement much awaited taxation reforms geared towards broadening tax base, curtailment of informal economy with higher emphasis on augmenting the financial inclusion levels, promotion of private sector investment, privatization of loss-making PSEs and repayment of ballooning circular debt to address the rising fiscal gap.

Paradigm shift in taxation regime also been long advocated to enhance the insignificant tax base which aggregated to just 1.83 million active tax payers in a population of over 200 million. Without the structural reforms to boost the lagging trust deficit, significant broadening of tax base and resultant growth in fiscal revenues streams seem unlikely. Accordingly, it would remain an uphill task to circumvent the reliance on borrowings led domestic growth.

On the external front, Current Account deficit and repayment of FCY debts continue to pose major challenges for the country. While the comparatively lower oil prices are expected to provide some relief; urgent measures are needed for incentivizing manufacturing entities engaged in import substitution and augmenting exports.

Additional curbs on non-essential imports, protection of domestic industries and the assistance from friends of Pakistan especially recent agreements signed with KSA bodes well for future inflows in short term, which also signifies improving foreign investors' confidence. Prudent exchange rate monitoring requires constant attention of the policy makers. Further, concrete efforts are required to be demonstrated to exit from the 'grey list' with respect to FATF.



In view of the aforementioned expected policy measures, increase in gas and electricity tariffs, impacts of devaluation and higher import tariffs would further push the inflation figure upwards. Therefore, SBP may find it imperative to continue with the tightening monetary policy by revising the Policy Rate upward; albeit in a gradual manner compared to 2018. CPI inflation is projected in the range of 6.5% -7.5% in FY 2018-19.

While the country remains blessed with a huge potential and vast natural resources; yet without tackling the aforementioned long-term challenges decisively, country is unable to tap into these immense opportunities. CPEC driven investments in the field of energy, infra structure, Gwadar port activity and gradual initiation of private sector level cooperation is beginning to gradually generate economic activity. Completion of seven energy related projects have contributed towards national grid capacity by 3,240 MW. However, concrete measures are required to be adopted to reduce enormous line losses amidst rampant power thefts. This would assist in further rationalizing the existing energy costs, necessary to sustain growing population base.

Banking sector outlook is linked with these evolving macro-economic developments and emerging challenges. Despite the rate hike; resultant credit costs, difficulties in implementing foreclosure laws restraining credit expansion in priority sectors, expansion in currency in circulation, rising compliance costs amidst tougher regulatory environment without considering eco-system, inflation driven expenditure

growth and discriminatory tax regime with the continuation of the Super tax pose significant challenges to the sector's bottom line outlook.

Your Bank's long-term strategy entails the adoption of 'digitization' driven priorities with particular focus on the enhanced digital experience and user interfaces for the valued customers, continuous enrichment of data analytics and reporting capabilities, persistent testing and implementation of advanced technologies including Artificial Intelligence, Machine Learning, Big Data and Robotics along with automation of core business processes shall remain key strategic imperatives.

In view of the above, Your Bank shall maintain the pace of technological infrastructure upgradation on an ongoing basis. The planned functional upgrade of its T-24 core-banking system to 'Arrangement Architecture' (AA) framework along with higher focus on data governance and protection against cyber threats will equip Your Bank to offer more customized digital products in shorter lead times.

Digital product suite enrichment includes provision of Branchless Banking (BB) services, launched in partnership with AutoSoft Dynamics and Finja, a local Fintech Start-up, enabling Your Bank to issue instant mobile wallet accounts without the requirement of physical presence in a branch. BB shall also facilitate the start of 'Agent led banking' for Your Bank. Furthermore, Your Bank intends to add to its product portfolio fully digitized Easy Pay loan facility for the salaried classes.

A new version of 'myABL' app is also being launched in 2019, which shall provide an enhanced user experience including bio-metric login, integration of QR code payments and ticket purchasing options for the digital savvy customers.

Considering the satisfactory response to various alliances undertaken during the year, Your Bank intends to further broaden these alliances. In this regard, 'Premium Debit Card' was launched in early 2019, which is an exclusive product for high net worth customers designed by 'VISA' under their 'Signature' card category. The card enables free access to multiple airport lounges across the world along free insurance coverages and comes with exclusive alliances with major retailers and eateries across Pakistan.

Your Bank has collaborated with IBM for adoption of Oracle Big Data Appliance. Through this partnership planned for 2019, Your Bank will be able to make strategic decisions based on meaningful insights derived from machine learning models and offer personalized customer experiences.

Your Bank is constantly looking to partner with Fintech and top universities including NUST to focus on areas of common interest like robotics, intelligent machine learning and automation of support functions and data analytics with the objective of creating value.

Your Bank intends to continue to gradually expand its self-service branches. One of such branches would be opened shortly in the top business university of the country with pilot deployment of 'instant account opening





and various designed based card issuance machine' along with deployment of Interactive Teller Machines and digital signages.

Your Bank shall continue to enable its growing ATM network with Biometric facility, Anti-skimming devices and EMV compliance to ensure the best possible security measures against skimming. Further Bank has initiated SMS service to all its registered customers to keep them abreast with respect to the digital banking activity.

In sync with the unique ground realities of the country, Your Bank adopting a hybrid approach, continues to gradually shift higher expansion in omni-channel models under digital banking platforms while maintaining optimum level in traditional brick and mortar-based outreach for conventional business with windows for Islamic businesses at various strategic locations.

Enhanced focus shall continue on ambitious customer onboarding targets supplemented by continuous enrichment of user experiences. Growth momentum in current accounts and financial inclusion shall be maintained on the deposit side. While in the advance's portfolio, Your Bank will further penetrate in middle market and SME segment by tapping opportunities in the captive business available with Bank's vast corporate obligors; through availment of cross sell and vendor financing opportunities.

The Bank remains optimistic about the aforementioned collaboration with Karandaaz. This partnership is expected to facilitate growth in SME product development and capacity building within the Bank. Furthermore, Your Bank intends to launch 'mortgage loans' in 2019 in selected big cities initially, to enrich product suite for ABL customers.

Continuously developing compliance culture with respect to domestic and international requirements like Common

Reporting Standards (CRM) and conducting comprehensive compliance trainings shall remain part of Your Bank's strategy going forward.

The Bank intends to maintain focus on further enrichment of its existing Enterprise Risk Management Framework and at the same time keep on evaluating related state of the art solutions for further value creation in identification, analysing, monitoring and controlling of all major risks including credit, market, liquidity and operations risks. Furthermore, expansion in the Bank managed warehouses for pledge financing will be maintained. The current operational six warehouses will be increased gradually to twenty locations going forward, as envisaged in long term strategy of Your Bank. The aforementioned strong risk management platform would continue to build resilience to absorb any possible impact, upon the eventual implementation of IFRS-9 'Financial Instruments', on the profitability and capital adequacy (CAR) going forward.

Capitalizing upon existing conventional network, Islamic Banking (IB) segment of Your Bank shall increase its outreach through window operations in selected niche markets. The focus of IB shall remain towards increasing customer base, build-up of quality advances portfolio and optimize costs, which is expected to have a positive impact on IB's bottom line going forward.

In view of the rapidly changing digital world, human resource group remains a key strategic partner in the overall agenda of change management, culture alignment and overall digital evolution of Your Bank. A significant investment will continue to be made towards enhanced trainings, staff engagement and hiring of 'right mind set' staff. Forming of agile teams shall further encourage empowerment and augment the overall staff ownership in this critical transformation journey. Staff optimization and efficiency levels will be further

enhanced, through detailed organizational and workload analysis on an ongoing basis.

Your Bank's management remains committed towards optimally utilizing and building on the strong technological platform, robust risk management framework, focused regulatory compliance, enhanced delivery channels to facilitate higher customer onboarding, through superior service quality and enhanced user experiences, to deliver sustainable shareholders' value in future.

## Acknowledgement

I would like to extend my gratitude to the Board of Directors for their continued guidance and support. I would also like to value the untiring efforts and resolve displayed by our team members in provision of seamless banking experience to our customers during the year. I would like to commend our valuable customers for their relentless patronage, trust and making ABL their bank of choice. Furthermore, I would also like to express my sincere appreciation to the State Bank of Pakistan, Securities and Exchange Commission and other regulatory bodies for their direction and continued support.

**Tahir Hassan Qureshi**  
Chief Executive Officer

Dated: February 13, 2019

# GROUP REVIEW

## Corporate and Investment Banking Group:

The Bank's Corporate and Investment Banking Group (CIBG) is one of the leading wholesale banking outfits in Pakistan. CIBG's forte lies in relationship-driven and client-centric approach; adaptability to changing market conditions, understanding of business dynamics and evolving business needs of obligors; and competence to provide structured and sustainable financing solutions with comprehensive relationship coverage.

CIBG maintains a well-diversified and profitable capital markets portfolio with investments in high quality stocks having a healthy dividend stream. The total capital gains and dividend income from equity portfolio was recorded at Rs 3,397 million in 2018.

Despite multi-faceted macro-economic challenges and rising interest rates scenario, CIBG posted a strong growth in its quality lending portfolio by continuing to maintain focus on enhancing exposure to premier corporates, having sound future prospects, strong business fundamentals and proven account history.

During 2018, Corporate Banking's performing loan portfolio increased by Rs.61 billion or 19% as against December 2017. Simultaneously, concerted efforts were made to enhance CIBG's trade finance share of wallet to maximize fee-based income.

Middle Market (MM) division within CIBG primarily covers top tier commercial entities, that operate at relatively smaller scale compared with corporate obligors, by providing them with value added financing solutions and advisory services; while simultaneously steering and enlightening them with better corporate practices. MM has remained instrumental in increasing Bank's penetration into this segment and added several new bankable relationships during the year.

Investment Banking (IB) continued to offer a wide range of investment banking products and solutions to corporate clients to assist in achieving their growth and strategic objectives.

The Debt Syndication and Advisory Unit's forte is executing big ticket debt arrangement transactions by offering cost effective and customized corporate financing solutions and advisory services/



products ranging from advising on IPOs, Underwritings, Divestments, Debt Restructurings and Merger & Acquisition Deals.

The Project Finance Unit offers services to project sponsors for development of a credit-worthy and bankable financial structure and syndicated finance for greenfield and brownfield investment projects with appropriate risk allocation.

During 2018, Investment Banking advised and financed multiple transactions covering diverse sectors including power generation, chemicals, metal products and financial institutions.

The Financial Institutions and International Division (FI) continued to enhance the Bank's global institutional banking relationship base with leading and highly reputed financial institutions to support trade, treasury, foreign exchange operations.

In addition, FI's partnerships with various multi-lateral agencies and global banks continued to facilitate smooth execution of customers' growing and diversifying international banking requirements. Your Bank currently has more than 250 international correspondents located in 85 countries, providing global reach and acceptability.

The Bahrain (Wholesale Banking Branch) and Dubai (Representative Office) remained instrumental in harnessing opportunities for business in the Gulf region. Your Bank's Representative Office in Beijing, People's Republic of China, continued to explore the potential

business opportunities for trade and investment flows between China and Pakistan while extracting maximum synergies from the relationship between the two countries. Your Bank through prudent business strategies, remains fully compliant with the regulatory framework of the respective territories.

Home Remittance Division (HRD), continued to enhance remittance inflows by strengthening relationships with existing correspondent partners and adding new-tie-ups globally. Through more than 100 correspondent relationships world-wide, and large network of country-wide online branches, HRD delivers premier services for the non-resident Pakistanis to remit funds effectively and efficiently through multiple channels.

During 2018, new tie-up relationships were established with correspondent partners from UK, South Africa, Australia, Malaysia and Canada.

Going forward, CIBG aims to maintain its selective lending approach with primary focus on top tier and blue-chip corporate clientele to continue adding high quality assets while simultaneously exploring bankable avenues in mid-tier corporate segment to diversify and generate a sustainable revenue stream. CIBG seeks to maintain its contribution towards your Bank's overall profitability through cross selling of financial institutions products while capitalizing upon established corporate relationships and international operations and explore avenues for maximizing fee based, ancillary and captive business opportunities. Moreover,

# GROUP REVIEW



accelerated efforts are being made to explore new corridors for remittance business and maximizing Bank's synergies across its domestic and international network.

## Commercial and Retail Banking Group:

Commercial and Retail Banking Group (CRBG) extended unwavering support in achieving the Bank's strategic goals and to create value for the stakeholders by optimizing resource allocation and by providing wide range of banking solutions.

Comprehensive product suite supported by conventional and gradually developing 24/7 digital platforms including an extensive network of customer touch points provided unparalleled access to financial services for our valued customers.

Branch outreach expanded to reach 1,345 branches by the end of 2018, with 95 new branches opening during the year. Further augmentation of Islamic footprint led to the launch of 10 "Islamic windows" with an aim to further expand its low costs deposit base in this niche market. Sustained focus on customer onboarding process yielded results approximately 650,000 NTB accounts were added to Banks customer base and improved banks contribution towards national financial inclusion strategy.

CRBG's focus on ensuring a healthy portfolio mix led to a robust growth in overall deposits, which grew by Rs 100,734 million to post a growth of 11%;

including additional Rs. 47,304 million mobilized in no-cost current account, posting a growth of 15%, improving the Bank's overall CA mix to 37%. CRBG closed the CASA deposits at Rs. 809 billion, registering a YoY growth of Rs. 118 billion being 17%.

Despite the policy rate hike of 4.25% in 2018, CRBG curtailed cost of deposits to 3.51% for the year ended December 31, 2018. The Bank's comprehensive deposit product suite was further strengthened by the launch of 'Allied Youth Account' and "Allied Senior Citizen Account" to cater to the specific requirements of tech savvy millennials and senior citizens of the society respectively. Both products were met with overwhelming response from the public with more than 25 thousand accounts opening under both categories during the year.

CRBG successfully re-launched bancassurance product across the network. The Bank is partnering with EFU and Jubilee Insurance companies to provide par excellence products for its customers, with on-ground placement of their sales representatives to maintain service excellence with minimum number of customer complaints.

CRBG maintained the cautious growth in the Bank's Consumer portfolio. Allied Personal Finance and Allied Car Finance offered at competitive mark-up rates and with quick processing turnaround times (TATs), is well appreciated by the Bank's customers. Your Bank is expanding its consumer finance product suite through launch of mortgage financing product, under the name of "Allied Home Finance".



In view of Agriculture sector's importance in Pakistan's economy, Your Bank designed specific financial products geared to meet the unique financial needs of the farming community. During 2018, Your Bank launched new agricultural financing products namely Allied Aabayari (Irrigation Solution) and "Allied Farm Mechanization" to further encourage the farming community to adopt best mechanical and irrigation practices to improve their yields, thereby positively impacting their livelihoods.

In line with Your Bank's Corporate Social Responsibility (CSR) Policy, CRBG maintained its focus towards giving back to communities in which the Bank operates. Focus on the key CSR activity to impart financial literacy to our customers through implementation of ERP (Enterprise Resource Planning) software at our selected obligors was maintained. Two obligors were successfully migrated to ERP software during the year whereas implementations on two other obligors is in process.

## Digital Banking Group:

Aligned with evolving digital environment and shift of global banking orientation towards the "Digital Banking Age", Your Bank is continuously endeavoring to maintain strategic focus on broad based digitalization and transformation through adoption of cutting-edge technologies while delivering a customer centric experience to its digital banking customer base. Your Bank is striving to augment the digitalized product suite by offering products catering to the evolving needs of different customer segments.





myABL (Personal Internet Banking) with a device agnostic responsive design, works seamlessly across wide array of devices. Additionally, myABL complements individual/retail users' experience over mobile apps for Apple iOS and Google Android. It offers an array of features, which are available to Bank's customers 24/7 over internet and mobile. The numbers of users continue to grow and has doubled during 2018 to cross the 200,000 mark. myABL Business Internet Banking (BIB) is online/internet banking service exclusively designed and developed for Business and Institutional Customers. This user-friendly and device-responsive facility continued to grow during 2018, enabling customers to execute wide range of banking transactions online from the convenience of their respective workstation/offices.

Business entities can initiate multiple transactions on BIB including specialized Trade Finance transactions (Letter of Credits (LCs), Guarantees and Export Collections, Term Deposit issuance and encashment and perform General Banking Transactions (Funds Transfers, Bill Payments, FBR Payments, Bankers Cheque Printing etc.) and Bulk Payment transactions in any Bank Accounts.

Self-service banking (SSB) branch network is also being gradually expanded across selected locations. SSB offers a blend of "Conventional" and "Self-Service Banking" facilities to account holders as

well as walk-in customers. SSB enables the customers to address their banking needs while interfacing with diverse range of digital touch points including tablets, interactive tables, video conferencing and digital kiosks. Thereby, significantly enhancing the customers' instant paperless user experience.

Your Bank is among the few banks in Pakistan to offer Premium VISA Debit Cards to our High Net Worth Customers. This card brings a complete bundle of services including Purchase Protection against thefts, extended warranty, multi trip travel insurance facility on domestic as well as international trips and airport lounge access at 1,000+ locations. Moreover, accountholders subscribing for Premium Debit Cards will be entitled to exclusive discounts at selected merchants in Pakistan and 200+ fine dining locations globally. .

Your Bank has also conducted discount campaigns with leading retailers including Daraz.pk, Serene Air, Domino's, Burger King etc. which has resulted in increased debit card spend of 25% YoY Basis.

Your Bank remained actively engaged in facilitating multiple industries for cash management solution. Your Bank is associated with 180+ industries including schools, colleges, universities, financial institutions, manufacturing businesses for providing state of the art payment and collection services.

Your Bank has clubbed all its cash management solutions under payment hub wherein depending on client's need i.e. conventional, batch mode processing or API based integration is offered. Your Bank has onboarded 40+ clients signed up during the year for cash management services from government, educational, real estate and housing sectors.

Focus on enriching customer experience and improving convenience to Debit and Prepaid cardholders led to the launch of Biometric ATM service during 2018; which provides significant additional comfort to conduct card-less financial transactions through biometric verification. At the close of 2018, 1000+ ATMs of Your Bank across Pakistan have been upgraded with biometric facility. Your Bank continues to supplement its ATM network with Anti-skimming devices and EMV compliance to ensure the best possible security measures against skimming frauds for our valued customers

In 2018, Your Bank launched a new version of ATM / Branch Locator and discount offer services on the bank's corporate website and social media pages; with the corporate website receiving more than 6 million visits in the year under review. Discount offers service provides instant updates to customers with an enhanced view to effectively view such offers available at various merchants.



# GROUP REVIEW

Going Forward, Digital Banking Group shall remain the converging point for developing, actualizing and ensuring utilization of latest technology enabled products and services; driving Bank's transformation towards the "Digital Banking Age."

## Treasury

The global economy grew at a sustained rate of 3.7% during the year, despite weaker performance in some European and Asian countries, as United States fiscal stimulus strategy yielded stronger results. Future growth projections remain adverse on the backdrop of weakening financial market sentiment, trade policy uncertainty emanating from ongoing trade confrontation between United States and China, rising public and private debt levels, volatile markets amidst liquidity constraints, Brexit linked uncertainties and higher inflation led monetary tightening stance adopted by central banks across the world.

Anticipating the fallout of high GDP growth on aggregate demand and balance of payments, Your Bank was proactively managing the duration of its government securities' portfolio.

As Current Account Deficit widened to alarming levels and its fallout on USD-PKR parity was imminent, with anticipated fall-out on the SBP's monetary policy. Your Bank pro-actively divested most of its long-term bond portfolio and took interest rate trading positions. The strategic divestment as well as trading positions resulted not only in capital gains of Rs. 2.0 billion but also enabled Your Bank to be well-positioned to benefit from the upward movement of the yield curve.

Your Bank's FX interbank desk is among the leading market makers in the spot and FX swap markets; striving to persistently provide the finest pricing to our valued customers.

The Treasury sales team is engaged in providing optimal solutions to our valued customer and offers a wide array of FX spot, forward and discounting products. While simultaneously acquiring a significant share in fixed income sales segment through competitive pricing and diverse offering of sovereign fixed income and money market products.

Your Bank's performance on the foreign exchange front was also commendable;

with thorough and pro-active review of evolving economic scenario, timely position taking coupled with client servicing resulted in the FX desk contributing more than Rs. 1.5 billion to the bottom line. Furthermore, Your Bank's treasury won high value FX contracts worth approx. US\$ 1 billion due to its competitive and fine pricing.

Your Bank on the backdrop of healthy progression in both interbank and customer deal flow, strengthened its market position as one of the leading Primary Dealer's (PD) in the country and attained 3rd spot in the list of top-ranking PDs by SBP. Your Bank's Money Market desk remains an active market player in the domestic Repo and Call market and a leading market maker in GoP securities.

## Islamic Banking Group:

According to World Bank, the rapid growth of Islamic finance exceeded 10% annually over the past two decades, with the industry surpassing US\$ 2,000 billion in size and expected to grow to US\$ 2,500 billion by the end of 2019. Islamic finance has emerged as an effective tool for financing development worldwide, including in non-Muslim countries.

Islamic Banking Industry assets in Pakistan during the year grew to over approximately Rs. 2,500 billion, while deposits surpassed Rs. 2,000 billion.

As reported by SBP the market share of Islamic banking assets and deposits in overall banking industry was recorded at 13.6% and 14.7% respectively, while Islamic Banking outreach increased to 2,700 branches at the end-September 2018.

Islamic Banking Group (IBG) network has expanded to 117 full-fledged branches and 10 Islamic Banking Windows. This network enabled IBG to post significant growth in total Assets as at December 2018, which almost doubled to Rs. 27,305 million. Overall deposits grew significantly to reach Rs.24,633 million as at December 31, 2018; with sustained focus on

continuously improving mix of low-cost deposits in overall deposits.

Total advances and investment as at December 31, 2018 stood at Rs 17,176 million. A mix of working capital and project financing facilities through Shariah-compliant modes was offered to clients spanning various industries.

IBG has also expanded its products' range by introducing Consumer Car Ijarah. In line with Bank's commitment to enhance financial inclusion and expand its market share, IBG will be introducing new products such as Allied Islamic Long-Term Financing Facility, Musawamah Finance, Home Finance, and Agri Finance on the assets side.

On the liability side IBG is committed to expand customer share of wallet through new cash management arrangements with large corporates. Further, in order to facilitate banking needs of different segments of society, IBG is also in the phase of introducing Liability products namely Allied Aitebar Youth Account and Allied Aitebar Senior Citizen account in the year 2019.

IBG organized three awareness sessions on "Customer Awareness Program on Islamic Banking" at Chambers of Commerce of Quetta and Peshawar



along with Yarn Market Traders, Faisalabad. The objective was to elucidate to the respective business communities, about the Shariah compliant banking alternatives; thereby enhancing knowledge and growth of Islamic banking avenues.

IBG remains fully committed to better serve the niche Islamic Banking Market, going forward.

### Special Asset Management Group:

Special asset management (SAM) group of Your Bank continued its efforts of recovery against non-performing assets while being a focal point for remedial measures related to fraud, forgery and dacoity incidents and provided legal support across the Bank.

Nonperforming loans decreased by Rs.1,987 million to Rs.16,065 million as at December 31, 2018, compared to December 31, 2017 balance of Rs.18,052 million; reflecting a significant decrease of 11%.

Infection ratio (NPL/Gross advances) decreased to 3.5% as at December 31, 2018 compared to 4.6% in December 2017. Meanwhile, loan loss coverage (including general provision) increased to 97% as at December 31, 2018 from 93% as at December 31, 2017.

Infection and coverage ratios are significantly better than the industry's Infection and coverage ratio recorded at 7.5% and 90% respectively at period ended September 30, 2018.

In line with bank's overall vision towards digitalization and paperless banking, SAMG has digitized its approval processes. FRMU has Implemented Off-US FRCTALS Module and started monitoring of ADC transactions in a real time manner by 24/7 and successfully foiled various fraudulent attempts.

Going forward SAMG shall focus on further automation of internal processes NPL/write off loans settlement proposals, Up-gradation of Litigation Management System (LMS), Acquisition of VISAnet product Visa Risk Manager (VRM) for Real time Monitoring of International Cash & POS (Local & International) Transactions, enhancements in FCCM & FRACTALS Fraud Detection Module for Branch Banking transactions with new scenarios and professional trainings for staff to



further enhancement in professional expertise.

### Compliance Group:

The Bank's Compliance Group (CG) is independent from the operational activities and reports directly to the CEO. It is primarily entrusted with the responsibility of ensuring strong regulatory compliant environment, augmenting compliance culture and establishing robust compliance framework enabling the Bank to remain abreast with the continuously evolving domestic and international regulatory requirements.

Considering the complex and stiffer regulatory requirements, the CG established following specialized sub-functions:

- Enterprise Compliance;
- Regulatory Compliance (inclusive of Technology Compliance)
- KYC and AML (Chief Anti Money Laundering Officer)

These sub-functions operate cohesively to continuously enrich the compliance risk monitoring and assessment environment of the Bank. CG is maintaining highest focus with industry leading standards in the following key areas:

- Compliance risk management and monitoring;
- Process level controls to avoid Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF);

- Automated tools for monitoring and countering ML, TF and PF risks;
- Continuous and consistent adherence to Regulatory promulgations and frameworks;
- Custodianship and up-dation of bank-wide Policy and Procedure documentation;
- Coordination with the regulator along with ensuring timely regulatory reporting;
- Issues tracking and resolution identified during internal and external reviews and audits

For capturing and disseminating regulatory and statutory requirements, CG has deployed an automated solution which also serves as repository for all laws, regulations, frameworks, policies and procedures and relevant correspondence. During the year, CG undertook various measures to further improve technology enabled Compliance Risk Management abilities in compliance with SBP's Compliance Risk Management Guidelines (CRMG).

CG also deployed name screening tool based on an enriched proscribed database with real time update. Bank wide implementation of this screening tool along with integrated mechanism at Bank's centralized account opening has significantly enhanced effectiveness and efficiency of AML/ KYC related controls. This tool has enabled the Bank to effectively screen Politically Exposed Persons and other High-risk entities with enhanced due diligence.

# GROUP REVIEW

The Oracle's Financial Crime and Compliance Management (FCCM) system's monitoring capacity was significantly enhanced during year under review, by adding 12 additional anti ML scenarios while broadening the scope of its coverage.

Due diligence of correspondence relationships was further enhanced with membership of globally renowned portals including Bankers Almanac and SWIFT KYC Registry. Bank has also adopted Wolfsberg standards for due diligence of Financial Institutions.

During the year, CG supported other Groups in conducting Self-Assessment of Compliance Controls via provision of Regulatory Compliance Checklists. CG also conducted onsite/ Online and offsite trainings of more than 8,000 participants to improve compliance awareness & augment compliance culture. Considering importance of this aspect; training coverage of compliance shall be further enhanced.

Going forward, CG shall continue to invest in technology driven compliance platforms to further enrich dissemination, implementation, monitoring and oversight roles more effectively and efficiently; while ensuring timely implementation of Compliance Risk Management Solution along with adherence to SBP's CRMG, by persistently strengthening compliance resources, enhancing stakeholder trainings to promote a robust compliance culture across the Bank.

## Risk Management Group:

Risk Management (RM) of Your Bank is continuously striving towards managing risk through an augmented framework of sound risk principles supported by optimum organizational structure, robust risk assessment models and effective monitoring systems in an IT enabled environment to safeguard the strength of the capital base of the Bank while achieving maximum shareholders value.

Specialized functions of RM include Corporate & FI Risk, Commercial, SME & Consumer Risk, Credit Administration and Monitoring, Technical Appraisal, Information Security and Governance and Enterprise Risk which operate cohesively to continuously enrich the risk monitoring and assessment architecture, ensuring superior quality of asset portfolio while keeping the aggregate risks well within the Bank's overall risk acceptance criteria.



During 2018, RMG continued to refine and innovate its risk management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- Owing to Small and Medium Enterprises economic significance and in light of SBP's initiative to promote SME financing, Your Bank participated in Innovative Challenge Fund (ICF3) "Transforming SME Financing, Innovative Credit Scoring Model of SMEs" launched by Karandaz Pakistan (a non-profit organization) and got selected as a Partner for this project. This project will not only help us in fulfilling our social responsibility of financial inclusion but also facilitate in creating business opportunities for the Bank.
- In compliance with SBP directives, the Bank has carried out a detailed quantitative and qualitative impact analysis exercise for the adoption of IFRS-9 on Annual Financial statement of the year 2017. The key change brought by IFRS-9 is in relation to the accounting provisions for loan losses which are required to be made using expected loss model. Currently, loan loss provisions are made when there is an objective evidence of impairment (i.e. incurred loss model). This is a fundamental shift in provisioning. For determining Expected Credit Loss (ECL) as per IFRS-9, three-bucket approach i.e. stage 1, 2 and 3 has been used along with three risk parameters i.e. Exposure at Default (EAD), Probability of Default (PD) and Loss Given default (LGD).
- Implementation of IFRS-9 may develop a comprehensive forward-looking approach for incorporation of loss provision, however, the Bank believes that implementation of IFRS-9 in Pakistan requires alignment of existing laws and regulations, maturity of supporting software solutions and development of required skill set of human capital may take time
- Implemented BASEL Capital calculation module of oracle risk management solution. Through this state of the art system, the Bank has automated the calculation of Capital Adequacy Ratio. This module also provides dashboard for analytical views about CAR movements.
- The Bank has acquired a Bench Matrix Solution for Operational and Compliance Risk Management. This system shall enable the Bank to automate various functions pertaining to Operational and Compliance risk management as per best practices in the field.
- In continuance of Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management & strategies; two interactive seminars for corporate, commercial & SME obligors on the topic "Transition from Family Owned Business Structure to Corporate Structure" were organized during 2018.



Risk Management aims to continue the pace of initiatives in 2019 with ongoing implementation of other modules of Oracle Risk Management Solutions; sustain recovery efforts along with further augmentation of Bank maintained warehouses for pledge financing and enhancements in robust risk management systems, collectively known as RAMS, through significant investments in technology and human resource development to maintain an effective risk management framework across the Bank.

### Information Technology Group:

Emerging technologies are continuously changing business model of the banking industry from paper and branch based to “digitized and networked banking services”. Internet access is now more affordable with transfer of data at unprecedented speeds.

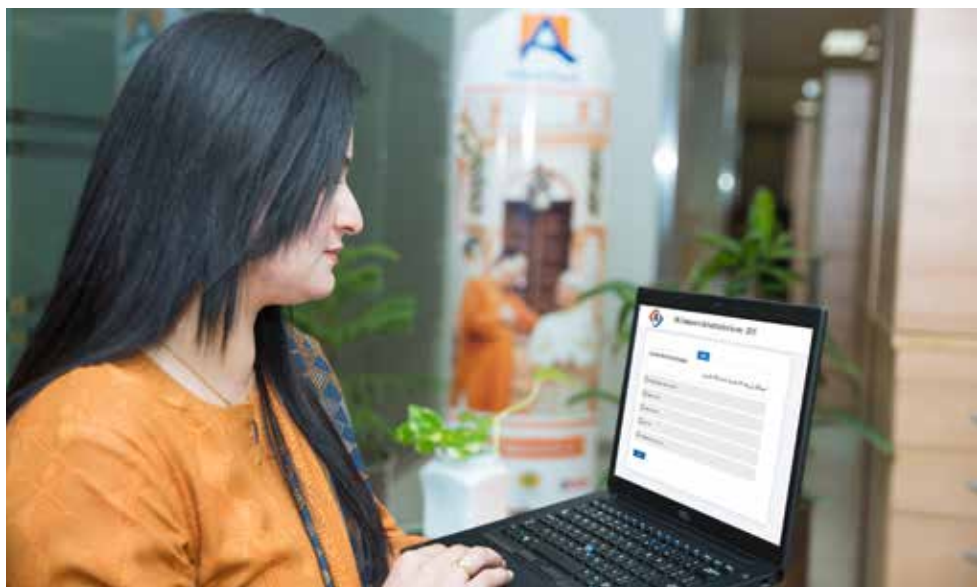
Allied Bank is focusing on expanding the brick and mortar branch infrastructure duly supported by gradual investment in appropriate emerging technologies, in addition to ongoing Information Technology initiatives.

The Bank’s significant IT Infrastructure including several systems, Networks, Applications and state-of-the-art Data Centers, is designed to cater to evolving requirements of the valued customers.

Your Bank has invested significant amount on Network infrastructure to make it resilient and agile to run the applications in an efficient way. To achieve this, Next generation switching and 10G network infrastructure has been provisioned. Further, modular network approach has also been adopted to implement the Industry best practices.

The Branches have also been provisioned with Dual links to address the outages and to maximize the Uptime. An Uptime of 98%+ has been witnessed for Branches and ATMs regularly and especially on festivals standing out in the Banking industry.

The Data Center facilities including Primary and DR site have been established for hosting the various Applications and Services. To ensure the maximum availability, N+1 level redundancy is being maintained.



Keeping in view the increasing Security threats, Your Bank has adopted a layered approach in its Enterprise security posture. Advance Intelligent technologies have been deployed at each layer to strengthen the security posture and to counter the threats at different segments.

In the light of regulatory requirements, various processes / procedures have been developed and efforts have been made to comply with them. These mainly include ETGF (Enterprise Technology Governance & Risk management Framework), PCI – DSS, Information Security Policy etc.

Entire Core Infrastructure (CI) of Your Bank is fault tolerant by design and balances its computation within the nodes of the virtualized clusters to ensure its continuous availability. To maintain the business as usual stature, Bank’s CI ensures that data has been replicating from primary to alternate datacenter on almost real time basis to maintain recovery point objective (RPO) of Your Bank.

Your Bank has implemented CISCO “Enterprise Security Appliance (ESA)” i.e. “E-mail” Gateway to filter both inward and outward email traffic against Malwares, Viruses and Spam threats. Moreover, it has built-in feature of Advanced Malware Protection (AMP). Your Bank has also implemented CISCO “Web Security Appliance (WSA)” for monitoring of web traffic, along with control on web related Spams, Malwares and viruses. Bank has also implemented “Oracle Advance

Security” to enforce redaction, masking and encryption of data.

Your Bank, being fully cognizant of the digital transformation pre-requisites, will become one of the first banks in Pakistan to adopt Oracle Big Data Appliance which is a multi-purpose engineered system for Hadoop workloads and data processing. In this project, Your Bank will be able to ingest structured and unstructured data in real time, make more informed data driven business decisions based on meaningful insights and machine learning models, and in turn, improve and personalize customer experiences.

Your Bank is also opting for Robotic Process Automation Solution to streamline enterprise operations and reduce costs. With Robotic Process Automation, both technology and business teams will be able to automate mundane rules-based processes, enabling them to devote more time to serving customers or other higher-value work.

Going forward ITG shall continue to play a pivotal role by enriching technology platform to enable Your Bank to adapt to digitalization driven business model.

### Human Resource Group:

Human Resource Group (HRG) believes in the strength of human capital and aims to deliver organizational excellence through developing and implementing policies, programs and services that contribute



to the alignment of organizational and employee goals while also maintaining optimum efficiency levels, becoming an agent of continuous transformation and instilling a culture that improves employees' commitment to Your Bank while augmenting their abilities to deliver sustained results.

Focused strategy, encompassing short-term and long-term action plans, was executed towards retaining "Employer of Choice" status by providing a challenging work environment, offering market competitive remuneration and rewarding performance through Key Performance Indicator (KPI) driven appraisal management process. During 2018, HRG revised branch KPI's calculation matrix, aimed to achieve resource efficiency across the Bank's network with due consideration to the evolving needs of a dynamic market environment. Furthermore, Your Bank's first ever indigenously developed 'Employees' Job Satisfaction Survey' (EJSS) was undertaken during the year in order to analyze the satisfaction levels with respect to job, workplace environment, commitment and work-life balance among its employees as a basis for alleviating their problems and to maintain a robust and motivated human resource.

Your Bank believes in the concept of "best fit" and undertook major new initiatives for employees' capacity building through a revamped training and development program. Being a technology driven bank, HRG used modern e-learning portal platform to enhance employees' outreach towards learning opportunities. Furthermore, in order to equip employees with evolving business environment, latest business management techniques and changing regulatory compliance

requirements, specialized training modules such as mandatory Gamified learning on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations and guidelines were imparted to over 8,000 employees of the Bank during the year under review.

In line with SBP directives for training initiatives under National Financial Literacy program (NFLP), HRG arranged 312 sessions in 37 remote districts of the country to improve financial inclusion in unbanked segments of the society. More than 7,000 persons from local communities attended these sessions. Your Bank was declared as the industry leader in NFLP's execution.

HRG continued to work towards creating an inclusive work environment encompassing gender diversity and a multi-cultural workforce. Provision of equal employment opportunities to female employees as well as internal elevations across the Bank has improved Your Bank's female ratio to 17% during the year. Concurrent focus was also maintained on capacity building of female workforce wherein professional grooming and professional conduct trainings were imparted to 1,473 females, in the year.

Optimum human resource planning resulted in 403 cadre change promotions for the tellers to fulfill requirements of Banking Services Officers (BSO's), while 1,264 employees were recruited in 2018.

Your Bank prides itself as an industry leader in creating and harnessing leadership talent and initiated 'Allied Leadership Talent Pipeline program (ALTP)' during the year. This program in addition to identifying a pool of motivated and enthusiastic future leaders for Your Bank

also improves corporate governance through succession planning and provides career growth opportunities to employees at all hierarchal levels.

In addition to existing initiatives, competency assessment, learnability assessment and aptitude testing activities were also included in the mandate of HRG's in-house established Psychometric Assessment Center 'ABL CARE' center. These activities improved Your Bank's ability to identify suitable candidates for employment and promotion, in turn improving its employee retention ratio to over 94% in 2018.

HRG undertook standardization of Job Descriptions (JD's) for all functional roles during the year with an aim to improve clarity and communication of key roles and responsibilities. The Manpower Plan (MPP) of branches was also realigned based on changing functional roles in sync with Temenos (T-24) core banking system. The introduction of 'Universal Banker' concept inculcated further efficiencies, while simultaneously improving operational and administrative efficiency.

Your Bank strives to develop industry-academia partnerships to improve teaching/ research outcomes and build organizational capacity; and remained one of only two Banks in the industry to be awarded 'Training Organization outside Practice' status by Institute of Chartered Accountants of Pakistan (ICAP). The first batch of ICAP trainee students, working in different functions within the Bank, is due to complete its training in the year 2021.

Going forward, HRG shall continue its concerted efforts towards augmenting capabilities of Your Bank's Human Capital, through continuous alignment



and strengthening of Bank wide functions, structures and roles; thereby enabling the desired cultural transformation required for digital era. The Bank's commitment on being an equal opportunity employer providing growth prospects and fair remuneration shall continue to remain the basis of all future Human Resource Initiatives. Capitalizing on robust technology remains at the fore-front of Your Bank's strategic focus and transforming Human Resource Management through implementation of Oracle Human Resource Management System (HRMS) remains a key initiative for the year 2019. Furthermore, risk-based remuneration practices shall be adopted to align remuneration structure with the related regulatory framework.

### Service Standards and Quality Group:

Your Bank continuously strives to achieve excellence in customer services by consistently surpassing the expectations of the customers, by reviewing customer feedback, understanding their needs, continually bringing improvement in services through processes efficiency, innovative solutions and timely resolution of complaints. In pursuance of the above Your Bank arranged an external customer satisfaction Survey during the year 2018.

Your Bank had introduced top 100 flagship branches to provide a stimulus to service quality across the Bank through development and training of Human Resources and creation of a pleasant ambiance for customers. Meet and greet concept has been implemented vide customer support officers at the greeting station near branch entrance. Electronic queue management systems and feedback tablets have been installed to facilitate customers to conduct transactions conveniently and provide valuable feedback about the delivered banking services.

Self-service internet banking kiosks and interactive digital signages have also been introduced in the flagship branches. Product walls near customer waiting areas have been designed to provide customers a medium to browse Your Bank's products. Phone booths with eye-catching and prominent design have also been created at these branches to provide customers a hassle-free way to contact 24/7 Allied Phone Banking from the branch lobby to obtain information or should they need to register their grievance.

Branch Service Health parameters and service standards have been developed and revamped with enhanced scope to track delivery of services against the set performance benchmarks for customer-facing and back-end functions of Your Bank.

Your Bank has a centralized Complaint Management Division in place to efficiently and effectively resolve customers' grievances and manage the 'customer-bank' relationship. With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information was disseminated through SMS, e-mail, corporate website, digital signages and ATMs as part of the Bank's initiatives for Fair Treatment of Customers (FTC).

Customer Relationship Management (CRM) system was also improved to auto-generate systematic escalation alerts and reduce the complaint resolution timelines to further the strengthen the complaint handling mechanism. During the year 2018, total 22,910 complaints were received and the Bank taking appropriate measures promptly achieved 98% resolution rate with average Turnaround Time (TAT) of 5.53 working days.

Your Bank maintains profiles on popular social media websites and actively interacts with the customers on a variety of topics. As a results of customer engagement and timely responses to users' queries, the following on Facebook increased from 739,000 to 879,146 and on Twitter from 5,513 to 5,937 from the year 2017 to 2018.

A state-of-the-art Video Phone Banking facility has been developed at Allied Phone Banking to provide customers with a medium to discuss their financial needs and seek advisory in a comfortable face-to-face environment. The Bank also established an Outbound call back unit to contact customers to offer them products and services of their interest and matching their requirements.





# KEY PERFORMANCE INDICATORS AND OUTLOOK

Long Term Objectives	Key Performance Indicators	Analysis	Significance Going Forward
Maintain profitability trend enabling continuous recognition among the top tier profitable banks of the country	Overall Earnings	<p>Despite challenging environment, Your Bank performed well by continuously following its strategy of steady growth. Profit before taxation for the year ended December 31, 2018 remained stable and stood at Rs.21,016 million. The Bank's profitability was attributed; despite pressure on earnings owing to rising compliance costs, expenditure incurred for gradual transformation towards digital banking and one off pension costs; to volumetric growth in average earning assets, healthy CASA growth, higher non-interest income (NII) by 30% including 97% rise in foreign exchange earnings and 2.7 times growth in capital gains realized through timely exit from fixed income securities in view of expected interest rate hikes at the beginning of 2018.</p> <p>Continuation of Super Tax of 4% on prior year's taxable income for the year resulted in effective tax rate of 39% and accordingly Profit after tax stood at Rs.12,881 million.</p> <p>ABL's Return on Equity (ROE) stood at 16% in 2018, which is in line with top 10 banks average ROE of 16% while remaining well above the average industry ROE of 13% as at September 2018.</p> <p>Your Bank's EPS stood at Rs.11.25 per share as compared to Rs.11.12 per share in 2017.</p>	KPI shall remain relevant for future
Continuous growth in Balance sheet primarily through Zero /low costs deposits	Deposits Mobilization	<p>Your Bank continued to focus on increasing its outreach. 95 new branches were opened during 2018, with total number of branches standing at 1,345 as at December 31, 2018. At the same time, focus on expanding digital channels for customers convenience, ATM network was increased to 1,388 as at December 31, 2018 with an addition of 147 ATM's during the year.</p> <p>Along with robust growth in outreach, sustained efforts towards deposit mobilization yielded good results, as the total Deposits of Your Bank stood at Rs.984,475 million reflecting a double-digit growth of 11% as compared to industry growth of 8%; while remaining fully committed towards evolving compliance framework.</p> <p>Your Bank continued its focus on increasing zero cost deposits, with 15% growth in Non-remunerative current deposits which closed at Rs. 363,639 million. Resultantly, CASA deposit mix improved to 82% as at December 31, 2018 from 78% as at December 31, 2017.</p> <p>ABL maintains its position among the top 5 banks in terms of deposits as at September 2018 and increased its market share from 7.1% to 7.4%.</p> <p>Improved CASA mix assisted Your Bank in curtailing cost of deposit, which grew by only 49bps as against 136 bps average rise in policy rate.</p>	KPI shall remain relevant for future

Long Term Objectives	Key Performance Indicators	Analysis	Significance Going Forward
Consistently augment Risk Management culture resulting in superior asset quality	Quality of Assets	<p>Robust risk management framework is in place that enables Your Bank to adequately contain any potential surge in associated risks, while ensuring quality of assets.</p> <p>Your Bank registered a growth of 18% in advances; highest over the last decade and closed the year at Rs 438,319 million. Your Bank's Infection ratio was brought down to 3.5% as at Dec 31, 2018 from 4.6% as at Dec 31, 2017.</p> <p>Top 10 peer banks average infection ratio stood at 7.1% as at September 30, 2018 while the industry infection ratio stood at 8% as at September 30, 2018.</p> <p>The loan loss coverage also improved to 97% as at December 31, 2018 from 93% as at December 31, 2017 against industry average of 86% as at September 30, 2018.</p> <p>Your Bank has not taken benefit of Forced Sale Value of collaterals, while calculating the provision against non-performing loans.</p>	KPI shall remain relevant for future
Inculcate operational efficiencies through innovative and viable cost controlling measures	Effective and efficient cost controls	<p>Despite continuous investment in expansion of branch network and digital access points through persistent enrichment in information technology platforms, currency devaluation, investments in human capital along with one-off costs like increase in actuarial verified retirement benefits expenses, deposit protection insurance and higher marketing spend; effective cost rationalization, implementation of technology-based automation initiatives such as workflow automation system (WAS) to eliminate paper based approval mechanism along with sustained focus on centralization of processes enabled Your Bank to optimize costs and manage intermediation cost at 2.5% of average deposits in 2018 as compared to 2.6% in 2017.</p> <p>This is below average intermediation cost of top 10 peer banks of 3% as at September 30, 2018.</p> <p>Cost to income ratio for the year ended December 31, 2018 marginally improved to 53% in 2018 as compared to 54% during 2017 and industry's average of 60% as at September 2018.</p>	KPI shall remain relevant for future
Strengthen capital base to support business development	Capital Adequacy Status. Compliance with regulatory minimum capital requirements	<p>Capital management aligns capital requirements of Your Bank with the underlying business strategy as well as the minimum requirements of the State Bank of Pakistan (SBP).</p> <p>Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) have stood at 17.34% as against the requirement of 6.0% and 7.5% respectively; clearly depicting a well-capitalized position of Your Bank.</p> <p>Capital Adequacy Ratio as per Basel III requirements was maintained at 22.2% during 2018. This is well above the regulatory requirement of 11.9%.</p> <p>Banking sector CAR as at September 30, 2018 stood at 15.9%. Bank is well positioned to capitalize on any credit expansion opportunities in future.</p>	KPI shall remain relevant for future
Sustainable payout to our Shareholders	Return to Shareholders	<p>Your Bank enhanced the steady dividend stream during the year under review. Cash Dividend of Rs.8 per share was declared in 2018 as against Rs.7.0 in 2017; Payout ratio improved to 71% as compared to 63% in 2017.</p>	KPI shall remain relevant for future

# STAKEHOLDERS ENGAGEMENT




Your Bank believes in connecting with its various stakeholder groups to create a better understanding of stakeholder perspectives on key issues and consequently realize business value through informed decision making. Your Bank maintains formal mechanisms to engage with each group of stakeholders and the responsibility for such engagement is shared across the organisation at every stakeholder touch point. The key stakeholder groups and their related engagements as a means of creating value are noted below:

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
			Occasionally	Regularly	Periodically	Continuously	
Customers 	Individuals Institutions Corporates Entrepreneurs	<ul style="list-style-type: none"> <li>Customer Satisfaction Survey</li> <li>Customer Access Points</li> <li>Corporate website</li> <li>SMS Alerts</li> <li>CSR activities</li> <li>Customer Awareness Seminars</li> <li>Road Shows</li> <li>Promotional campaigns</li> <li>Print and electronic media</li> <li>Social Media</li> </ul>	●  ●	 ● ● ●		● ● ●	Excellent customer service, convenient access across the country, less complexity and improved flexibility, innovative financial services/solutions, value for money banking, responsible banking services, confidentiality, integrity and accountability, security for customers investments, ambience in touch points.
Shareholders / Institutional Investor 	Owners Minority Shareholders Individual Investors Institutional Investors	<ul style="list-style-type: none"> <li>Annual Report</li> <li>Interim Financial statements</li> <li>Corporate website</li> <li>Annual General Meeting</li> <li>Extra Ordinary General Meetings</li> <li>Analyst Briefings</li> <li>Investor Presentations</li> </ul>	  ●	  ●	● ● ●	●	Sustainable performance, dividend payout, return on equity, return on assets, earning per share, future growth strategy, corporate governance, risk management, compliance with rules and regulations.



Why do they Matter	How We Create Value for Stakeholders	Activities
Customers are at the center of our business strategy and customer focus provides the basis to achieve a profitable and sustainable business model.	Understanding evolving customer requirements to roll out more efficient channels thereby delivering competitive, convenient, technology driven and innovative banking solutions.	<ul style="list-style-type: none"> <li>Conducted customer satisfaction survey to understand customers' experience and level of satisfaction when using Your Banks' products and services and service channels.</li> <li>Launched various innovative solutions. Details of which are presented in CEO review.</li> <li>Increased branch outlets to 1,345, expanded ATM network to 1,388 while providing mobile and Internet banking.</li> <li>Increased Gross Advances by Rs. 65,501 million and deposit by Rs. 100,734 million</li> </ul>
	Safeguarding deposits and investments while growing returns.	<ul style="list-style-type: none"> <li>Your Bank paid Rs. 41,159 million, interest / profit to its depositors.</li> <li>Continued investment in technological infrastructure, including upgradation of T-24 core banking software, to improve data security and maintain customer privacy.</li> <li>Conducted regular mock tests to ensure institutional readiness for Business Continuity Planning.</li> </ul>
	Timely communication of relevant information on products and services	<ul style="list-style-type: none"> <li>Undertook marketing communications through various channels to extend outreach to customers and public at large.</li> <li>Your Bank arranged awareness seminars and road shows to engage customers and disseminate information on Your Banks' product &amp; services portfolio.</li> <li>A new version of ATM / Branch Locator and discount offer services launched on corporate website and social media pages; providing customers with an engaging and user-friendly interface to various discount offers available.</li> </ul>
	Upholding highest standards of service quality across the Bank.	<ul style="list-style-type: none"> <li>Complaint Management Division efficiently and effectively resolved 98% of customers' complaints.</li> <li>High ATM uptime maintained during the year; specially 99% achieved during Eid holidays.</li> </ul>
To ensure long term shareholder value and uphold the rights of the shareholder to ensure their wealth maximization	Generating sustainable financial returns, enabled by growing revenues. Managing risks while optimizing our cost base.	<ul style="list-style-type: none"> <li>Generated a sustainable ROE and ROA at 16% and 1% respectively; Increased Dividend Payout ratio to 71%</li> </ul>
	Maintaining a strong balance sheet and safeguarding asset quality and which contributes towards sustainable performance.	<ul style="list-style-type: none"> <li>Financial position improved by 8% to Rs. 1,350,606 million; Your Bank's Equity base stood at the robust level of Rs. 107,305 million; NPLs reduced by Rs. 1,987 million reducing infection ratio by 1.1% at 3.5% and improving coverage ratio to 97%.</li> </ul>
	Providing existing and potential shareholders with relevant and timely information.	<ul style="list-style-type: none"> <li>Annual Audited Financial statements together with the Auditors and Directors report were circulated to all shareholders along with the Notice of AGM.</li> <li>Investor presentation and conference calls were conducted following announcements of quarterly financial statements.</li> <li>Your Bank organized Allied Corporate Briefing Program at PSX regional office for providing an overview of Your Bank's achievements since re-capitalization. The program was attended by over 90 investors and brokers.</li> <li>Major financial information disclosed under a separate section of "Investor Relations" available on corporate website.</li> </ul>
	Ensuring equitable treatment of all shareholders including minority shareholders to attend, speak and vote at the General Meetings	<ul style="list-style-type: none"> <li>All required support is being provided to minority shareholders for participation in election of Directors.</li> </ul>

# STAKEHOLDERS ENGAGEMENT

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
			Occasionally	Regularly	Periodically	Continuously	
 Regulators	State Bank of Pakistan (SBP) Federal Board of Revenue Securities and Exchange Commission of Pakistan Pakistan Stock Exchange Credit Rating Agencies Other Public Offices and Regulatory Bodies	<ul style="list-style-type: none"> <li>• Directives and circulars</li> <li>• Financial statements</li> <li>• Statutory examination</li> <li>• Regulatory reporting</li> <li>• Filing of income tax return</li> <li>• Filing of corporate return</li> <li>• Interviews and meetings with representatives of regulators, Pakistan Banking Association, Business Council</li> </ul>	●	● ● ● ●	●		Compliance with all legal and regulatory requirements, remain responsible tax payer, corporate governance practices, adherence to reporting requirements, risk management, sustainable business practices, timely tax withholding and deposit, income tax payment including advance tax
 Employees	Permanent employees Contractual employees Outsourced personnel Employee union	<ul style="list-style-type: none"> <li>• Formal meetings</li> <li>• Informal/Ad hoc meetings</li> <li>• Performance appraisals</li> <li>• Internal newsletter</li> <li>• Informational and Instructional Circulars</li> <li>• Training programs</li> <li>• Employee Satisfaction Surveys</li> <li>• Intranet / Employee Self Service Portal</li> <li>• Annual Family Festival</li> <li>• Welfare events and activities</li> <li>• Disaster Recovery and Emergency Response Drills</li> <li>• Medical Benefits</li> <li>• Retirement Benefits</li> </ul>	●	● ● ● ● ● ●	● ● ●	● ●	Competitive remuneration, career development and advancement, effective performance management, equal opportunity along with safe, positive and inspiring work environment, work life balance, collective bargaining, recognition and reward, grievance handling mechanism, culture of empathy, continuous training opportunities to grow as a person and professional, job security, succession planning.
 Society and Environment	Society at large Pressure Groups Media	<ul style="list-style-type: none"> <li>• Delivery channels</li> <li>• Corporate website</li> <li>• Donations</li> <li>• Press releases, conferences and media campaigns</li> <li>• Sponsorships</li> <li>• Public relation activities</li> </ul>		● ● ● ●		● ●	Social responsibility activities, employment opportunities, financial resilience, community development, ethical business practices.

Why do they Matter	How We Create Value for Stakeholders	Activities
To ensure compliance with legal and regulatory directives.	Embracing prudent banking practices and regulatory compliance that enables a safe and stable banking system.	<ul style="list-style-type: none"> <li>Achieved the long-term rating of “AAA” and maintained short-term rating at “A1+” from PACRA.</li> </ul>
	Ensuring regulator confidence in the Bank and reducing potential for reputational risk.	<ul style="list-style-type: none"> <li>Continued to be the only Bank in industry to be rated on Corporate Governance and maintained a high corporate governance rating of “CGR-9+”</li> <li>Complied with all key aspects of Basel III requirements, with Capital Adequacy ratio (Tier 1 and Tier 2) of 22.23%, above the SBP requirements of 11.9%.</li> <li>Your Bank paid Rs 15,466 million in direct, indirect and staff taxes while fulfilling its responsibility towards the society.</li> </ul>
	Providing timely and detailed regulatory updates and reporting disclosures	<ul style="list-style-type: none"> <li>On-time submission of statutory returns and statutory payments.</li> <li>Adherence to PSX requirements for disclosure of key information.</li> </ul>
	Record Management	<ul style="list-style-type: none"> <li>Allied Bank has a bank-wide records management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operational needs and fiscal/legal requirements.</li> </ul>
Skills, experience, and activities that our employees carry out drive the day to day operations of our business. How our staff think and feel about work are directly connected with customer satisfaction levels.	Retaining “Employer of Choice” status by providing a safe, inspiring and challenging work environment.	<ul style="list-style-type: none"> <li>Total workforce of 11,206 employees. Female representation increased to 17%.</li> </ul>
	Inducting and retaining quality human resource in all functions of the Bank.	<ul style="list-style-type: none"> <li>1,264 recruitments for permanent and contractual positions. More than 57% of the employed staff holds at least a Masters education.</li> </ul>
	Offering attractive remuneration and rewarding performance including retirement benefits and medical. Motivating and inspiring our work force.	<ul style="list-style-type: none"> <li>Booked Rs. 12,370 million in terms of salaries, allowance and other benefits to employees</li> <li>Rewarded performance through 1,646 grade promotions.</li> </ul>
	Skills training and development initiatives to align workforce objectives with strategic objectives of Your Bank.	<ul style="list-style-type: none"> <li>Invested Rs 102 million on inhouse and external staff training &amp; development programs.</li> <li>A strategic conference organized under guidance of Executive Management to align Middle Management with Banks’ strategy on Digital Transformation.</li> <li>Trained 10,034 employees during the year.</li> </ul>
	Understanding and responding to the needs and concerns of Bank’s staff along with equal opportunity and culture of empathy.	<ul style="list-style-type: none"> <li>Employee job satisfaction survey undertaken, approximately 1,108 employees participated, identifying areas of concern and corrective measures for improvement.</li> <li>Other activities delineated in detailed CSR report</li> </ul>
Working in tandem with global and local mandates which safeguard the environment and promote community empowerment.	Community capacity building and empowerment.  Social welfare of community.	<ul style="list-style-type: none"> <li>Your Bank plays a proactive role in contributing towards the society. Detailed CSR report is included in the Annual Report.</li> </ul>



# RISK MANAGEMENT APPROACH & OVERSIGHT

The Board of Directors is responsible for the overall effective risk management and has a comprehensive risk management and governance framework in place to effectively identify, evaluate and mitigate all risks undertaken in the achievement of long-term strategic objectives of Your Bank. The robust risk management platform ensures that sustainable value is created for all stakeholders.

The Board of Directors monitors the implementation of risk strategy, approves the risk acceptance criteria while ensuring that risks are managed within tolerance level.

## Risk Governance



The Bank's comprehensive and integrated risk management governance structure consists of Board and management sub-committees, with varying areas of responsibilities, in order to maintain sustained focus on monitoring and governance over differing categories of risk within the following risk universe:

## Allied Bank's Risk Universe

Credit Risk	Market Risk	Operational Risk	Liquidity Risk	Capital Adequacy Risk	Strategic Risk	Technology Risk	Reputational Risk
Risk that the Bank will incur losses owing to the failure of an obligor or counterparty to meet its obligation to settle outstanding amounts.	Risk of a potential decrease in stakeholders' value due to adverse changes in market prices and rates, negatively impacting assets and liabilities.	Risk of direct or indirect losses resulting from inadequate or failed internal Processes, People, Systems or external events.	Risk that the Bank is unable to meet its financial liabilities as they fall due.	Risk that the Bank has insufficient capital to support its growth or is not able to meet the statutory defined capital requirements.	Risk of an adverse impact on strategic goals.	Risk arising from non-availability of IT systems and Cyber threats disrupting Bank's operations.	Risk to the Business caused by negative effects, public perceptions and customer opinions and the damage caused to the Brand by failure to manage Public Relations.

# RISK & OPPORTUNITIES

Risk and opportunities and the related mitigating factors are summarized below;

Risk	Key Source of Risk	Mitigating Strategy	Impact Area
Credit Risk	Sovereign credit risk on exposure to Public sector enterprises (PSE)	<ul style="list-style-type: none"> <li>Oversight is kept through guidance of Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee of "Risk Management &amp; Compliance Committee (RM&amp;CC)".</li> <li>Public sector advances are generally secured by sovereign guarantee or the equivalent from the Government of Pakistan (GoP).</li> <li>Certain PSEs have a well-defined cash flow stream and appropriate business model, based on which the lending may be secured through collaterals other than GoP guarantee.</li> </ul>	Financial Capital
Credit Risk	Counterparty credit risk on exposure to Private sector advances and Interbank limits.	<ul style="list-style-type: none"> <li>Bank's Risk Assessment and Management System (RAMS) uses risk rating models, based on qualitative and quantitative factors, to assign credit risk ratings to various categories of borrowers.</li> <li>Credit worthiness of borrowers is analyzed on work-flow based RAMS, with focus towards balanced assessment of credit risk and identification of related proper mitigants.</li> <li>In respect of interbank borrowers, Your Bank maintains eligibility criteria that links exposure limits to counterparty credit ratings (minimum credit rating of 'A')</li> <li>Concentration risk is monitored with obligor, group and sector exposure limits and risk profile benchmarks.</li> <li>Automated 'Watch-List' categorization system facilitates to identify deterioration in quality of loans.</li> <li>Country risk, exposure limits are in place that broadly captures direct exposure on sovereigns and exposures on foreign domiciled counter parties; limits linked to the sovereign ratings.</li> <li>Specialized team comprising engineers and industry experts conducts technology assessments of obligors' plant &amp; machinery and reviews the technical feasibility of projects and valuation reports.</li> </ul>	Financial Capital
Market Risk	Risk associated with fluctuations in interest rates, foreign currency rates, credit spreads, equity prices and commodity prices	<ul style="list-style-type: none"> <li>Oversight is kept through guidance of Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee – "Asset &amp; Liability Committee (ALCO)".</li> <li>Comprehensive structure is in place aimed at ensuring that Your Bank does not exceed its qualitative and quantitative tolerance for market risk.</li> <li>Balanced approach towards risk taking in the market risk area while keeping exposures within the defined risk acceptance criteria.</li> <li>Tools like Value at Risk methodologies, sensitivity measures, intraday exposure limits, notional limits and loss triggers are monitored at a detailed portfolio level.</li> <li>Extensive stress testing is performed to capture and report the multi-dimensional aspects of market risk using automated solutions.</li> </ul>	Financial Capital

# RISK & OPPORTUNITIES

Risk	Key Source of Risk	Mitigating Strategy	Impact Area
Operational Risk	Risk of inadequate / failed internal processes and losses caused by external events.	<ul style="list-style-type: none"> <li>Oversight kept through Board of Director's sub-committee "Board Risk Management Committee" as well as through management sub-committee of "Risk Management &amp; Compliance Committee (RM&amp;CC)".</li> <li>BOD approved Operational Risk Policy</li> <li>Detailed documented procedures</li> <li>Adequate system of internal controls designed to keep operational risk at appropriate levels</li> <li>Business Continuity Policy and Plan driven towards ensuring provision of un-interrupted banking services in case of any unforeseen emergency and/or natural calamities.</li> <li>Disaster recovery and evacuation plans were tested successfully during the year.</li> <li>IT disaster recovery plans are tested on ongoing basis.</li> <li>Insurance coverages are in place for theft and damage to physical assets.</li> </ul>	Financial Capital
	Risk arising due to the unauthorized or inappropriate employee activity and failure to adhere to staff policies	<ul style="list-style-type: none"> <li>Board of Directors' oversight along with its sub committees "Human Resource and Remuneration Committee" as well as through management committees of "Human Resource Committee" and "Central Administrative Action Committee".</li> <li>Recruitment, pre-employment screening, employer feedback/exit interviews.</li> <li>Proactive staff engagement.</li> <li>Strong staff development programs in place combining e-learning, in-house and external trainings programs.</li> <li>Insurance coverages are held for fraud and fidelity incidents.</li> <li>Whistle blowing mechanism is in place.</li> </ul>	Human and Intellectual Capital
	Risk arising from non-compliance with statutory and/or regulatory provisions applicable to the Bank	<ul style="list-style-type: none"> <li>Independent Compliance Group to ensure compliance with specific regulatory requirements.</li> <li>Compliance Policies and procedures are in place.</li> </ul>	Financial Capital
Liquidity Risk	Risks emanating from nature of the Banking business, from the macro factors exogenous to the Bank as well as from internal financing and operational policies.	<ul style="list-style-type: none"> <li>Oversight kept through Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee - "Asset &amp; Liability Committee (ALCO)".</li> <li>ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy.</li> <li>Well-defined ALM triggers / limits, exposures against which are regularly monitored by ALCO.</li> <li>Detailed Recovery Plan is in place which highlights the strategy and critical tools for effective monitoring, escalation, planning, and execution of recovery actions in the event of a financial crisis situation.</li> <li>Your Bank performs liquidity stress tests as part of its liquidity monitoring activities regularly.</li> <li>Periodic gap analysis to re-profile the earning asset mix in accordance with interest rate expectations as well as keeping asset and liability mismatch within acceptable limits.</li> <li>Maintenance of appropriate marketable securities portfolio that can be realized in the event of liquidity stress.</li> </ul>	Financial Capital



Risk	Key Source of Risk	Mitigating Strategy	Impact Area
Capital Adequacy Risk	Undertaking higher risks in view of more volatile and competitive financial markets.	<ul style="list-style-type: none"> <li>Oversight kept through Board and its sub-committee “Board Risk Management Committee” as well as through management sub committees of “Risk Management &amp; Compliance Committee” and “Asset &amp; Liability Committee (ALCO)”.</li> <li>The ALCO assesses capital adequacy on a quarterly basis, including a historical and future capital positioning review and stress tests and reports regularly to the BRMC.</li> <li>The Internal Capital Adequacy Assessment Process (ICAAP) Framework is updated and reviewed annually.</li> <li>Policy of sufficient profit retention.</li> <li>Periodic extensive stress testing activity in line with SBP requirements.</li> </ul>	Financial Capital
Strategic Risk	Improper implementation of decisions, or lack of responsiveness to evolving industry, economic or technological changes.	<ul style="list-style-type: none"> <li>Oversight kept through Board of Directors’ and its sub- committee “Strategic Planning &amp; Monitoring Committee” as well as through Management Committees namely “Management Committee” (MANCO), “Risk Management &amp; Compliance Committee” (RM&amp;CC) and “Asset &amp; Liability Committee” (ALCO).</li> <li>Rolling 10-year strategic plan which is reviewed on annual interval basis along with operational plan to account for the evolving economic and business dynamics; duly in consideration of the peer banks</li> <li>The impact of events on the future direction of the business and forecast results is constantly monitored and quantified.</li> </ul>	Financial Capital
Technological Risk	Risk arising from non-availability of IT systems, and disruptions due to Cyber threats.	<ul style="list-style-type: none"> <li>Oversight kept through Board of Director’s sub committees “E-Vision Committee” as well as through “IT Steering Committee” (ITSC).</li> <li>IT planning is conducted as part of Your Bank’s strategic and operational planning process.</li> <li>Systems audits, IT Security &amp; Risk Assessments are performed for system before deploying into production environment.</li> <li>Significant ongoing investments in systems and processes to protect customer databases through robust information security (Info-sec) platform</li> <li>Info-Sec’s Security Operation Center utilizes Security Incident and Event Management (SIEM) solution to proactively monitor and respond to security threats.</li> <li>Countermeasures against cyber threats included regular penetration testing and vulnerability assessment.</li> <li>Continuous awareness programs for customers about cyber threats.</li> </ul>	Financial Capital
Reputation- al Risk	Risk arising from any action or inaction perceived by any stakeholders to be inappropriate, unethical or inconsistent with the Bank’s values and beliefs.	<ul style="list-style-type: none"> <li>Oversight kept through Board of Directors’ sub committees “Board Risk Management Committee” as well as through “Management Committee (MANCO)”.</li> <li>Formal customer grievance redressal policy, including policy and procedures on receiving customer complaints and resolution mechanism.</li> <li>Timely and efficient communications among all stakeholders.</li> <li>Policies and procedures in place for securing digital payments including protection of customers’ data</li> </ul>	Social and Relational Capital

## Opportunities

The assessment of opportunities is integrated into the annual strategic planning process. Strategic planning enables Your Bank to identify and analyze changing market dynamics at the domestic and global levels. These major opportunities and future outlook have been covered in detail in CEO review.

# BOARD COMMITTEES

## Audit Committee of the Board

Constitution:

Zafar Iqbal  
Chairman

Muhammad Waseem Mukhtar  
Member

Dr. Muhammad Akram Sheikh  
Member

## Terms of Reference

Primary responsibilities of Audit Committee of the Board (ACOB) are to determine appropriateness of measures taken by the Management to safeguard Bank's assets, review financial statements focusing on major judgmental areas, significant adjustments, going concern assumption, any change in accounting policies, compliance with applicable statutory and regulatory requirements and related party transactions. Recommend appointment of the external auditors and also coordinate with them to fulfill statutory and Code of Corporate Governance requirements. The Committee is inter-alia responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. ACOB is also responsible for keeping an oversight and quarterly review of the Internal Controls over Financial Reporting and review of all findings of SBP Inspection Report, Management Letter by external auditors and weaknesses identified in internal controls by Audit & Risk Review along with review of Bank's Statement of Internal Controls prior to endorsement by the Board. The other function of the Committee includes assurance that an independent and effective internal audit function is in place.

## Board Risk Management Committee

Constitution:

Sheikh Mukhtar Ahmad  
Chairman

Abdul Aziz Khan  
Member

Dr. Muhammad Akram Sheikh  
Member

Tahir Hassan Qureshi  
Member

## Terms of Reference

The primary functions of Board Risk Management Committee (BRMC) includes monitoring of Management's adherence to prudent and sound risk policies, assessing the ever changing risk profile and determining risk appetite of the Bank. BRMC also ensures development of risk management principles to build stakeholders confidence, safeguard and enhance reputation. BRMC also monitors quality of asset portfolio and suggest measures to keep the infected portfolio at the minimum level. The Committee approves risk limits for credit, market and operational risks, credit approval grid and proposals regarding write-offs above certain limits. In term of Bank's recovery policy, BRMC considers and approves Debt-Asset-Swap proposals. It also monitors Bank's Basel initiatives including capital adequacy requirements and up-gradation of Risk Management Systems. The Committee also reviews information security governance initiatives and periodical risk assessments. Overseeing of Asset Liability Committee (ALCO) and Risk Management Committee (RMC), Risk Management, Special Asset Management and Compliance functions is also undertaken by BRMC.

## e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar  
Chairman

Zafar Iqbal  
Member

Nazrat Bashir  
Member

Tahir Hassan Qureshi  
Member

## Terms of Reference

One of the key functions of the e-Vision Committee is to provide strategic direction for e-banking and adoption of evolving technologies for providing new products and better services to its customers and to improve internal control environment. Review of strategic plans to improve IT infrastructure and automation of processes and systems including alternate delivery channels are within the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board with insights regarding international developments in the field of e-banking evolving technologies for adoption; keeping in view the Bank's requirements. It also oversees performance of IT Steering Committee (ITSC), Information Technology functions. Besides the above, the Committee also decides in principle on matters related to acquiring/replacing/upgrading technology, software and hardware such as banking solutions, ATMs etc. involving Rs. 15 million and above.

## Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar  
Chairman

Abdul Aziz Khan  
Member

Nazrat Bashir  
Member

Tahir Hassan Qureshi  
Member

## Terms of Reference

Strategic Planning & Monitoring Committee (SPMC) is responsible to review medium to long term strategic plans, operational plan and budget of the Bank before Board's consideration / approval. The Committee also monitors progress against above referred plans and budget. SPMC is also responsible to approve capital expenditure over Rs.15 million and donations of over Rs.1 million up to Rs.5 million and approved disposals of properties irrespective of the sale price of property. SPMC is also responsible to assist the Board on corporate development activities and new initiatives including, but not limited to acquisitions, mergers, alliances, joint ventures and divestitures etc. SPMC also oversees performance of management committee (MANCO) and Fair Treatment of Customers (FTC) Committee, Corporate Investment Banking, Commercial and Retail Banking, Islamic Banking, Treasury, Finance, Banking Services, Corporate Affairs, Digital Banking, General Services & Security and Real-Estate, Engineering & Infrastructure functions of the Bank.

## Human Resource and Remuneration Committee

Constitution:

Abdul Aziz Khan  
Chairman

Muhammad Waseem Mukhtar  
Member

Dr. Muhammad Akram Sheikh  
Member

## Terms of Reference

Human Resource and Remuneration Committee (HR&RC) defines the organizational structure and functional responsibilities of all areas of the Bank. It approves staff strength, key appointments, salary revisions, bonuses and special allowances and recommends to the Board appointment, remuneration bonuses/ performance awards, terms and conditions of employment and other benefits of the key position holders. HR&RC also monitors the utilization of training & development budget and implementation of approved training & development policy. The Committee nominates the Bank's directors and management personnel on the board of other companies / subsidiaries. HR&RC also recommends Remuneration Policy and other Human Resource related policies to the Board, besides monitoring performance of Human Resource Committee and Human Resource function. Besides the above, the Committee also ensures that a fair, transparent and competitive remuneration mechanism is developed and put in place to encourage the culture of 'pay for performance'.

### Board of Directors and Board's Committees Attendance as of 2018

Name	Board of Directors	Audit Committee of the Board	Board Risk Management Committee	e-Vision Committee	Strategic Planning & Monitoring Committee	Human Resource & Remuneration Committee
Mohammad Naeem Mukhtar	6/7	x	x	4/5	x	x
Sheikh Mukhtar Ahmad	6/7	x	5/5	x	x	x
Muhammad Waseem Mukhtar	7/7	2/2***	3/3***	x	11/11	5/5
Abdul Aziz Khan	7/7	x	4/5	x	10/11	5/5
Zafar Iqbal	7/7	5/5	x	1/1*****	x	x
Dr. Muhammad Akram Sheikh	7/7	5/5	2/2****	4/5	x	1/1****
Nazrat Bashir **	3/3	x	x	1/1	2/2	x
Mubashir A. Akhtar *	4/4	3/3	x	3/3	8/8	x
Tahir Hassan Qureshi (CEO)	7/7	x	5/5	5/5	11/11	5/5
<b>Total Number of meetings held during 2018</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>11</b>	<b>5</b>

\* Mubashir A. Akhtar term completed as on 23.08.2018

\*\* Nazrat Bashir elected on ABL's Board of Directors w.e.f. 27.08.2018. She became member of SPMC and e-Vision since 01.10.2018.

\*\*\* Muhammad Waseem Mukhtar member of ACOB w.e.f 01.10.2018 (before reconstitution Muhammad Waseem Mukhtar has attended 3 BRMC meetings).

\*\*\*\* Dr. Muhammad Akram Sheikh member of BRMC and HR & RC w.e.f 01.10.2018.

\*\*\*\*\* Zafar Iqbal member of e-Vision w.e.f 01.10.2018.

None of the Board meeting held outside Pakistan during the year.



# MANAGEMENT TEAM



**Tahir Hassan Qureshi**  
Chief Executive Officer



**Owais Shahid**  
Chief Corporate & Investment Banking



**Asif Bashir**  
Chief Commercial & Retail Banking South



**Shahid Aamir**  
Chief Commercial & Retail Banking North



**Muhammad Idrees**  
Chief Islamic Banking



**Sohail Aziz Awan**  
Chief Digital Banking



**Ahmad Faheem Khan**  
Chief Treasury



**Mujahid Ali**  
Chief Information Technology



**Aizid Gill**  
Chief Risk Management



**Tariq Javed Ghumman**  
Chief Banking Services



**Muhammad Farhanullah Khan**  
Chief Financial Officer



**Saira Shahid Hussain**  
Chief Human Resource



**Abid Anwar**  
Chief Special Asset Management



**Ahmed Mansoor**  
Chief Compliance



**Mohammad Tabrayz Agha**  
Chief Real Estate, Eng. & Infrastructure  
Development



**Muhammad Mohsin**  
Chief General Services & Security



**Muhammad Raffat**  
Chief - Corporate Affairs Group



**Imran Maqsood**  
Chief Audit & Risk Review (ARR)  
Chief ARR reports directly to Audit Committee of the Bank.

# REPORT OF AUDIT COMMITTEE

The Audit Committee of the Board comprises of three non-executive members including two independent directors, one being Chairman of the Audit Committee. The members of the Audit Committee bring years of diversified rich experience at senior management positions and strategic roles in commercial banking, investment banking, energy, manufacturing and engineering sectors. Detailed profile of the respective members is included in the Annual Report.

During the year under review, the Audit Committee diligently performed its duties and responsibilities in accordance with the Charter of the Audit Committee approved by the Board of Directors while remaining compliant with the requirements of the Code of Corporate Governance and Prudential Regulations issued by State Bank of Pakistan (SBP).

The Committee oversees the functions of the Audit and Risk Review Group (A&RRG) and ensures that A&RRG has adequate physical, financial, technology and operational resources along with appropriate human resources who have the required skill-sets, expertise and trainings necessary to perform A&RRG's responsibilities independently and objectively.

The Chief A&RRG reports directly to the Audit Committee. A&RRG assists the Audit Committee and the Board of Directors in discharge of their responsibility in respect of Internal Control System. A&RRG periodically reviews, assesses adequacy and monitors the ongoing effectiveness of control systems.

The meetings of the Audit Committee are designed to facilitate and encourage communication between the Audit Committee, the Bank's senior management, A&RRG and the external auditors. During the year 2018, five meetings of the Audit Committee were held and, among others, following agenda items were deliberated in the meetings:

- Review of the Bank's annual and interim financial statements prior to their approval by the Board of Directors. This included detailed discussions with the Banks' senior management, external auditors and A&RRG by focusing on major judgmental areas, significant adjustments and issues resulting from audit, any changes in accounting policies and practices, compliance with applicable

accounting standards, listing regulations and other statutory and regulatory requirements and related party transactions.

- Peruse quarterly Consolidated Reports on Testing of Financial Reporting Controls.
- Review of significant issues highlighted by A&RRG during audits and reviews of branches and other functions of the Bank, external auditors and SBP's inspection reports.
- Review of status of compliance against observations highlighted by internal and external auditors, including regular updates on the rectification actions taken by the management in response to the audit findings.
- Monitoring of compliance status of observations highlighted in SBP's inspection reports.
- Review of analysis related to frauds and forgery incidents in the Bank; with specific focus on nature and reasons along with management action(s) thereof.
- Review, approval and oversight of Annual Audit Plan and related enablers / budget along with resource requirements of A&RRG.
- Review of resolution status of complaints lodged under the Bank's Whistle Blowing Policy along with resolutions thereof. The Audit Committee also approved revised Whistle Blowing Procedure Manual during the year to further strengthen the process.
- Approved periodic review of Branch Audit Procedures Manual, Management Audit Procedures Manual and Credit Risk Review Procedures Manual.
- Reviewed coordination between internal and external auditors.
- Review of periodic activity review reports of A&RRG and Audit Committee for evaluation of A&RRG and Audit Committee's own performance. The Audit Committee also meets with senior staff members of A&RRG.
- In addition to above, the Audit Committee also reviewed and recommended the following to the Board of Directors:

- Statement of Internal Controls, prior to endorsement by the Board of Directors;
- Charter of the Audit Committee
- Internal Audit Policy
- Charter of A&RRG
- Corporate Whistle Blowing Policy
- Accounting and disclosure policy of the Bank, accounting policies of Islamic Banking and Bahrain Branch

The Audit Committee also recommends the scope and appointment of external auditors, including finalization of audit and other fees. The Audit Committee evaluates the qualifications, performance and independence of the external auditors. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the external auditors, the external auditors' capabilities, technical expertise and knowledge of the Bank's operations and industry. The Audit Committee ensures compliance with relevant regulations in regard to tenure of external auditors and provisions of non-audit services by external auditors to ensure independence and objectivity of external auditors.

The Audit Committee recommends to the Board of Directors re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants, as statutory auditors of the Bank for the year ending December 31 2019 for 5th term subject to approval of the Bank's shareholders in the forthcoming Annual General Meeting.

Furthermore, the Committee evaluates its own performance on annual basis thereby assessing the targets achieved, performance initiatives and whistle blow actions (if any) taken and submit the report to the Board of Directors.

## Internal Controls Framework and Role of ARR

The Bank's internal control structure comprises of the Board of Directors, the Audit Committee of the Board, Management, A&RRG and Compliance Group. Roles of all the functionaries have been defined in the Management's Statement of Internal Controls, as part of the Annual Report which is duly endorsed by the Board of Directors.

Zafar Iqbal  
Chairman Audit Committee  
Lahore:  
Dated: February 12, 2019



# STATEMENT OF INTERNAL CONTROLS

The Bank's management is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations.

The Bank's Compliance policy further strengthened by a comprehensive Control Review and Testing Framework (CRTF) outlines Bank's overall control objectives and approach towards implementation and testing of the Bank's internal Control system.

Under the aforementioned CRTF, the Bank's Internal Control System is being evolved, reviewed, and improved on an ongoing basis to minimize risks which are inherent in banking business and operations; with continuous monitoring by the Compliance Group (CG) and an independent Audit and Risk Review Group (ARRG) respectively.

ARRG works under direct supervision of Audit Committee of the Board (ACOB). ACOB comprises of majority independent Directors and is chaired by an independent Director as well.

ARRG assists ACOB and Board of Directors in discharge of their responsibility in respect of Internal Control System. ARRG reviews, assesses adequacy and monitors the effectiveness of control systems on an ongoing basis.

All significant and material findings are reported to the ACOB; which actively monitors that the identified risks and observations are properly mitigated to safeguard the interest of the Bank. The Board, acting through ACOB, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

The CG is entrusted with the responsibility to minimize compliance risk with reference to regulatory framework, internal and external regulatory audit compliance, control self-assessment, monitoring completeness and up-to date inventory of Bank's policies and procedures.

Compliance status of all irregularities identified during various audits and inspections are reported to ACOB, while other significant compliance matters are reported to Board Risk Management Committee (BRMC). The Anti-Money Laundering (AML) function ensures compliance of local and international AML regulations.

Concerted efforts are made by all functions of the Bank to improve the Control Environment at grass root level by continuous review and streamlining of procedures to prevent and rectify control lapses.

The Bank's Internal Control System has been designed to provide reasonable assurance to the Bank's Management and Board of Directors about the aforementioned objectives.

While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls.

In addition, projections of effective evaluation pertaining to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are an ongoing process that includes continuous identification, evaluation and management of significant risks faced by the Bank.

As part of CRTF relating to financial reporting, the Bank has documented and mapped As-Is processes and controls, identified gaps and requisite recommendations, developed remediation initiatives and management testing plans. In addition, the Bank is formulating guidelines for adherence to Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission on continuing basis.

In view of SBP directives in OSED Circular No.1 of 2014 dated February 07, 2014 Long Form Report for the year ended December 31, 2017 has been submitted to SBP. The few deficiencies identified in LFR 2017 have been duly rectified subsequently.

The Bank's management considers that the existing Internal Control System is adequate and has been effectively implemented and monitored, based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year. However, the management, adopting a prudent approach, would be continuously evaluating procedures and processes to further augment the Internal Control System.

Based on the above, the Board of Directors has duly endorsed the Management's evaluation of internal controls including ICFR in the attached Director's report.

**Tahir Hassan Qureshi**  
Chief Executive Officer  
Faisalabad.

Dated: February 13, 2019

# STATEMENT OF COMPLIANCE

## WITH CODE OF CORPORATE GOVERNANCE

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eight (08) including the CEO (deemed director) as per the following:

- a. Male: Seven (07)
- b. Female: One (01)

2. The Composition of Board is as follows

Category	Names
Independent Director	Dr. Muhammad Akram Sheikh
	Mr. Zafar Iqbal
	Ms. Nazrat Bashir
Non-Executive Directors	Mr. Mohammad Naeem Mukhtar
	Sheikh Mukhtar Ahmad
	Mr. Muhammad Waseem Mukhtar
	Mr. Aziz A. Khan
Executive Director	Mr. Tahir Hassan Qureshi, CEO

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including Allied Bank Limited (excluding the listed subsidiaries of listed holding companies where applicable).
4. The bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the bank along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Appropriate arrangements were made for orientation of Directors on their election with a view to acquaint them with their duties and responsibilities. Five members of the Board of Directors (Including the CEO) are Certified Directors from The Pakistan Institute of Corporate Governance (PICG) and Institute of Chartered Accountants of Pakistan (ICAP). Whereas three directors are exempted from such course on account of the experience and qualifications.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

- a) Audit Committee of the Board (ACOB)
  - i. Mr. Zafar Iqbal - Chairman
  - ii. Dr. Muhammad Akram Sheikh - Member
  - iii. Mr. Muhammad Waseem Mukhtar - Member

- b) Human Resource & Remuneration Committee (HR&RC)
  - i. Mr. Abdul Aziz Khan - Chairman
  - ii. Mr. Muhammad Waseem Mukhtar - Member
  - iii. Dr. Muhammad Akram Sheikh - Member

- c) Board Risk Management Committee (BRMC)
  - i. Sheikh Mukhtar Ahmad - Chairman
  - ii. Mr. Abdul Aziz Khan - Member
  - iii. Dr. Muhammad Akram Sheikh - Member
  - iv. Mr. Tahir Hassan Qureshi (CEO) - Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

- a) Audit Committee of the Board at least once in every quarter.
- b) Human Resource & Remuneration Committee at least once in every quarter
- c) Board Risk Management Committee at least once in every quarter.

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.

16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Mohammad Naeem Mukhtar  
Chairman

Place & Dated:  
Faisalabad, February 13, 2019

# INDEPENDENT AUDITOR'S REVIEW REPORT

## ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

### To the members of Allied Bank Limited

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Allied Bank Limited for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2018.

Further, we highlight the instance of non-compliance that the Chairman of HR&RC is not independent director as per the requirement of regulation 29(1) of the Regulations.

Lahore  
Date: February 13, 2019

KPMG Taseer Hadi & Co.  
Chartered Accountants



# PROFILE OF SHARIAH ADVISORS

## Mufti Muhammad Iftikhar Baig

### Chairman Shariah Board

He is serving Allied Bank Limited since February 18, 2013 and as Chairman Shariah Board since August 17, 2018. He is a qualified Mufti from the Jamia Darul-Uloom Karachi, which is one of the most reputed and prestigious religious institution in the country. He is also a Law graduate and in the process of completing his Ph.D thesis on the subject 'Shariah Compliant Solution regarding Foreign Trade'. His previous experience includes Shariah Advisory services in local and international banks. He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions.

Mufti Ehsan Waqar Ahmed served as Chairman Shariah Board of Allied Bank Limited till August 16, 2018.

## Mufti Mahmood Ahmad

### Member Shariah Board

He is serving as member Shariah Board of Allied Bank Limited since August 17, 2015. He graduated as a scholar in Shahadatul-Almiah (Masters in Arabic and Islamic studies) from Wifaqu-ul-Almadaris Alarabia. He has also done his Masters in Arabic from Punjab University, Lahore (Takhassus-Fi-Alifta) in Islamic Fiqh and fatwa from Jamia Darul-Uloom, Karachi. He has also completed his M Phil in Islamic Banking. He has experience of eight years as a Shariah consultant with Islamic Micro-Finance and other organizations. He is a Mufti and Lecturer in world renowned Islamic university - Al Jamia Al Ashrafia Lahore.

## Mufti Tayyab Amin

### Resident Shariah Board Member

He is serving as Resident Shariah Board Member (RSBM) of Allied Bank Limited since September 03, 2018. He has done his Al-Aalamiyyah (a degree recognized by the HEC Pakistan as a Masters in Arabic & Islamiyyat) and specialization in Islamic Jurisprudence from Jamia Darululoom, Karachi, which is most reputed and prestigious religious institution. He has six and three years' experience as Shariah Advisor with First Elite Mudharabah and First Punjab Mudharabah respectively and three years' experience as Shariah Compliance Officer with Alfalah Insurance (Window Takaful Operation). He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions.

# REPORT OF SHARIAH BOARD

For the Year Ended December 31, 2018

## In the name of Allah, the Beneficent, the Merciful

The Board of Directors and Executive Management are solely responsible to ensure that the operations of Allied Bank Limited Islamic Banking Group (ABL-IBG) are conducted in compliance with Shari'ah principles at all times. Shari'ah Board is pleased to submit a report on the overall Shari'ah compliance environment of ABL-IBG.

To form basis of our opinion as expressed in this report, Shari'ah compliance review of each class of transactions, the relevant documentation and process flows on sample basis

was carried out. Besides, we have also reviewed the reports of the internal Shari'ah audit of ABL-IBG operations conducted during the year.

Based on the above, we are of the view that:

The business affairs of ABL-IBG, especially with reference to transactions, relevant documentation and procedures, performed during the year 2018 are in conformity with the principles and guidelines of Shari'ah issued by Shari'ah Board (SB) and State Bank of Pakistan.

The Bank primarily used Murabaha, Ijarah, Diminishing Musharakah, Salam

and Business Musharakah for its financing activities during the year. The gradual shift from Trade based modes to Participative modes is an encouraging development beneficial towards the growth of Islamic Banking industry at large.

ABL-IBG has put a mechanism in place in the form of Internal Shari'ah Audit and Shari'ah Compliance reviews to ensure Shari'ah compliance in their overall operations and will keep its focus on continuous improvement to cater to the large branch network over the coming years. The system within the Bank is sound enough to ensure that amounts realized from prohibited sources, if any,

are not made a part of the income. The Bank recovered charity of Rs. 0.987 million and accordingly an amount of Rs. 0.985 million was granted to approved charitable institutions.

The Internal Shari'ah Audit Function (ISAF) plays a vital role in achieving the objective of ensuring Shari'ah compliance by evaluating the adherence to Shari'ah guidelines prescribed by SB, Resident Shari'ah Board Member (RSBM) and Shari'ah guidelines of Islamic banking division of SBP, in every activity under taken by the ABL-IBG. ISAF submits periodical reports to RSBM /Shari'ah Board for information, review and determination of appropriate corrective actions.

Shari'ah Compliance Department (SCD) of the Bank is working under the guidance of SB with adequate resources. The main objective of this department is to facilitate and ensure Shari'ah compliance in all the new researches, conducting Islamic banking trainings, Shari'ah-compliance review of each class of transactions, relevant documentation and process flows. Moreover, SCD has conducted the review of branches to evaluate the Shari'ah knowledge of staff.

## Review and Development:

ABL-IBG has completed yet another successful year. Upon achieving a branch network of 117 dedicated Islamic branches, further expansion in outreach has been done through addition of 10 Windows at selected conventional branches during 2018, while opening of more Windows is being targeted in ensuing years. Similarly, significant growth in assets, Investments, liabilities, trade and other business avenues have been registered.

It is also encouraging to note that ABL IBG has aligned various staff facilities according to Shari'ah principles. Further, the pending matters related to Shari'ah compliant employment benefits have also been resolved.

**Asset Review:** During the year, financing portfolio has increased by 49% to Rs. 6,927 million, which mainly constitutes of Business Musharakah (52.35%), Diminishing Musharakah (37.94%). Besides, the investment portfolio has also risen by 23% to Rs. 10,249 million mainly constituting Government Ijarah Sukuk

and Corporate Sukuk. During the year, the SB approved new products including Allied Islamic Car Ijarah, Islamic Long-Term Financing Facility and Allied Islamic Home Musharakah on assets side.

**Liability Review:** The total deposits of ABL-IBG have increased by 58% during the year reaching to Rs. 24,633 million at December 31, 2018 as compared to Rs. 15,547 million as of last year.

During the year, the SB also approved new products including Allied Aitebar Senior Citizen Account and Allied Islamic Youth Account on liability side.

**Other Key Activities:** SB also reviewed various policies and manuals during the year related to Salam, Ijarah, Diminishing Musharakah, Murabaha and Charity Fund.

**Profit Distribution Policy:** SCD also conducted review of the process of profit distribution on monthly basis and ensured that the distribution is in line with instructions of SB and SBP. Moreover, internal Shari'ah audit of pool management has been conducted on quarterly basis, which further improved the process of pool management and profit and loss distribution and strengthened the compliance of Shari'ah guidelines.

**Shari'ah Board Meetings:** Shari'ah Board had held four meetings during the year 2018 wherein multiple critical issues were discussed upon, reviewed and resolved.

## Staff Training:

In order to enhance the Islamic banking knowledge and expertise, training on Islamic Banking concepts as well as on Islamic banking products were imparted to all staff of the Islamic Banking Group. Management Development Center of ABL, arranged various sessions and more than 123 employees attended these sessions. Moreover, 02 employees attended training session conducted by NIBAF and other reputed Islamic banking training institutes.

## BOD and Shari'ah Board Training/Orientation:

In order to enhance Islamic banking knowledge and acumen, an orientation

session for BOD were conducted by the Shari'ah Board. A special training session was also arranged at MDC Lahore, for the members of Shari'ah Board.

## Recommendations:

Following are some areas, which require continuous focus:

1. Bank's increased focus on customers' awareness regarding Islamic banking is well appreciated. It is recommended that such programs should also be continued in future for Ulama/Shari'ah scholars as well.
2. Bank's policy of appointing new staff members for Islamic banking branches with inclination /commitment to the ideology of Islamic banking should be continued.
3. The Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/ seminars. However continuous focus should be maintained to improve the level of awareness through Islamic Banking refresher, certification and Shari'ah documentation courses. Moreover, enhanced training for IB Treasury operations should also be conducted. This will ensure enhanced capacity building as well as address the possible Shari'ah non-compliance risk.

We pray to almighty ALLAH to provide us guidance to adhere to the Shari'ah principles in day-to-day operations, to absolve our mistakes and for the success of Islamic banking in Pakistan.

**Mufti Tayyab Amin**  
Resident Shari'ah Board Member

**Mufti Mahmood Ahmad**  
Member Shari'ah Board

**Mufti Muhammad Iftikhar Baig**  
Chairman Shari'ah Board

Date of Report: February 14, 2019

## واجبات کا جائزہ:

گزشتہ سال کے 15,547 ملین کے مقابلے میں IBG-ABL کے مجموعی ڈپازٹس 58% اضافے کے ساتھ اس سال 31 دسمبر 2018 میں 24,633 ملین روپے تک جا پہنچے ہیں۔

اس سال کے دوران بینک کے شریعہ بورڈ نے ڈیپازٹ کے حصول کے لئے الائیڈ اعتبار سینئر سٹیزن اکاؤنٹ اور الائیڈ اسلامک یوتھ اکاؤنٹ کی منظوری دی۔

دیگر اہم سرگرمیاں: اس کے علاوہ شریعہ بورڈ نے مسلم فنانس مینول، اجارہ فنانس مینول، شرکت متناقصہ فنانس مینول، مراحمہ فنانس مینول اور چیریٹی فنڈ کے طریقہ کار کا ریویو کیا۔

## تقسیم نفع کی پالیسی:

شریعی کمپلائنس نے منافع کی تقسیم کے طریقہ کار کا ماہانہ بنیادوں پر ریویو کر کے اس بات کو یقینی بنایا کہ یہ شریعہ بورڈ اور اسٹیٹ بینک آف پاکستان کی ہدایات کے عین مطابق ہے۔ اس کے علاوہ سہ ماہی بنیادوں پر پول منیجمنٹ پالیسی کا انٹرنل شریعہ آڈٹ کیا گیا جس کی وجہ سے پول منیجمنٹ اور نفع و نقصان کی تقسیم کی طریقہ کار میں بہتری آئی ہے اور شرعی نگرانی کا نظام مضبوط ہوا ہے۔

## شریعی بورڈ میٹنگز:

سال 2018 کے دوران شریعہ بورڈ کی چار میٹنگز کا انعقاد کیا گیا جن میں مختلف موضوعات زیر بحث آئے اور بہت سے مسائل کا حل تجویز کیا گیا۔

## عملہ کی تربیت:

اسلامی بینکاری سے متعلق معلومات اور مہارتوں میں بہتری لانے کے لئے اسلامی بینکاری کے نظریات کے

ساتھ ساتھ اسلامی بینکاری کی پروڈکٹس کے بارے میں اسلامک بینکنگ گروپ (IBG) کے تمام عملہ کو تربیت فراہم کی گئی۔ الائیڈ بینک کے منیجمنٹ ڈیولپمنٹ سنٹر نے مختلف نشستوں کا انعقاد کیا جن میں 123 سے زائد ملازمین نے شرکت کی۔ اس کے علاوہ 02 ملازمین نے NIBAF اور اسلامی بینکنگ کی تربیت دینے والے دیگر معروف اداروں کی جانب سے فراہم کردہ تربیتی نشستوں میں بھی شرکت کی۔

## بورڈ آف ڈائریکٹرز اور شریعہ بورڈ کے لئے ٹریننگ / تعارفی پروگرام:

اسلامک بینکنگ کی فہم اور معلومات میں اضافے کے پیش نظر، شریعہ بورڈ کی جانب سے بورڈ آف ڈائریکٹرز کے لئے تربیتی نشست کا انعقاد کیا گیا۔ شریعہ بورڈ ممبرز کے لئے ایم ڈی سی (MDC) لاہور میں ایک خصوصی تربیتی نشست کا بھی انعقاد کیا گیا۔

## تجائز / سفارشات:

مندرجہ ذیل کچھ معاملات کے لئے مسلسل توجہ درکار ہے:

1. اسلامی بینکاری سے متعلق اپنے صارفین کو آگاہی فراہم کرنے کے حوالے سے بینک کی بڑھتی ہوئی دلچسپی قابل قدر ہے۔ تاہم یہ تجویز دی جاتی ہے کہ علماء اور شریعہ سکالرز کے لئے بھی مستقبل میں اس قسم کی نشستوں کا انعقاد جاری رکھا جائے۔

2. اسلامی بینکاری کے نظریہ سے وابستگی کی بنیاد پر اسلامی بینکاری کی برانچوں میں نئے عملہ کی تعیناتی کی پالیسی کو لازمی طور پر جاری رہنا چاہئے۔

3. بینک مختلف نشستوں اور سیمینارز کے ذریعے اپنے اسٹاف کو اسلامک بینکنگ اور فنانس کے مختلف پہلوؤں پر تربیت فراہم کر رہا ہے۔ تاہم اس سلسلے میں ہمہ وقت توجہ مبذول رکھنے کی ضرورت ہے اور اسلامک بینکنگ اور شریعہ کے مخصوص سرٹیفیکیٹ کورسز کے ذریعے اس میں

مزید بہتری لانے کی ضرورت ہے۔ بالخصوص اسلامک بینکنگ کے شعبہ ”ٹریڈی آپریشنز“ کی مزید تربیت ہونی چاہئے۔ اس سے نہ صرف عملے کی صلاحیتوں میں اضافہ ہوگا بلکہ اس کے ساتھ ساتھ شرعی اصولوں کی خلاف ورزی جیسے ممکنہ خدشات کا بھی تدارک ہوگا۔

ہم اللہ رب العزت سے دعا گو ہیں کہ وہ ہمیں روزمرہ معاملات میں شرعی اصولوں پر عمل پیرا ہونے کی توفیق عطا فرمائے، ہماری لغزشوں سے درگزر فرمائے اور پاکستان میں اسلامی بینکاری کو کامیابی عطا فرمائے۔

## مفتی طیب امین

(ریزیڈنٹ شریعہ بورڈ ممبر)

## مفتی محمود احمد

(شریعی بورڈ ممبر)

## مفتی محمد افتخار بیگ

(چیرمین شریعہ بورڈ)

رپورٹ کی تاریخ: 14 فروری 2019ء



# شریعی بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2018

## ریویو اینڈ ڈیپلیمینٹ

سال 2018 کے دوران IBG-ABL نیٹ ورک اور سال کامیابی کے ساتھ مکمل کر لیا ہے۔ مستقل بنیادوں پر کام کرنے والی 117 برانچوں کا ہدف حاصل کرنے کے ساتھ ساتھ مخصوص روایتی برانچوں میں مزید 10 ونڈوز کے ذریعے اسلامک بینکنگ کو توسیع دی ہے، اور آنے والے سالوں میں مزید ونڈوز کو حل جائیں گی۔ اسی طرح اثاثوں، سرمایہ کاری، ڈیپازٹس، تجارت اور دیگر مختلف کاروباری معاملات میں نمایاں بہتری دیکھی گئی۔

یہ امر حوصلہ افزا ہے کہ الاینڈ بینک اسلامک بینکنگ گروپ نے اپنے اسٹاف کو دی جانے والی اکثر سہولیات کو شرعی اصولوں کے مطابق کر لیا ہے۔ اس کے علاوہ ملازمین کے حقوق کے حوالے سے پچھلے کئی سال سے زیر التوا معاملات کو بھی اس سال حل کر لیا گیا ہے۔

## اثاثوں کا جائزہ:

سال کے دوران تمویل کا مجموعی حجم 49% کے اضافہ کے ساتھ 6,927 ملین روپے تک بڑھ چکا ہے جس کا بیشتر برنس مشارکہ (52.35%) اور شرکت متناقصہ (37.94%) پر مشتمل ہے۔

دوسری جانب سرمایہ کاری کا مجموعی حجم 23% کے اضافہ کے ساتھ 10,249 ملین ہو چکا ہے جس کا اکثر حصہ حکومتی اجارہ صکوک اور کارپوریٹ صکوک پر مشتمل ہے۔

اس سال کے دوران بینک کے شریعی بورڈ نے فنانسنگ کے لئے الاینڈ اسلامک کاراجارہ، طویل المیعاد اسلامک فنانسنگ کی سہولت اور الاینڈ اسلامک ہوم مشارکہ پروڈکٹس کو منظور کیا۔

یقینی بنانے کے لئے انٹرنل شریعی آڈٹ اور شریعی کمپلائنس ریویو کی صورت میں ایک مؤثر نظام تشکیل دے رکھا ہے اور آئندہ سالوں میں بڑھتے ہوئے برانچ نیٹ ورک کی ضروریات کے پیش نظر اس نظام میں مسلسل بہتری پر اپنی توجہ مرکوز کئے ہوئے ہے۔ بینک کے موجودہ نظام میں اس بات کو یقینی بنانے کی صلاحیت ہے کہ کسی بھی قسم کی ناجائز ذرائع سے حاصل ہونے والی رقوم (اگر بالفرض ہوں) کو آمدنی کا حصہ نہ بننے دیا جائے۔ بینک نے صدقہ کی مد میں 0.987 ملین روپے وصول کیے اور 0.985 ملین روپے منظور شدہ فلاحی اداروں کو دیئے۔

انٹرنل شریعی آڈٹ کا شعبہ IBG-ABL کی جانب سے کی گئی ہر سرگرمی کو شریعی بورڈ، ریزیڈنٹ شریعی بورڈ ممبر اور اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈویژن کی جانب سے ملنے والی شرعی ہدایات سے ہم آہنگ کر کے شریعی کمپلائنس کے حصول کو یقینی بنانے میں اہم کردار ادا کرتا ہے۔ انٹرنل شریعی آڈٹ فنکشن وقتاً فوقتاً اپنی رپورٹس شریعی بورڈ کو پیش کرتا ہے تاکہ شریعی بورڈ ان رپورٹس کی روشنی میں معاملات کا جائزہ لے کر ان کی اصلاح کے لئے مناسب احکامات تجاویز کر سکے۔

بینک کا شریعی کمپلائنس ڈیپارٹمنٹ حسب ضرورت اور موزوں افرادی قوت کے ساتھ شریعی بورڈ کے زیر نگرانی کام کرتا ہے۔ اس ڈیپارٹمنٹ کا بنیادی مقصد جدید تحقیقات میں شریعی کمپلائنس کے حوالے سے مدد فراہم کرنا، اسلامک بینکنگ کی تربیت فراہم کرنا اور ہیڈ آفس کے مختلف شعبوں میں ہونے والے تمام معاملات اور ان کے شرعی طریقہ کار کا جائزہ لینا ہوتا ہے۔ اس کے علاوہ شریعی کمپلائنس ڈیپارٹمنٹ نے اسلامک بینکنگ کے حوالے سے شاف کی شرعی معلومات کا جائزہ لینے کے لئے برانچز کا دورہ بھی کیا۔

شروع اللہ کے نام سے جو بڑا مہربان، نہایت رحم کرنے والا ہے۔

بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ پر یہ ذمہ داری عائد ہوتی ہے کہ وہ الاینڈ بینک لمیٹڈ کے اسلامک بینکنگ گروپ (IBG) میں ہونے والے تمام معاملات کی ہمہ وقت شرعی اصولوں کے مطابق انجام دہی کو یقینی بنائیں۔

شریعی بورڈ کے لئے یہ امر باعث مسرت ہے کہ وہ IBG-ABL میں شریعی کمپلائنس کے حوالے سے وضع کردہ مجموعی نظام کے بارے میں رپورٹ پیش کر رہا ہے۔

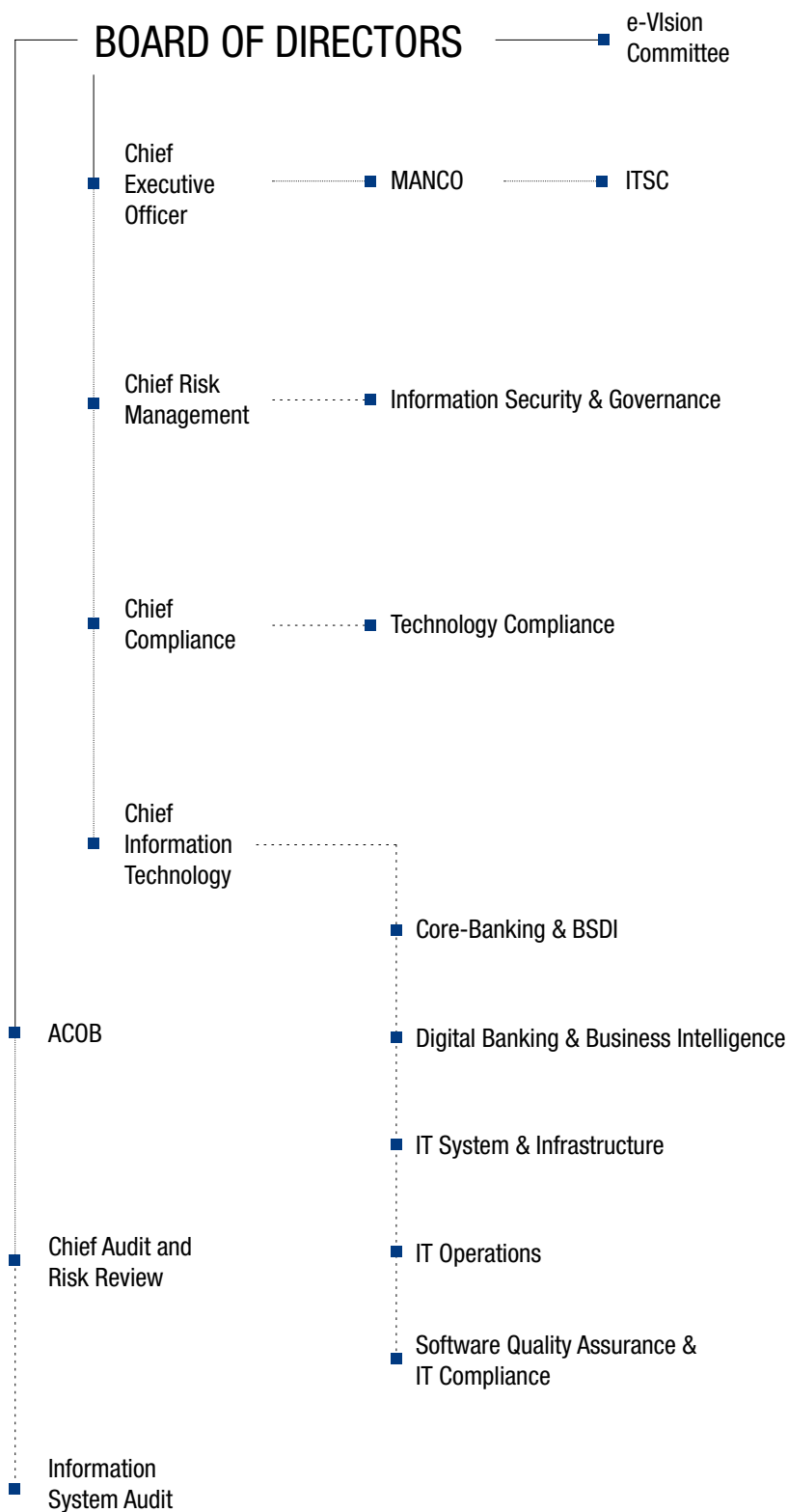
اس رپورٹ میں ذکر کردہ رائے کی بنیادوں کو استوار کرنے کے لئے بینک کے شریعی کمپلائنس ڈیپارٹمنٹ نے بینک میں ہونے والے تمام معاملات سے متعلق دستاویزات اور ان کی انجام دہی کے طریقہ کار کا نمونوں کی بنیاد پر جائزہ لیا۔ اس کے علاوہ ہم نے IBG-ABL کے دوران سال کئے گئے انٹرنل شریعی آڈٹ کی رپورٹس کا بھی جائزہ لیا۔

مندرجہ بالا امور کی بنیاد پر ہماری رائے یہ ہے کہ:

سال 2018 کے دوران IBG-ABL میں کئے گئے کاروباری معاملات بالخصوص لین دین کے معاملات، ان سے متعلق دستاویزات اور طریقہ کار، شریعی بورڈ اور اسٹیٹ بینک آف پاکستان کی جانب سے جاری کردہ شرعی اصول و ضوابط سے مکمل مطابقت رکھتے ہیں۔

تمویلی سرگرمیوں کے لئے اس سال بینک نے زیادہ تر مرابحہ، اجارہ، شرکت متناقصہ، سلم اور برنس مشارکہ کو استعمال کیا۔ تجارتی سرمایہ کاری سے اشتراکی سرمایہ کاری کی طرف بتدریج منتقلی ایک حوصلہ افزا عمل ہے جس کے اسلامک بینکنگ انڈسٹری پر مثبت اثرات مرتب ہوں گے۔ IBG-ABL نے تمام معاملات میں شریعی کمپلائنس کو

# INFORMATION TECHNOLOGY (IT) GOVERNANCE



IT Governance framework ensures that Your Bank's significant investment in IT infrastructure is duly aligned with the long-term strategies and objectives of Your Bank; while ensuring conformity with industry's best practices.

IT Governance of Your Bank focuses on ensuring that:

- IT strategic plan fits with the current and evolving needs of Your Bank and customers.
- IT based policies and procedures conform to the Banks, statutory and regulatory requirements.
- ITG designs, specifies and maintains systems for optimal utilization by Your Bank.
- IT acquisitions follow the necessary approvals ensuring that there is appropriate balance between cost, risks, short term and long term benefits.
- Roles and responsibilities are clearly defined for smooth delivery of business requirements and services.

IT Governance of Your Bank comprises monitoring by:

## **e-Vision Committee of Board**

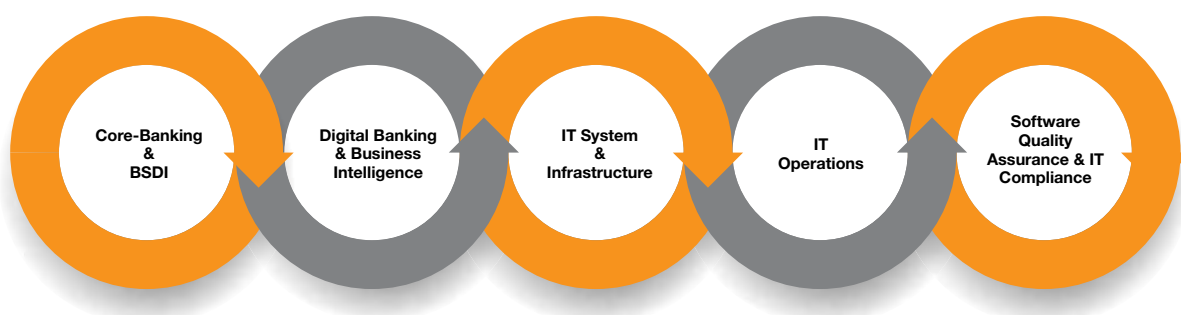
supervises the IT Governance in Your Bank and provides strategic direction for adoption/upgrading of evolving technologies in order to provide new customer centric products and services and to improve internal control environment. The Committee reviews the strategic plan of Your Bank to improve IT infrastructure and automation of processes and systems including alternate delivery channels. The Committee extends assistance to the Board with insights regarding evolving technologies in the field of e-banking and digital platforms. It also oversees performance of Information Technology Group of Your Bank.

**IT Steering Committee (ITSC)** of Your Bank is entrusted to review initiatives and prioritize projects for their implementation along with recommendation for required infrastructure and monitor their performance. ITSC reviews and recommends the annual and long term Strategic IT plan before its recommendation to MANCO and Board's e-Vision Committee for review and approval of the Board of Directors. ITSC assists MANCO in implementing IT and Digital strategies approved by Board of Directors and also plays an advisory role in all technology related matters. ITSC also reviews the result of vulnerability and IT risk assesment exercises and ascertains measures taken to mitigate identified risks. Chief ITG is the chairman of ITSC.

**Information Technology Group (ITG)** is headed by Chief ITG, reporting to Chief Executive Officer of Your Bank. ITG is responsible for development and delivery of technology driven services in line with directions of the Board and its committees under the strategic guidance of ITSC. Chief ITG is responsible to:

- » Develop and implement IT policies and procedures in line with best practices.
- » Ensure maintenance of Bank's IT infrastructure including online business services for smooth transactions processing.
- » Validate IT processes through testing and oversee quality control throughout the IT infrastructure.
- » Devise security policies and ensure that arrangements for disaster recovery plan are in place.
- » Keep the e-Vision Committee and MANCO informed of emerging trends and developments in IT and put forth necessary recommendations.
- » Maintain a requisite professional IT staff strength with sufficient knowledge, skills, experience and professional qualifications to meet the expectations along with regular training to keep up with the latest technologies and concepts.

ITG of Your Bank is strengthened by the following functions which are headed by committed professionals, providing innovative and efficient solutions to achieve organizational objectives.



**Information Security & Governance** functioning under the umbrella of Risk Management Group, is primarily responsible to develop and implement information security guidelines through a set of policies, procedures and frameworks and conduct Technical Risk Assessment as per policy guidelines. The function is also mandated to develop information security policies in line with regulatory requirements and based on best industry practices. This function also manages the information security awareness campaign across the Bank.

**Technology Compliance** under Compliance Group performs technology compliance review of Information Security Policies and Procedures to ensure that they are compliant with SBP guidelines/regulations. Furthermore, it also ensures compliance against the recommendations of SBP inspection report, external auditors' management letter and internal audit report of Audit and Risk Review Group (A&RRG).

**Information System Audit** function under A&RRG is entrusted to perform systems audit across the Bank; testing desired functionality and integrity while providing recommendations where necessary.



# WHISTLE BLOWING POLICY (WBP)

## Preamble

The purpose of WBP is to create a channel whereby Your Bank's staff is encouraged to report without any fear, malicious activity or conduct by any other employee, which may cause financial or reputational loss to the Bank.

It provides assurance to the Whistleblowers about total confidentiality and protection of their legitimate personal interests. It also provides incentives for the Whistleblowers on reporting of suspicious activities.

## Objectives

The intended objectives of this policy are:

- Develop a culture of openness, accountability and integrity;
- Provide an environment whereby employees of the Bank blow whistle where they know or suspect any immoral, unethical, fraudulent act of any current or former employees, vendors, contractors, service providers and customers which may cause financial or reputational risk to Your Bank;
- Create awareness amongst employees and stakeholders regarding the Whistle Blowing Function; and
- Enable management to be informed at an early stage about aforementioned activities or misconduct, if any and take appropriate actions.

## Scope

The scope of this policy includes, without limitation all types of unlawful acts / orders, fraud, corruption, misconduct, collusive practices or any other activity which undermines Your Bank's operations, financial position, reputation and mission.

## Independence of Whistle Blowing Unit

An operationally independent Whistle Blowing Unit has been established under supervision of Audit Committee of the Board (ACOB), for handling and monitoring allegations, complaints and concerns raised by the complainant /whistleblower under the WBP.

## Protection of Whistleblowers

All matters are dealt with confidentiality and the identification of the Whistleblower is not be disclosed except for inevitable situations, where disclosure of identity of the Whistleblower is essential.

Your Bank stands committed to protect Whistleblowers for Whistle Blowing and any subsequent harassment or victimization of the Whistleblower is not tolerated. If any Whistleblower feels that at his / her existing place of posting, he / she might be subjected to victimization or harassment by the alleged officials after blowing the Whistle, the management may consider transferring him / her to another suitable place on his / her request.

Indemnity from disciplinary action will be provided to the whistleblower employee, against actions/ involvement in the activity against which whistle is blown, based on the merits of the respective case.

## Incentives for Whistle Blowing

On the recommendation of the ACOB, the Whistle blower will be suitably awarded according to the significance of the information he / she had provided and impact of losses averted as a result.

## Process of Whistle Blowing

Your Bank has established the following communication channels for whistle blowing complaints:

- Dedicated e-mail address for whistle blowing (whistle.blowing@abl.com) accessible by the Chairman ACOB.
- Whistle blowing forms available on Your Bank's corporate website.
- Post / courier addressed to Chairman ACOB, Allied Bank Limited, Head Office, 3 Tipu Block, New Garden Town, Lahore.

## Number of instances reported to ACOB

Number of whistle blowing incidences reported to ACOB in Year 2018: Thirteen (13).

# BUSINESS AT LAST AGM

The 72nd Annual General Meeting of the shareholders of Your Bank was held on Monday, April 09, 2018 at 11:00 A.M. at Pearl Continental Hotel, Lahore. Mr. Mohammad Naeem Mukhtar, Chairman of Board of Directors, chaired the meeting. The meeting was attended by all Board members of the Bank including the Chief Executive Officer along with the Chief Financial Officer and the Company Secretary.

The Company Secretary informed the participating shareholders that a presentation on various guidelines issued by the Securities Exchange Commission of Pakistan from time to time along with relevant suggestions for the convenience and guidance of the Shareholders was being run on the multi-media screen placed in the meeting hall. He also advised the shareholders that a copy of the presentation was also available for attendees, upon request. The participants appreciated this initiative.

The Company Secretary shared key areas of the presentation which included:

- Necessity for provision of valid CNIC copy by shareholders with physical shareholding.
- Payment of cash dividend electronically (Bank Mandate/e-Dividend).
- Benefits of Bank Mandate Option.
- Deposit of the physical shares into CDC Account.
- Merger of different folios of same person into one folio.
- Electronic transmission of financial statements and notices.
- Deduction of withholding tax from dividends.
- Deduction of withholding tax in case of joint shareholders.

On the Financial Statements, shareholders while appreciating the overall growth in the Bank's financial position for year ended December 31, 2017, particularly the growth in

investments and advances and decline in non-performing loans, inquired about the reasons for major variances which were appropriately responded by the management.

Furthermore, shareholders inquired about the lower dividend payout in 2017 as compared to 2016 and stoppage of bonus shares payout in the preceding 4 years.

The Chairman while responding for lesser dividend for the year 2017 stated that the levy of 5% tax on bonus shares compelled major listed companies including banks for the non-issuance of bonus shares, which would hopefully be abolished in the upcoming budget.

The Chairman assured the shareholders that the Bank would consider on improving cash dividend payout rate during the year ending December 31, 2018 in line with the aforementioned request of the shareholders.

## INVESTOR GRIEVANCE

Your Bank has put in place comprehensive guidelines for investors/shareholders to address their grievances. The guidelines conform to the Bank's internal policy to address the investor grievances as well as statutory requirements as stipulated under SECP SRO 634 (1)/2014.

- For all shares related issues, Shareholders are advised to contact Shares Registrar of the Bank with contact details available on Bank's corporate website.
- In order to facilitate the investors/shareholders who intend to register a complaint, the contact details of the focal person of Shares Department is given on the Bank's corporate website for this purpose.
- In addition, if Investors/Shareholders grievances are not resolved by the Shares Registrar of the Bank, as well as Shares Department, they may escalate their complaints to the Company Secretary of the Bank.
- If any complaint still remains unsatisfied, the same can be forwarded to Securities Exchange Commission of Pakistan (SECP); using links of SECP website which are available in investor grievance section of the Bank's corporate website.
- Furthermore, queries with respect to financial results of Your Bank can be directed to 'Investor Relations' department, which is headed by Chief Financial Officer, vide using email address [investor.relations@abl.com](mailto:investor.relations@abl.com) (which is available on corporate website as well).

# MANAGING CONFLICT OF INTEREST

## Overview

The Board and the Management of Allied Bank Limited ("the Bank") is committed towards transparent disclosure, management and constant monitoring of potential conflicts of interest to ensure that no undue benefit is passed on. The Board recognizes the responsibility to adhere to the defined policies / procedures and avoid perceived conflicts of interest that may arise during the course of business.

## Disclosure of Interest by Director:

- Every director (including spouse and minor children) of a Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the directors.
- Directors are required to disclose existing or perceived conflicts of interest at the Board meeting as per the requirements of prevailing law. Where a conflict of interest or potential conflict of interest has been disclosed, the concerned Board member shall not take part in the Board discussion on that agenda item. The member who has disclosed the conflict cannot vote on that agenda item.

## Abidance of Laws / Rules:

- Conform to and abide by all the legal and standing requirements and Code of Corporate Governance while performing their duties and obey all lawful orders and directives. All Board members shall comply with and observe all applicable related statutory requirements, regulatory directives and ABL policies.

## Integrity:

- Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with all stakeholders and not engage in acts discreditable to ABL, their profession and the nation. If they become aware of any irregularity that might affect the interests of ABL, they shall inform the Board immediately.
- Maximum utilization of their abilities, experience and expertise for achieving set goals, maintain high standards of professional conduct, protect the Bank's assets and respect interest of all the stakeholders. Practice transparency in all acts and deeds related to the business of the Bank.
- Reject corruption in all forms - direct, indirect, public or private and do not directly or indirectly engage in bribery, kick-backs, payoffs, or any other corrupt practices.

- Remain loyal to the Bank, keeping its interest above own personal interests at all times.

## Confidentiality:

- Maintain the privacy and confidentiality of all the information acquired being Member of Board of Directors of the Bank or come into their knowledge and refrain from disclosing the same unless otherwise required by statutory authorities/law and Bank's own policies. All such information will remain with them as a trust and will only be used for the purpose for which it is intended and will not be used for personal benefits. Inside information about ABL's affairs shall not be used for their own gains or for that of others either directly or indirectly.
- Directors of the Bank are strictly prohibited to disclose the fact (comes into their knowledge) to the customer or any other quarter that a suspicious transaction or related information is being or has been reported to any authority, except if required under the law.

## Conflict of Interest:

- Avoid all such circumstances in which there is personal interest conflict, or may appear to be in conflict with any of the stakeholder as prescribed by the statutes and in probable case their interest conflicts with any of the stakeholder, he/she would immediately declare such interest before the Board of Directors.
- No director shall exploit for their own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed completely in writing to the Board of Directors of the Bank and the Board allows him/her to avail such opportunity.
- No interested person shall participate in the discussion or vote in the Board's proceedings or participate in any other manner in the conduct or supervision of such dealings.
- Avoid any dealing with contractors or suppliers of the Bank that compromises the ability to transact business on a professional, impartial and competitive basis or that may influence discretionary decision to be made by the Board Members / Bank.
- No Director shall hold any position or job or engage in outside business or other interest that is prejudicial to the interests of the Bank.
- Shall not make any statement which has the effect of adverse criticism of any policy or action of the Bank or

which is capable of embarrassing the relation between the Bank and the public including all the stakeholders. Provided that nothing in this clause shall apply to any statement made or views expressed by a Board Member, which are purely factual in nature and are not considered as confidential, in his official capacity or in due performance of the duties assigned to him.

- Refrain from accepting gifts, personal favors or preferential treatment, that could, in any way, influence or appear to influence, business decisions in favor of any person or organization with whom or with which the Bank has or is likely to have business dealings.

## Insider Trading:

- Directors shall not deal directly or indirectly in the securities of the Bank whether on their own account or their relative's account, if they are in possession of any unpublished price sensitive information concerning the Bank. Directors who are in possession of any unpublished price sensitive information shall not communicate directly or indirectly the said information to others who trade on such information.
- Where any director or his/her spouse sells, buys or takes any beneficial position, whether directly or indirectly, in the shares of the Bank, he/ she shall immediately notify the Company Secretary in writing. Such director shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic within the Central Depository System), and nature of transaction to the Company Secretary. Further, no director shall, directly or indirectly, deal in the shares of the Bank, in any manner, during the closed period as determined by the Board of Directors.

## Related Party Transaction:

- The Bank has devised a mechanism for identification of related parties and execution of related party transaction at arm's length, which are executed in the normal course of business. Based on the statutory requirements, complete transactional details of related parties are presented before the Audit Committee for review and deliberations. The Audit Committee reviews and recommends the related party transactions to the Board and AGM, where required, for its approval.
- Moreover, as a statutory requirement, a comprehensively prepared return is submitted on half yearly interval to State Bank of Pakistan that primarily covers every related party transaction executed during the said period.

# OUR GOVERNANCE PHILOSOPHY

## Modus Operandi of Board of Directors

The Board of Directors and Management of the Bank are committed towards maintaining a high standard of corporate governance.

The Board of Directors is responsible for the overall stewardship and oversight of the Bank by reviewing, deliberating and approving the Bank's strategic planning, organizational structure and supervising the management for ensuring enhanced shareholders' value.

Chief Executive Officer and senior management are responsible for business operations by following board's approved policies, while keeping the Board of Directors well informed by providing timely information.

The Board of Directors has fully adopted corporate governance guidelines to assist it in meeting its aforementioned governance responsibilities.

## Key Governance Practices

- The Board of Directors comprises of an appropriate mix of Directors in terms of vast experience, competence and financial acumen.
- Five members of the Board of Directors are certified directors, whereas three directors have been exempted from the requirement based on their experience.
- Three members of the Board of Directors are independent directors.
- Audit Committee of the Board of Directors is comprised of two independent directors.
- Board of Directors has constituted four additional sub-committees to assist in the governance of the Bank i.e. e-Vision Committee, Board Risk Management Committee, Strategic Planning & Monitoring Committee and Human Resources and Remuneration Committee.

- Corporate Governance rating of "CGR 9+" by an independent JCR-VIS Credit Rating Co. Ltd., indicates high level of corporate governance; depicting a strong commitment towards governance framework by the Board and management of Your Bank.

## Review of overall performance of the Board

Your Bank has formalized an inhouse process for reviewing the Board of Directors' overall performance including performance of Chairman of the Board of Directors, individual Directors including Chief Executive Officer and Board of Directors' sub-committees.

An independent external evaluation is being carried out after every three years to further augment the process; with evaluation findings being thoroughly reviewed for continuous improvement and refinement.

Primary objectives of the Board of Directors, apart from carrying out its fiduciary duties as required under relevant regulations, has remained to provide strategic direction, financial oversight and guidance to the management.

The Board of Directors assisted by five sub-committees, performed its duties diligently and effectively in the best interest of the shareholders, despite of challenging operating and regulatory environment, whilst upholding the vision, mission and core values of the Bank.

Board of Directors are committed to enhance shareholders' value while continuing to transform the Bank to cater to the ever-evolving needs of the Bank's valued customers.

Your Bank's Board of Directors shall remain committed in carrying out their aforementioned duties diligently and professionally while maintaining the Bank's focus on sustainable growth momentum ahead.



# NOTICE OF 73rd ANNUAL GENERAL MEETING

Notice is hereby given that 73rd Annual General Meeting of Allied Bank Limited will be held at Palace Hall, Pearl Continental Hotel, Lahore on Thursday, March 28, 2019 at 11:00 a.m. to transact the following business:

## Ordinary Business:

1. To confirm minutes of the Extraordinary General Meeting of Allied Bank Limited held on August 27, 2018. To view the minutes, direct link is:

<https://www.abl.com/src/uploads/2018/09/Minutes-of-EOGM-ABL-27-08-2018.pdf>

2. To receive, consider and adopt the Annual Audited Financial Statements of the Bank (consolidated and unconsolidated) for the year ended December 31, 2018 together with the Directors' and Auditors' Reports thereon.

As required under Section 223(7) of the Companies Act 2017 and SECP SRO 634(I)/2014, Financial Statement and Reports of the Bank have been uploaded on the website of the Bank which can be downloaded using the following link:

<https://www.abl.com/services/downloads/financial-reports/>

3. To consider and approve Final Cash Dividend @ 20% (i.e. Rs. 2.00 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 60% Interim Cash Dividends (aggregating Rs.6.00 per share) already paid to the shareholders for the year ended December 31, 2018.
4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2019 and fix their remuneration. The retiring auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants, being eligible has offered themselves for reappointment. The audit firm appointed will hold office till conclusion of the next AGM to be held in the year 2020.

## Special Business:

5. To accord post facto approval for upward revision in the Directors' fee for attending Board and its Sub-Committees meetings from Rs.150,000/- to Rs.250,000/- per meeting w.e.f. February 13, 2019.

\*Note: A Statement under section 134 (3) of the Companies Act, 2017 is appended.

Other Business:

6. To transact any other business with permission of the Chair.

Date: March 06, 2019  
(Lahore)

By Order of the Board

Muhammad Raffat  
Company Secretary

## Statement under section 134 (3) of the Companies Act, 2017

ITEM NO.5: To accord post facto approval for upward revision in the Directors' fee for attending meetings of Board and its Sub Committees.

In view of the Board's responsibilities and enhanced role as well as to comply with the prevailing laws, rules and regulations, the Directors have to devote considerable time and expertise in the overall stewardship of the Bank.

The Board, in its 237th meeting held on February 13th & 14th 2019 decided to increase fee payable to Non-Executive Directors including Independent Directors for attending meetings of the Board and its Sub Committees, from Rs. 150,000/- to Rs. 250,000/- per meeting, along with usual travelling and accommodation expenses as allowed in terms of Article 82 of Articles of Association of the Bank. In terms of SBP Prudential Regulation G-1 clause "C-2", the matter is being placed before the shareholders for post facto approval.

In this respect, the following Ordinary Resolution is proposed to be adopted:

"Resolved that Directors' Fee payable to Non-Executive Directors including Independent Directors for attending meetings of the Board and its Sub Committees be and is hereby increased from Rs. 150,000/- to Rs. 250,000/- per meeting with effect from February 13, 2019 and the decision of the Board of Directors of Allied Bank Limited in this regard is hereby ratified."

## NOTES:

- i) All members are entitled to attend and vote at the Meeting.
- ii) A member entitled to attend and vote is entitled to appoint a proxy under his / her own hand or through his/ her duly authorized attorney to attend and vote instead of himself / herself; and the proxy must be a member of Allied Bank Limited.
- iii) The instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of that power of attorney or authority in order to be effective must be reached at the Registered Office of Allied Bank Limited not less than 48 hours before the start time of the Meeting.
- iv) Share Transfer Books of Allied Bank Limited will remain closed from Friday 22nd March, 2019 to Thursday 28th March, 2019 (both days inclusive). Share transfers requests received at M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi, Share Registrar of the Bank before the close of business on Thursday 21st March, 2019 will be treated as being in time for the purpose of transfer of shares.
- v) Members are requested to immediately notify the changes, if any, in their registered addresses to the Bank's Shares Registrar M/s. Central Depository Company of Pakistan Limited, before book closure.

- vi) Members may exercise their right to vote as per provisions of the Companies (Postal Ballot) Regulations, 2018, subject to the requirements of Section 143 & 144 of the Companies Act 2017. Further, details in this regard will be communicated to the shareholders within legal time frame as stipulated under these Regulations, if required.
- vii) CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i) In case of individuals, the Account Holder or Sub-account Holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original valid Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee shall be produced (if it has not been provided earlier) at the time of attending the Meeting.

B. For Appointing Proxies:

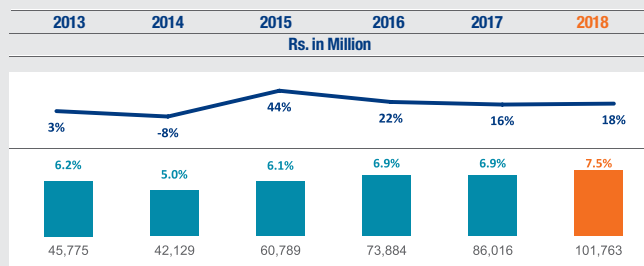
- i) In case of individuals, the Account Holder or Sub-Account Holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit proxy form as per the above mentioned requirements.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
- v) In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature shall be produced along with the proxy form of the Company.
- vi) Proxy Form is enclosed.

# STATEMENT OF FINANCIAL POSITION

Six Years HORIZONTAL & VERTICAL Performance Highlights

## ASSETS

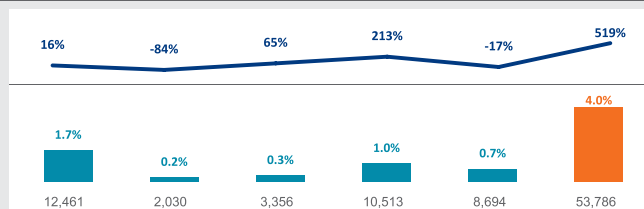
Cash & Balances with Treasury & Other Banks



CAGR for the last six years-annualized is 14.8%

18% YoY growth in balance is mainly due to expanded ATM's and branch network and fulfil regulatory reserve requirement of the Bank.

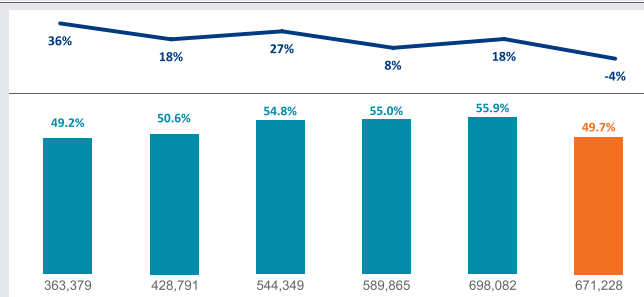
Lendings to Financial Institutions



CAGR for the last six years-annualized is 30.8%

519% YoY growth is on account of placement of surplus liquidity under Lending to FIs which are of shorter tenors, in the wake of rising interest rate scenario to minimize re-pricing gap.

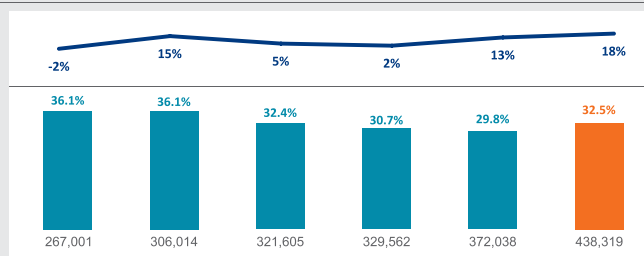
Investments - Net



CAGR for the last six years-annualized is 16.6%

Despite YoY growth curtailment of 4% YOY, investments continue to take the major share of the total asset base. This overall shift from long term bonds to short term bills resulted in 68% Investments to Deposit Ratio (IDR) from 79% in 2018.

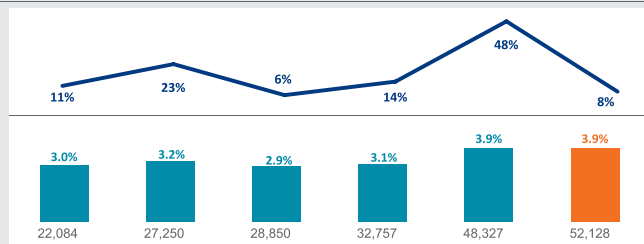
Advances - Net



CAGR for the last six years-annualized is 8.3%

Steady growth in advances over the last six years coupled with 18% YoY growth helped in improving Advances to Deposit Ratio (ADR) of 46% in 2018.

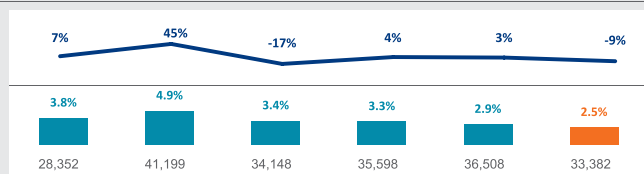
Fixed Assets (including Intangible Assets)



CAGR for the last six years-annualized is 17.4%

8% YoY growth is on account of premises purchased for owned branches to replace high rent branches along with investment in digital and technology platforms.

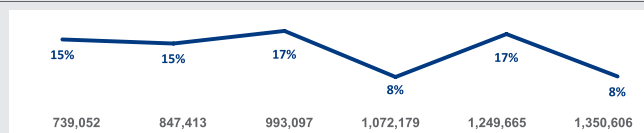
Other Assets



CAGR for the last six years-annualized is 3.9%

9% YoY decline reflects the decrease in the accrued markup inline with the lower deployment in long term bonds.

Total Assets

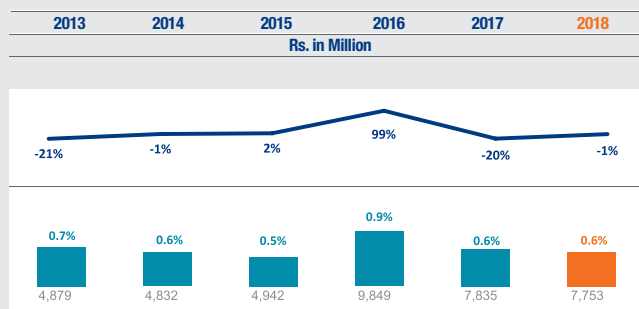


CAGR for the last six years-annualized is 13.3%

ABL managed to grow its asset base by 8% YoY surpassing the industry growth by over 5%.

## LIABILITIES

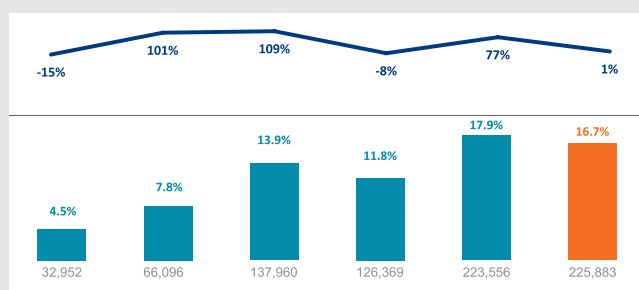
### Bills Payable



CAGR for the last six years-annualized is 3.8%

Bills payable as a percentage of total liabilities remained stable at 0.6%.

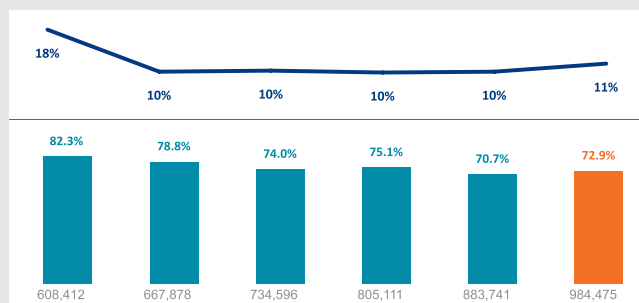
### Borrowings



CAGR for the last six years-annualized is 34.1%

Borrowings remained stable at Rs. 225 billion or 17% of total liabilities.

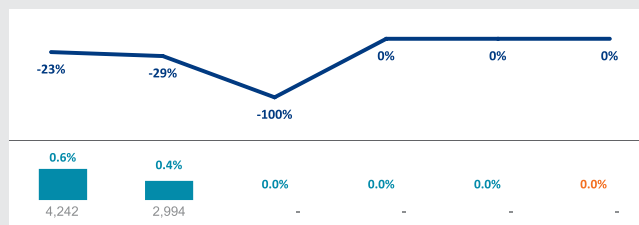
### Deposits and other accounts



CAGR for the last six years-annualized is 11.4%

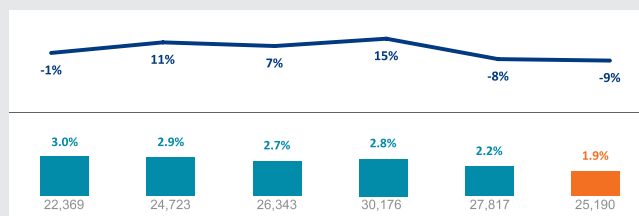
11% YoY growth in outstanding deposits exceeding industry's Deposit growth of 8%.

### Sub-Ordinated Loans



In view of one of the highest CAR, no additional subordinated debt was raised.

### Other Liabilities (Including Deferred Tax Liabilities)



CAGR for the last six years-annualized is 1.8%

9% YoY decline mainly due to decrease in Deferred Tax Liabilities.

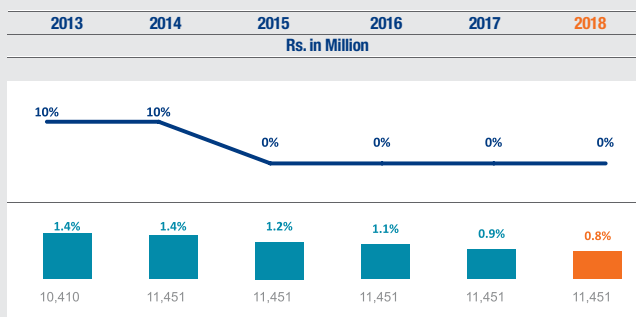


# STATEMENT OF FINANCIAL POSITION

Six Years HORIZONTAL & VERTICAL Performance Highlights

## EQUITY

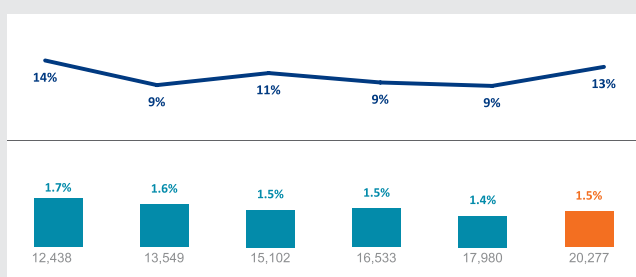
Share Capital



CAGR for the last six years-annualized is 3.2%

Fully compliant with the regulatory requirement.

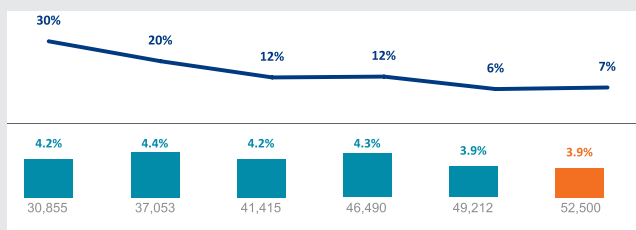
Reserves



CAGR for the last six years-annualized is 10.9%

13% YoY growth is on account of exchange translation of net investment in foreign branches & statutory reserve transfer from un-appropriated profits.

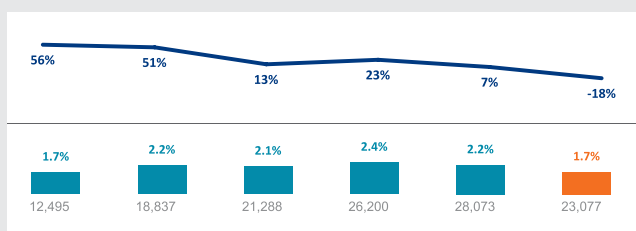
Unappropriated Profits



CAGR for the last six years-annualized is 14.2%

7% YoY growth is on account of current year's profit after appropriations.

Surplus on revaluation of assets - net



CAGR for the last six years-annualized is 19.3%

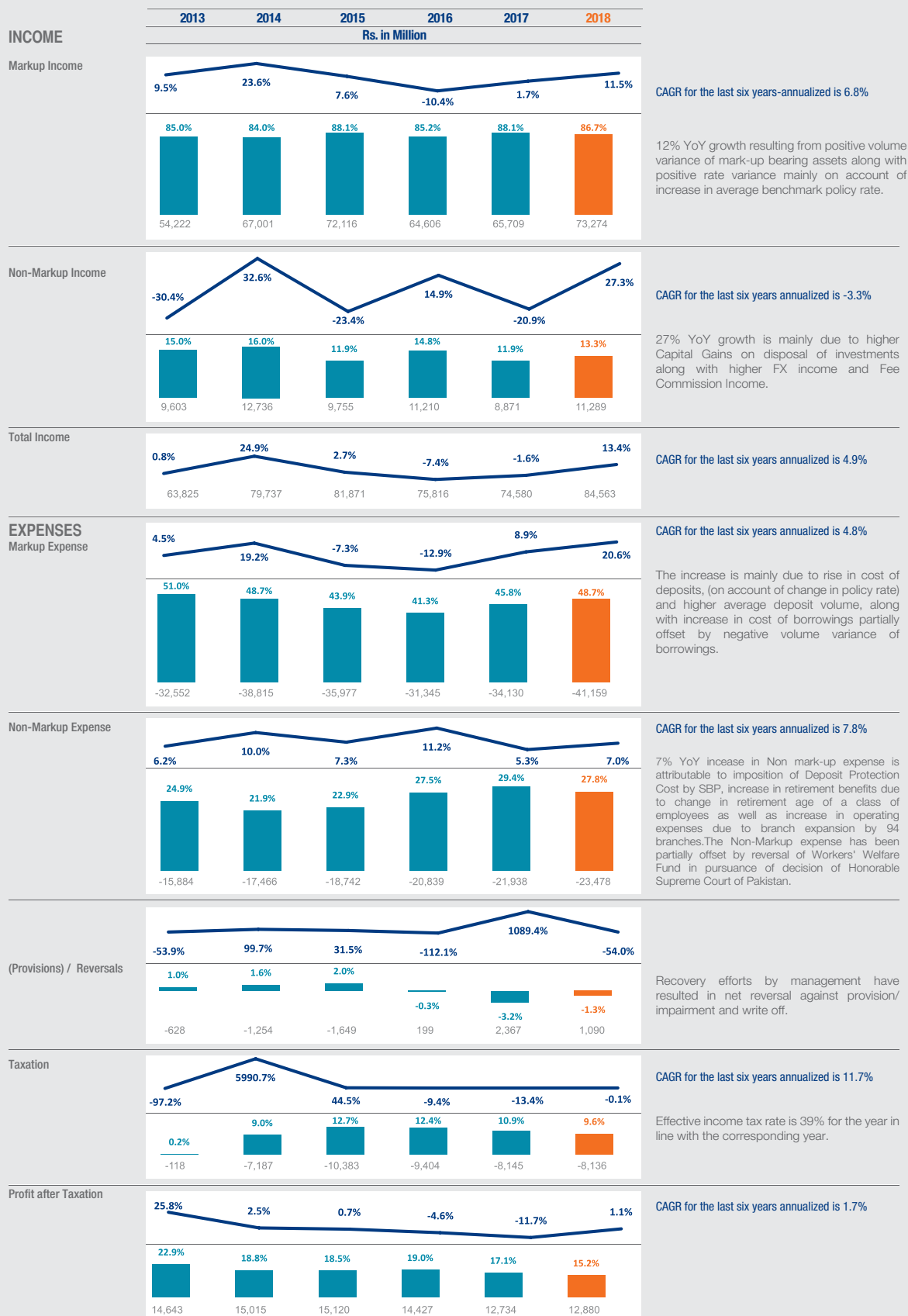
18% YoY decline is due to lower revaluation gains on investment, mainly on account of divestment from long term bonds.

	2013	2014	2015	2016	2017	2018
Total Liabilities & Equity	739,052	847,413	993,097	1,072,179	1,249,665	1,350,606

CAGR: Compound Average Growth Rate  
YOY: Year on Year (2018 vs 2017)

# PROFIT AND LOSS ACCOUNT

Six Years HORIZONTAL & VERTICAL Performance Highlights



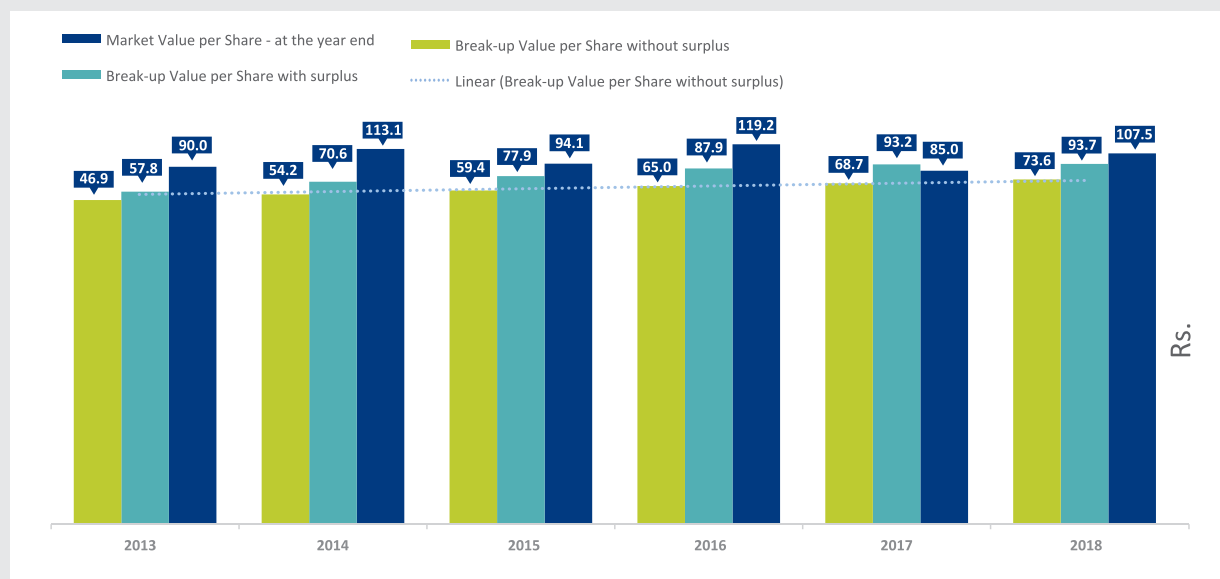
CAGR: Compound Average Growth Rate YOY: Year on Year (2018 vs 2017)

# VALUE CREATION FOR SHAREHOLDERS

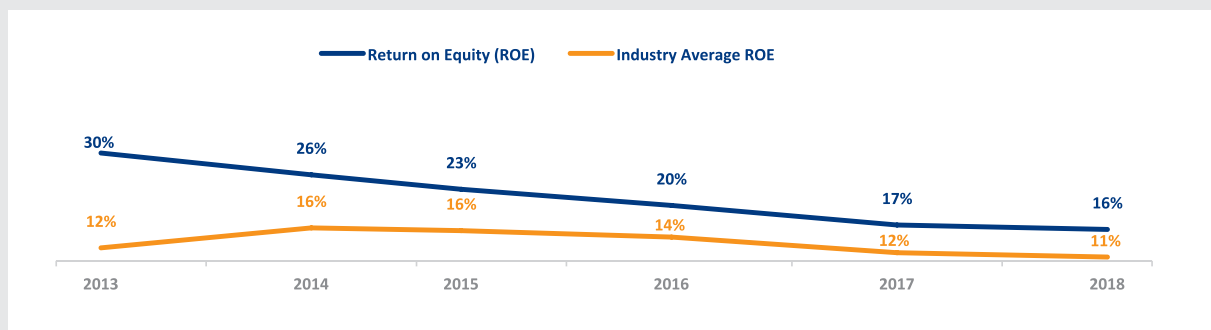
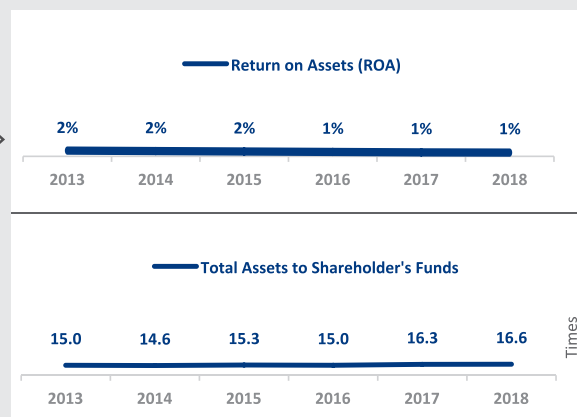
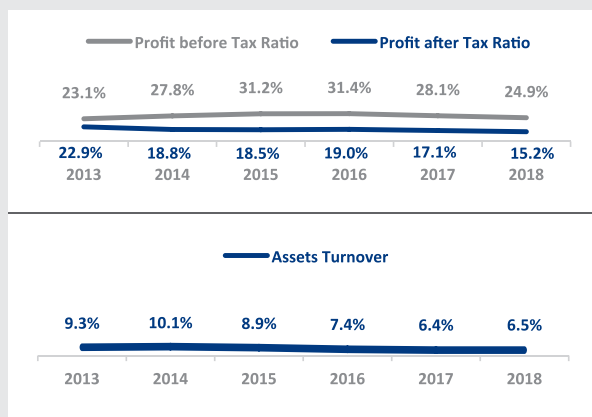
Through our financial performance we demonstrate our commitment to delivering long-term value for our shareholders.

Over the last six years the bank increased its break-up value per share at a CAGR of 8%, which also reflected in improving value creation (market value less breakup value) of 46% for our shareholders in 2018.

Growing "Total assets to shareholder's funds" coupled with ROA also contributed in achieving higher ROE from respective average ratio of the industry.

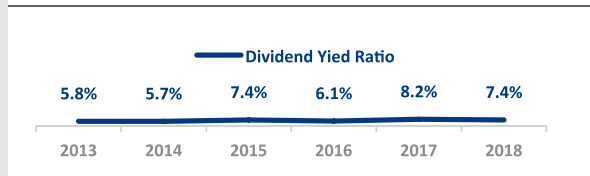
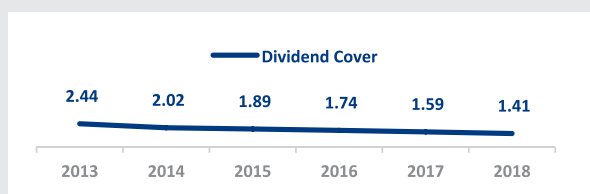
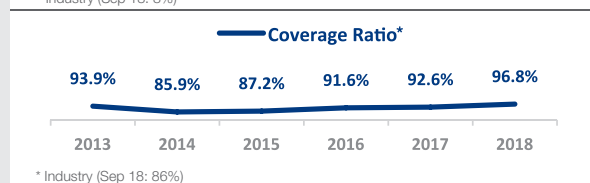
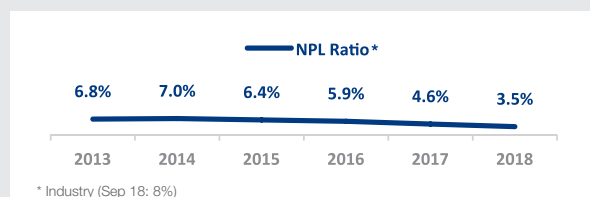
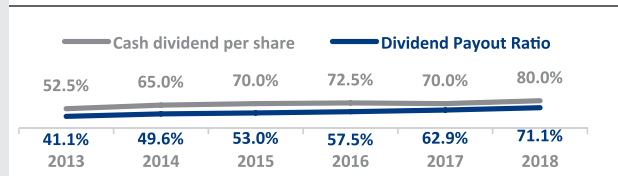
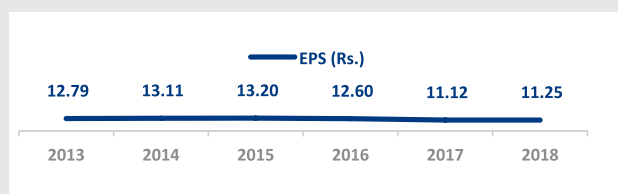
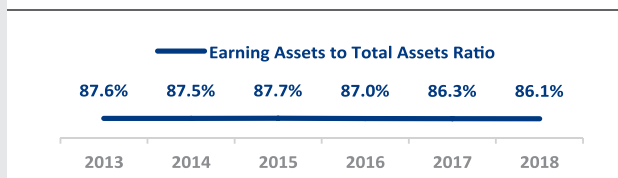
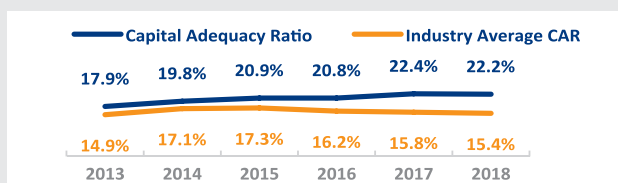


## DUPONT ANALYSIS



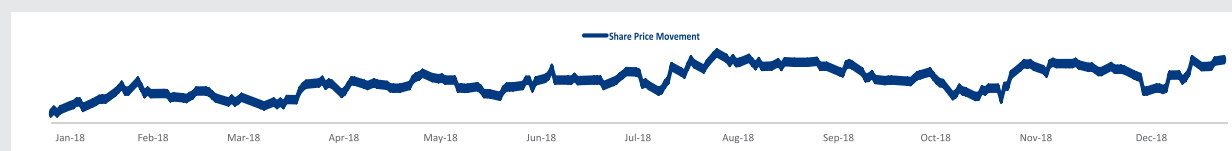
## ROBUST BALANCE SHEET ENABLED AN ATTRACTIVE DIVIDEND PAYOUT

The Bank's CET1/ Tier 1 and Capital Adequacy ratios of 17.3% and 22.2% respectively, LCR of 151.5% and an NSFR of 186.6%, on a pro forma basis, are all Basel III-compliant and are a reflection of a strong balance sheet. On the back of solid earnings growth in operations and a strong capital position, a final dividend of Rs.2 was declared, increasing by 14.3%. Our full-year dividend cover was 1.41 times.



## SHARE PRICE MOVEMENT AND SENSITIVITY ANALYSIS

	High	Low	Closing	Market Capitalization	
	Rs.			Capital (Million)	Value (Million)
December 31, 2018	109.0	104.5	107.5	11,450	123,061
September 30, 2018	102.8	100.0	101.9	11,450	116,706
June 30, 2018	103.9	102.0	103.2	11,450	118,114
March 31, 2018	99.0	96.0	98.5	11,450	112,755



Regularly recurring matters (such as financial results and dividends) have a temporary impact on the share price of Allied Bank Limited. However, Government/ Regulatory policy changes such as inflation, discount rate, monetary policy and political & environment situation of the country are the key determinants for change in profitability of the Bank ultimately having an impact on share prices.

## STATEMENT OF VALUE CREATION

### VALUE ADDED

Income from banking services  
Cost of services

Value added by banking services  
Non - banking income

Reversals against non-performing assets

Total Value Added

Rs. In Million

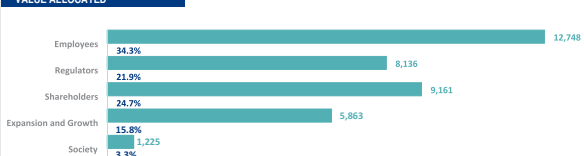
43,330  
(7,358)

35,972  
75

1,090

37,137

### VALUE ALLOCATED



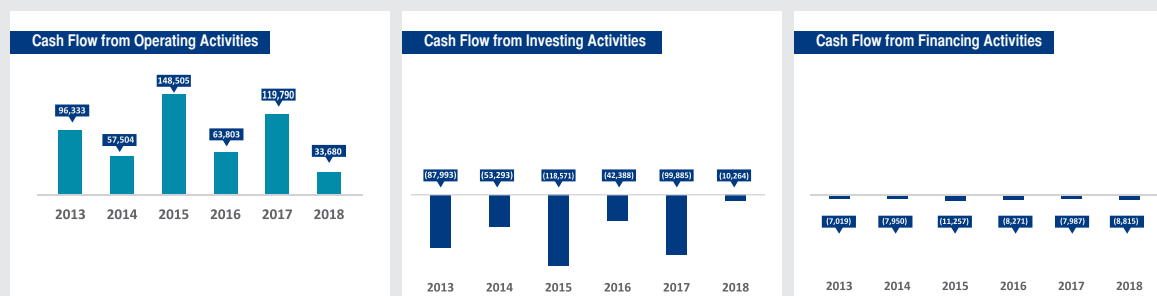


# CASH FLOW

Rs. In Million

STATEMENT FOR THE YEAR 2018	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Mark-up / return / interest and commission receipts	81,360
Mark-up / return / interest payments	(40,981)
Cash payments to employees, suppliers and others	(20,740)
	19,639
(Increase) / decrease in operating assets	
Lendings to financial institutions	(45,091)
Held for trading securities	24,826
Advances	(65,501)
Other assets (excluding advance taxation)	4,168
	(81,598)
Bills payable	(83)
Borrowings	2,188
Deposits	100,734
Other liabilities (excluding current taxation)	591
	103,430
Cash flow from operating activities before tax	41,471
Income tax paid	(7,791)
Net cash flow from operating activities	33,680
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Net investments in 'available-for-sale' securities	(64,659)
Net investments in 'held-to-maturity' securities	58,411
Dividend income received	2,850
Investments in operating fixed assets	(6,912)
Proceeds from sale of fixed assets	46
Effect of translation of net investment in foreign wholesale branch	1,008
Net cash used in investing activities	(9,256)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Dividends paid	(8,815)
Net cash used in financing activities	(8,815)
Increase in cash and cash equivalents during the year	15,609
Cash and cash equivalents at beginning of the year	90,289
Effect of exchange rate changes on opening cash and cash equivalents	(4,378)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Under Direct Method)</b>	<b>101,520</b>

## SIX YEARS CASH FLOW ANALYSIS



# PRODUCTS & SERVICES

Allied Bank Limited (the Bank) offers a wide range of products and services, designed to cater to requirements of each segment of its customer base. Bank offers comprehensive solutions for all customers, ranging from a simple bank account to more sophisticated banking products.



## Branch Banking

With a vast network of over 1,300 branches and 1,388 ATMs, Bank is committed to provide real time online banking solutions to its customers in an efficient and convenient manner.

## Banking on Saturday & Extended Hours Banking

ABL is amongst few banks in Pakistan offering added convenience of "full service" Saturday Banking to its customers. The extended week of banking operations, is currently available at 339 branches from 10:00 AM to 02:00 PM. Extended Hours Banking facility is also offered at select branches.

## Allied Easy Current Account

Allied Easy current account covers all of the everyday banking needs with no monthly fee. With Allied Easy Current Account financial transactions can also be managed with mobile, online, branch and ATM access, instant SMS balance updates, fast cash deposits and transfers etc.

## Allied Business Account

Allied Business Account is meant for growing business proprietors looking for



exceptional value and services, packed with multiple free of cost features. It is a cost-effective and simple way to consolidate business and personal banking needs into one tailored package. There is no minimum balance requirement for operating this particular account.

## Allied Senior Citizen Account

Your Bank launched Allied Senior Citizen account offering a host of free services including free debit visa card, free cheque books along with health insurance and discounted lab testing facilities, which relieves senior citizens from their health worries.

## Allied Youth Account

Your Bank launched Allied Youth Account to meet to the needs of financially literate and tech savvy young population of the country. The account offers Branded Youth Visa Debit Card along with free accidental insurance coverage and premium access to Vouch365 application with exciting offers for restaurants, health & fitness and leisure/travel activities.

## PLS Saving Account

Bank offers savings accounts offering free features on



maintenance of certain minimum monthly average balance.

## Allied Express Account

Allied Express Account is exclusively crafted for remitting money in Pakistan. Customers can remit funds to their own account or accounts of their loved ones in Pakistan through Allied Express Account and enjoy free of cost banking services i.e. Cheque Books, ATM Visa Debit card, SMS Alerts Internet Banking etc. Remittances can be originated from different time zones / countries in multiple currencies.

## Allied Rising Star – Youth's 1st Bank Account

Allied Rising Star Account is a great way to accumulate children's savings for their future while inculcating saving habits amongst children with exclusive free features like Welcome Pack, Birthday Gift, accidental insurance coverage up to Rs. 500,000, ATM / VISA Debit card and cheque book.

## Allied Term Plus Deposit

Allied Term Plus is a regular term deposit with the flexibility of tenure and frequency of profit payment which allows the customers to opt for investment



plan which suites their choice.

## Allied Asaan Account

Allied Asaan Account is tailored to cater to the banking needs of unbanked/common people of society with simplified account opening requirement/ procedures. Customers can open current or saving account according to their needs with a number of free facilities offered.

## Allied Khanum Assan Account

Access to a bank account is essential for women's economic empowerment as it provides a safe place to save money and opens up a channel to credit which can be used for investing in education, property or business along with bundle of free of cost services including lower locker fee.

## Third Party Products: Mutual Funds & BANCA Products

ABL offers distinctive third party products; Mutual Funds (investment plans and competitive return oriented funds of Allied Asset Management Company-a wholly owned subsidiary of ABL) and BANCA products in collaboration with EFU and Jubilee Insurance partners.

# PRODUCTS & SERVICES



## Theme Branches

In the quest to evolve into a customer friendly bank in the retail industry, Bank is adopting modern technology and signature themes. Accordingly, the Bank launched Women branches, Youth branches and Village branches.

## Allied Cash+Shop VISA Debit Card

Allied Cash+Shop Visa Debit Card is Allied Bank's flagship product that gives our customers access to their bank accounts and convenience to use it at over 34,000 retailers in Pakistan and millions of retailers worldwide. It also gives cardholders access to over 1.9 million ATMs worldwide and over 10,000 ATMs in Pakistan.

## Allied PayPak Debit Card

It allows customer ATM transactions as well as retail/ purchase anywhere within Pakistan. All purchase-transactions made through Allied PayPak Debit Card are PIN based; thus, ensuring greater security.

## EZ Cash Prepaid Card

Allied EZCash is a re-loadable Prepaid Card which comes with the convenience of easy load/reload/top-up from any ABL branch. This is the first Prepaid Card launched on Local



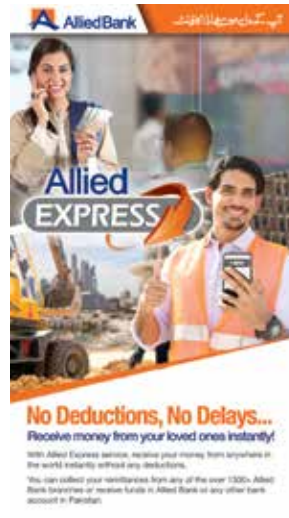
Payment Scheme PayPak. This card is instantly issued from all ABL branches and can be used on ATM for cash withdrawal, bill payment, mobile top-ups and purchasing goods from merchants at Point of Sale (POS) machines where PayPak Cards are accepted. Allied EZCash offers greater security with PIN for Point-of-Sale (POS) Transactions as well i.e. use of Prepaid Card for shopping requires cardholders to enter PIN to authorize their purchase transactions.

## E-commerce Transactions on VISA Debit Card

Allied Bank Visa Debit Card holders can now use their VISA Debit cards for online/e-commerce transactions. As customers become more technology savvy, Allied Bank delivers services that fit customers' lifestyles and offers more choice as to where, when and how customers conduct transactions. Allied Bank differentiate not just by offering multi-dimensional channels to customer but also by enhancing their experience from utilization of the new and innovative channels.

## Jazz Cash Domestic Remittance Services

In line with the Financial Inclusion Strategy set by SBP, Allied Bank collaborated with JazzCash



[a Branchless Banking Brand of Jazz (Mobilink) & Mobilink Microfinance Bank Limited (MMBL)] to provide domestic remittance services to prospective customers. Through this initiative the beneficiary of Jazz Cash Domestic Remittances can send and collect their remittances from any ABL Branch in addition to the existing network of Jazz Cash agents.

## Debit Card Variants

Various Debit Card variants allow customers to choose from a variety of 'Sapphire' packages offering wide-ranging transactional limits on debit cards to pay for everyday shopping or get access to funds at ATMs in Pakistan and abroad.

## myABL Digital Banking

A premium Digital Banking service that caters to Personal and Business Banking needs. myABL Digital Banking platform is supported with international standards of information security and 24/7 availability that makes banking safer and accessible from any location with improved performance. With a dynamic new user friendly and device responsive interface, myABL offer great convenience and wide range of features to our valued Personal and Business Banking customers.



## myABL Personal Internet Banking

myABL Personal Internet Banking is the new face of Allied Direct Internet Banking. It is the latest internet and mobile banking platform which offers a more secure, reliable and efficient digital banking service.

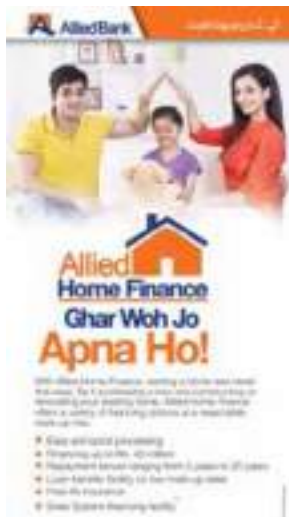
## myABL Business Internet Banking

With Business Internet Banking, customers can significantly cut paperwork, and enjoy the triple benefits of "Efficiency, Ease of use and Economy". Business Internet Banking (BIB) is Allied Bank's online/ internet banking service exclusively designed and developed for non-individual customers. The internet banking platform has a User-friendly and device-responsive facility, allows users to online track account(s) and relationships maintained with the bank and enables customers to execute complex banking transactions from their workstation/offices.

## ABL Self Service Digital Branch

ABL has introduced Self Service Banking facility at Lucky One Mall with state of the art digital banking channels. Allied Bank's self-service banking branch is one of its kind branch, offering a blend of "Conventional"





and "Self-Service Banking" facilities to its account holders as well as walk-in customers. It is equipped with modern equipment, which enables ABL customers to address their banking needs while interfacing with diverse range of digital touch points i.e. tablets, interactive tables, video conferencing and digital kiosks, eliminating the need of hefty paper work and long waits in queues.

### ATMs and CCDMs (Cash & Cheque Deposit Machines)

The vast network of 1,239 ATMs all over the country gives 24/7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more. ABL has 4 CCDMs installed at select branches offering facility to deposit cash & cheques anytime.

### Allied Business Finance (ABF)

Allied Business Finance is designed for SME sector to meet liquidity requirements against non-cash securities. The Bank offers evergreen line in shape of Running Finance, Letter of Guarantee, Finance for Exports (working Capital) & Letter of Credit as well as Term Loans.

### Allied Fast Finance (AFF)

Allied Fast Finance is a product secured against cash backed securities i.e. Lien on



TDR & Account designed to meet liquidity requirements of obligors without disturbing their core savings. This product offers evergreen line in shape of RF, LG & LC as well as Term Loan.

### Prime Minister Youth business Loan (PMYBL)

A long-term loan scheme, specifically launched for unemployed youth under the directives of GOP/SBP. The scheme especially targets startups of both genders. Loans are being offered to obligors at subsidized rates.

### Allied Home Finance

Allied Bank, in its endeavor to provide current and prospective customers a complete suite of consumer products, launched "Allied Home Finance" to full fill customers' needs for build, buy and renovate their own home.

### Allied Car Finance

In the year 2017 ABL also launched Car financing scheme as "Allied Car Finance". The product is mainly to cater bank's depositors and the employees of institutional customers of the bank. It's a demand finance facility with equal monthly installments spread over the term of the finance. With a competitive mark-up rate the product has been taken well by the Bank customers.



### Allied Visa Credit Card (Pay wave – Chip Based)

Allied Visa Gold and Platinum Credit Cards are exclusively being offered to the bank's valued branch customers in major cities of Pakistan. Allied Visa Credit Card offers a host of privileges, benefits and savings, together with attractive service charges and a free credit period of up to 50 days.

### Allied Personal Finance (APF)

Allied Personal Finance is a term loan facility targeting Employees of Corporate under corporate arrangement, Salaried Individuals fall under Cross-Sell Criteria and Affluent Individual of the Bank. With a low mark-up rate, product offers smart financial solutions to customers for their immediate personal financial needs.

### Hari Bhari Agriculture Revolving Credit Scheme

This financing facility is designed to facilitate farmers in obtaining Agriculture Production Loans to meet working capital needs of farming. Credit is available on revolving basis against one time documentation for 3 years.

### Tractor Financing

Tractor financing is designed to facilitate farmers in obtaining



Agriculture Development Loans (Term Finance) for purchase of brand new Tractor.

### Agriculture Finance for Dairy farming

This product is designed to support dairy farmers in meeting working capital needs of businesses as well as purchase of assets and construction of sheds for extension of their dairy farms for enhanced productivity.

### Agriculture Finance for Poultry Farming & Allied Activities

Bank has developed this product program for poultry farmers to cater to working capital needs as well as long term investment for purchase of new equipment/machinery for farm/hatchery incubators, generators, farms equipment and construction of sheds for extension of current poultry farms

### Allied Commercial Lease

Allied Bank offers leasing products to meet the business needs of its customers with flexible terms & conditions based on customer's choice of assets, repayment, pricing, and tenures.

### Allied Bank Lockers

Bank Lockers provide high-security protection for customers' valuables.



# PRODUCTS & SERVICES



Lockers of different capacities are available nationwide at conveniently located branches.

## Digital Lockers

First ever bank in Pakistan to bring an innovative, secure and customer-friendly technology in the form of Digital Lockers. Digital Lockers are fully automated version of traditional lockers operational 24/7 round the clock (even on weekends and non-banking hours). These lockers are powered by revolutionary robotic technology enabling access of your locker 24/7 at any time of your convenience. Digital lockers are made accessible via self-service kiosk placed in a secure room at our branch that can be entered through electronic verification only.

## Allied Bank Call Center

Customers no longer have to take time out to visit branches for everyday banking needs. Self-service banking offers assistance in all transactions by Interactive Voice Response System (IVR).

## Allied Pay Anyone

A unique product in which the Bank's customers can send cash /cheque to any individual in Pakistan even if the beneficiary doesn't have a bank account. This is done at the



click of a button through Allied Direct.

## Salary Management Account

Fast, easy and convenient services are just some of the benefits of Allied Salary Management Account. Organizations can enjoy one of the largest branch networks with ease and convenience of technologically advanced banking. ABL offers quick and efficient payroll service with instant credit of salaries and offers Allied Salary Management Account for company employees with a number of free features.

Interactive Touch-point <https://www.abl.com> is an interactive electronic touch-point that further improves end-user experience and provides a wealth of information as well as online assistance through facility called "Allied Live Chat".

## SME Financing

The Bank continues to focus on SME Business with a vision to capitalize on the bank's countrywide footprint and longstanding customer loyalty to become a preferred and prudent provider of a "Total Banking Solution". The Bank offers a wide range of funded and non-funded products and services to meet needs



of various types of SME businesses under the umbrella of Allied Hunarmand, Allied Tijarat and Allied Seasonal Support Financing,

## Middle Market

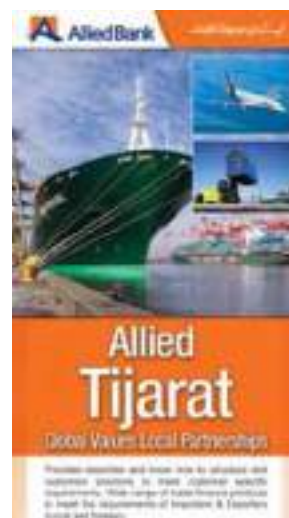
Middle Market caters to all business requirements of our top tier commercial obligors with wide range of products including Working Capital Facilities, Term Loans, Trade Finance Facilities, Letters of Guarantee, Letters of Credit and Export Financing.

## Corporate Banking

Corporate Banking provides a single point within the Bank to cater to all business requirements of our corporate and institutional customers, including public sector enterprises, with the primary objective of enhancing customer service. Bank offers full suite of products including Working Capital Facilities, Term Loans, Structured Trade Finance Facilities, Letters of Guarantee, Letters of Credit, Fund Transfers / Remittances, Bill Discounting, Export Financing and Receivable Discounting.

## Investment Banking

Investment Banking (IB) wing of the Bank strives to meet



complex financing needs of its clientele by providing a full suite of financing solutions to corporate clients including debt syndications, capital markets, project financing and advisory services.

## Home Remittances

Home Remittances provide a seamless inflow of foreign remittance credited in the beneficiary accounts in minutes.

## Cash Management

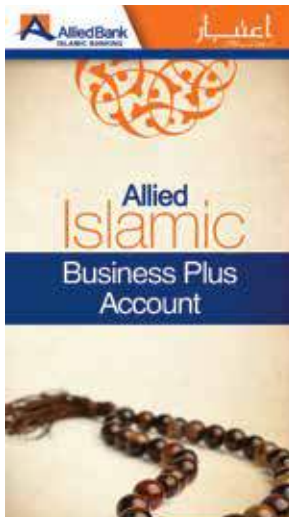
Cash Management is a state-of-the-art real-time product providing customers with efficient Liquidity Management Solutions, across the entire network of the Bank.

## Treasury Products

Bank offers fixed income treasury products, having attractive returns, to its institutional and retail clients. ABL's treasury is an active participant in the interbank securities trading and FX trading, having attained primary dealer status, providing competitive pricing.

## Islamic Banking

Allied Islamic Current Account Based on principles of "Qard", it provides convenience of conducting day-to-day transactions available both in



local and foreign currencies. There is no restriction on withdrawals or numbers of transactions.

#### Allied Islamic Asaan Account

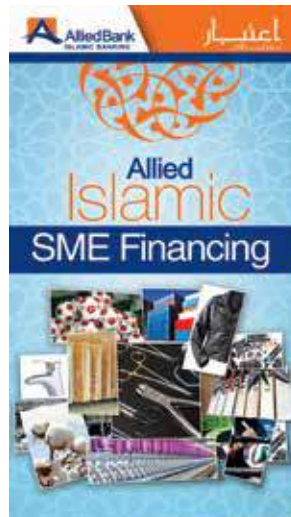
Developed on the guidelines provided by SBP for Pakistani Nationals only with simplified account opening procedure, initial deposit requirement of Rs.100. The product is available both in Current and Saving categories.

#### Allied Islamic Saving Account

Regular chequing account, offered in local and foreign currencies, on the basis of "Mudharabah" with no minimum balance requirement. Profit is calculated on monthly average balance and credited on six monthly basis, offering a large number of free services on maintaining a minimum average monthly balance.

#### Allied Islamic Anmol Plus Account

This is a "Mudharabah" deposit product for individuals available in local currency. Profit is calculated on monthly average balance and credited on six monthly basis. The customers can avail a large number of free services by maintaining a certain average monthly balance as per specifications.



#### Allied Islamic Business Plus Account

This is a savings account with several unique features that make it very suitable for use as a business account. On maintaining minimum monthly average balance, as per specification, the customer can avail a large number of free services. Account can be opened in local currency only.

#### Allied Islamic Khalis Munafa Account

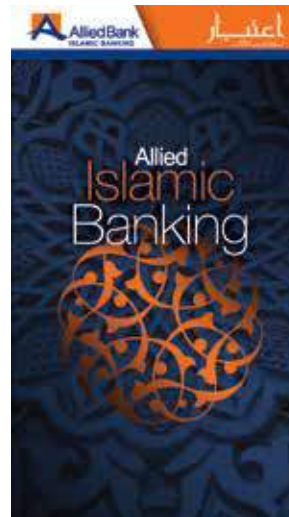
This is a tier based savings account specially designed to encourage and promote savings. Minimum deposit required for opening an account is Rupees 1,000 only.

#### Allied Islamic Sahulat Account

The product is designed to facilitate allocation of complimentary safe deposit lockers upon maintaining of certain balance in account. The account is offered in Pak Rupees only and profit is paid semi-annually.

#### Allied Islamic Investment Certificates

Islamic Investment Certificates are Term Deposit certificates for investment periods ranging from period of 1 month to 5 years with profit payment options of monthly, quarterly,



half yearly or at maturity. Investment certificates are issued with investment of Rs.25,000 with no maximum limit. Pre-mature withdrawal can be made as per product features.

#### Allied Islamic Institutions Account

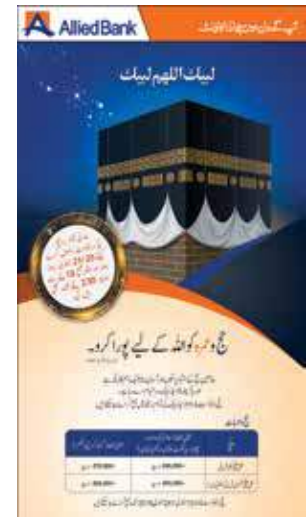
This is a "Mudharabah" deposit product for Financial Institutions and Non-Banking Financial Institutions available in local currency. Profit is calculated on daily balance and paid on monthly basis.

#### Allied Islamic Premium Account

A Shariah compliant deposit product for higher saving customers particularly for high net-worth individuals, business entities, pension / benevolent funds, Govt. / semi-Govt. bodies which is based on Mudharabah. Profit is calculated on average balance of the month and paid monthly.

#### Allied Islamic Express Account

A Shariah compliant banking solution especially designed for Home Remittance Beneficiaries to facilitate hassle free transfer of home remittances. This Pak Rupee based product is developed on the concept of Mudharabah and operated like normal chequing account(s) on



profit / loss sharing basis.

#### Allied Islamic Notice Period Certificate

This product is designed to cater to the requirements of the customers who want to place their deposit for short tenure like 7 days, 30 days etc. The profit is calculated on daily basis and paid at maturity.

#### Financing Products

Various Islamic Financing Products based on the following modes of finance are being offered by the Bank

- Murabaha
- Salam
- Istisna
- Islamic Export Refinance Scheme
- Ijarah
- Diminishing Musharakah
- Business Musharakah
- Forward Cover

# CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

## OUR PHILOSOPHY

CSR vision of Your Bank “To be a socially responsible corporate citizen” has evolved into its CSR policy which clearly outlines Corporate Social Responsibility objectives of Your Bank. CSR Policy stipulates that CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

## POLICY OBJECTIVES

Objective of the policy is to provide guidelines to align business objectives and entity’s roles as responsible corporate citizen.

Your Bank recognizes its obligations as responsible corporate citizen and aims to achieve following broader objectives by implementation of its CSR Plan:

- Establish a WORKPLACE environment to maintain balanced work life with healthcare facilities along with high ethical standards, equal employment opportunities, aided social interaction among employees and encouraged employment of disabled.
- Our working style should have positive impact on ENVIRONMENT promoting green banking, use of renewable energy sources, reducing carbon omissions, promoting trees and plants and change of working style, on best effort basis, from paper based to computer based and promoting green culture.
- Make our COMMUNITY feel our presence not only by our business interactions but also by sharing and caring, especially during the times of adversities and natural calamities.
- Strengthen CUSTOMER RELATIONS by ensuring satisfaction and privacy.
- Protecting Human rights, ensuring transparency, taking anti-corruption measures, adopting best business practices and improving stakeholder relations through GOVERNANCE.
- Our BRAND and slogans such as, “Aap kai dil main hamara account” should be known as community caring organization and not just for the profit.

Bank’s contributions towards these areas have been mentioned in Corporate Sustainability Report.

# CORPORATE SUSTAINABILITY REPORT 2018

Allied Bank Limited (the Bank) being a socially responsible citizen remains committed towards Corporate Social Responsibility (CSR) which forms an integral part of the Bank's long-term strategy.

The Bank remains committed to serve the community, dedicated to minimize environmental pollution, invest in people and support under-privileged segment of society.

## OUR PHILOSOPHY OF CSR

The Bank adheres to internationally recognized environmental and social practices as envisaged through the approved CSR policy, which clearly outlines the key CSR objectives of the Bank; duly integrated with the long-term rolling strategic plan of the Bank.

Under this CSR Policy, the Bank focuses on these four key areas to achieve following objectives:

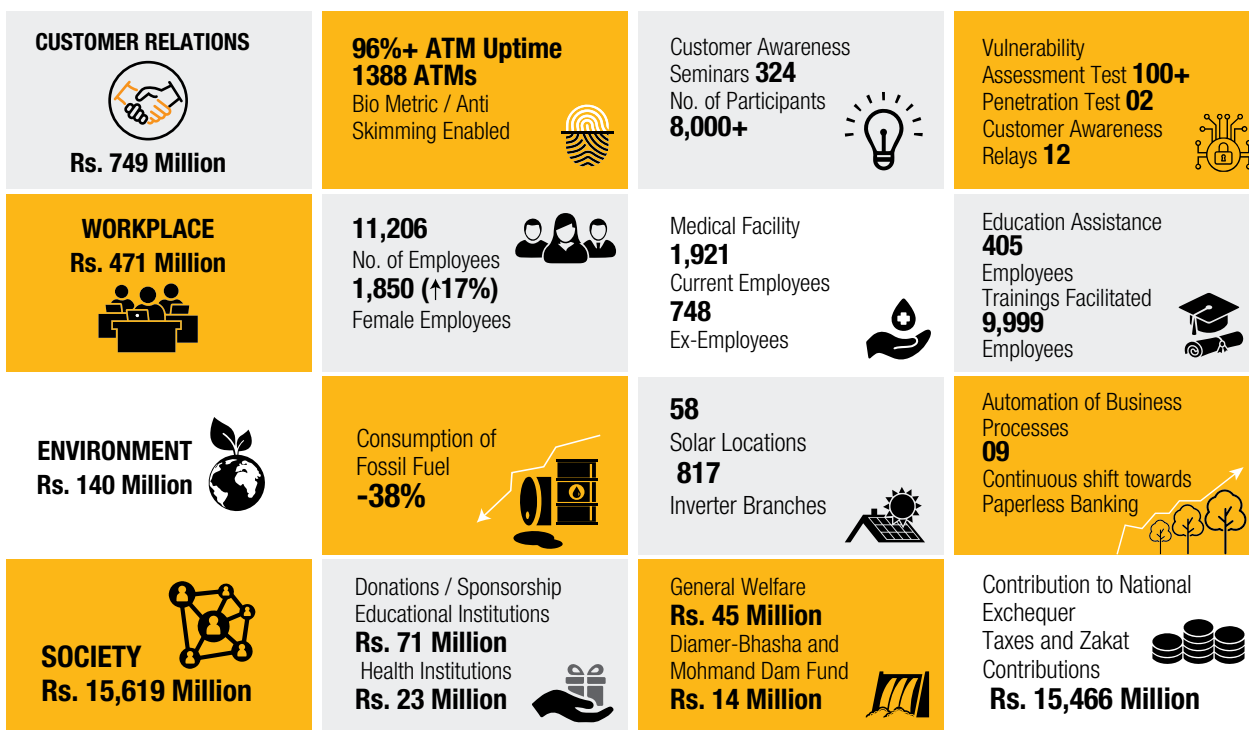
**Customer Relation:** First Choice Bank for the Customers.

**Workplace:** Build an Engaged, Healthy and Inclusive Workplace

**Environment:** Contribute towards sustainable growth; with no adverse impact on the Environment.

**Society:** Contribute towards wider social development including Health, Education and General Community Welfare.

In line with the aforementioned CSR objectives during the year, the Bank's contributions towards these key areas are as follows:



## CUSTOMER RELATIONS

The Bank's vision is to constantly aspire service excellence and enhanced user experiences for valued customers. This requires continuous engagement with the Bank's customers which may include interactions in the hour of their utmost needs, understanding their evolving requirements and addressing their valid concerns. Customers are at the heart of the persistent transformation undergoing in the Bank which is geared towards making future banking even more simple, agile and convenient for them.

Focusing on technology driven 24/7 banking solutions, the expansion in Bank's ATM network was maintained during the year with an addition of 147 ATMs. In view of convenience to ABL Debit and Prepaid cardholders, Biometric ATM service was also launched during 2018; which provides significant additional comfort to conduct financial transactions through biometric verification without physical use of card. In addition ATM were upgraded with anti-skimming devices to further strengthen security of ATM transactions.

The Bank undertook concrete measures to ensure 99%+ ATM uptime during the

occasions of Eid-ul-Fitr and Eid-ul Adha holidays; processing around 1.3 Million transactions involving Cash Withdrawals of approximately Rs. 14.5 billion.

The Bank further strengthened customer relations through the following initiatives:

### Customer awareness and financial literacy seminars

With the objective of providing non-financial services the Bank organized following seminars and programs to promote financial inclusion and credit expansion throughout the year:



# CORPORATE SUSTAINABILITY



Seminar on “Simpler Taxation Systems- Enabling High Growth in Tax Net” in Islamabad; attended by the FBR and SECP officials along with representatives of the chamber of commerce and obligors.

In line with SBP’s vision to promote SME and Agriculture financing, 8 awareness seminars on SME and Agri/Farmer Financing were organized in Gujranwala, Sialkot, Jhang, Nawabshah, Bahawalpur and Rahim Yar Khan. All the events were well-attended by the business communities of the respective territories. ABL Aitebar Islamic Banking organized three awareness sessions on “Customer Awareness Program on Islamic Banking” at Chambers of Commerce of Quetta and Peshawar along with Yarn Market Traders, Faisalabad. The objective was to elucidate to the respective business communities, about the Shariah compliant banking alternatives; thereby enhancing knowledge and growth of Islamic banking avenues.

The Bank’s Human Resource Group in coordination with the SBP, arranged 312 National Financial Literacy program sessions in the rural districts with an objective of financial inclusion of unbanked segments of the society. These sessions attended by 7,000+ citizens, enhanced the awareness levels, which was appreciated by all the participants

## Customer protection and quality assurance

The Bank is continuously aspiring to achieve excellence in services to earn customers loyalty.

To comply with SBP initiative to provide protection to small depositors across the banking industry, Your Bank spent Rs.408 million towards deposit protection insurance.

In this Digital era, customer information is more vulnerable than ever before. Cognizant to this fact, the Bank has taken multiple initiatives to safeguard Data and Information Technology assets including compliance of PCI DSS and Customer Security Program (CSP) by SWIFT.

The Bank has also internally executed 100+ vulnerability assessments for its IT assets and 2 penetration tests by 3rd party reputable consultants.

**SMS** 9.3 Million  
Security Awareness SMS  
Sent in 5 Campaigns

To educate and enhance awareness of Bank’s customers about latest Cyber security threats, 12 Information Security

**E-MAIL** 1.3 Million  
Security Awareness Emails  
Sent in 7 Campaigns

Awareness campaigns were shared with the valued customers via emails and SMS respectively.

The Bank also arranged for an external Customer Satisfaction Survey, engaging with 5,500 customers, during the year 2018 to better understand the customers’ valuable feedback, user experience and satisfaction levels upon usage of the Bank’s products and services, at multiple delivery channels and touchpoints.

With an aim to create awareness among customers about the Bank’s complaint lodgement process and available channels, information was disseminated through SMS, e-mail, corporate website, digital signages and ATMs as part of the Bank’s initiatives for Fair Treatment of Customers (FTC).

Customer Relationship Management (CRM) system was also improved to auto-generate escalation alerts and

**22,910** Complaints Received  
**98%** Resolution Rate  
**5.53 Days** Average Turnaround Time

reduce the complaint resolution timelines to further strengthen the complaint handling mechanism.

With the objective to engage customers and nourish relationships, the Bank maintains profiles on Facebook and Twitter and actively interacts with the customers on a variety of topics. This engagement is providing significant boost to the Bank’s presence on the social media platforms, especially with the millennial segment of the society.

## Contribution towards financial inclusion

During the year under review, the Bank continued to endeavor towards development of rural areas, financial inclusion and providing quality financial services at grass root level The Bank continued to expand its flourishing rural

and unbanked branch network. During the year, the Bank opened 16 additional rural branches to increase the total number to 268 rural branches.

The Bank continued to provide ATM services to Benazir Income Support Program (BISP) cardholders during the year under review, whereby 1.1 million cash withdrawal transactions valuing Rs. 7,380 million in aggregate were executed through the Bank’s ATM network.

In order to play an effective role in the development of agrarian economy of the country, the Bank is also extending agricultural financing across the country



and offers vast range of agricultural finance products through Agri designated branches. The Bank also persisted with supporting Prime Minister Youth Business Loan Scheme to eligible small borrowers under this segment.

The Bank launched 2 new Products under the name of 'Allied Youth Account' and 'Allied Senior Citizens Account' to facilitate these important segments of society taking into account their specific needs. The products were launched on International Youth Day and World Senior Citizen's Day respectively, to mark the Bank's acknowledgment towards the underlying purpose of these celebrations.

The Bank has added special feature of Accidental Insurance coverage and partnered with "Vouch 365" for providing exciting deals to the millennial segment while at the same time arranged special concessions with prominent Diagnostic Labs of the country for Senior Citizens. The Bank has managed to open 24,000+ Accounts under both products since its launch this year.

## Digital innovation

The Bank is continuously striving to deliver enhanced user experience through innovative digital banking products and services.



myABL Personal Internet Banking remained the

most convenient and widely used Online Banking channel for ABL customers during the year 2018. With improved customer experience and well-organized customer onboarding campaign, Bank succeeded in increasing customer base by over 1.5 times.



myABL Business Internet Banking (BIB) is the dedicated Digital Banking platform of the Bank exclusively designed and developed for Business and Institutional Customers. This user-friendly and device-responsive facility continued to grow during 2018, enabling customers to execute wide range of online banking transactions from their workstation/offices.



In 2018, the Bank introduced a new version of ATM/Branch Locator and Discount Offer services on the Bank's Corporate Website and Facebook

that has rich, engaging and user-friendly interface with simple navigation.

With an easy to use map-based interface, customers can find their nearest ATMs or Branches or they can search for a specific branch based on available facilities and can view Discount Offers available on Debit, Credit, Prepaid cards and Masterpass QR, which is a world renowned Mastercard product offering.

The Bank also introduced Point of Sale (POS) machines at selective Branches where customers can execute transactions like Cash Withdrawals and Bill Payments seamlessly.

The Bank has also been actively engaged



in facilitating various institutions for Cash Management Solution. The Bank has merged all its cash management solutions under Payment Hub wherein Conventional, Batch Mode processing or API Based integration is offered. The Bank has added 40 new clients during the year for Cash Management Services.

Maintaining the tradition of bringing innovative banking solutions, the bank launched Pakistan's first ever Automated Robotic Digital Lockers that can be operated on 24/7 basis at the convenience of the valued customers.

The Bank, being completely mindful of the digital transformation in the banking industry further augmented the digital product suite by introducing mobile ATMs, and addition of self-service branches along with deployment of Interactive Teller Machines.

Your Bank's unique initiative of facilitation of small obligors towards an ERP based automated book keeping and accounting system, with off-the-shelf features enabling enhanced control over financial decision-making processes, was maintained during the year. ERP system was successfully implemented for two obligors along with two more obligors in process of implementation.





# CORPORATE SUSTAINABILITY

## WORKPLACE

Building an engaged, healthy and inclusive workforce is critical in ensuring that the Bank has the right talent to accomplish the business strategies while meeting the ever-evolving external challenges in the 'digital era'.

The Bank is constantly endeavoring to hire the most progressive and capable staff and simultaneously investing in relevant trainings to further nurture the talent of the staff while providing the best facilities and culture to thrive in.

Employees' engagement plays an important role in creating a great workplace culture which is vital for shaping the future of an organization.



encourages employment of special persons and currently 48 special persons are honorably earning their livelihood

medical expense policy to over 1,921 staff members.



Rs. 270 Million paid for Medical Facility  
Rs. 133 Million paid on Education and Trainings  
Rs. 28 Million paid for Financial Assistance

Adhering to responsibility towards eligible ex-employees, during the year, from the platform of "Post-retirement Medical Fund", the Bank contributed Rs.156 million towards the health of 748 ex-employees. Further the pension criteria of the eligible staff were brought in compliance with the decision of the Honourable Supreme Court.

## Equal opportunity employer and employment of special persons

Continuous progress to accomplish progress towards increasing the diversity of Bank's human capital; reinforcing the inclusive culture of the Bank. The Bank aims to ensure that employees of all backgrounds are treated equally and have an equal opportunity to be successful.

Over the years, the Bank has generated direct and indirect employment which is currently exceeding 11,000+ employees, who are mainly employed from diverse areas of Pakistan; thereby positively impacting the broad-based economy and society at large.

ABL being equal opportunity employer,

while contributing towards the growth of the Bank and society. Simultaneously 1,850 females, representing 17% of total permanent staff members, are diligently performing their duties. A special function was held to celebrate the International Women Day on March 8, 2018 which was attended by all the female staff posted at the head office.



## Occupational health and safety

The Bank aims to provide safe and healthy environment to all employees at work.

During the year 2018, the Bank spent Rs.114 million under the approved

The Bank ensures that maximum safety standards are met at all premises. For training and awareness of the employees on how to act during any emergency in the building, 11 safety drills were conducted at major buildings in Lahore, Karachi, Islamabad, Faisalabad, Peshawar and Multan.

Provision of emergency lights, fire and smoke detection equipment, alarm systems, portable fire extinguishers, periodic evacuation/safety drills and emergency exit doors are some of the measures that have been taken by the Bank.

During the year, incremental expense on provision of the Fire Extinguishers was Rs.9 Million.



The Bank also believes in engagement of staff and their family members through social interaction and healthy activities. Accordingly, Rs.7 million was spent by the Bank on staff cricket tournaments held at Lahore, Karachi, Islamabad and Multan respectively; which were well participated by staff and their family members who thoroughly enjoyed the festive environment.

## Education and wellbeing of staff

Learning is one of the keys to success. Investing in education helps the workforce to excel in their current roles – and thrive in the future. Cognizant of this fact, the Bank has spent Rs. 103 Million on Trainings and Rs.30 million towards employee's education.

To develop the staff, provide them career path and identify pool of enthusiastic future leaders the Bank initiated 'Allied Leadership Talent Pipeline program and psychometric assessments.

During the year, the Bank through its platform of "Staff Welfare Fund" has spent Rs.28 million to assist 69 employees by financially enabling them in important social events like marriage ceremony of their daughters or to meet the burial expense of their departed loved ones.

Keeping in view the religious sentiments of our employees, the Bank sponsored its clerical, non-clerical and executive staff totaling 40 to perform Hajj by spending Rs.24 million.

## Business ethics and anti-corruption measures

The Bank nurtures a culture of excellence, good governance, transparency, integrity and accountability.



Controls and Compliance being an integral function, the Bank encourages high business ethics while promoting positive compliance culture.

The Bank is committed to the best industry practices for compliance with

## ENVIRONMENT

Positive role is being played in the creation of a healthier environment to meet the Bank's wider social obligations and contribute towards more sustainable



all regulatory frameworks including anti-money laundering practices, so that the interests of all stakeholders are protected.

Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice. Management's Central Administration Action Committee (CAAC) takes action on any violation of policies and procedures, act of fraud and forgery, breach of discipline, code of conduct, ethics and business practices. Appeal of the staff against whom CAAC has already taken disciplinary action is reviewed by Human Resource Committee.

future growth. The Bank is promoting green banking, paperless culture, renewable energy sources and reduction of carbon emissions.

## Green banking and environment protection

As a responsible corporate citizen, the Bank is taking genuine strides forward in setting out a series of commitments to assist in the transition to a low-carbon economy. During the year, the Bank contributed toward energy saving solutions by investing Rs.16 million towards installation of solar panels and Rs.124 million towards installation





# CORPORATE SUSTAINABILITY



inverters. The total solar location became 58 and Inverter based locations has been increased to 817.

Administrative measures including budgetary controls and proper maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity, and reduction in consumption on fossil fuel by 38%.

During the year, the Bank undertook various initiatives to automate the existing manual processes; resultantly 9 processes were shifted towards paperless banking.

Another remarkable initiative towards Paperless Banking was the implementation of Workflow Automation System with an objective to automate

the paper-based approvals, reduce unnecessary courier costs while also reducing the Turnaround Times of various business processes.

## COMMUNITY

Bank as a trusted member of the community is playing an active role in following CSR activities and community engagements:

### Education, health and community welfare

#### Education

Education is the only way to create a civilized society and forms the basis of nation building. The Bank is supporting leading educational institutions at all the levels (schooling, higher education,

vocational and professional education institutions/universities) which play pivotal role in the enlightenment of our future generations.

This is the age of information technology (IT). IT literacy plays an important role in preparing the students for number of careers in today's modern world.

Recognizing this importance, the Bank has adopted a policy to donate its used but properly working personal computers to educational institutions; especially targeting under privileged segments of the society. The Bank has donated a total of 155 computers to 5 educational institutions during 2018.

Namal University is an educational institution located outside Mianwali in rural Punjab offering under graduation to needy students. Sharing the vision of establishing a Knowledge City, the Bank contributed towards the construction of an academic block of the Namal Knowledge City.

The Lahore University of Management Sciences (LUMS) is another reputed academic institution with a history of notable achievements and ambitious plans for the future. Promoting Bank's vision, a contribution was made towards the development of Male Hostels for benefit of the students studying at LUMS from across the country.

CHAMAN is a notable organization working for the care and rehabilitation of the mentally retarded children and is providing education, self-help skills, vocational skills, socialization and sports to these children. The Bank contributed toward this noble cause by bearing the costs of Honorarium for the psychologist / speech therapist for these children;





which significantly improved the mental health level of these children.

The literacy rate in Baluchistan is lowest as compared to other provinces of the Pakistan. Due to province's scattered population students face great problems in reaching their educational institutions. To address this problem, bank arranged the Coaster for the daily commuting of the University of the Turbat students.

The Bank donated Rs.62 million and spent Rs.9 Million on sponsorships to various educational institutions including above.

## Health

Limited Healthcare access for the under privileged population is another key area of concern within the country. During the year, the Bank contributed Rs.23 million in the shape of direct donations and sponsorships, towards seven healthcare institutions thereby playing its role in easing the predicament of underprivileged patients.

Every year, more than 60,000 infants are born in Pakistan with Congenital Heart

Disease. With objective to join hands with Agha Khan University Hospital in the noble cause of treating Congenital Heart Disease in the infants, Allied Bank sponsored "Mending Kids' Hearts" charity Golf Tournament 2018.

Blood donation is one of the most noteworthy contribution to the humanity in saving lives. To become part of this moral obligation the Bank in cooperation with Shaukat Khanum Memorial Cancer Hospital, organized a voluntary blood donation camp at the Head Office (HOL) for the Bank's employees, which was well participated by the Bank's HOL staff.

## General welfare

During the year, the Bank spent Rs.45 million on general welfare of the community. These included contributions in shape of donations towards poor feeding, rehabilitation of special persons and sports activities and sponsorships for organizing social events, conferences and awareness programs.

Our homeland is facing a serious threat of natural calamity in terms of depleting



water reservoirs. The Honorable Supreme Court of Pakistan took an initiative to collect funds for the construction of Water Reservoirs in the country. In recognition to this noble cause, the Bank collected funds from the Allied Bank's management grades employees, who donated voluntarily 1 day salary and the Bank also contributed an equal contribution, totaling Rs. 28 Million in the fund.

## Contribution to national exchequer

The Bank is one of the leading institutions in its contribution towards the national exchequer. During the year, the Bank paid Rs. 6,743 million as Income Tax and Rs. 791 million as Super Tax, contributed Rs. 7,123 million as withholding tax agent and deposited Rs. 488 million on account of Federal Excise duty and Provincial Sales Tax to the national exchequer. Further, the Bank collected Rs. 321 Million Zakat from 76,159 account holders and deposited to the national exchequer.



# UNCONSOLIDATED FINANCIAL STATEMENTS

---

for the year ended December 31, 2018

# Independent Auditor's Report

## To the members of Allied Bank Limited

### Report on the Audit of the Unconsolidated Financial Statements

#### Opinion

We have audited the annexed unconsolidated financial statements of Allied Bank Limited ("the Bank"), which comprise the unconsolidated statement of financial position as at 31 December 2018 and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for thirty eight branches which have been audited by us and notes to the unconsolidated financial statements including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against Loans and Advances</b>	
	<p>Refer to note 9 and the accounting policies in notes 2.4.2 and 4.4 to the unconsolidated financial statements.</p> <p>The Bank makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The Bank's advances to the customers represent <b>32.5%</b> of its total assets as at 31 December 2018 and are stated at <b>Rs. 438,319 million</b> which is net of provision of <b>Rs. 15,549 million</b> at the year end.</p> <p>The determination of provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and estimation in complying with the above criteria.</p>	<p>Our audit procedures in respect of provision against advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Assessing the design and operating effectiveness of key controls to identify loss events and for determining provision required against non-performing advances, including: <ul style="list-style-type: none"> <li>Controls over correct classification of non-performing advances on time based criteria;</li> <li>Controls over monitoring of advances with higher risk of default and migration of these advances on a timely basis to watch list or to non-performing advances category on subjective criteria;</li> <li>Controls over accurate computation and recording of provisions; and</li> <li>Controls over the governance and approval process related to provision.</li> </ul> </li> <li>Testing on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations;</li> <li>Checking on a sample basis, the accuracy of specific provision made against non-performing advances and of general provision by recomputing the provision amount in accordance with the criteria prescribed under the PRs;</li> </ul>



S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>Examining the credit history, account movement, financial ratios, report on security maintained in respect of advances where the management has not identified indicators displaying impairment, on a sample basis and challenging the management's assessment based on our view of the credit from the review of credit file.</li> </ul>
2	<b>Valuation of Investments</b>	
	<p>Refer to note 8 and the accounting policies in notes 2.4.3 and 4.3 to the unconsolidated financial statements.</p> <p>As at 31 December 2018, the Bank has investments classified as "Available-for-sale", "Held for trading", "Held to maturity" and "Investment in subsidiary" amounting to <b>Rs. 671,228 million</b> which in aggregate represent <b>49.7%</b> of the total assets of the Bank.</p> <p>Investments are carried at cost or fair value in accordance with the Bank's accounting policy relating to their recognition. Provision against investment is made based on impairment policy of the Bank which includes both objective and subjective factors.</p> <p>We identified assessing the valuation of investments as a key audit matter because of its significance to the unconsolidated financial statements and because assessing the key impairment assumptions involves a significant degree of management judgement.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of investments;</li> <li>Checking on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values;</li> <li>Evaluating the Bank's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Bank's accounting policies and performed an independent of the assumptions; and</li> <li>Considering the Bank's disclosures of investments, to the guidelines laid down by the State Bank of Pakistan regarding forms and disclosures.</li> </ul>
3	<b>Change in the format of the annual financial statements</b>	
	<p>Refer to note 2.2 to the unconsolidated financial statements.</p> <p>The revised format for the preparation of annual financial statements of banks have been introduced by the State Bank of Pakistan, which became effective from the accounting year ending 31 December 2018. Accordingly, the Bank has prepared these unconsolidated financial statements on the new format.</p> <p>The adoption to the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the unconsolidated financial statements of the Bank.</p> <p>As part of this transition to the new format, the management performed a gap analysis to identify differences between the previous and the current financial reporting format.</p> <p>In view of the significant impact of the first time adoption of the revised format on the unconsolidated financial statements, we considered this as a key audit matter.</p>	<p>Our audit procedures to ensure compliance with the requirements of the SBP's amended format of the annual financial statement for banks included the following:</p> <ul style="list-style-type: none"> <li>Considering the management's process to identify the changes required in the unconsolidated financial statements to comply with the new format; and</li> <li>Obtaining relevant underlying supports relating to changes required in the unconsolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified then on test basis.</li> </ul>

#### Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Bank's Annual Report but does not include the unconsolidated financial statements and our auditors' report thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements:**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kamran Iqbal Yousafi.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Date: 13 February 2019  
Lahore

# Unconsolidated Statement of Financial Position

as at December 31, 2018

(Restated)				(Restated)	
December 31, 2018	December 31, 2017	Note	December 31, 2018	December 31, 2017	
US \$ in '000			Rupees in '000		
ASSETS					
714,295	614,765	Cash and balances with treasury banks	5	99,188,414	85,367,382
18,544	4,672	Balances with other banks	6	2,575,055	648,765
387,332	62,612	Lendings to financial institutions	7	53,785,679	8,694,399
4,833,783	5,027,168	Investments – net	8	671,228,285	698,082,066
3,156,509	2,679,192	Advances – net	9	438,318,894	372,037,714
362,796	337,515	Fixed assets	10	50,378,537	46,867,935
12,596	10,508	Intangible assets	11	1,749,054	1,459,094
–	–	Deferred tax assets		–	–
240,398	262,910	Other assets – net	12	33,382,185	36,508,303
9,726,253	8,999,342		1,350,606,103	1,249,665,658	
LIABILITIES					
55,832	56,426	Bills payable	14	7,752,959	7,835,467
1,626,674	1,609,919	Borrowings	15	225,882,986	223,556,383
7,089,599	6,364,170	Deposits and other accounts	16	984,475,183	883,740,709
–	–	Liabilities against assets subject to finance lease		–	–
–	–	Sub-ordinated debt		–	–
34,246	49,991	Deferred tax liabilities – net	17	4,755,428	6,941,804
147,159	150,329	Other liabilities	18	20,434,714	20,874,942
8,953,510	8,230,835		1,243,301,270	1,142,949,305	
772,743	768,507	NET ASSETS	107,304,833	106,716,353	
REPRESENTED BY					
82,461	82,461	Share capital	19	11,450,739	11,450,739
146,019	129,482	Reserves		20,276,515	17,980,116
166,187	202,165	Surplus on revaluation of assets – net of tax	20	23,077,174	28,073,051
378,076	354,399	Unappropriated profit		52,500,405	49,212,447
772,743	768,507		107,304,833	106,716,353	

## CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Profit and Loss Account

for the year ended December 31, 2018

December 31, 2018	December 31, 2017	Note	December 31, 2018	December 31, 2017
US \$ in '000			Rupees in '000	
527,676	473,195	Mark-up / return / interest earned	73,274,161	65,708,757
296,401	245,787	Mark-up / return / interest expensed	41,158,720	34,130,494
231,275	227,408	<b>Net mark-up / interest income</b>	32,115,441	31,578,263
<b>NON MARK-UP / INTEREST INCOME</b>				
31,402	28,211	Fee and commission income	4,360,541	3,917,402
20,096	23,233	Dividend income	2,790,528	3,226,146
10,832	5,488	Foreign exchange income	1,504,189	762,059
–	–	Income from derivatives	–	–
17,152	4,629	Gain on securities – net	2,381,713	642,825
1,818	1,180	Other income	252,469	163,829
81,300	62,741	<b>Total non-markup / interest income</b>	11,289,440	8,712,261
312,575	290,149	<b>Total income</b>	43,404,881	40,290,524
<b>NON MARK-UP / INTEREST EXPENSES</b>				
175,333	154,280	Operating expenses	24,347,038	21,423,547
(8,087)	3,007	Workers welfare fund – net	(1,122,970)	417,574
590	697	Other charges	81,963	96,856
167,836	157,984	<b>Total non-markup / interest expenses</b>	23,306,031	21,937,977
144,739	132,165	<b>Profit before provisions</b>	20,098,850	18,352,547
(7,848)	(18,192)	Net reversal against provisions and write offs	(1,089,688)	(2,526,148)
1,239	–	Extra-ordinary / unusual items	172,111	–
151,348	150,357	<b>PROFIT BEFORE TAXATION</b>	21,016,427	20,878,695
58,590	58,657	Taxation	8,135,909	8,145,059
92,758	91,700	<b>PROFIT AFTER TAXATION</b>	12,880,518	12,733,636
<b>In US \$</b>			<b>In Rupees</b>	
0.08	0.08	<b>Basic and diluted earnings per share</b>	11.25	11.12

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2018

(Restated)		Note	(Restated)	
December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
US \$ in '000			Rupees in '000	
92,758	91,700	Profit after taxation for the year	12,880,518	12,733,636
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
7,262	1,248	Effect of translation of net investment in foreign branches	1,008,347	173,267
		Movement in deficit on revaluation of		
(38,222)	(54,444)	investments – net of tax	(5,307,574)	(7,560,135)
(30,960)	(53,196)		(4,299,227)	(7,386,868)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
		Re-measurement gain / (loss) on defined benefit		
3,273	(6,956)	obligations – net of tax	454,522	(965,870)
		Movement in (deficit) / surplus on revaluation of		
(982)	66,442	fixed assets – net of tax	(136,403)	9,226,210
		Movement in surplus on revaluation of non-banking		
4,057	3,247	assets – net of tax	563,393	450,933
6,348	62,733		881,512	8,711,273
68,146	101,237	<b>Total Comprehensive Income</b>	<b>9,462,803</b>	<b>14,058,041</b>

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Cash Flow Statement

for the year ended December 31, 2018

(Restated)				(Restated)
December 31, 2018	December 31, 2017	Note	December 31, 2018	December 31, 2017
US \$ in '000			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
151,348	150,356	Profit before taxation	21,016,427	20,878,695
(20,096)	(23,233)	Less: Dividend income	(2,790,528)	(3,226,146)
131,252	127,123		18,225,899	17,652,549
Adjustments:				
22,385	17,072	Depreciation	3,108,403	2,370,633
2,888	2,216	Amortization	401,074	307,746
(6,763)	(17,043)	Net reversal against provisions and write offs	(939,121)	(2,366,608)
–	(13)	Unrealized gain on revaluation of 'held-for-trading' securities	–	(1,782)
(8,087)	3,007	(Reversal) / Provision for workers' welfare fund – net	(1,122,970)	417,574
(251)	(382)	Gain on sale of fixed assets	(34,903)	(53,012)
–	(526)	Loss / (gain) on sale of non-banking assets / other assets	27	(73,110)
10,172	4,331		1,412,510	601,441
141,424	131,454		19,638,409	18,253,990
(Increase) / decrease in operating assets				
(324,720)	13,095	Lendings to financial institutions	(45,091,280)	1,818,353
178,783	(178,044)	Held-for-trading securities	24,826,109	(24,723,578)
(471,701)	(292,775)	Advances	(65,501,244)	(40,655,347)
30,018	(6,537)	Other assets (excluding advance taxation)	4,168,416	(907,802)
(587,620)	(464,261)		(81,597,999)	(64,468,374)
Increase / (decrease) in operating liabilities				
(594)	(14,499)	Bills payable	(82,508)	(2,013,328)
15,755	699,588	Borrowings	2,187,802	97,146,144
725,430	566,245	Deposits	100,734,474	78,629,875
4,253	9,378	Other liabilities (excluding current taxation)	590,535	1,302,249
744,844	1,260,712		103,430,303	175,064,940
298,648	927,905		41,470,713	128,850,556
(56,108)	(65,250)	Income tax paid	(7,791,213)	(9,060,752)
242,540	862,655	Net cash flow generated from operating activities	33,679,500	119,789,804
CASH FLOW FROM INVESTING ACTIVITIES				
(465,638)	(767,389)	Net investments in 'available-for-sale' securities	(64,659,309)	(106,561,084)
420,639	82,311	Net realizations from 'held-to-maturity' securities	58,410,682	11,429,857
20,521	24,505	Dividend received	2,849,652	3,402,747
(49,775)	(59,193)	Investments in fixed assets	(6,911,838)	(8,219,650)
335	456	Proceeds from sale of fixed assets	46,490	63,318
7,262	1,248	Effect of translation of net investment in foreign branches	1,008,347	173,267
(66,656)	(718,062)	Net cash flow used in investing activities	(9,255,976)	(99,711,545)
CASH FLOW FROM FINANCING ACTIVITIES				
(63,480)	(57,518)	Dividend paid	(8,815,003)	(7,987,116)
(63,480)	(57,518)	Net cash flow used in financing activities	(8,815,003)	(7,987,116)
(31,524)	(5,094)	Effect of exchange rate changes on opening cash and cash equivalents	(4,377,475)	(707,403)
80,880	81,981	Increase in cash and cash equivalents during the year	11,231,046	11,383,740
650,206	536,703	Cash and cash equivalents at beginning of the year	90,288,799	74,527,584
731,086	618,684	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	101,519,845	85,911,324

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2018

	Capital reserve			Revenue reserve	Surplus on revaluation of				
	Share capital	Exchange translation reserve	Statutory reserve	General reserve	Investments	Fixed assets	Non-banking assets	Un-appropriated profit	Total
Rupees in '000									
<b>Balance as at January 01, 2017 – Restated</b>	11,450,739	57,687	16,469,798	6,000	18,053,478	6,832,802	1,313,080	46,490,244	100,673,828
Profit after taxation for the year ended December 31, 2017	–	–	–	–	–	–	–	12,733,636	12,733,636
<b>Other Comprehensive Income – net of tax</b>									
Deficit on revaluation of investments – net of tax	–	–	–	–	(7,560,135)	–	–	–	(7,560,135)
Surplus on revaluation of fixed assets – net of tax	–	–	–	–	–	9,226,210	–	–	9,226,210
Surplus on revaluation of non-banking assets – net of tax	–	–	–	–	–	–	263,846	187,087	450,933
Re-measurement loss on defined benefit obligation – net of tax	–	–	–	–	–	–	–	(965,870)	(965,870)
Effect of translation of net investment in foreign branches	–	173,267	–	–	–	–	–	–	173,267
	–	173,267	–	–	(7,560,135)	9,226,210	263,846	(778,783)	1,324,405
Transfer to statutory reserve	–	–	1,273,364	–	–	–	–	(1,273,364)	–
Transferred from surplus in respect of incremental depreciation of fixed assets to unappropriated profit – net of tax	–	–	–	–	–	(54,937)	–	54,937	–
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit – net of tax	–	–	–	–	–	–	(1,293)	1,293	–
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended December 31, 2016 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
Second interim cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
Third interim cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
	–	–	–	–	–	–	–	(8,015,516)	(8,015,516)
<b>Balance as at December 31, 2017 - Restated</b>	11,450,739	230,954	17,743,162	6,000	10,493,343	16,004,075	1,575,633	49,212,447	106,716,353
Profit after taxation for the year ended December 31, 2018	–	–	–	–	–	–	–	12,880,518	12,880,518
<b>Other Comprehensive Income – net of tax</b>									
Deficit on revaluation of investments – net of tax	–	–	–	–	(5,307,574)	–	–	–	(5,307,574)
Deficit on revaluation of fixed assets – net of tax	–	–	–	–	–	(136,403)	–	–	(136,403)
Surplus on revaluation of non-banking assets – net of tax	–	–	–	–	–	–	562,176	1,217	563,393
Re-measurement gain on defined benefit obligation – net of tax	–	–	–	–	–	–	–	454,522	454,522
Effect of translation of net investment in foreign branches	–	1,008,347	–	–	–	–	–	–	1,008,347
	–	1,008,347	–	–	(5,307,574)	(136,403)	562,176	455,739	(3,417,715)
Transfer to statutory reserve	–	–	1,288,052	–	–	–	–	(1,288,052)	–
Transferred from surplus in respect of incremental depreciation of fixed assets to unappropriated profit – net of tax	–	–	–	–	–	(112,263)	–	112,263	–
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit – net of tax	–	–	–	–	–	–	(1,813)	1,813	–
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	(2,290,148)	(2,290,148)
	–	–	–	–	–	–	–	(8,874,323)	(8,874,323)
<b>Balance as at December 31, 2018</b>	11,450,739	1,239,301	19,031,214	6,000	5,185,769	15,755,409	2,135,996	52,500,405	107,304,833

The annexed notes 1 to 47 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 1 STATUS AND NATURE OF BUSINESS

Allied Bank Limited ("the Bank"), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Pakistan Stock Exchange Limited. The Bank operates a total of 1,343 (2017: 1,249) branches in Pakistan including 117 (2017: 117) Islamic banking branches, 1 branch (2017:1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2017: 1) in Bahrain. The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is 'AAA'. Short term rating of the Bank is 'A1+'.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it's registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 – Tipu Block, Main Boulevard, New Garden Town, Lahore.

## 2 BASIS OF PRESENTATION

These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated financial statements of the Bank are being issued separately.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.

These unconsolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank, in that environment as well. The amounts are rounded to nearest thousand.

The US Dollar amounts reported in the statement of financial position, profit and loss account, statement of comprehensive income and statement of cash flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 138.8619 per US Dollar has been used for 2018 and 2017, as it was the prevalent rate on reporting date.

### 2.1 STATEMENT OF COMPLIANCE

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) & the Securities and Exchange Commission of Pakistan (SECP).

**2.1.1** Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the directives issued by the SBP and the SECP differ with the requirements of IFRS and IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

**2.1.2** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 2.1.3 IFRS 9 'Financial Instruments'

IFRS-9 has been globally adopted from January 01, 2018. The standard stipulates a paradigm shift from incurred loss model to expected loss model (ECL). The prudential regulations currently allows provisioning against bad debts on the incurred loss model. There is also a major shift in subsequent measurement of investments with reference to booking of realized and unrealized gains / losses.

As part of the adoption process of this IFRS-9, SBP advised the banks to initially conduct an impact assessment based on the cut-off for the year ended December 31, 2017 and submit the same after verification by the respective external auditors.

Bank complied with the SBP's instructions and have submitted the external auditor's verified impact assessment to SBP, which is the now in the process of compiling and finalizing the results of the impact analysis at industry level.

Based on the final assessment, SBP is expected to announce the implementation plan for IFRS-9 during the year ending December 31, 2019. The unconsolidated financial statements of the Bank for the year ended December 31, 2018 are therefore prepared on the existing prudential regulations for domestic operations.

The adoption of the said standard by the overseas branch as per the requirement of regulatory regime, has resulted in additional ECL provisioning requirement of Rs. 22.7 million. The amount of additional provision has been accounted for in the profit for the current period and opening balance of retained earnings has not been adjusted as the amount is not material. There is no effect on the statement of cash flow of the Bank.

**2.1.4** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**2.1.5** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 'Profit & Loss Sharing on Deposits' (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

## 2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Recording of acceptances on-balance sheet (previously disclosed as off-balance sheet) (note 12 and 18).
- Inclusion of surplus / deficit on revaluation of investments as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions and write offs – net (note 30).

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2017. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements.

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 01, 2019:

- IFRS 16 'Leases' (effective for annual period beginning on or after January 01, 2019). IFRS 16 replaces existing leasing guidance, including IAS17 'Leases', IFRIC4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

# Notes to the Unconsolidated Financial Statements

## for the year ended December 31, 2018

- The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Bank's leases portfolio, the Bank's assessment of whether it will exercise any lease renewal options and the extent to which the Bank chooses to use practical expedients and recognition exemptions. The nature of expenses related to the leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and profit expense on lease liabilities.
- The matter of adopting IFRS-16 has been taken by Banks with SBP, based upon the factors involved in its applications and its adoption is dependent upon the directives issued by SBP in this regard.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Bank's financial statements
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of assessing the impact of this standard on the financial statements of the Bank and expects that the amendments are not likely to have an impact on the Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, an expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has carried out an impact assessment as at December 31, 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to December 31, 2018 pending notification as to date the standard is applicable for banks.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' – Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of this amendment is not likely to have impact on the Bank's financial statements.
- Amendments to IAS 19 'Employee Benefits' – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Bank's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is effective for transactions in the future and therefore would not have an impact on past financial statements.
- "Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle. The new cycle of improvements addresses improvements to following accounting and reporting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement – the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes – the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

- IAS 23 Borrowing Costs – the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual periods beginning on or after January 1, 2019 and are not likely to have an impact on Bank's financial statements.

## 2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

### 2.4.1 Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments, other than those in subsidiary, which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

### 2.4.2 Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.

### 2.4.3 Valuation and impairment of 'available-for-sale' equity investments

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

### 2.4.4 Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Bank's future taxable profits are taken into account.

### 2.4.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the reporting date and the rates contracted.

### 2.4.6 Depreciation / amortization

In making estimates of the depreciation / amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 – Accounting Policies, 'Changes in Accounting Estimates and Errors'.

### 2.4.7 Defined benefits plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 37.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 2.4.8 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Bank categorizes fair value measurements within the following fair value hierarchy:

### a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

### b) Level 2

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

### c) Level 3

These are input for the assets or liability that are not based on observable market data (unobservable Inputs).

## 3 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts / fair values / present values:

- Investments (Note 4.3);
- Certain fixed assets (Note 4.5);
- Staff retirement and other benefits (Note 4.7);
- Non-banking assets acquired in satisfaction of claims (Note 4.8); and
- Derivative financial instruments (Note 4.15.2).

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements have been applied consistently to all periods presented in these unconsolidated financial statements of the Bank, except for the following:

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets were being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed asset account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, the Bank has revised its accounting policy in respect of measurement of 'surplus / (deficit) on revaluation of fixed assets' which are now accounted for in accordance with the requirements of International Financial Reporting Standard IAS-16 'Property, Plant and Equipment'. The revaluation is measured on individual assets where the surplus is taken to surplus on revaluation of fixed assets account. The deficit on revaluation of the asset is charged to profit and loss account after netting of any surplus already recorded on that asset. The management of the Bank believes that the impact of change in policy is not material, therefore, no adjustments are being taken.

Significant accounting policies are enumerated as follows:

### 4.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

### 4.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

#### a. Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as mark-up expense.

#### b. Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as mark-up income.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

In Bai Muajjal, the Bank sells Shariah Compliant instruments including sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Expected profit expense is recognized on accrual basis.

In Musharaka / Modaraba, the Bank invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio. Expected profit is recognized on accrual basis.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Lendings are stated net of provision. Return on such lending is accrued to the profit and loss account on a time proportion basis except mark-up on impaired/ delinquent lendings, which is recognized on receipt basis.

## 4.3 Investments

4.3.1 The Bank at the time of purchase classifies its investment portfolio as mentioned in note 2.4.1.

4.3.2 Investments are initially recognized at fair value which, in case of investments other than 'held-for-trading', includes transaction cost associated with the investments. Transaction cost on 'held-for-trading' investments are expensed as incurred.

All 'regular way' purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require settlement within the time frame generally established by regulation or convention in the market place.

4.3.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held-to-maturity' and investments in subsidiaries, are carried at market value. Investments classified as 'held-to-maturity' are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Bank's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuk and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates, sukuk and term finance certificates is made in accordance with the requirements of Prudential Regulations issued by SBP.

4.3.4 Investments in subsidiaries are stated at cost less impairment.

## 4.4 Advances

### a. Loans and advances

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

### b. Net investment in finance lease

Leases, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including un-guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

### c. Islamic financing and related assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah,

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

Business Musharakah and Salam. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The profit on such financing is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

## 4.5 Fixed assets and depreciation

### a. Tangible assets

Property and equipment owned by the Bank, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 10.2. The residual values, useful lives and depreciation methods are reviewed and adjusted, if required. Adjustments in residual values, useful lives and depreciation methods are treated as change in accounting estimates.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

When an asset or class of assets is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity. However, the increase shall be recognized in the profit and loss account to the extent it reverses previously recognised revaluation decrease/impairment loss of the same asset in the profit and loss account, net of amortization or depreciation had no revaluation decrease/impairment been required for the asset in prior years. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense.

The surplus on revaluation of fixed assets to the extent of incremental depreciation (net of deferred tax) charged on the related assets is transferred directly to un-appropriated profit.

Revaluation of entire class of assets is carried out by independent professionally qualified valuers with sufficient regularity (every third year) to ensure that the carrying amount of the entire class of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

### b. Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.2. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

### c. Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

## 4.6 Taxation

### a. Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year.

### b. Prior

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments/changes in laws and changes in estimates made during the current year.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## c. Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the reporting date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Bank also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of fixed assets, non-banking assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS-12 'Income Taxes'.

## 4.7 Staff retirement and other benefits

### 4.7.1 Staff retirement schemes

#### a. For employees who opted for the 2002 scheme introduced by the management

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary, service length and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992, i.e., who have completed ten years of continuous service as on June 30, 2002.

During the year, the pensioners were given a voluntary option to settle their monthly pension with a lump sum payment. Those who will not opt for the lump sum option, will continue to receive monthly pension (defined benefit scheme).

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i. For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii. For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit. This rule will be applicable upon retirement or in service death only, in case of resignation gratuity will be payable from July 01, 2002, even if he or she had joined the Bank before July 01, 2002.

A contributory provident fund scheme to which equal contributions are made by the bank and the employees (defined contribution scheme).

#### b. For employees who did not opt for 2002 scheme

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Bank is on or before July 01, 1992, i.e., who had completed ten years of continuous service as on June 30, 2002.

In the light of decision of Honorable Supreme Court of Pakistan in SMC No. 20/2016 dated 13th February 2018 read with Order dated 3rd April 2018 passed in CRP No.72/2018 and Order dated 7th August 2018 in Cri.O.No. 98 and 99 of 2018 and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

#### c. Benevolent Fund

Until December 31, 2008 the bank operated a contributory benevolent fund, which was discontinued for active employees. The beneficiaries as on that date were also given an option to settle their monthly grant with a lump sum payment. Those who have not opted for the lump sum option will continue to receive benevolent grant (Defined benefit scheme).

#### d. Post-retirement medical benefits

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 4.7.2 Other long term benefit

### a. Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees, upto a maximum of 60 days. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against un-availed leaves, as per terms of service contract, up to the reporting date, based on actuarial valuation using Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

### b. Compensation to certain class of employees

Bank has revised its retirement policy by reducing the retirement age to 58 years for class of employees effective January 01, 2018. Consequent to the revision, these employees shall be compensated with gross salary along with employer's contribution on provident fund and gratuity for the remaining period up to 60 years in addition to already defined post-employment benefits, payable at the time of retirement, if any.

## 4.8 Non-banking assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation (excluding land). Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of assets' account through statement of comprehensive income and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalised.

## 4.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the profit and loss account on time proportion basis. Deposits mobilized under Islamic Banking operations are generated under two modes i.e. 'Qard' and 'Modaraba'. Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

## 4.10 Impairment

### a. Available-for-sale equity securities

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price in the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology.

### b. Non-financial assets

The carrying amount of the Bank's assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account except for an impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

## 4.11 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified losses on non-funded exposure is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

## 4.12 Acceptances

Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 4.13 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the reporting date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

## 4.14 Foreign currencies

### a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date. Foreign bills purchased are valued at spot rate and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

### b) Foreign operations

The assets and liabilities of foreign operating branches are translated to Pakistan Rupee (PKR) at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average exchange rate for the period.

### c) Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in profit and loss account. Regular translation gains and losses are taken to profit and loss account.

### d) Commitments

Commitments for outstanding forward contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the reporting date.

## 4.15 Financial instruments

### 4.15.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 4.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

## 4.16 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to off set and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## 4.17 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

### a. Advances and investments

Mark-up / return on regular loans / advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest /

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

## **b. Lease financing**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

## **c. Islamic financing and related assets**

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha and Salam income is recognised on deferred income basis.

## **d. Fees, brokerage and commission**

Fee, Commission and Brokerage income is recognized on an accrual basis except where, in the opinion of management, it would not be prudent to do so.

## **4.18 Business Segment reporting**

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Bank's primary segment reporting is based on following business segments:

### **a. Corporate & investment banking**

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Bank. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters.

### **b. Trading and sales (Treasury)**

This segment undertakes the Bank's treasury and money market activities.

### **c. Commercial & retail banking**

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and Islamic) customers.

### **d. Others**

Others includes functions which cannot be classified in any of the above segments.

## **4.19 Geographical Segment Reporting**

Geographically the Bank operates in Pakistan, Middle East and China.

## **4.20 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			

## 5 CASH AND BALANCES WITH TREASURY BANKS

<b>In hand</b>			
Local currency		15,271,580	12,281,484
Foreign currencies		1,008,439	881,144
		16,280,019	13,162,628
<b>Remittances in transit</b>			
		591,133	513,673
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	5.1	38,599,518	37,791,773
Foreign currency current account	5.2	81,311	1,247
		38,680,829	37,793,020
<b>Foreign currency deposit accounts</b>			
Non-remunerative	5.1	4,722,714	3,898,776
Remunerative	5.3	14,128,800	11,667,460
		18,851,514	15,566,236
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		24,610,744	18,156,411
<b>Prize Bonds</b>			
		174,175	175,414
		99,188,414	85,367,382

**5.1** Deposits with SBP are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 and SBP statutory requirements issued from time to time.

**5.2** This represents US Dollar settlement account maintained with SBP.

**5.3** This represents special cash reserve maintained with SBP. The return on this account is declared by SBP on a monthly basis and carries mark-up at the rate of 0.56% to 1.35% (2017: 0.37%) per annum.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			

## 6 BALANCES WITH OTHER BANKS

<b>In Pakistan</b>			
In deposit accounts	6.1	2,000,000	—
<b>Outside Pakistan</b>			
In current accounts	6.2	268,512	326,579
In deposit accounts	6.2	306,543	322,186
		2,575,055	648,765

**6.1** This represents local currency deposit placement by Islamic banking business with an Islamic bank at expected profit of 10.60% (2017: Nil) per annum, maturing on January 24, 2019.

**6.2** These are nostro balances placed with other banks.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
7      LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	7.1	5,500,000	1,000,000
Repurchase agreement lendings (Reverse Repo)	7.2 & 7.8	44,455,680	5,779,431
Musharaka lendings	7.3	2,500,000	1,100,000
Modaraba lending		–	600,000
Bai muajjal receivable from:			
– State Bank of Pakistan		–	214,968
– other financial institutions	7.4	1,029,999	–
Certificates of investment	7.5	70,000	70,000
Letters of placement	7.6	300,000	–
		53,855,679	8,764,399
Less: Provision held against lendings to financial institutions	7.5 & 7.9	(70,000)	(70,000)
Lendings to financial institutions – net of provision		53,785,679	8,694,399

**7.1** These represent local currency call money lending at the mark-up rate of 10.35% to 10.70% (2017: local currency lending at the rate of 5.90%) per annum, maturing on various dates, latest by February 13, 2019.

**7.2** These are short-term local currency lendings to financial institutions against government securities as shown in note 7.8 below. These carry mark-up at the rate of 10.10% to 10.40% (2017: 5.95% to 6.10%) per annum, maturing on various dates, latest by February 1, 2019.

**7.3** These represent local currency lendings by Islamic banking business under Musharaka agreement at expected profit of 9.50% to 9.70% (2017: 5.83% to 5.85%) per annum, maturing on various dates, latest by January 18, 2019.

**7.4** This represents local currency lending by Islamic banking business under Bai Muajjal agreement with an islamic bank at expected profit of 9.80% (2017: Nil) per annum, maturing on January 21, 2019.

**7.5** This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2017: Rs. 70 million).

**7.6** These represent local currency letters of placement with a financial institution at the mark-up rate of 10.70% (2017: Nil) per annum, maturing on February 01, 2019.

	December 31, 2018	December 31, 2017
	Rupees in '000	
7.7 Particulars of lending		
In local currency	53,855,679	8,764,399
In foreign currencies	—	—
	53,855,679	8,764,399

	December 31, 2018			December 31, 2017		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					

## **7.8 Securities held as collateral against lending to financial institutions**

Market Treasury Bills	33,500,000	–	33,500,000	800,000	–	800,000
Pakistan Investment Bonds	11,000,000	–	11,000,000	5,000,000	–	5,000,000
	44,500,000	–	44,500,000	5,800,000	–	5,800,000



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018		December 31, 2017	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				

## 7.9 Category of classification

<b>Domestic</b>				
Other Assets Especially Mentioned	—	—	—	—
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	70,000	70,000	70,000	70,000
	70,000	70,000	70,000	70,000

	December 31, 2018				December 31, 2017			
Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								

## 8 INVESTMENTS

### 8.1 Investments by type:

<b>Held-for-trading securities</b>								
Federal Government Securities	—	—	—	—	24,826,109	—	1,782	24,827,891
	—	—	—	—	24,826,109	—	1,782	24,827,891
<b>Available-for-sale securities</b>								
Federal Government Securities*	610,683,028	(21,248)	(1,608,458)	609,053,322	548,683,329	—	3,491,782	552,175,111
Shares	25,390,405	(2,266,130)	9,572,003	32,696,278	25,513,458	(2,336,353)	12,653,552	35,830,657
Non Government Debt Securities	11,732,046	(21,071)	(47,874)	11,663,101	9,173,111	(22,948)	(1,728)	9,148,435
Foreign Securities	1,037,692	—	—	1,037,692	1,037,692	—	—	1,037,692
Open Ended Mutual Funds	63,834	—	62,436	126,270	—	—	—	—
8.4	648,907,005	(2,308,449)	7,978,107	654,576,663	584,407,590	(2,359,301)	16,143,606	598,191,895
<b>Held-to-maturity securities</b>								
Federal Government Securities	16,151,622	—	—	16,151,622	74,562,280	—	—	74,562,280
Non Government Debt Securities	346,090	(346,090)	—	—	346,102	(346,102)	—	—
8.5	16,497,712	(346,090)	—	16,151,622	74,908,382	(346,102)	—	74,562,280
<b>Subsidiaries</b>	500,000	—	—	500,000	500,000	—	—	500,000
<b>Total Investments</b>	665,904,717	(2,654,539)	7,978,107	671,228,285	684,642,081	(2,705,403)	16,145,388	698,082,066

### 8.2 Investments by segments:

<b>Federal Government Securities:</b>								
Market Treasury Bills	543,454,942	—	(21,792)	543,433,150	390,385,471	—	(37,270)	390,348,201
Pakistan Investment Bonds	64,695,276	—	(1,397,373)	63,297,903	237,630,509	—	2,811,595	240,442,105
Ijarah Sukuks	3,350,848	—	(16,997)	3,333,851	2,845,696	—	15,455	2,861,151
GOP Sukuks (US\$)	9,756,796	(21,248)	(191,642)	9,543,906	12,214,033	—	184,269	12,398,301
Foreign Currency Bonds (US\$)	5,576,788	—	19,346	5,596,134	4,996,009	—	519,515	5,515,524
	626,834,650	(21,248)	(1,608,458)	625,204,944	648,071,718	—	3,493,564	651,565,282
<b>Shares:</b>								
Listed Companies	22,646,719	(2,103,351)	9,572,003	30,115,371	22,957,532	(2,264,790)	12,653,552	33,346,294
Unlisted Companies	2,743,686	(162,779)	—	2,580,907	2,555,926	(71,563)	—	2,484,363
Units of open-ended mutual funds	63,834	—	62,436	126,270	—	—	—	—
	25,454,239	(2,266,130)	9,634,439	32,822,548	25,513,458	(2,336,353)	12,653,552	35,830,657
<b>Non Government Debt Securities</b>								
Listed	3,139,909	(105,329)	(47,874)	2,986,706	2,622,497	(105,329)	(1,728)	2,515,440
Unlisted	8,938,227	(261,832)	—	8,676,395	6,896,716	(263,721)	—	6,632,995
	12,078,136	(367,161)	(47,874)	11,663,101	9,519,213	(369,050)	(1,728)	9,148,435
<b>Foreign Securities</b>								
Equity securities	1,037,692	—	—	1,037,692	1,037,692	—	—	1,037,692
<b>Subsidiaries</b>								
ABL – Asset Management Company	500,000	—	—	500,000	500,000	—	—	500,000
<b>Total Investments</b>	665,904,717	(2,654,539)	7,978,107	671,228,285	684,642,081	(2,705,403)	16,145,388	698,082,066

\* Provision for diminution against federal government securities represents expected credit loss provisioning under IFRS 9 on portfolio parked in overseas branch.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	

## 8.2.1 Investments given as collateral

Market Treasury Bills	158,411,120	75,663,516
Pakistan Investment Bonds	10,077,521	100,554,745
GOP Foreign Currency Sukuks (US\$)	4,451,600	1,577,089
GOP Foreign Currency Bonds (US\$)	710,569	–
<b>Total Investments given as collateral</b>	<b>173,650,810</b>	<b>177,795,350</b>

## 8.3 Provision for diminution in value of investments

8.3.1 Opening balance	2,705,403	2,696,599
Exchange adjustments	1,557	–

### Charge / reversals

Charge for the year	112,794	22,581
Reversals for the year	(3,776)	(13,777)
Reversal on disposals	(161,439)	–
	(52,421)	8,804

### Closing Balance

	2,654,539	2,705,403
--	-----------	-----------

	December 31, 2018		December 31, 2017	
	NPI	Provision	NPI	Provision
	Rupees in '000			

## 8.3.2 Particulars of provision against debt securities

### Category of classification

#### Domestic

Other assets especially mentioned	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	367,161	367,161	369,050	369,050
	367,161	367,161	369,050	369,050

#### Overseas

Not past due but impaired*	9,756,796	21,248	–	–
Overdue by:				
Upto 90 days	–	–	–	–
91 to 180 days	–	–	–	–
181 to 365 days	–	–	–	–
> 365 days	–	–	–	–
	–	–	–	–
<b>Total</b>	<b>10,123,957</b>	<b>388,409</b>	<b>369,050</b>	<b>369,050</b>

\* Provision represents expected credit loss provisioning in overseas branch.

The State Bank of Pakistan (SBP) has not granted any relaxation in any classification / provisioning during the year ended December 31, 2018.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Cost	
	Rupees in '000	

## 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

### *Federal Government Securities – Government guaranteed*

Market Treasury Bills	543,454,941	365,679,302
Pakistan Investment Bonds	48,543,655	164,056,432
GOP Sukuks (US\$)	9,756,796	11,105,890
Foreign Currency Bonds (US\$)	5,576,788	4,996,009
GOP Ijarah Sukuks	3,350,848	2,845,696
	<b>610,683,028</b>	<b>548,683,329</b>

### *Shares*

#### *Listed Companies*

Power Generation and Distribution	8,991,081	8,992,522
Oil & Gas Exploration Companies	5,093,607	5,681,860
Fertilizer	3,701,965	3,701,965
Commercial Banks	2,900,903	2,575,489
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	455,851	455,851
Chemical	268,289	268,289
Leasing Companies	89,322	97,022
Close-end Mutual Funds	51,603	90,436
Investment Banks	50,000	50,000
Cement	638	638
	<b>22,646,719</b>	<b>22,957,532</b>

	December 31, 2018		December 31, 2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

#### *Unlisted Companies*

Security General Insurance Limited	1,075,653	147.61	1,075,653	140.51
Habib Allied Holding Limited	1,035,922	211.41	1,035,922	179.09
Nishat Hotels And Properties Limited	944,970	8.64	944,970	9.60
Atlas Power Limited	355,000	23.93	355,000	21.48
Pakistan Mortgage Refinance Co. Limited	200,000	10.02	12,240	–
1 Link Guarantee Limited	50,000	–	50,000	–
Central Depository Company	40,300	38.94	40,300	36.72
ISE Towers REIT Management Company Limited	30,346	14.09	30,346	12.13
First Women Bank Limited	21,200	9.35	21,200	9.96
LSE Financial Services Limited	8,440	21.70	8,440	18.29
SME Bank Limited	5,250	(1.82)	5,250	0.09
Arabian Sea Country Club Ltd.	5,000	0.70	5,000	0.70
Eastern Capital Limited	5,000	–	5,000	–
SWIFT	1,770	677,701	1,770	499,351
National Institute of Fashion Technology	1,527	26.06	1,527	24.62
Pakistan Agricultural Storage and Services Corporation	1,000	242,002	1,000	228,378
	<b>3,781,378</b>		<b>3,593,618</b>	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Cost	
	Rupees in '000	
Non Government Debt Securities		
Listed		
– AAA	383,308	383,463
– AA+, AA, AA–	2,618,458	2,133,705
– A+, A, A–	32,813	–
	3,034,579	2,517,168
Unlisted		
– AAA	3,750,000	2,600,000
– AA+, AA, AA–	3,080,965	2,033,959
– A+, A, A–	1,845,431	1,719,911
– Unrated	21,071	302,073
	8,697,467	6,655,943
Open Ended Mutual Funds		
HBL Growth Fund – Class B Segment	38,834	–
Allied Finergy Fund	25,000	–
	63,834	–
Foreign Securities		
Equity Securities – Unlisted		
Habib Allied Holding Limited	1,035,922	1,035,922
SWIFT	1,770	1,770
	1,037,692	1,037,692
8.5 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities – Government guaranteed		
Pakistan Investment Bonds	16,151,622	73,454,137
GOP Sukuks (US\$)	–	1,108,143
	16,151,622	74,562,280
Non Government Debt Securities		
Listed		
– Unrated	105,329	105,329
Unlisted		
– Unrated	240,761	240,773

**8.5.1** The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 15,579.4 million (December 31, 2017: Rs. 78,655.2 million).



## for the year ended December 31, 2018

Subsidiary Asset Management Company						
8.6 Details regarding subsidiary company:						
Country of incorporation						Pakistan
Percentage holding						100%
Assets						2,157,210
Liabilities						323,531
Revenue						563,298
Profit after taxation						192,134
Total comprehensive income						192,134
Note	Performing		Non Performing		Total	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						

## 9 ADVANCES

[illegible]

9.1 Includes Net investment in finance lease as described below

Lease rentals receivable	631,223	1,504,537	116,221	2,251,981	548,697	1,335,126	194,666	2,078,489
Residual value	42,542	460,880	188,280	691,702	63,787	375,705	178,991	618,483
Minimum lease payments	673,765	1,965,417	304,501	2,943,683	612,484	1,710,831	373,657	2,696,972
Financial charges for future periods	(66,148)	(133,067)	(130,661)	(329,876)	(37,398)	(142,759)	(136,242)	(316,399)
Present value of minimum lease payments	607,617	1,832,350	173,840	2,613,807	575,086	1,568,072	237,415	2,380,573
						December 31, 2018	December 31, 2017	
						Rupees in '000		

## 9.2 Particulars of advances (Gross)

9.2.1	In local currency	443,643,826	378,173,382
	In foreign currencies	10,224,433	10,578,269
		453,868,259	388,751,651

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

**9.3** Advances include Rs. 16,064.641 million (2017: Rs. 18,051.749 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2018		December 31, 2017	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision
Rupees in '000				
<b>Domestic</b>				
Other Assets Especially Mentioned	38,425	2,231	39,805	1,054
Substandard	436,938	109,035	492,961	122,297
Doubtful	334,094	167,047	107,934	53,967
Loss	15,255,184	15,255,184	17,411,049	16,524,918
	<b>16,064,641</b>	<b>15,533,497</b>	<b>18,051,749</b>	<b>16,702,236</b>

**9.3.1** The Bank has participated in government guaranteed syndicated long term loan facilities, granted to Power Holding (Pvt.) Limited, with the Bank's share being Rs. 6,757 million. State Bank of Pakistan has extended relaxation against classification of the exposure vide Letter No. BPRD/ BRD (Policy)/ 021574/ 2018 dated October 03, 2018 till December 31, 2018; with instructions to recognize mark-up on receipt basis.

Note	December 31, 2018			December 31, 2017		
	Specific	General	Total	Specific	General	Total
Rupees in '000						

## 9.4 Particulars of provision against advances

Opening balance	16,702,236	11,701	16,713,937	18,720,563	63,309	18,783,872
Charge for the year	500,412	4,167	504,579	365,854	–	365,854
Reversals	(1,637,415)	–	(1,637,415)	(2,281,184)	(51,608)	(2,332,792)
	(1,137,003)	4,167	(1,132,836)	(1,915,330)	(51,608)	(1,966,938)
Amounts written off	(31,736)	–	(31,736)	(102,997)	–	(102,997)
Closing balance	<b>15,533,497</b>	<b>15,868</b>	<b>15,549,365</b>	<b>16,702,236</b>	<b>11,701</b>	<b>16,713,937</b>
<b>9.4.1</b> In local currency	15,207,403	15,868	15,223,271	16,442,940	11,701	16,454,641
In foreign currencies	326,094	–	326,094	259,296	–	259,296
	<b>15,533,497</b>	<b>15,868</b>	<b>15,549,365</b>	<b>16,702,236</b>	<b>11,701</b>	<b>16,713,937</b>

**9.4.2** No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non-performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

**9.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 29.2 million (2017: Rs. 32.5 million).

Note	December 31, 2018	December 31, 2017
Rupees in '000		

## 9.6 Particulars of write-offs

<b>9.6.1</b> Against provisions		31,736	102,997
Directly charged to Profit and Loss account		–	–
		<b>31,736</b>	<b>102,997</b>
<b>9.6.2</b> Write-offs of Rs. 500,000 and above – Domestic	9.7	31,736	102,997
Write-offs of below Rs. 500,000		–	–
		<b>31,736</b>	<b>102,997</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 9.7 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2018 is given in Annexure-'I'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>10 FIXED ASSETS</b>			
Capital work-in-progress	10.1	2,338,494	2,963,429
Property and equipment	10.2	48,040,043	43,904,506
		<b>50,378,537</b>	<b>46,867,935</b>

## 10.1 Capital work-in-progress

Civil works	1,855,180	2,530,114
Advances to suppliers	483,314	433,315
	<b>2,338,494</b>	<b>2,963,429</b>

December 31, 2018									
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Rented Premises)	Total
Rupees in '000									

## 10.2 Property and Equipment

<b>At January 1, 2018</b>									
Cost / Revalued amount	15,281,070	11,068,636	6,260,977	4,261,641	1,675,822	11,631,268	824,980	3,501,922	54,506,316
Accumulated depreciation	-	-	-	-	(874,675)	(7,194,647)	(535,393)	(1,997,095)	(10,601,810)
<b>Net book value</b>	<b>15,281,070</b>	<b>11,068,636</b>	<b>6,260,977</b>	<b>4,261,641</b>	<b>801,147</b>	<b>4,436,621</b>	<b>289,587</b>	<b>1,504,827</b>	<b>43,904,506</b>
<b>Year ended December 2018</b>									
Opening net book value	15,281,070	11,068,636	6,260,977	4,261,641	801,147	4,436,621	289,587	1,504,827	43,904,506
Additions	2,380,971	58,138	859,667	296,527	271,228	2,344,493	359,000	575,046	7,145,070
Disposals cost	-	-	-	-	(17,878)	(429,181)	(28,822)	(90)	(475,971)
Disposals accumulated depreciation	-	-	-	-	17,173	422,683	24,524	90	464,470
Disposals	-	-	-	-	(705)	(6,498)	(4,298)	-	(11,501)
Depreciation charge	-	-	(340,664)	(228,787)	(177,762)	(1,353,638)	(125,659)	(509,332)	(2,735,842)
Exchange rate adjustments	-	-	-	-	(78)	(113)	-	-	(191)
Other adjustments / transfers	(97,437)	(164,562)	-	-	-	-	-	-	(261,999)
<b>Closing net book value</b>	<b>17,564,604</b>	<b>10,962,212</b>	<b>6,779,980</b>	<b>4,329,381</b>	<b>893,830</b>	<b>5,420,865</b>	<b>518,630</b>	<b>1,570,541</b>	<b>48,040,043</b>
<b>At December 31, 2018</b>									
Cost / Revalued amount	17,564,604	10,962,212	7,120,644	4,558,168	1,929,172	13,546,580	1,155,158	4,076,878	60,913,416
Accumulated depreciation	-	-	(340,664)	(228,787)	(1,035,342)	(8,125,715)	(636,528)	(2,506,337)	(12,873,373)
<b>Net book value</b>	<b>17,564,604</b>	<b>10,962,212</b>	<b>6,779,980</b>	<b>4,329,381</b>	<b>893,830</b>	<b>5,420,865</b>	<b>518,630</b>	<b>1,570,541</b>	<b>48,040,043</b>
<b>Rate of depreciation (percentage)</b>	<b>-</b>	<b>-</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>14.28% -50%</b>	<b>20%</b>	<b>20%</b>	<b>-</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017									
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Rented Premises)	Total
Rupees in '000									
<b>At January 1, 2017</b>									
Cost / Revalued amount	12,157,409	3,303,825	5,514,533	3,097,922	1,400,514	9,818,440	819,019	2,622,036	38,733,698
Accumulated depreciation	-	-	(873,444)	(285,426)	(714,654)	(6,321,899)	(448,947)	(1,613,646)	(10,258,016)
Net book value	12,157,409	3,303,825	4,641,089	2,812,496	685,860	3,496,541	370,072	1,008,390	28,475,682
<b>Year ended December 2017</b>									
Opening net book value	12,157,409	3,303,825	4,641,089	2,812,496	685,860	3,496,541	370,072	1,008,390	28,475,682
Additions	2,146,874	716,833	980,765	639,744	284,548	2,055,662	66,427	880,062	7,770,915
Movement in surplus on assets									
revalued during the year	976,787	7,047,978	895,616	952,762	-	-	-	-	9,873,143
Disposals cost	-	-	-	-	(9,240)	(242,834)	(60,466)	(176)	(312,716)
Disposals accumulated depreciation	-	-	-	-	8,467	239,691	54,122	176	302,456
Disposals	-	-	-	-	(773)	(3,143)	(6,344)	-	(10,260)
Depreciation charge	-	-	(256,493)	(143,361)	(168,474)	(1,112,411)	(140,568)	(383,625)	(2,204,932)
Exchange rate adjustments	-	-	-	-	(14)	(28)	-	-	(42)
Other adjustments / transfers	-	-	-	-	-	-	-	-	-
Closing net book value	15,281,070	11,068,636	6,260,977	4,261,641	801,147	4,436,621	289,587	1,504,827	43,904,506
<b>At December 31, 2017</b>									
Cost / Revalued amount	15,281,070	11,068,636	6,260,977	4,261,641	1,675,822	11,631,268	824,980	3,501,922	54,506,316
Accumulated depreciation	-	-	-	-	(874,675)	(7,194,647)	(535,393)	(1,997,095)	(10,601,810)
Net book value	15,281,070	11,068,636	6,260,977	4,261,641	801,147	4,436,621	289,587	1,504,827	43,904,506
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	-

- 10.3** Bank arranged for valuation of all Land and Buildings as at December 31, 2017 from four independent valuers {Sadrudin Associates (Pvt.) Ltd, Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt.) Ltd.}. The revalued amounts of properties have been determined on the basis of market value. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

		Rupees in '000
- Land (Freehold and leasehold)		14,768,004
- Building		7,796,683

- 10.4** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>10.5</b> Incremental depreciation charged during the year transferred to unappropriated profit	20.1	172,713	84,520
<b>10.6</b> Restriction / discrepancy in the title of property having a net book value of		57,694	59,131
<b>10.7</b> The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		342,011	286,863
Electrical, office and computer equipments		4,497,694	4,464,328
Vehicles		327,935	285,809
Leasehold Improvements		1,342,260	1,200,646

Amount of fully depreciated assets includes depreciation of Rs. 197.73 million (2017: Rs. 145.56 million) of under Rs.10,000 items which are fully depreciated in the month of purchase.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

		December 31, 2018	December 31, 2017	
		Rupees in '000		
10.8	The carrying amount of property and equipment that have retired from active use	349,670	353,461	
10.9	The sale of fixed assets (otherwise than a regular auction) to related parties are disclosed in Annexure III.			
11	INTANGIBLE ASSETS			
	Capital work in progress	11.1	337,076	97,995
	Intangible Assets	11.2	1,411,978	1,361,099
			1,749,054	1,459,094
11.1	Capital work in progress			
	Softwares		180,132	72,255
	Advances for softwares to suppliers		156,944	25,740
			337,076	97,995
		December 31, 2018		
		Computer software	Others	Total
		Rupees in '000		
11.2	Intangible Assets			
	At January 1, 2018			
	Cost	2,689,905	–	2,689,905
	Accumulated amortisation and impairment	(1,328,806)	–	(1,328,806)
	Net book value	1,361,099	–	1,361,099
	Year ended December 2018			
	Opening net book value	1,361,099	–	1,361,099
	Additions:			
	directly purchased	451,952	–	451,952
	Amortisation charge	(401,073)	–	(401,073)
	Closing net book value	1,411,978	–	1,411,978
	At December 31, 2018			
	Cost	3,141,857	–	3,141,857
	Accumulated amortisation and impairment	(1,729,879)	–	(1,729,879)
	Net book value	1,411,978	–	1,411,978
	Rate of amortisation (percentage)	14.28%		14.28%
	Useful life	7 Years		7 Years

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2017		
	Computer software	Others	Total
	Rupees in '000		
<b>11.2 Intangible Assets</b>			
<b>At January 1, 2018</b>			
Cost	2,012,378	–	2,012,378
Accumulated amortisation and impairment	(1,021,060)	–	(1,021,060)
Net book value	991,318	–	991,318
<b>Year ended December 2017</b>			
Opening net book value	991,318	–	991,318
Additions:			
directly purchased	677,527	–	677,527
Amortisation charge	(307,746)	–	(307,746)
Closing net book value	1,361,099	–	1,361,099
<b>At December 31, 2017</b>			
Cost	2,689,905	–	2,689,905
Accumulated amortisation and impairment	(1,328,806)	–	(1,328,806)
Net book value	1,361,099	–	1,361,099
<b>Rate of amortisation (percentage)</b>	14.28%		14.28%
<b>Useful life</b>	7 Years		7 Years
	<b>December 31, 2018</b>	<b>December 31, 2017</b>	
	Rupees in '000		

**11.3** The cost of fully amortized assets that are still in use:

Intangible assets – software	306,326	282,187
------------------------------	---------	---------

**11.4** Remaining amortization period of material intangible assets is from 3 to 5 years.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>12 OTHER ASSETS</b>			
Income / Mark-up accrued in local currency – net of provision		11,777,626	15,530,697
Income / Mark-up accrued in foreign currency – net of provision		293,994	266,574
Advances, deposits, advance rent and other prepayments		883,302	943,391
Advance taxation (payments less provisions)		4,626,194	4,752,964
Non-banking assets acquired in satisfaction of claims	12.1	1,947,348	1,982,608
Mark to market gain on forward foreign exchange contracts		2,698,766	2,227,080
Acceptances		4,183,083	3,953,545
Due from the employees' retirement benefit schemes			
Benevolent fund	37.4	115,915	112,061
Pension fund	37.4	4,560,065	3,692,032
Fraud and forgeries		510,013	517,113
Stationery and stamps in hand		190,398	196,230
HRC agent receivable		111,098	61,208
Overdue FBN / FBD		72,441	34,682
Charges receivable		23,043	35,080
Receivable from SBP – customers encashments		12,572	15,476
ATM / POS settlement account	18	–	1,331,063
Excise duty		11	11
Others		3,561	2,128
		32,009,430	35,653,943
Less: Provision held against other assets	12.2	(787,203)	(747,062)
Other assets (net of provision)		31,222,227	34,906,881
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		2,159,958	1,601,422
Other assets – net		33,382,185	36,508,303

## 12.1 Market value of non-banking assets acquired

in satisfaction of claims	4,107,306	3,584,030
---------------------------	-----------	-----------

Full-scope revaluation was carried out at December 31, 2018 through two independent valuers approved by Pakistan Banks' Association (Unicorn International Surveyors & Sadruddin Associates (Pvt) Limited). The revalued amounts of properties have been determined on the basis of market rates depending upon physical verification and general appearance of the site.

	December 31, 2018	December 31, 2017
Rupees in '000		

### 12.1.1 Non banking assets acquired in satisfaction of claims

Opening balance	3,584,030	3,476,350
Additions	52,482	38,041
Revaluation	600,425	472,683
Disposals / Transfers	(109,969)	(374,400)
Depreciation	(19,662)	(18,938)
Impairment	–	(9,706)
Closing balance	4,107,306	3,584,030

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>12.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims</b>			
Disposal proceeds		3,542	447,750
Less:			
Cost		(3,629)	(374,400)
Impairment / Depreciation		60	-
		(3,569)	(374,400)
(Loss) / gain		(27)	73,350
<b>12.2 Provision held against other assets</b>			
Advances, deposits, advance rent and other prepayments		209,506	102,342
Provision against fraud and forgeries		507,977	517,112
Overdue FBN / FBD		24,295	24,295
Charges receivable		23,043	35,081
Others		22,382	68,232
		787,203	747,062
<b>12.2.1 Movement in provision held against other assets</b>			
Opening balance		747,062	926,951
Charge for the year		96,695	67,620
Reversals		(12,000)	(224,478)
Written off / adjusted		(44,554)	(23,031)
Closing balance		787,203	747,062
<b>13 CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2018 and December 31, 2017.			
<b>14 BILLS PAYABLE</b>			
In Pakistan		7,752,959	7,835,467
<b>15 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	15.1 & 15.8	157,248,800	169,225,901
Under export refinance scheme	15.2	17,913,692	13,583,114
Under long term financing facility	15.3	13,894,674	10,584,203
Under financing scheme for renewable energy	15.4	158,952	13,462
Financing facility for storage of agriculture produce (FFSAP)		-	5,477
		189,216,118	193,412,157
Repurchase agreement borrowings from financial institutions	15.5 & 15.7	14,559,563	7,674,798
<b>Unsecured</b>			
Call borrowings	15.6	11,861,797	20,246,997
Trading liability		9,987,849	1,976,436
Overdrawn nostro accounts		243,624	104,823
Musharaka borrowing		-	100,000
Other borrowings		14,035	41,172
		22,107,305	22,469,428
		225,882,986	223,556,383



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

- 15.1** This represents local currency borrowing from the SBP against government securities, carrying mark-up at the rate of 10.21% (2017: 5.82% to 5.86%) per annum, maturing on January 04, 2019.
- 15.2** The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2017: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.
- 15.3** This represents Long Term Financing facility availed by the Bank for further extending the same to its customers, for a maximum period of 10 years. The borrowing carries mark-up at the rate of 4.50%, 3.50% and 3.00% (2017: 4.50%, 3.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.
- 15.4** These represent borrowings from the SBP availed by the Bank for financing power projects / facilities using alternative/ renewable energy (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel) for a maximum period of 12 years. The borrowing carries mark-up at the rate of 2% (2017: 2%) per annum for 10 years and 12 years.
- 15.5** These represent borrowings in local and foreign currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 10% to 10.21% (2017: 5.60% to 5.80%) per annum for local currency borrowings, and at the rate of 3.37% to 3.99% (2017: 2.80% to 2.85%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by February 7, 2019.
- 15.6** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 8.10% to 10.10% (2017: 5.71%) per annum for local currency borrowings, and at the rate of 2.35% to 4.27% (2017: 1.92% to 4.39%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by June 26, 2019.
- 15.7** Note 8.2.1 includes the carrying amount of investments given as collateral.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>15.8 Particulars of borrowings with respect to currencies</b>		
In local currency	211,201,481	206,150,246
In foreign currencies	14,681,505	17,406,137
	<b>225,882,986</b>	<b>223,556,383</b>

	December 31, 2018			December 31, 2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					

## 16 DEPOSITS AND OTHER ACCOUNTS

<b>Customers</b>						
Current deposits	323,679,045	18,874,483	342,553,528	289,377,760	14,338,979	303,716,739
Savings deposits	365,551,154	24,707,235	390,258,389	321,236,255	19,699,697	340,935,952
Term deposits	120,847,788	50,092,266	170,940,054	141,015,687	44,529,569	185,545,256
	<b>810,077,987</b>	<b>93,673,984</b>	<b>903,751,971</b>	<b>751,629,702</b>	<b>78,568,245</b>	<b>830,197,947</b>
<b>Financial Institutions</b>						
Current deposits	21,057,705	27,949	21,085,654	12,600,736	17,958	12,618,694
Savings deposits	54,634,073	–	54,634,073	33,337,527	–	33,337,527
Term deposits	4,950,750	52,735	5,003,485	7,529,715	56,826	7,586,541
	<b>80,642,528</b>	<b>80,684</b>	<b>80,723,212</b>	<b>53,467,978</b>	<b>74,784</b>	<b>53,542,762</b>
	<b>890,720,515</b>	<b>93,754,668</b>	<b>984,475,183</b>	<b>805,097,680</b>	<b>78,643,029</b>	<b>883,740,709</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	

## 16.1 Composition of deposits

Individuals	384,786,399	356,719,817
Private Sector	287,469,596	263,573,489
Government (Federal and Provincial)	117,892,648	108,592,437
Public Sector Entities	113,603,058	101,311,990
Non-Banking Financial Institutions	72,932,722	47,227,978
Banking Companies	7,790,760	6,314,998
	<b>984,475,183</b>	<b>883,740,709</b>

**16.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 513,218 million.

**16.3** Net outstanding value against prepaid cards is Rs. 140.858 million as at reporting date.

	December 31, 2018			
	At January 1, 2018	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2018
	Rupees in '000			

## 17 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on				
Provision against:				
– Investments	19,093	–	–	19,093
– Other assets	38,959	–	–	38,959
– Off balance sheet obligations	14,824	–	–	14,824
– Advances	46,869	(556)	–	46,313
– Post retirement medical benefits	42,980	–	–	42,980
– Workers welfare fund	1,183,246	(393,039)	–	790,207
	<b>1,345,971</b>	<b>(393,595)</b>	<b>–</b>	<b>952,376</b>
Taxable Temporary Differences on				
– Surplus on revaluation of fixed assets	(1,208,989)	54,842	–	(1,154,147)
– Surplus on revaluation of investments	(5,650,262)	–	2,857,924	(2,792,338)
– Surplus on revaluation on non banking assets	(25,789)	–	1,827	(23,962)
– Actuarial gains	(93,888)	–	(244,743)	(338,631)
– Accelerated tax depreciation / amortization	(1,295,641)	(89,879)	–	(1,385,520)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	–	–	(13,206)
	<b>(8,287,775)</b>	<b>(35,037)</b>	<b>2,615,008</b>	<b>(5,707,804)</b>
	<b>(6,941,804)</b>	<b>(428,632)</b>	<b>2,615,008</b>	<b>(4,755,428)</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017				
	At January 1, 2017	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2017
Rupees in '000				
Deductible Temporary Differences on				
Provision against:				
– Investments	19,093	–	–	19,093
– Other assets	38,959	–	–	38,959
– Off balance sheet obligations	14,824	–	–	14,824
– Advances	55,572	(8,703)	–	46,869
– Post retirement medical benefits	42,980	–	–	42,980
– Workers welfare fund	915,389	267,857	–	1,183,246
	1,086,817	259,154	–	1,345,971
Taxable Temporary Differences on				
– Surplus on revaluation of fixed assets	(591,639)	29,582	(646,932)	(1,208,989)
– Surplus on revaluation of investments	(9,721,104)	–	4,070,842	(5,650,262)
– Surplus on revaluation on non banking assets	(13,930)	–	(11,859)	(25,789)
– Actuarial gains	(613,973)	–	520,085	(93,888)
– Accelerated tax depreciation / amortization	(1,119,852)	(175,789)	–	(1,295,641)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	–	–	(13,206)
	(12,073,704)	(146,207)	3,932,136	(8,287,775)
	(10,986,887)	112,947	3,932,136	(6,941,804)
		Note	December 31, 2018	December 31, 2017
			Rupees in '000	

## 18 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		2,366,946	2,269,141
Mark-up / return / interest payable in foreign currencies		343,307	264,305
Unearned commission and income on bills discounted		123,294	111,358
Accrued expenses		1,032,259	1,690,887
Retention money payable		306,416	264,520
Acceptances		4,183,083	3,953,545
Unclaimed dividends		291,816	246,259
Dividend payable		32,055	18,292
Branch adjustment account		280,134	272,344
Provision for:			
Gratuity	37.4	444,655	511,919
Employees' medical benefits	37.4	1,332,925	1,240,250
Employees' compensated absences	37.4	606,216	570,128
Payable to defined contribution plan		3,306	33,916
Provision against off-balance sheet obligations	18.1	306,342	306,342
Security deposits against lease		693,151	662,862
ATM / POS settlement account	12	932,311	–
Home Remittance Cell overdraft		701,908	624,549
With-holding tax payable		688,375	494,337
Sundry deposits		2,427,652	2,030,195
Workers welfare fund payable	29	2,257,734	3,380,704
Others		1,080,829	1,929,089
		20,434,714	20,874,942

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>18.1 Provision against off-balance sheet obligations</b>		
Opening balance	306,342	557,958
Charge for the year	–	12,459
Reversals	–	(264,075)
Net reversal	–	(251,616)
Closing balance	306,342	306,342

The above provision includes provisions made against letters of guarantee issued by the Bank.

## 19 SHARE CAPITAL

### 19.1 Authorized capital

December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

### 19.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	720,745,186	Issued as bonus shares	7,207,452	7,207,452
1,127,525,280	1,127,525,280		11,275,253	11,275,253
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim		
9,148,550	9,148,550	Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.		
8,400,000	8,400,000		84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Holdings (Private) Limited (holding company of the Bank), holds 967,911,610 (84.53%) [2017: 965,879,110 (84.35%)] ordinary shares of Rs. 10 each respectively, as at reporting date.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX</b>			
Surplus arising on revaluation of:			
– fixed assets	20.1	15,755,409	16,004,075
– non-banking assets acquired in satisfaction of claims	20.2	2,135,995	1,575,632
– available-for-sale securities	8.1	5,185,770	10,493,344
Surplus on revaluation of assets – net of tax		<u>23,077,174</u>	<u>28,073,051</u>
<b>20.1 Surplus on revaluation of fixed assets acquired in satisfaction of claims</b>			
Surplus as at January 1, 2018		17,213,064	7,424,441
Surplus on revaluation during the year		37,226	9,873,143
Surplus related to transfer / adjustments		(168,022)	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(112,263)	(54,938)
Related deferred tax liability		(60,450)	(29,582)
	10.5	(172,713)	(84,520)
Surplus on revaluation as at December 31, 2018		<u>16,909,555</u>	<u>17,213,064</u>
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2018		(1,208,989)	(591,639)
Deferred tax liability on revaluation surplus		(5,607)	(646,932)
Deferred tax on incremental depreciation transferred to profit and loss account		60,450	29,582
		(1,154,146)	(1,208,989)
		<u>15,755,409</u>	<u>16,004,075</u>
<b>20.2 Surplus on revaluation of non-banking assets</b>			
Surplus as at January 1, 2018		1,601,421	1,327,010
Surplus on revaluation during the year		600,425	463,489
Surplus realised on disposal /transfer		(39,099)	(187,088)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(1,813)	(1,294)
Related deferred tax liability		(976)	(696)
		(2,789)	(1,990)
Surplus on revaluation as at December 31, 2018		<u>2,159,958</u>	<u>1,601,421</u>
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2018		(25,789)	(13,930)
Deferred tax liability on revaluation surplus		(5,412)	(12,555)
Deferred tax on surplus on disposal/transfer		6,262	–
Deferred tax on incremental depreciation transferred to profit and loss account		976	696
		(23,963)	(25,789)
		<u>2,135,995</u>	<u>1,575,632</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>21 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	21.1	28,018,148	25,711,134
Commitments	21.2	342,770,483	201,555,442
Other contingent liabilities	21.3	8,738,009	8,638,605
		<u>379,526,640</u>	<u>235,905,181</u>
<b>21.1 Guarantees</b>			
Financial guarantees		4,434,872	4,096,744
Performance guarantees		6,656,657	6,807,170
Other guarantees		16,926,619	14,807,220
		<u>28,018,148</u>	<u>25,711,134</u>
<b>21.2 Commitments</b>			
Documentary credits and short term trade related transactions:			
letters of credit		68,457,757	55,592,136
Commitments in respect of:			
forward foreign exchange contracts	21.2.1	207,509,971	136,619,348
forward government securities transactions	21.2.2	57,768,858	–
operating leases	21.2.3	6,018,458	6,279,911
Commitments for acquisition of:			
fixed assets		2,895,671	3,064,047
intangible assets		119,768	–
		<u>342,770,483</u>	<u>201,555,442</u>
<b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		137,056,586	95,038,705
Sale		70,453,385	41,580,643
		<u>207,509,971</u>	<u>136,619,348</u>
<b>21.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		57,768,858	–
<b>21.2.3 Commitments in respect of operating leases</b>			
Not later than one year		1,101,928	1,120,394
Later than one year and not later than five years		3,231,233	3,405,724
Later than five years		1,685,297	1,753,793
		<u>6,018,458</u>	<u>6,279,911</u>
<b>21.3 Other contingent liabilities</b>			
<b>21.3.1</b> Claims against the Bank not acknowledged as debt		<u>8,738,009</u>	<u>8,638,605</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

**21.3.2** The income tax assessments of the Bank have been finalized upto and including tax year 2018 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2018, income tax authorities made certain add backs with aggregate tax impact of Rs.24,332 million (2017: 24,332 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by the Bank on aggregate sum of Rs. 24,332 million (2017: 24,332 million). The management is confident that the outcome of these appeals / references will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2003 to 2006 and tax year 2008 to 2017 and created an arbitrary demand of Rs. 1,536 million (2017: 1,326 million). The Bank's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Bank; therefore, no provision has been made against the said demand of Rs. 1,536 million (2017: 1,326 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 and Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2017 thereby creating arbitrary aggregate demand of Rs. 900 million (2017: 893 million). The Bank's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 900 million (2017: 893 million).

**21.3.3** As a result of default by Fateh Textile Mills to terms of compromise decree passed in August 2002 by the Honourable High Court of Sindh, 16,376,106 shares of ABL were sold in accordance with section 19 (3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, after complying with the due and complete transparent process. Sealed bids were invited from interested parties. The bidding process was scheduled for July 23, 2004 and the Rs. 25 per share was fixed reserve price. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited filed suit in the High Court of Sindh challenging the above sale of shares. The High Court had not granted a stay order against the said sale. The sale of shares was, therefore; concluded.

**21.3.4** While adjudicating foreign exchange repatriation cases of exporter namely: Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court (FEAC) of the State Bank of Pakistan (SBP) has arbitrarily adjudicated penalties against various banks including Rs. 2,173 million in aggregate against Allied Bank Limited (the Bank). Against the said judgments, the Bank had filed appeals before the Appellate Board and Constitutional Petitions (CP) in the High Court of Sindh, Karachi. The Honorable High Court granted relief to the Bank by way of interim orders. Meanwhile, alongwith other banks, Bank filed a further CP whereby vires of section 23C of the FE Regulations Act, 1947 was sought to be declared ultra vires. On November 8, 2018, the Honorable court was pleased to order that the Appellate Board shall not finally decide the appeals. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

### Forward Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

## Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

The Bank may use equity futures as a hedging instrument to hedge its equity portfolio, in both 'held-for-trading' and 'available-for-sale', against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 4.15.2. The risk management framework of derivative instruments is given in note 44.

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>23 MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances		29,696,524	23,721,333
Investments		37,204,167	41,615,667
Lendings to financial institutions		6,185,232	344,868
Balances with banks		188,238	26,889
		<u>73,274,161</u>	<u>65,708,757</u>
<b>24 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		30,129,853	23,924,732
Borrowings		9,524,346	8,909,148
Cost of foreign currency swaps against foreign currency deposits		1,504,521	1,296,614
		<u>41,158,720</u>	<u>34,130,494</u>
<b>25 FEE AND COMMISSION INCOME</b>			
Card related fees (debit and credit cards)		1,328,622	1,158,632
Branch banking customer fees		1,228,557	1,154,077
Commission on remittances including home remittances		590,077	419,375
Investment banking fees		524,226	580,449
Commission on trade		362,470	357,832
Commission on cash management		120,102	109,229
Commission on guarantees		103,085	110,589
Commission on bancassurance		78,936	11,352
Credit related fees		20,270	13,500
Consumer finance related fees		4,196	2,367
		<u>4,360,541</u>	<u>3,917,402</u>
<b>26 GAIN ON SECURITIES</b>			
Realised – net	26.1	2,381,713	641,043
Unrealised – held for trading		–	1,782
		<u>2,381,713</u>	<u>642,825</u>
<b>26.1 Realised gain / (loss) on:</b>			
Federal government securities		1,775,998	641,043
Shares		606,868	–
Non Government debt securities		(1,153)	–
		<u>2,381,713</u>	<u>641,043</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>27 OTHER INCOME</b>			
Recovery of written off mark-up and charges		172,074	–
Gain on sale of fixed assets – net		34,903	53,012
Other assets disposal		34,463	29,045
Rent on property		5,582	6,780
Fee for attending Board meetings		2,845	1,882
Gain on disposal of islamic financing and related assets		2,629	–
(Loss) / gain on sale of non-banking assets	27.1	(27)	73,110
		<b>252,469</b>	<b>163,829</b>

**27.1** This includes (loss) / gain on sale of two non-banking assets amounting to Rs. (0.157) million and Rs. 0.130 million respectively (2017: gain of Rs. 73.350 million).

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>28 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	28.1	12,197,712	10,944,426
<b>Property expense:</b>			
Depreciation		2,068,320	1,594,441
Rent and taxes		1,736,688	1,532,655
Utilities cost		996,508	949,113
Security (including guards)		717,501	773,558
Repair and maintenance (including janitorial charges)		558,166	542,354
Insurance		64,293	64,310
		<b>6,141,476</b>	<b>5,456,431</b>
<b>Information technology expenses:</b>			
Network charges		631,926	521,362
Depreciation		541,863	469,923
Amortization		401,074	307,746
Software maintenance		353,806	296,517
Hardware maintenance		297,826	186,148
Others		8,521	10,978
		<b>2,235,016</b>	<b>1,792,674</b>
<b>Other operating expenses:</b>			
Marketing, advertisement and publicity		642,873	586,254
Insurance		567,053	171,987
Outsourced service costs	36.1	534,151	466,615
Cash in Transit service charge		415,560	405,972
Stationery and printing		333,162	338,958
Travelling and conveyance		178,971	182,785
Legal and professional charges		140,230	115,305
Postage and courier charges		126,877	155,097
Depreciation		125,659	140,568
Donations	28.3	113,238	54,209
NIFT clearing charges		106,097	99,475
Communication		87,952	116,685
Directors fees and allowances		18,182	16,976
Auditors Remuneration	28.2	17,727	17,563
Others		365,102	361,567
		<b>3,772,834</b>	<b>3,230,016</b>
		<b>24,347,038</b>	<b>21,423,547</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>28.1 Total compensation expense</b>		
Salaries	8,038,512	7,665,477
Fees And Allowances etc.	1,440,423	1,329,350
Bonus and Awards	1,096,909	947,796
Charge For Defined Benefit Plan	596,601	57,796
Contribution To Defined Contribution Plan	310,235	297,696
Conveyance expense	199,580	164,131
Medical expense	113,576	143,925
Staff Training	101,430	47,313
Insurance	80,194	80,189
Education Subsidy	30,200	31,913
Hajj Expenses	23,531	15,624
Staff Uniform	13,175	12,402
Executive Club Membership	11,335	3,300
Verification Charges Educational Documents	2,275	3,024
Recruitment Charges	1,282	3,073
Others	1,218	279
Sub-Total	12,060,476	10,803,287
Voluntary Retirement Scheme	137,236	141,139
<b>Grand Total</b>	<b>12,197,712</b>	<b>10,944,426</b>

**28.1.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Fifty three (53) employees (2017: 59) of the Bank opted for retirement under this scheme.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>28.2 Auditors' remuneration</b>		
Audit fee	6,110	6,110
Fee for other statutory certifications	4,752	4,524
Fee for audit of foreign branches*	2,150	1,629
Half year review	2,535	2,535
Special certifications and sundry advisory services	—	500
Sales tax	628	653
Out-of-pocket expenses	1,552	1,612
	<b>17,727</b>	<b>17,563</b>

\*This includes audit fee amounting to Bahraini Dinar 5,500 (2017: 4,350) relating to Wholesale Bahrain Branch.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Naeem Mukhtar (Chairman / Non-Executive Director) is director in National Management Foundation (LUMS). Further, spouse of a key management personnel also holds key position in RAAST Welfare Society.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Acumen Fund Pakistan		10,000	–
Altaf Mahmood Foundation		–	1,000
Anjuman Himayat-i-Islam	28.3.1	5,065	4,577
Bakhtawar Amin Memorial Trust Hospital		1,000	–
Baluchistan Residential Colleges		–	989
Chaman (Center for Mentally Challenged Children)		1,000	1,695
COMKAR Command Improvement Fund		–	1,000
Children Hospital Faisalabad		1,730	–
Diamer – Bhasha and Mohmand Dam Fund		14,283	–
Fountain House Mental Health Association		500	–
Government Hospital Gawadar		–	923
Liver Foundation Trust		1,000	1,000
Namal Education Foundation		30,000	–
National Management Foundation (LUMS)		30,000	30,000
Bolan Cricket Stadium		–	500
Punjab Food Authority		337	4,500
RAAST Welfare Society		1,000	–
Rising Sun Institution for Special Children		200	–
Saleem Memorial Hospital		–	5,000
Shaukat Khanum Memorial Trust		1,000	–
Sukkur Institute of Business Administration		–	1,000
Sundas Foundation		1,000	–
Taj Medical Complex & Hamdard University		–	25
Tamir Welfare Organization		2,500	2,000
Tehzeeb Social Welfare Organization		250	–
The Indus Hospital		10,000	–
University of Turbat		2,373	–
		<b>113,238</b>	<b>54,209</b>

**28.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

## 29 WORKERS WELFARE FUND

Supreme Court of Pakistan vide order dated November 10, 2016 held that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were unlawful. Federal Board of Revenue filed review petition against the subject order, which is currently pending for adjudication.

However, based on the above referred order and legal opinion of the tax consultants, the Bank has reversed the provision against WWF for the period from January 2008 to December 2013, i.e. before levy of WWF by Sindh Provincial Government.

WWF provision from 2014 to 2018 has been maintained conservatively, based on tax advisor's opinion in view of provincial levy of WWF by Sindh with effect from 2014; which is under litigation.

	December 31, 2018	December 31, 2017
Rupees in '000		
<b>30 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	38,143	41,642
Education cess	23,267	31,022
Depreciation – non-banking assets	19,662	18,938
Other assets written off	891	5,254
	<b>81,963</b>	<b>96,856</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>31 PROVISIONS AND WRITE OFFS – NET</b>		
Provision for diminution in the value of investments	109,019	8,804
Reversal against loans and advances	(1,132,836)	(1,966,938)
Provision / (reversal) against other assets	84,696	(156,858)
Reversal against off balance sheet obligations	–	(251,616)
Bad debts written off directly	–	–
	(939,121)	(2,366,608)
Recovery of written off bad debts	(150,567)	(159,540)
	<u>(1,089,688)</u>	<u>(2,526,148)</u>

## 32 EXTRA-ORDINARY / UNUSUAL ITEM

Under the Suo Moto case SMC No. 20/2016, the Honorable Supreme Court had taken up the matter relating to pension arrangements of certain privatized banks including Allied Bank Limited. The Honorable Supreme Court of Pakistan concluded the Suo Moto case on February 13, 2018, by using judicial discretion and fixed the minimum pension and indexation levels for eligible staff, on humanitarian grounds. In view of the underlying judgement, the Bank under the guidance of legal counsel, has booked the related past service cost amounting to Rs. 172 million; based on a latest actuarial valuation.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>33 TAXATION</b>		
Current – for the year including super tax	7,707,277	7,295,083
– for prior year	–	962,923
	<u>7,707,277</u>	<u>8,258,006</u>
Deferred – current	428,632	(112,947)
	<u>8,135,909</u>	<u>8,145,059</u>

### 33.1 Relationship between tax expense and accounting profit

Accounting profit for the year	21,016,427	20,878,695
Tax on income @ 35% (2017: 35%)	7,355,749	7,307,543
Super Tax @ 4%	790,490	962,923
Others	(10,330)	(125,407)
Tax charge for the year	<u>8,135,909</u>	<u>8,145,059</u>

## 34 EARNINGS PER SHARE – BASIC AND DILUTED

Profit after taxation	12,880,518	12,733,636
	Number of Shares	
Weighted average number of ordinary shares outstanding during the year	1,145,073,830	1,145,073,830
	Rupees	
Earnings per share – basic and diluted	11.25	11.12

There is no dilution effect on basic earnings per share.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>35 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	5	99,188,414	85,367,382
Balances with other banks	6	2,575,055	648,765
Overdrawn nostro accounts	15	(243,624)	(104,823)
		<u>101,519,845</u>	<u>85,911,324</u>

Numbers

<b>36 STAFF STRENGTH</b>			
Permanent		10,930	10,637
Temporary / on contractual basis / trainee		276	438
Bank's own staff strength at the end of the year		<u>11,206</u>	<u>11,075</u>
Average number of employees		<u>11,141</u>	<u>11,203</u>

**36.1** In addition to the above, 376 (2017: 319) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 8 (2017: 10) employees were posted abroad. The rest were working domestically.

## 37 DEFINED BENEFIT PLANS

### 37.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme – funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

### 37.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme / plans are:

	December 31, 2018	December 31, 2017
Numbers		
– Pension fund	922	1,193
– Gratuity fund	10,674	10,686
– Benevolent fund	76	88
– Post retirement medical benefits	10,623	10,637
– Employees' compensated absences	10,623	10,637

In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:

– Pension fund	2,236	2,022
– Post retirement medical benefits	1,610	2,017

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 37.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2018 based on the Projected Unit Credit Method, using the following significant assumptions:

Sources of estimation		December 31, 2018	December 31, 2017
<b>Withdrawal rate</b>			
Pension fund		Low	Low
Gratuity fund		High	High
Benevolent fund		High	High
Post retirement medical benefits		High	High
Employees' compensated absences		High	High
<b>Mortality rate</b>		Adjusted SLIC 2001–2005	Adjusted SLIC 2001–2005
<b>Discount rate</b>		Yield on investments in Government Bonds	13.25% 8.25%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	13.25%	8.25%
Gratuity fund	Yield on investments in Government Bonds	13.25%	8.25%
Benevolent fund	Yield on investments in Government Bonds	13.25%	8.25%
<b>Expected rate of salary increase</b>		Rate of salary increase	11.25% 6.25%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

## 37.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

Note	December 31, 2018						December 31, 2017					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000						Rupees in '000					
Present value of defined benefit obligations	37.6	1,585,703	2,827,757	9,206	1,332,925	606,216	1,979,453	2,531,300	8,036	1,240,250	570,128	
Fair value of plan's / scheme's assets	37.7	(6,145,768)	(2,383,102)	(241,036)	–	–	(5,671,485)	(2,019,381)	(232,158)	–	–	
Net (asset) / liability		(4,560,065)	444,655	(231,830)	1,332,925	606,216	(3,692,032)	511,919	(224,122)	1,240,250	570,128	
Benefit of the surplus not available to												
the Bank		–	–	115,915	–	–	–	–	112,061	–	–	
Net (asset) / liability		(4,560,065)	444,655	(115,915)	1,332,925	606,216	(3,692,032)	511,919	(112,061)	1,240,250	570,128	

## 37.5 Movement in (receivable from) / payable to defined benefit plans

Note	December 31, 2018						December 31, 2017					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000						Rupees in '000					
Opening balance		(3,692,032)	511,919	(112,061)	1,240,250	570,128	(4,614,727)	255,291	(106,116)	1,298,380	698,964	
(Reversal) / charge for the year	37.9	(121,245)	391,019	(18,490)	144,612	244,446	(363,776)	306,687	(16,978)	129,178	37,189	
Other comprehensive (income) / losses		(746,788)	(72,143)	14,636	105,031	–	1,286,471	250,516	11,033	(62,068)	–	
Contribution to the fund / benefits paid		–	(386,040)	–	(156,968)	(208,358)	–	(300,575)	–	(125,240)	(166,025)	
Closing balance		(4,560,065)	444,755	(115,915)	1,332,925	606,216	(3,692,032)	511,919	(112,061)	1,240,250	570,128	



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 37.6 Movement in defined benefit obligations

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	1,979,453	2,531,300	8,036	1,240,250	570,128
Current service cost	–	307,163	–	29,241	32,688
Interest cost	148,404	195,575	579	95,846	38,441
Benefits paid	(361,231)	(321,380)	(2,041)	(156,968)	(208,358)
Past Service Cost– Supreme Court	172,111	–	–	–	–
Past Service Cost– Change in retirement age	4,285	33,851	–	22,975	18,252
VRS / settlement loss	6,952	7,672	–	(3,450)	17,215
Re-measurement (gain) / loss	(364,271)	73,576	2,632	105,031	137,850
Closing balance	1,585,703	2,827,757	9,206	1,332,925	606,216

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	2,001,618	2,285,523	8,776	1,298,380	698,964
Current service cost	–	280,153	–	29,182	37,697
Interest cost	149,272	173,464	604	98,861	49,276
Benefits paid	(271,434)	(234,443)	(2,455)	(125,240)	(166,025)
Past Service Cost– Supreme Court	–	–	–	–	–
Past Service Cost– Change in retirement age	–	–	–	–	–
VRS / settlement loss / (gain)	5,402	6,111	–	1,135	21,856
Re-measurement loss / (gain)	94,595	20,492	1,111	(62,068)	(71,640)
Closing balance	1,979,453	2,531,300	8,036	1,240,250	570,128

## 37.7 Movement in fair value of plan assets

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	5,671,485	2,019,381	232,158	–	–
Expected return on plan assets	452,997	153,342	19,069	–	–
Bank's contribution	–	386,040	–	–	–
Benefits paid	(361,231)	(321,380)	(2,041)	–	–
Re-measurement gain / (loss)	382,517	145,719	(8,150)	–	–
Closing balance	6,145,768	2,383,102	241,036	–	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,616,345	2,030,232	221,007	–	–
Expected return on plan assets	518,450	153,041	17,582	–	–
Bank's contribution	–	300,576	–	–	–
Benefits paid	(271,434)	(234,443)	(2,455)	–	–
Re-measurement loss	(1,191,876)	(230,025)	(3,976)	–	–
Closing balance	5,671,485	2,019,381	232,158	–	–

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 37.8 Components of plan assets

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	5,333,723	655,028	29,796	–	–
Government securities	–	–	–	–	–
Cash and cash equivalents	812,045	1,728,074	211,240	–	–
	6,145,768	2,383,102	241,036	–	–

### 37.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	3,277,428	655,028	29,796	–	–
Term deposit receipts	664,594	1,693,708	193,345	–	–
Bank balances with ABL	147,451	34,366	17,895	–	–
	4,089,473	2,383,102	241,036	–	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	2,827,493	517,952	23,561	–	–
Government securities	–	304,383	–	–	–
Cash and cash equivalents	2,843,992	1,197,046	208,597	–	–
	5,671,485	2,019,381	232,158	–	–

### 37.8.2 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,827,493	517,952	23,561	–	–
Term deposit receipts	2,408,733	972,064	164,907	–	–
Bank balances with ABL	435,259	224,982	43,690	–	–
	5,671,485	1,714,998	232,158	–	–

**37.8.3** Investment in term deposit receipts are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

## 37.9 Charge for defined benefit plan

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	–	307,163	–	29,241	32,688
Interest cost	–	–	–	95,846	38,441
Net interest	(304,593)	42,333	(18,490)	–	–
Past Service Cost– Supreme Court	172,111	–	–	–	–
Past Service Cost– Change in retirement age	4,285	33,851	–	22,975	18,252
VRS loss / (gain)	6,952	7,672	–	(3,450)	17,215
Re-measurement loss recognised	–	–	–	–	137,850
	(121,245)	391,019	(18,490)	144,612	244,446

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	–	280,153	–	29,182	37,697
Interest cost	–	20,423	–	98,861	49,276
Net interest	(369,178)	–	(16,978)	–	–
Past Service Cost– Supreme Court	–	–	–	–	–
Past Service Cost– Change in retirement age	–	–	–	–	–
VRS loss	5,402	6,111	–	1,135	21,856
Re-measurement gain recognised	–	–	–	–	(71,640)
	(363,776)	306,687	(16,978)	129,178	37,189

## 37.10 Re-measurements recognized in other comprehensive income

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations – Experience adjustments	364,271	(73,576)	(2,632)	(105,031)	–
Re-measurement gain / (loss) on assets	382,517	145,719	(8,150)	–	–
Asset ceiling adjustment	–	–	(3,854)	–	–
Re-measurement gain / (loss) in OCI	746,788	72,143	(14,636)	(105,031)	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations – Experience adjustments	(94,594)	(20,491)	(1,112)	62,068	–
Re-measurement loss on assets	(1,191,877)	(230,025)	(3,976)	–	–
Asset ceiling adjustment	–	–	(5,945)	–	–
Re-measurement (loss) / gain in OCI	(1,286,471)	(250,516)	(11,033)	62,068	–

	December 31, 2018		December 31, 2017	
	Rupees in '000		Rupees in '000	

## 37.11 Actual return / (loss) on plan assets

– Pension fund	835,514	(673,427)
– Gratuity fund	299,061	(76,984)
– Benevolent fund	10,919	13,607

## 37.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	1,585,703	1,979,453	2,001,618	1,971,233	2,877,345
Fair value of plan assets	(6,145,768)	(5,671,485)	(6,616,345)	(5,770,403)	(7,252,046)
	(4,560,065)	(3,692,032)	(4,614,727)	(3,799,170)	(4,374,701)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	364,271	(94,595)	(172,722)	(152,852)	(316,213)
Re-measurement gain / (loss) on assets	382,517	(1,191,876)	660,173	(854,480)	478,030

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

Gratuity fund					
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	2,827,757	2,531,300	2,285,523	2,043,833	1,725,573
Fair value of plan assets	(2,383,102)	(2,019,381)	(2,030,232)	(1,482,378)	(1,727,942)
	444,655	511,919	255,291	561,455	(2,369)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement loss on obligation	(73,576)	(20,492)	36,036	(167,783)	(93,984)
Re-measurement gain / (loss) on assets	145,719	(230,025)	26,301	(168,935)	137,284
Benevolent fund					
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	9,206	8,036	8,776	12,355	10,469
Fair value of plan assets	(278,393)	(232,158)	(221,007)	(205,166)	(197,461)
	(269,187)	(224,122)	(212,231)	(192,811)	(186,992)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement (loss) / gain on obligation	(2,632)	(1,111)	931	(4,376)	(2,203)
Re-measurement (gain) / loss on assets	(8,150)	(3,976)	1,136	(10,841)	5,247
Post retirement medical					
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	1,332,925	1,240,250	1,298,380	1,217,945	970,060
Fair value of plan assets	–	–	–	–	–
	1,332,925	1,240,250	1,298,380	1,217,945	970,060
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(105,031)	62,068	(97,990)	(243,936)	(21,931)
Employees' compensated absences					
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	606,216	570,128	698,964	761,498	755,785
Fair value of plan assets	–	–	–	–	–
	606,216	570,128	698,964	761,498	755,785
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(137,850)	71,640	11,662	(45,712)	(47,308)

## 37.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial expected charge for the next financial year. No contributions are being made to pension / benevolent fund due to surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2019 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Expected (reversal) / charge for the next year	(604,209)	390,902	(30,717)	198,491	118,021

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 37.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Indexation Rate	-1% Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1 Year Mortality age set back	1 Year Mortality age set forward
Rupees in '000										
Pension fund	1,542,089	1,633,835	–	–	1,613,786	1,560,502	1,585,770	1,585,770	1,585,526	1,586,451
Gratuity fund	2,657,769	3,019,456	3,034,769	2,641,515	–	–	2,841,692	2,812,580	2,826,721	2,828,787
Benevolent fund	8,807	9,648	–	–	–	–	–	–	8,416	9,997
Post retirement medical	1,244,926	1,432,565	1,362,228	1,302,797	1,377,358	1,296,130	1,330,584	1,335,438	1,331,688	1,334,151
Leave compensated absences	566,236	651,113	651,644	565,121	–	–	598,853	613,928	604,509	607,953

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

December 31, 2018					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					

## 37.15 Maturity Profile

The weighted average duration of the obligation (in years)	2.89	6.39	4.57	7.04	7.00
--	------	------	------	------	------

## 37.16 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 37.17 Risk associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

### Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

### Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

### Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 38 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,158 (2017: 10,236) employees where contributions are made by the Bank and employees at 8.33% per annum (2017: 8.33% per annum) of the basic salary every month.

## 39 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President / Chief Executive		Non-Executive Directors		Executives	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000							
Fees	39.1	–	–	16,500	16,950	–	–
Managerial remuneration		12,900	11,400	–	–	1,531,131	1,481,874
Charge for defined benefit plans		1,399	928	–	–	314,721	190,727
Contribution to defined contribution plan		1,075	950	–	–	127,544	123,440
Rent and house maintenance		7,740	6,840	–	–	894,126	843,943
Utilities		2,580	2,280	–	–	306,040	295,507
Medical		2,687	2,362	–	–	305,906	325,071
Bonus		20,000	17,000	–	–	520,303	549,803
Conveyance and others		3,374	3,293	–	–	690,873	780,849
		51,755	45,053	16,500	16,950	4,690,644	4,591,214
Number of persons		1	1	6	5	1,576	1,628

**39.1** This represents meeting fee paid to directors (other than two sponsor directors) for attending meetings of the Board of Directors and Board Committees held during the year.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 40 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On-Balance sheet Financial Instruments	December 31, 2018						Fair Value				
	Carrying Value						Total	Level 1	Level 2	Level 3	Total
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities					
(Rupees in '000)											
Financial assets – measured at fair value											
Investments											
Shares / Open Ended Mutual Funds	–	–	30,241,640	–	–	–	30,241,640	30,115,370	126,270	–	30,241,640
Federal Government Securities	–	–	609,053,323	–	–	–	609,053,323	–	609,053,323	–	609,053,323
Non Government Debt Securities	–	–	2,986,706	–	–	–	2,986,706	–	2,986,706	–	2,986,706
Financial assets – not measured at fair value											
Cash and balances with treasury banks	–	–	–	–	99,188,414	–	99,188,414	–	–	–	–
Balances with other banks	–	–	–	–	2,575,055	–	2,575,055	–	–	–	–
Lendings	–	–	–	53,785,769	–	–	53,785,769	–	–	–	–
Advances	–	–	–	438,318,894	–	–	438,318,894	–	–	–	–
Other assets	–	–	–	–	28,988,381	–	28,988,381	–	–	–	–
Investments ( HTM, unlisted ordinary shares, Term finance certificate, sukuks, subsidiaries)	16,151,622	–	12,794,995	–	–	–	28,946,617	–	–	–	–
	16,151,622	–	655,076,664	492,104,663	130,751,850	–	1,294,084,798	30,115,370	612,166,299	–	642,281,669
Financial liabilities – measured at fair value											
Trading Liability	–	9,987,849	–	–	–	–	9,987,849	–	9,987,849	–	9,987,849
Financial liabilities – not measured at fair value											
Bills payable	–	–	–	–	–	7,752,959	7,752,959	–	–	–	–
Borrowings	–	–	–	–	–	215,895,137	215,895,137	–	–	–	–
Deposits and other accounts	–	–	–	–	–	984,475,183	984,475,183	–	–	–	–
Other liabilities	–	–	–	–	–	19,848,238	19,848,238	–	–	–	–
	–	9,987,849	–	–	–	1,227,971,517	1,237,959,366	–	9,987,849	–	9,987,849
Off-balance sheet financial instruments – measured at fair value											
Forward foreign exchange contracts	–	–	–	–	207,509,971	–	207,509,971	–	207,509,971	–	207,509,971

On-Balance sheet Financial Instruments	December 31, 2017						Fair Value				
	Carrying Value						Total	Level 1	Level 2	Level 3	Total
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities					
(Rupees in '000)											
Financial assets – measured at fair value											
Investments											
Shares / Open Ended Mutual Funds	–	–	33,346,294	–	–	–	33,346,294	33,346,294	–	–	33,346,294
Federal Government Securities	–	24,827,891	552,175,110	–	–	–	577,003,001	–	577,003,001	–	577,003,001
Non Government Debt Securities	–	–	2,515,440	–	–	–	2,515,440	–	2,515,440	–	2,515,440
Financial assets – not measured at fair value											
Cash and balances with treasury banks	–	–	–	–	85,367,382	–	85,367,382	–	–	–	–
Balances with other banks	–	–	–	–	648,765	–	648,765	–	–	–	–
Lending to Financial institutions	–	–	–	8,694,399	–	–	8,694,399	–	–	–	–
Advances	–	–	–	372,037,714	–	–	372,037,714	–	–	–	–
Other assets	–	–	–	–	32,531,714	–	32,531,714	–	–	–	–
Investments ( HTM, unlisted ordinary shares, Term finance certificate, sukuks, subsidiaries)	74,562,280	–	10,655,050	–	–	–	85,217,330	–	–	–	–
	74,562,280	24,827,891	598,691,894	380,732,113	118,547,861	–	1,197,362,039	33,346,294	579,518,441	–	612,864,735
Financial liabilities – measured at fair value											
Trading Liability ( Pakistan Investment Bonds )	–	1,976,436	–	–	–	–	1,976,436	–	1,976,436	–	1,976,436
Financial liabilities – not measured at fair value											
Bills payable	–	–	–	–	–	7,835,467	7,835,467	–	–	–	–
Borrowings	–	–	–	–	–	221,579,947	221,579,947	–	–	–	–
Deposits and other accounts	–	–	–	–	–	883,740,709	883,740,709	–	–	–	–
Other liabilities	–	–	–	–	–	20,296,255	20,296,255	–	–	–	–
	–	1,976,436	–	–	–	1,133,452,378	1,135,428,814	–	1,976,436	–	1,976,436
Off-balance sheet financial instruments – measured at fair value											
Forward foreign exchange contracts	–	–	–	–	136,619,348	–	136,619,348	–	136,619,348	–	136,619,348

### 40.1 Valuation Techniques used in determination of Fair Valuation of Financial Instruments within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of PKRV rates.
Non-Government Debt Securities	Marked to Market on the basis of MUFAP rates.
Foreign exchange contracts	Marked to Market on the basis of SBP rates.
Open ended mutual funds	Marked to Market on the basis of MUFAP rates.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 41 SEGMENT INFORMATION

### 41.1 Segment Details with respect to Business Activities

	December 31, 2018					
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	Total
	Rupees in '000					
Profit & Loss						
Net mark-up/return/profit	27,917,656	(28,096,467)	31,526,565	655,849	111,838	32,115,441
Inter segment revenue - net	(27,412,947)	56,996,482	(27,126,100)	-	(2,457,435)	-
Non mark-up / return / interest income	4,610,156	2,879,344	3,460,206	79,343	260,391	11,289,440
Total Income	5,114,865	31,779,359	7,860,671	735,192	(2,085,206)	43,404,881
Segment direct expenses	540,139	13,782,024	108,445	1,083,994	7,963,540	23,478,142
Total expenses	540,139	13,782,024	108,445	1,083,994	7,963,540	23,478,142
Provisions / (Reversals)	(234,885)	(3,418)	-	8	(851,393)	(1,089,688)
Profit before tax	4,809,611	18,000,753	7,752,226	(348,810)	(9,197,353)	21,016,427
Balance Sheet						
Cash & Bank balances	79,354	44,090,551	47,880,283	4,157,592	5,555,689	101,763,469
Investments	53,748,130	-	606,731,062	10,249,093	500,000	671,228,285
Net inter segment Lending/Borrowing	(402,000,239)	893,698,327	(529,115,678)	1,705,552	35,712,038	-
Lendings to financial institutions	3,610,409	-	50,255,680	3,529,999	(3,610,409)	53,785,679
Advances - performing	394,141,673	27,977,670	-	6,927,022	8,672,957	437,719,322
Advances - non-performing	415,941	183,631	-	-	-	599,572
Others	4,772,402	7,977,518	2,236,843	1,641,756	68,881,257	85,509,776
Total Assets	54,767,670	973,927,697	177,988,190	28,211,014	115,711,532	1,350,606,103
Borrowings	42,470,266	3,912,691	183,088,196	-	(3,588,167)	225,882,986
Subordinated debt	-	-	-	-	-	-
Deposits & other accounts	-	957,686,063	-	24,632,633	2,156,487	984,475,183
Net inter segment borrowing	-	-	-	-	-	-
Others	2,326,844	12,328,943	(3,680,842)	326,877	21,641,279	32,943,101
Total liabilities	44,797,110	973,927,697	179,407,354	24,959,510	20,209,599	1,243,301,270
Equity/Reserves	9,970,560	-	(1,419,164)	3,251,504	95,001,933	107,304,833
Total Equity & liabilities	54,767,670	973,927,697	177,988,190	28,211,014	115,711,532	1,350,606,103
Contingencies & Commitments	83,808,051	12,033,029	265,278,829	582,318	17,824,413	379,526,640
December 31, 2017						
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	Total
Rupees in '000						
Profit & Loss						
Net mark-up/return/profit	21,884,218	(22,486,973)	30,988,158	336,092	697,229	31,418,724
Inter segment revenue - net	(19,894,855)	45,217,795	(22,463,859)	-	(2,859,081)	-
Non mark-up / return / interest income	4,505,299	2,589,889	1,417,589	42,072	316,951	8,871,800
Total Income	6,494,662	25,320,711	9,941,888	378,164	(1,844,901)	40,290,524
Segment direct expenses	534,638	12,809,073	104,758	760,124	7,729,384	21,937,977
Total expenses	534,638	12,809,073	104,758	760,124	7,729,384	21,937,977
Provisions / (Reversals)	(1,234,864)	137,263	-	-	(1,428,547)	(2,526,148)
Profit before tax	7,194,888	12,374,375	9,837,130	(381,960)	(8,145,738)	20,878,695
Balance Sheet						
Cash & Bank balances	253,992	33,996,040	45,806,721	1,124,915	4,834,479	86,016,147
Investments	58,590,024	-	630,790,305	8,303,563	398,174	698,082,066
Net inter segment lending/borrowing	(342,527,341)	814,267,111	(510,811,919)	557,392	38,514,757	-
Lendings to financial institutions	-	-	6,779,431	1,914,968	-	8,694,399
Advances - performing	332,342,878	24,547,759	-	4,662,326	8,009,755	369,562,718
Advances - non-performing	1,955,663	519,333	-	-	-	2,474,996
Others	4,691,652	7,674,292	9,165,697	1,344,389	61,959,302	84,835,332
Total Assets	55,306,868	881,004,535	181,730,235	17,907,553	113,716,467	1,249,665,655

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2017						
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	Total	
	Rupees in '000						
Borrowings	38,223,390	3,257,139	181,968,813	500,000	(392,959)	223,556,383	
Subordinated debt	-	-	-	-	-	-	
Deposits & other accounts	-	867,018,332	-	15,546,966	1,175,411	883,740,709	
Others	3,332,606	10,729,064	(3,011,120)	326,321	24,275,342	35,652,213	
<b>Total liabilities</b>	<b>41,555,996</b>	<b>881,004,535</b>	<b>178,957,693</b>	<b>16,373,287</b>	<b>25,057,794</b>	<b>1,142,949,305</b>	
Equity/Reserves	13,750,872	-	2,772,542	1,534,266	88,658,673	106,716,353	
Total Equity & liabilities	55,306,868	881,004,535	181,730,235	17,907,553	113,716,467	1,249,665,658	
Contingencies & Commitments	48,982,812	31,576,925	136,619,348	743,534	17,982,562	235,905,181	

## 41.2 Geographical Segment Analysis

	December 31, 2018			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	31,309,237	543,312	–	31,852,549
Inter segment revenue – net	–	262,892	–	262,892
Non mark-up / return / interest income	11,461,765	(172,326)	–	11,289,439
Total Income	42,771,002	633,878	–	43,404,880
Segment direct expenses	(23,349,830)	(97,631)	(30,680)	(23,478,141)
Inter segment expense allocation	–	–	–	–
Total expenses	(23,349,830)	(97,631)	(30,680)	(23,478,141)
Provisions	(1,109,600)	19,912	–	(1,089,688)
Profit before tax	20,530,772	516,335	(30,680)	21,016,427
<b>Balance Sheet</b>				
Cash & Bank balances	101,730,996	32,473	–	101,763,469
Investments	660,984,862	10,243,423	–	671,228,285
Net inter segment lendings	–	3,609,107	–	3,609,107
Lendings to financial institutions	50,176,572	–	–	50,176,572
Advances – performing	436,399,282	1,388,468	–	437,787,750
Advances – non-performing	531,144	–	–	531,144
Others	85,384,347	125,429	–	85,509,776
<b>Total Assets</b>	1,335,207,203	15,398,900	–	1,350,606,103
Borrowings	209,636,299	12,637,580	–	222,273,879
Subordinated debt	–	–	–	–
Deposits & other accounts	983,988,816	486,367	–	984,475,183
Net inter segment borrowing	3,609,107	–	–	3,609,107
Others	32,918,156	24,945	–	32,943,101
<b>Total liabilities</b>	1,230,152,378	13,148,892	–	1,243,301,270
Equity	105,054,825	2,250,008	–	107,304,833
<b>Total Equity &amp; liabilities</b>	1,335,207,203	15,398,900	–	1,350,606,103
<b>Contingencies and commitments</b>	379,041,027	485,613	–	379,526,640

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2017			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Profit & Loss				
Net mark-up/return/profit	30,995,945	572,947	–	31,568,892
Inter segment revenue – net	–	9,371	–	9,371
Non mark-up / return / interest income	8,765,309	106,492	–	8,871,801
Total Income	39,761,254	688,810	–	40,450,064
Segment direct expenses	(21,422,859)	(86,181)	(20,463)	(21,529,503)
Inter segment expense allocation	–	–	–	–
Total expenses	(21,422,859)	(86,181)	(20,463)	(21,529,503)
Provisions	(1,958,134)	–	–	(1,958,134)
Profit before tax	20,296,529	602,629	(20,463)	20,878,695
Balance Sheet				
Cash & Bank balances	85,978,936	37,211	–	86,016,147
Investments	684,458,129	13,623,937	–	698,082,066
Net inter segment lendings	–	–	–	–
Lendings to financial institutions	8,694,399	–	–	8,694,399
Advances – performing	349,486,795	4,499,170	–	353,985,965
Advances – non-performing	18,051,749	–	–	18,051,749
Others	84,642,654	192,678	–	84,835,332
Total Assets	1,231,312,662	18,352,996	–	1,249,665,658
Borrowings	207,955,537	15,600,846	–	223,556,383
Subordinated debt	–	–	–	–
Deposits & other accounts	883,270,332	470,377	–	883,740,709
Net inter segment borrowing	–	–	–	–
Others	35,566,308	85,905	–	35,652,213
Total liabilities	1,126,792,177	16,157,128	–	1,142,949,305
Equity	104,520,485	2,195,868	–	106,716,353
Total Equity & liabilities	1,231,312,662	18,352,996	–	1,249,665,658
Contingencies and commitments	235,324,778	580,403	–	235,905,181



## for the year ended December 31, 2018

## RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its parent, subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel including their associates.

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

[illegible]

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018						December 31, 2017							
	Parent	Directors	Key management personnel	Subsidiaries	Associates*	Joint venture	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates*	Joint venture	Other related parties
	(Rupees in '000)													
<b>Borrowings</b>														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) – net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subordinated debt</b>														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>														
Opening balance	1,202	262,709	61,889	38,653	85,690	-	9,246,496	403	53,177	42,152	25,508	245,464	-	13,246,181
Received during the year	9,623,398	99,342	622,197	1,006,553	8,614,444	-	226,189,869	6,779,403	420,062	576,075	884,938	41,545,204	-	136,989,015
Withdrawn during the year	(9,622,816)	(337,996)	(616,342)	(1,033,090)	(8,617,739)	-	(217,149,184)	(6,778,604)	(193,798)	(651,327)	(871,793)	(41,705,028)	-	(140,985,984)
Transfer in / (out) – net	-	369	2,643	-	(14)	-	9,339	-	(16,732)	(5,011)	-	50	-	(2,716)
Closing balance	1,784	24,424	70,387	12,116	82,381	-	18,296,520	1,202	262,709	61,889	38,653	85,690	-	9,246,496
<b>Other Liabilities</b>														
Interest / mark-up payable	-	2,506	625	1,570	757	-	651,581	-	2,457	512	1,204	2,725	-	366,203
Payable to staff retirement fund	-	-	-	-	-	-	546,795	-	-	-	-	-	-	212,116
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other contingencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>42.1 RELATED PARTY TRANSACTIONS</b>														
<b>Income</b>														
Mark-up / return / interest earned	-	513	13,475	-	-	-	-	-	1,115	13,037	-	-	-	-
Fee and commission income	2	10	101	9,458	83	-	423	2	17	64	8,257	69	-	633
Dividend income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss on sale of securities	-	-	-	-	-	-	(262)	-	-	-	-	-	-	-
Rental Income	-	-	-	5,581	-	-	-	-	-	-	3,443	3,336	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Expense</b>														
Mark-up / return / interest paid	-	2,506	625	1,570	757	-	651,581	-	2,457	512	1,204	2,725	-	366,203
Directors meeting fee	-	16,500	-	-	-	-	-	-	16,950	-	-	-	-	-
Remuneration	-	49,281	351,782	-	-	-	-	-	43,175	359,911	-	-	-	-
Other expenses**	-	-	-	-	32,006	-	-	-	-	-	-	31,082	-	-
Rent expense***	-	-	-	-	11,896	-	-	-	-	-	-	11,193	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	-	546,795	-	-	-	-	-	-	212,116
Insurance premium paid	-	99	244	-	-	-	-	-	99	221	-	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

Shares held by the holding company, outstanding at the end of year are included in note 19 to these unconsolidated financial statements.

\* Associated companies are as per IAS 24 'Related Party Disclosures'.

\*\*Other expenses mainly include donation of Rs. 30 million to National Management Foundation for construction of hostel building.

\*\*\*Rent expense of ABL Branch with associated company (Ibrahim Fibres Limited) was carried out on terms other than that of arm's length with prior permission of State Bank of Pakistan.

During the year ended December 31, 2018; certain moveable assets having cumulative net book value of Rs. 171,228 were disposed off for Rs. 309,071 to the Key Management Personnel of the Bank.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>43 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,450,739	11,450,739
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	75,040,687	71,682,627
Eligible Additional Tier 1 (ADT 1) Capital	—	—
Total Eligible Tier 1 Capital	75,040,687	71,682,627
Eligible Tier 2 Capital	21,171,279	23,230,388
Total Eligible Capital (Tier 1 + Tier 2)	96,211,966	94,913,015
<b>Risk Weighted Assets (RWAs):</b>		
Credit Risk	317,173,241	309,897,584
Market Risk	38,020,880	34,237,478
Operational Risk	77,614,260	79,857,656
Total	432,808,381	423,992,718
Common Equity Tier 1 Capital Adequacy ratio	17.34%	16.91%
Tier 1 Capital Adequacy Ratio	17.34%	16.91%
Total Capital Adequacy Ratio	22.23%	22.39%

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.

Further, 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. A phase in arrangement has been put in place whereby the banks are required to maintain the following ratios on an ongoing basis:

	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>	10.00%	10.00%	10.00%	10.00%	10.00%
*Capital Conservation Buffer – CCB	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	10.25%	10.65%	11.275%	11.90%	12.50%

\* Consisting of CET1 only.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 22.23% 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. Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy Calculation.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	75,040,687	71,682,627
Total Exposures	1,633,878,538	1,532,543,176
Leverage Ratio	4.59%	4.68%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	397,968,465	375,217,205
Total Net Cash Outflow	262,615,154	263,470,318
Liquidity Coverage Ratio	151.54%	142.41%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	913,354,244	875,382,010
Total Required Stable Funding	489,559,799	475,042,584
Net Stable Funding Ratio	186.57%	184.27%

43.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>.

43.2 The impact of acceptances being accounted for as financial asset and financial liability for the purpose of calculation of Capital Adequacy Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio is taken in 2018 only.

## 44 RISK MANAGEMENT

The principal risks associated with ABL's business are credit risk, market risk, liquidity risk, reputational risk and operational risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, minimize adversities and to achieve improved outputs based on informed decision making.

The Bank performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees.

### Categories of Risk

<b>Credit Risk</b>	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.  Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.
<b>Market Risk</b>	The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).
<b>Liquidity Risk</b>	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.
<b>Operational Risk</b>	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.
<b>Reputational Risk</b>	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.
<b>Information Security &amp; Governance Risk</b>	Information Security Governance Risk Management involves the identification of an organization's information assets and the development, documentation, and implementation of policies, standards, procedures and guidelines that ensure confidentiality, integrity, and availability.
<b>Strategic Risk</b>	Risk of an adverse impact on strategic goals. Strategic risk mainly arises from strategic decisions, improper implementation of those decisions, or lack of responsiveness of Bank to industry, economic or technological changes.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## Risk Responsibilities

- The Board of Directors are accountable for overall supervision of the risk management process. The Board is responsible for determining the manner in which risk authorities are set, as well as the approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.
- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of Asset & Liability Committee (ALCO) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Risk Framework of the Bank.

## Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information security and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to monitor the health of assets and liabilities, while ensuring risk mitigants against cyber and information system threats.

### 44.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

#### Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### Counterparty credit risk on its private sector advances

Each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk.

Financial analysis is further strengthened through use of separate financial spread sheet templates that have been designed for manufacturing / trading concerns, financial institutions and insurance companies.

#### Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is

#### A. Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

#### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located all over the country.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.1.1 Lending to financial institutions

### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
Public/ Government	–	214,968	–	–	–	–
Private	53,785,679	8,479,431	70,000	70,000	70,000	70,000
	53,785,679	8,694,399	70,000	70,000	70,000	70,000

## 44.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross Investments		Non-performing Investments		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
Basic metals (iron, steel)	500,000	–	–	–	–	–
Financial	6,081,881	4,994,217	–	–	–	–
Hotel, restaurant & clubs	248,085	–	–	–	–	–
Power, gas, water & sanitary	4,881,010	4,155,945	–	–	–	–
Sugar	10,487	10,499	10,487	10,499	10,487	10,499
Textile – Spinning	51,345	53,222	51,345	53,222	51,345	53,222
Textile – Weaving	200,000	200,000	200,000	200,000	200,000	200,000
Government	626,834,650	623,245,609	9,756,796	–	21,248	–
Others	105,329	105,329	105,329	105,329	105,329	105,329
	638,912,787	632,764,821	10,123,957	369,050	388,409	369,050
<b>Credit risk by public / private sector</b>						
Public/ Government	630,584,650	625,845,609	9,756,796	–	21,248	–
Private	8,328,137	6,919,212	367,161	369,050	367,161	369,050
	638,912,787	632,764,821	10,123,957	369,050	388,409	369,050

## 44.1.3 Advances

### Credit risk by industry sector

	Gross Advances		Non-performing Advances		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
Agriculture, Forestry and Hunting	78,511,776	61,558,861	624,049	547,602	596,596	494,710
Basic metals (iron, steel)	7,220,441	2,705,732	151,863	229,849	151,863	229,849
Cement / clay & ceramics	16,781,544	14,416,693	74,089	75,089	74,089	75,089
Chemical & pharmaceutical	23,965,746	20,702,251	376,479	714,158	376,479	714,158
Construction	6,958,964	8,108,971	120,529	148,384	120,529	147,259
Education	124,885	115,335	123	123	123	123
Financial	22,710,967	20,487,988	72,454	72,454	72,454	72,454
Footwear & leather garments	2,212,093	1,148,700	116,953	75,014	108,133	74,419
Furniture & sports goods	1,118,853	1,275,838	265,990	266,103	265,990	266,103
Grains, food & beverages	12,750,666	11,719,839	1,917,020	1,766,277	1,766,367	1,760,202
Health & social welfare	52,122	55,713	3,478	5,984	3,478	5,984
Hotel, restaurant & clubs	1,000,000	1,400,000	7,664	7,664	7,664	7,664
Individuals	10,034,356	9,916,565	361,566	449,729	361,501	448,329
Machinery & equipment	4,200,452	1,864,567	1,157,834	1,206,611	1,157,834	1,206,611
Manufacture of transport equipment	844,246	389,289	140,522	211,014	140,522	211,014
Paper & paper boards	5,632,472	6,218,078	210,574	210,574	210,574	210,574
Petroleum products	13,291,165	10,515,762	13,228	1,201,469	13,228	309,149
Power, gas, water & sanitary	140,719,800	122,133,670	637,015	637,015	637,015	637,015
Printing, publishing & allied	1,121,462	114,390	10,056	10,838	10,056	10,838
Real estate, renting, and business activities	5,485,741	4,790,686	–	–	–	–
Rubber & plastic	295,588	778,824	233,068	235,068	233,068	235,068
Sugar	7,365,203	6,034,307	51,066	51,216	51,066	51,216

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Gross Advances		Non-performing Advances		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
Textile – Manufacture of made up & ready made garments	25,684,060	21,251,761	3,003,575	2,966,776	3,003,575	2,966,776
Textile – Finishing	16,456,503	14,557,321	2,884,586	2,889,512	2,884,586	2,869,986
Textile – Spinning	18,618,930	13,299,514	1,141,751	1,352,423	1,141,751	1,343,415
Textile – Weaving	1,664,289	1,731,836	38,632	60,493	38,632	49,563
Transport, storage & communication	12,439,987	14,112,816	428,077	468,945	127,149	140,024
Wholesale & retail trade	9,220,564	8,579,749	977,027	1,096,493	948,802	1,071,495
Others	7,385,384	8,766,595	1,045,374	1,094,872	1,030,374	1,093,149
	<b>453,868,259</b>	<b>388,751,651</b>	<b>16,064,642</b>	<b>18,051,749</b>	<b>15,533,498</b>	<b>16,702,236</b>
<b>Credit risk by public / private sector</b>						
Public/ Government	177,970,051	149,693,772	135,180	135,180	135,180	135,180
Private	275,898,208	239,057,879	15,929,461	17,916,569	15,398,317	16,567,056
	<b>453,868,259</b>	<b>388,751,651</b>	<b>16,064,641</b>	<b>18,051,749</b>	<b>15,533,497</b>	<b>16,702,236</b>
				<b>December 31, 2018</b>	<b>December 31, 2017</b>	
Amount in Rs '000						

## 44.1.4 Contingencies and Commitments

<b>Credit risk by industry sector</b>		
Agriculture, Forestry and Hunting	1,748,522	1,454,511
Basic metals (iron, steel)	2,298,302	2,325,262
Cement/clay & ceramics	2,491,703	6,227,925
Chemical & pharmaceutical	1,168,652	3,629,067
Construction	3,532,782	4,394,720
Education	55,461	55,461
Financial	272,292,661	143,715,218
Footwear & leather garments	248,281	510,891
Furniture & sports goods	25,375	5,577
Grains, food and beverages	58,426	39,448
Health & social welfare	1,993,444	1,977,624
Hotel, restaurant & clubs	960	960
Individuals	11,027,620	11,032,051
Machinery & equipment	38,708,740	17,239,296
Manufacture of transport equipment	87,725	99,084
Paper & paper boards	275,184	1,969,615
Petroleum products	17,777,157	8,824,756
Power, gas, water & sanitary	9,569,562	8,814,281
Printing, publishing & allied	136,729	110,197
Real estate, renting and business activities	6,018,458	6,279,911
Rubber & plastic	106,775	41,385
Sugar	26,740	19,600
Textile – Manufacture of madeup & ready made garments	275,109	573,861
Textile – Finishing	1,589,863	5,434,753
Textile – Spinning	56,195	118,344
Textile – Weaving	65,702	211,476
Transport, storage & communication	5,315,605	6,845,681
Wholesale & retail trade	957,570	1,859,924
Others	1,617,336	2,094,302
	<b>379,526,639</b>	<b>235,905,181</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	89,704,889	26,886,670
Private	289,821,751	209,018,511
	<b>379,526,640</b>	<b>235,905,181</b>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 220,201.42 million (December 31, 2017: Rs. 180,003.81 million) are as following:

	December 31, 2018	December 31, 2017
	Rupees in '000	
Funded	184,180,778	151,366,645
Non Funded	36,020,642	28,637,168
Total Exposure	220,201,420	180,003,813

The sanctioned limits against these top 10 exposure aggregated to Rs. 255,278.34 million (December 31, 2017: Rs. 236,485.33 million).

## 44.1.6 Advances – Province/Region-wise Disbursement & Utilization

During the year ended December 31, 2018						
	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit- Baltistan
	Rupees in '000					

Province/Region							
Punjab	591,723,087	522,554,625	34,494,817	–	–	34,673,645	–
Sindh	802,485,680	42,048,213	656,714,012	4,851,487	–	98,871,968	–
KPK including FATA	1,429,676	686,026	–	743,650	–	–	–
Balochistan	525,809	–	–	–	525,809	–	–
Islamabad	8,766,970	–	–	–	–	8,766,970	–
AJK including Gilgit-Baltistan	551,587	–	–	–	–	–	551,587
Total	1,405,482,809	565,288,864	691,208,829	5,595,137	525,809	142,312,583	551,587

During the year ended December 31, 2017						
	Disbursements		Utilization			
	Punjab	Sindh	KPK	Balochistan	Islamabad	AJK
			including FATA			Gilgit- Baltistan
	Rupees in '000					

Province/Region							
Punjab	549,306,791	507,020,988	17,876,188	–	–	24,409,615	–
Sindh	686,305,373	36,838,177	554,387,445	5,188,085	–	89,891,666	–
KPK including FATA	1,306,828	427,859	–	878,969	–	–	–
Balochistan	924,727	–	–	–	924,727	–	–
Islamabad	10,328,348	–	–	–	–	10,328,348	–
AJK including Gilgit-Baltistan	669,094	–	–	–	–	–	669,094
Total	1,248,841,161	544,287,024	572,263,633	6,067,054	924,727	124,629,629	669,094

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Market Risk performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees. The Bank appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

The Bank uses three types of risk management tools to measure the Bank's Market Risk: Value-at Risk (VaR), Expected Shortfall (ES) and Stress Testing. In addition, control limits are utilized to maintain the risks within acceptable levels.

The Bank maintains adequate regulatory capital to cover all interest rate risks falling under the "Trading Book" as well as "Banking Book", as defined by Basel capital accord. The Bank uses Standardized Approach in determining credit risk, market risk and operational risk exposures in the capital adequacy calculation. In Market risk exposures, Maturity method is used to calculate charge on Interest rate risk and FX risk.

In its pursuit of automation, the Bank has successfully implemented Oracle Financial Services Analytical Application (OFSAA) Market Risk Module to automate the risk monitoring and reporting activities pertaining to Market Risk, which allows for more efficient risk monitoring and increased focus on risk analysis to help in making more informed decisions.

### 44.2.1 Market Risk Pertaining to the Trading Book

#### Trading Book

The Trading Book of the Bank consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively monitored and managed accordingly.

The Bank's trading book includes securities classified as 'Held-For-Trading', 'Open Ended Mutual Fund' and non strategic listed equity placed in 'Available-For-Sale'. These positions are exposed to all forms of market risk, therefore, are managed actively.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available-for-sale securities – (other than non-strategic listed equity)
- ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate risk, equity price risk and FX risk.

#### Interest Rate Risk – Banking Book

Government securities (PIBs, Sukuks & T-Bills), Bonds, Debentures, etc. and other money market investments are subject to interest rate risk. To capture the risk associated with these securities, extensive modelling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits). Stress testing is also conducted on various macro-economic scenarios to test the resilience of the Bank.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

	Current year			Prior year		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						

## 44.2.2 Balance sheet split by trading and banking books

Cash and balances with treasury banks	99,188,414	–	99,188,414	85,367,382	–	85,367,382
Balances with other banks	2,575,055	–	2,575,055	648,765	–	648,765
Lendings to financial institutions	53,785,679	–	53,785,679	8,694,399	–	8,694,399
Investments	655,534,518	15,693,767	671,228,285	656,266,488	41,815,578	698,082,066
Advances	438,318,894	–	438,318,894	372,037,714	–	372,037,714
Fixed assets	50,378,537	–	50,378,537	46,867,935	–	46,867,935
Intangible assets	1,749,054	–	1,749,054	1,459,094	–	1,459,094
Deferred tax assets	–	–	–	–	–	–
Other assets	33,382,185	–	33,382,185	36,508,303	–	36,508,303
	<b>1,334,912,336</b>	<b>15,693,767</b>	<b>1,350,606,103</b>	<b>1,207,850,080</b>	<b>41,815,578</b>	<b>1,249,665,658</b>

## 44.2.3 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations in exchange rates. The Bank's FX Risk is largely mitigated by following a matched funding policy whereas for any mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

The majority of the Bank's net foreign currency exposure is in US Dollars and the Bank uses system-based monitoring of its intra-day Net Open Position for effective risk management. The Bank carefully monitors the net foreign currency exposure and the effect of exchange rate fluctuations by conducting sensitivity analysis and stress testing, as well as utilizing the currency forwards and swaps to hedge the related exposure.

The Bank maintains adequate regulatory capital to cover against foreign exchange risks.

The bank undertakes foreign exchange exposures in the shape of FX Forwards and Swaps in order to hedge its foreign currency deposits and advances, after incorporating the impact of its NOSTRO and Cash Reserve balances.

	December 31, 2018				December 31, 2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000								
Pakistani Rupee	1,299,896,799	1,125,946,991	(66,414,629)	107,535,179	1,197,945,310	1,038,022,140	(53,340,095)	106,583,075
United States Dollar	50,030,348	109,211,476	58,937,581	(243,547)	46,967,686	92,784,942	45,931,305	114,049
Great Britain Pound Sterling	283,035	5,309,004	5,026,143	174	319,361	5,307,053	4,988,957	1,265
Japanese Yen	4,317	975	(2,521)	821	10,415	761	(10,568)	(914)
Euro	326,332	2,826,096	2,502,163	2,399	371,402	2,856,405	2,487,262	2,259
Other currencies	65,272	6,728	(48,737)	9,807	97,939	24,459	(56,861)	16,619
	<b>50,709,304</b>	<b>117,354,279</b>	<b>66,414,629</b>	<b>(230,346)</b>	<b>47,766,803</b>	<b>100,973,620</b>	<b>53,340,095</b>	<b>133,278</b>
	<b>1,350,606,103</b>	<b>1,243,301,270</b>	<b>–</b>	<b>107,304,833</b>	<b>1,245,712,113</b>	<b>1,138,995,760</b>	<b>–</b>	<b>106,716,353</b>

	December 31, 2018		December 31, 2017	
	Banking book	Trading book	Banking book	Trading book
Rupees in '000				
After tax Impact of 1% change in foreign exchange rates on:				
– Profit and loss account	–	(1,604,197)	–	872,510
– Other comprehensive income	–	–	–	–
	–	(1,604,197)	–	872,510



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.2.4 Equity position Risk

Equity risk is the potential for incurring losses due to adverse changes in stock prices. ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Bank maintains adequate regulatory capital to cover against equity price risks. Equity investments classified as "Held-For-Trading" as well as listed non-strategic equity investments classified as "Available-For-Sale" are part of the "Trading Book" and subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of "Banking Book" and are therefore subject to credit risk charge as specified by the Basel Framework.

	December 31, 2018		December 31, 2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of 5% change in equity prices on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	(606,660,345)	(510,047,451)	(662,371,540)	(552,099,819)

## 44.2.5 Yield / Interest Rate Risk in the Banking Book (IRRBB)–Basel II Specific

Interest rate / Rate of return risk is the current or prospective risk of losses, to both the Bank's capital and earnings, arising from movements in interest rates / rates of return. The losses may be due to earnings deterioration or capital erosion.

The Bank has a robust system in place to monitor Interest rate risk and ALCO regularly analyses the interest rate scenario and devises strategies to minimize adverse impact of interest rate risk to the Bank's equity and profits.

Interest rate risk is measured through "duration" of an instrument. To assess the interest rate risk at Balance Sheet and Income Statement level, gap analysis on "re-pricing schedule" is utilized. Re-pricing schedule is a distribution of interest-sensitive assets, liabilities, and Off-Balance Sheet positions into a number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate), and is calculated in compliance with SBP instructions. For non-contractual assets and liabilities, an ALCO approved methodology is utilized to place these assets and liabilities in the re-pricing schedule. This methodology is based on the results of a behavioral analysis which statistically models the historical trends of the last 5 years.

Government securities (PIBs & T-Bills, Sukuks), Bonds, Debentures, etc. and other money market investments are subject to interest rate / rate of return risk. To capture the risk associated with these securities, extensive modelling is being done with respect to duration analysis. Stress testing and scenario-based models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements. Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

In accordance with BSD Circular No.03 of 2011, issued by the SBP, the Group is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study approved by ALCO committee.

	December 31, 2018		December 31, 2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 1%				
– Net Interest Income	1,636,784	652,483	724,623	428,497
– Market Value of Equity	(1,932,493)	(88,158)	(3,550,554)	(65,385)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	December 31, 2018										Non-interest bearing financial instruments
		Exposed to Yield/ Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		99,188,414	-	-	-	-	-	-	-	-	85,059,614	
Balances with other banks		2,575,055	-	-	-	-	-	-	-	-	2,575,055	
Lending to financial institutions	7.95%	53,785,679	2,787,100	-	-	-	-	-	-	-	-	
Investments	7.94%	671,228,285	230,869,328	324,040,190	19,584,532	31,803,113	893,744	5,816,244	7,291,693	16,569,201	34,360,240	
Advances	7.35%	438,318,894	40,863,019	237,269,509	96,023,436	35,017,394	1,246,393	3,497,541	7,318,886	11,972,215	285,953	
Other assets		28,988,381	-	-	-	-	-	-	-	-	28,988,381	
		1,294,084,708	336,859,726	564,096,799	115,607,968	66,820,507	2,140,137	9,313,785	14,610,579	28,541,416	151,269,243	
Liabilities												
Bills payable		7,752,959	-	-	-	-	-	-	-	-	7,752,959	
Borrowings	5.89%	225,882,986	173,702,776	27,973,227	10,161,557	40	282,296	641,607	1,556,729	11,564,754	-	
Deposits and other accounts	3.51%	984,475,183	121,296,471	229,412,178	295,508,730	53,568,188	19,398,720	825,194	876,633	534,810	262,974,151	
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	
Subordinated debt		-	-	-	-	-	-	-	-	-	-	
Other liabilities		19,848,238	-	-	-	-	-	-	-	-	19,848,238	
		1,237,959,366	294,999,247	257,385,405	305,670,287	53,568,228	19,681,016	1,466,801	2,433,362	12,099,564	290,575,348	
On-balance sheet gap		56,125,342	41,860,479	306,711,394	(190,062,319)	13,252,279	(17,540,879)	7,846,984	12,177,217	16,441,852	(139,306,105)	
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		96,475,905	12,705,839	6,870,608	32,410,166	21,944,400	20,200,564	1,085,634	77,339	7,500	1,173,855	
Commitments in respect of purchase of:												
- forward foreign exchange contracts		137,056,586	46,875,838	55,520,667	34,407,428	252,653	-	-	-	-	-	
- forward government securities transactions		57,768,858	54,219,284	3,549,574	-	-	-	-	-	-	-	
- derivatives		-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	
		194,825,444	101,095,122	59,070,241	34,407,428	252,653	-	-	-	-	-	
Commitments in respect of sale of:												
- forward foreign exchange contracts		70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-	-	
- forward government securities transactions		-	-	-	-	-	-	-	-	-	-	
- derivatives		-	-	-	-	-	-	-	-	-	-	
- forward lending		-	-	-	-	-	-	-	-	-	-	
		70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-	-	
Other commitments		27,762,282	13,998,922	4,536,571	2,459,295	1,850,964	807,808	807,808	1,615,617	1,685,297	-	
Off-balance sheet gap		248,610,246	94,659,580	53,752,454	48,715,471	24,021,319	21,008,372	1,893,442	1,692,956	1,692,797	1,173,855	
Total Yield/Interest Risk Sensitivity Gap		304,735,588	136,520,059	360,463,848	(141,346,848)	37,273,598	3,467,493	9,740,426	13,870,173	18,134,649	5,918,295	
Cumulative Yield/Interest Risk Sensitivity Gap		304,735,588	136,520,059	496,983,907	355,637,059	392,910,657	396,378,150	406,118,576	419,988,749	438,123,398	444,041,693	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Above 10 Years
Rupees in '000										
On-balance sheet financial instruments										
Assets										
	85,367,382	11,667,460	-	-	-	-	-	-	-	73,699,922
Cash and balances with treasury banks	648,765	-	-	-	-	-	-	-	-	648,765
Balances with other banks	8,694,399	8,479,431	-	214,968	-	-	-	-	-	-
Lending to financial institutions	698,082,066	207,838,771	254,965,360	4,859,782	76,666,335	69,068,252	911,023	12,335,225	31,594,411	2,474,558
Investments	372,037,714	37,897,626	185,934,596	98,280,747	25,215,173	1,858,041	1,695,652	3,631,683	12,710,559	37,368,349
Advances	32,531,714	-	-	-	-	-	-	-	-	37,714
Other assets	1,197,362,040	265,883,288	440,899,956	103,355,497	101,881,508	70,926,293	2,606,675	15,966,908	44,304,970	32,531,714
										144,286,464
Liabilities										
	7,835,467	-	-	-	-	-	-	-	-	7,835,467
Bills payable	223,556,383	187,022,240	18,928,986	5,136,191	1,889,389	24,603	424,408	1,130,910	9,000,656	-
Borrowings	883,740,709	114,815,490	179,108,142	277,712,372	54,121,362	10,708,471	1,643,439	672,985	279,725	244,605,828
Deposits and other accounts	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	20,296,255	-	-	-	-	-	-	-	-	-
Other liabilities	1,135,428,814	301,837,730	198,037,128	282,847,563	56,010,751	10,733,074	2,067,847	1,803,895	9,280,381	20,296,255
	61,933,226	(35,954,442)	242,862,828	(179,492,066)	45,870,757	60,193,219	538,828	14,163,013	35,024,589	272,737,550
On-balance sheet gap										(128,451,086)
Off-balance sheet financial instruments										
	81,303,270	10,374,686	9,834,147	29,912,375	15,789,295	14,156,377	913,869	18,254	7,500	296,767
Documentary credits and short-term trade-related transactions										-
Commitments in respect of purchase of:										
- forward foreign exchange contracts	95,038,705	47,065,184	41,879,615	6,075,063	18,843	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-
	95,038,705	47,065,184	41,879,615	6,075,063	18,843	-	-	-	-	-
Commitments in respect of sale of:										
- forward foreign exchange contracts	41,580,643	22,932,197	15,865,960	2,531,882	250,604	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-
	41,580,643	22,932,197	15,865,960	2,531,882	250,604	-	-	-	-	-
Other commitments	31,592,555	14,969,156	5,748,217	5,018,468	697,197	851,431	851,431	1,702,862	1,753,793	-
Off-balance sheet gap	166,353,887	49,476,829	41,596,019	38,474,024	16,254,731	15,007,808	1,765,300	1,721,116	1,761,293	296,767
Total Yield/Interest Risk Sensitivity Gap	228,287,113	13,522,387	284,458,847	(141,018,042)	62,125,488	75,201,027	2,304,128	15,884,129	36,785,882	(128,451,086)
Cumulative Yield/Interest Risk Sensitivity Gap	228,287,113	13,522,387	297,981,234	156,963,192	219,088,680	294,289,707	296,593,835	312,477,964	349,263,846	356,738,199

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

Reconciliation to total assets	December 31, 2018	December 31, 2017	Reconciliation to total liabilities	December 31, 2018	December 31, 2017
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	1,350,606,103	1,249,665,658	Balance as per balance sheet	1,243,301,270	1,142,949,305
Less: Non financial assets			Less: Non financial liabilities		
Fixed assets	52,127,591	48,327,029	Deferred tax liabilities	4,755,428	6,941,804
Other assets	4,393,804	3,976,589	Other liabilities	586,476	578,687
	56,521,395	52,303,618		5,341,904	7,520,491
Total financial assets	1,294,084,708	1,197,362,040	Total financial liabilities	1,237,959,366	1,135,428,814

## 44.3 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

Further, detailed data of operational losses is being maintained, in conformance with regulatory guidelines. Major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Bank has also developed a Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

The Bank is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

## 44.4 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. The 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 the Bank's liquidity risk and devise strategies accordingly. The Bank also has various limits and triggers in place to monitor liquidity risk on a periodic basis, while it also utilizes stress testing & scenario analysis to assess adequacy of Bank's liquid assets. The Bank also complies with SBP's instructions on Liquidity Standards as prescribed under the Basel III Framework.

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

### 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.

### Liquidity Risk Mitigation Techniques

The Bank uses the following tools to identify and mitigate Liquidity Risk:

- Gap Analysis
- Liquidity Ratio
- Liquidity Stress Testing
- Liquidity Contingency Plan
- Risk Control Limits (RCLs)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2018										
	Total	Upto 1 Day	Upto 7 days	Upto 14 days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Upto 1 year	Over 1 year to 5 Years
(Rupees in '000)											
<b>Assets</b>											
Cash and balances with treasury banks	99,188,414	99,188,414	-	-	-	-	-	-	-	-	-
Balances with other banks	2,575,055	2,575,055	-	-	-	-	-	-	-	-	-
Lending to financial institutions	53,785,679	-	48,468,580	500,000	2,029,999	2,787,100	-	-	-	-	-
Investments – net	671,228,285	34,360,240	220,417,989	-	8,071,443	317,394,215	32,888	16,947,301	25,667,744	6,135,369	8,471,835
Advances – net	438,318,894	70,461,195	2,033,096	194,526	13,017,204	6,728,176	10,881,528	30,015,383	16,467,670	101,842,831	50,431,751
Fixed assets	50,378,537	13,826	82,959	96,785	235,050	428,620	428,621	1,285,861	1,285,861	2,777,178	2,137,177
Intangible assets	1,749,054	671	4,029	4,700	11,414	20,814	20,814	62,441	62,441	249,765	499,530
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	33,382,185	346,336	2,078,016	2,424,352	5,887,713	1,900,406	5,647,584	4,119,201	1,404,043	1,378,006	586,758
	1,350,606,103	206,945,737	273,084,669	3,220,363	29,252,823	329,259,331	17,011,435	52,430,187	44,887,759	110,704,509	64,272,469
<b>Liabilities</b>											
Bills payable	7,752,959	7,752,959	-	-	-	-	-	-	-	-	-
Borrowings	225,882,986	-	159,079,594	3,277,502	6,624,376	14,289,234	12,434,236	16,132,619	-	40	1,556,729
Deposits and other accounts	984,475,183	809,687,661	10,413,217	14,158,732	30,324,819	27,831,940	13,976,360	37,210,046	12,590,619	23,771,946	876,633
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	4,755,428	6,272	37,629	43,900	106,615	1,359,344	43,166	214,988	255,541	166,219	146,666
Other liabilities	20,434,714	364,185	2,185,108	2,549,293	6,191,140	7,18,160	685,178	1,015,410	895,464	883,536	895,342
	1,243,301,270	817,811,077	171,715,548	20,029,427	43,246,950	44,198,678	27,138,940	54,573,063	13,744,624	24,821,741	3,475,370
<b>Net assets</b>	107,304,833	(610,865,340)	101,369,121	(16,809,064)	(13,994,127)	285,060,653	(10,127,505)	(2,142,876)	31,143,135	86,882,768	60,797,099
Share capital	11,450,739										
Reserves	20,276,515										
Unappropriated profit	52,500,405										
Surplus on revaluation of assets net of tax	23,077,174										
	107,304,833										



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017												
Total	Upto 1 Day	Upto 7 days	Upto 14 days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 Years
(Rupees in '000)												
<b>Assets</b>												
Cash and balances with treasury banks	85,367,382	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	648,765	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	8,694,399	7,879,431	600,000	-	-	-	214,968	-	-	-	-	-
Investments - net	698,082,066	37,368,350	110,829,309	-	95,423,880	139,040,676	112,975,715	245,898	1,252,151	69,157,669	1,159,932	14,638,525
Advances - net	372,037,714	53,084,410	346,168	304,380	40,622,206	3,775,802	8,892,953	10,385,002	48,011,535	44,495,360	51,380,735	57,345,524
Fixed assets	46,867,935	14,394	86,363	100,756	244,694	446,207	446,208	1,338,622	1,338,622	2,364,751	2,339,760	1,916,454
Intangible assets	1,459,094	560	3,360	3,921	9,522	17,363	17,363	52,090	52,089	208,359	208,359	416,717
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,508,303	534,058	3,204,348	3,738,407	9,078,987	1,940,931	4,502,609	1,420,575	1,418,492	512,004	512,004	2,292,040
	1,249,685,658	177,017,919	122,348,979	4,747,464	145,379,289	145,220,979	126,834,848	88,610,473	52,072,889	116,738,143	55,600,790	76,609,260
<b>Liabilities</b>												
Bills payable	7,835,467	-	-	-	-	-	-	-	-	-	-	-
Borrowings	223,556,383	-	172,679,291	3,769,066	8,255,121	9,684,911	5,135,191	4,208,110	40	24,603	424,409	1,130,911
Deposits and other accounts	893,740,709	699,607,137	22,779,027	7,768,373	17,034,748	24,054,313	26,521,973	15,180,412	29,302,479	1,070,000	1,643,439	672,985
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	6,941,804	16,057	96,345	112,402	272,976	1,150,792	937,111	701,199	98,610	750,669	207,312	225,073
Other liabilities	20,874,942	347,363	2,084,176	2,431,538	5,905,165	1,042,528	988,981	1,197,406	1,153,501	905,767	747,185	912,453
	1,142,949,305	707,806,024	197,638,839	14,081,379	31,488,010	35,491,708	38,132,976	21,287,127	30,554,630	2,751,039	3,022,345	2,941,422
<b>Net assets</b>	106,716,353	(530,788,105)	(75,289,860)	(9,333,915)	113,911,279	109,729,271	88,701,872	67,323,346	21,518,259	113,987,104	52,578,445	73,667,838
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-
Reserves	17,980,116	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	49,212,447	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets net of tax	28,073,051	-	-	-	-	-	-	-	-	-	-	-
	106,716,353	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

December 31, 2018										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	99,188,414	27,339,089	10,192,026	4,908,440	4,104,803	1,973,027	2,007,802	–	–	48,663,227
Balances with other banks	2,575,055	2,575,055	–	–	–	–	–	–	–	–
Lending to financial institutions	53,785,679	50,998,579	2,787,100	–	–	–	–	–	–	–
Investments – net	671,228,285	229,565,085	317,427,104	16,947,301	31,803,113	9,798,775	14,898,089	8,471,835	40,401,983	1,915,000
Advances – net	438,318,894	22,697,105	21,999,270	32,819,525	121,876,130	75,463,863	64,314,835	67,848,278	26,482,007	4,817,881
Fixed assets	50,378,537	428,620	857,241	1,285,861	2,571,723	2,777,178	2,750,793	2,137,177	2,391,543	35,178,401
Intangible assets	1,749,054	20,814	41,628	62,441	124,882	249,765	249,765	499,530	500,229	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets – net	33,382,185	10,736,417	7,547,990	4,119,201	2,782,049	586,758	586,758	2,732,176	4,290,836	–
	1,350,606,103	344,360,764	360,852,359	60,142,769	163,262,700	90,849,366	84,808,042	81,688,996	74,066,598	90,574,509
<b>Liabilities</b>										
Bills payable	7,752,959	7,752,959	–	–	–	–	–	–	–	–
Borrowings	225,882,986	168,981,472	26,723,469	16,132,619	40	282,296	641,607	1,556,729	11,564,754	–
Deposits and other accounts	984,475,183	121,296,471	173,849,475	83,725,237	70,017,278	35,847,810	35,073,079	876,633	534,810	463,254,390
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities – net	4,755,428	194,416	1,402,510	214,988	421,760	176,080	197,040	146,666	280,666	1,721,302
Other liabilities	20,434,714	11,289,726	1,403,338	1,015,410	1,782,000	1,044,424	773,156	895,342	2,231,318	–
	1,243,301,270	309,515,044	203,378,792	101,088,254	72,221,078	37,350,610	36,684,882	3,475,370	14,611,548	464,975,692
<b>Net assets</b>	107,304,833	34,845,720	157,473,567	(40,945,485)	91,041,622	53,498,756	48,123,160	78,213,626	59,455,050	(374,401,183)
Share capital	11,450,739									
Reserves	20,276,515									
Unappropriated profit	52,500,405									
Surplus on revaluation										
of assets net of tax	23,077,174									
	107,304,833									

December 31, 2017										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	85,367,382	21,881,468	6,787,778	2,985,981	2,697,175	–	4,072,263	–	–	46,942,717
Balances with other banks	648,765	648,765	–	–	–	–	–	–	–	–
Lending to financial institutions	8,694,399	8,479,431	–	214,968	–	–	–	–	–	–
Investments – net	698,082,066	207,328,842	252,016,391	245,898	76,666,335	77,651,512	10,561,003	14,638,525	54,583,935	4,389,625
Advances – net	372,037,714	45,860,221	17,433,921	25,540,795	61,572,651	57,053,229	63,938,603	69,903,392	25,860,418	4,874,484
Fixed assets	46,867,935	446,207	892,415	1,338,622	2,677,244	2,364,751	2,339,760	1,916,454	2,242,495	32,649,987
Intangible assets	1,459,094	17,363	34,726	52,090	104,179	208,359	208,359	416,717	417,301	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets – net	36,508,303	16,555,800	6,443,540	3,793,777	2,839,067	512,004	512,004	2,292,040	3,560,071	–
	1,249,665,658	301,218,097	283,608,771	34,172,131	146,556,651	137,789,855	81,631,992	89,167,128	86,664,220	88,856,813
<b>Liabilities</b>										
Bills payable	7,835,467	7,835,467	–	–	–	–	–	–	–	–
Borrowings	223,556,383	184,703,479	18,928,986	5,135,191	4,208,150	24,603	424,408	1,130,911	9,000,655	–
Deposits and other accounts	883,740,709	114,815,490	111,946,744	82,256,885	77,493,792	34,080,901	33,231,083	672,985	279,725	428,963,104
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities – net	6,941,804	497,780	2,087,903	90,796	799,809	750,669	207,312	225,073	555,526	1,726,936
Other liabilities	20,874,942	10,768,242	2,031,509	1,170,431	2,350,907	905,767	747,185	912,453	1,988,448	–
	1,142,949,305	318,620,458	134,995,142	88,653,303	84,852,658	35,761,940	34,609,988	2,941,422	11,824,354	430,690,040
<b>Net assets</b>	106,716,353	(17,402,361)	148,613,629	(54,481,172)	61,703,993	102,027,915	47,022,004	86,225,706	74,839,866	(341,833,227)
Share capital	11,450,739									
Reserves	17,980,116									
Unappropriated profit	49,212,447									
Surplus on revaluation										
of assets net of tax	28,073,051									
	106,716,353									

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2018

## 44.5 Derivative Risk

Market & Liquidity Risk Division under Risk Management Group is responsible for assessing and monitoring the derivative risk emanating from Bank's exposures.

The Bank's Treasury Group buys and sells derivative instruments, for hedging and market making purposes, such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

The Bank's Risk Management Group, ALCO & BRMC monitor the risk emanating from the Bank's portfolio of derivatives exposures on a periodic basis and uses Off-Balance Sheet gap analysis to implement prudent asset liability management of the Bank's derivatives exposures.

## 45 NON ADJUSTING EVENT AFTER THE REPORTING DATE

**45.1** The Board of Directors of the Bank in its meeting held on February 13, 2019 has proposed a final cash dividend in respect of 2018 of Rs. 2.00 per share (2017: cash dividend Rs. 1.75 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2019.

**45.2** Federal Government vide Finance Supplementary (Second Amendment) Bill, 2019 (Bill) dated January 23, 2019, has proposed to amend rate of Super Tax for Banks for Tax Year 2018 (Accounting Year ended 31 December, 2017) from "0%" to "4%". As a result, the proposed implementation shall result in a retrospectively levy. The proposed bill is under debate in the Parliament and would take effect only upon approval by the Parliament.

The unconsolidated financial statements of the Bank for the year ended December 31, 2018 do not include the effect of this new proposed levy, which would be accounted for in the year ending December 31, 2019 as past year tax charge; if the proposed bill which is under debate in the Parliament is approved by the Parliament.

## 46 GENERAL

**46.1** Captions as prescribed by BPRD circular no.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for caption of the statement of financial position and profit and loss account.

**46.2** Comparative figures have been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with new format prescribed by SBP vide BPRD circular no. 2 of 2018.

## 47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 13, 2019 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 1, 2018 TO DECEMBER 31, 2018)

Amount in Million

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/ DIRECTORS		FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD				PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL				
1	2	3		4	5	6	7	8	9	10	11	12
1	SEIGNIOR PHARMA House No. B/1, Block II, P.E.C.H.S., Karachi	SHER AFGHAN	42201-0263524-5	SIDDIQUE NASRULAH	18,703	-	12,653	31,356	-	-	1,649	1,649
2	MUHAMMAD ILYAS FAQEER Village Muhammad Ameen Mangrio, Chhor Station, Taluka Umar Kot	MUHAMMAD ILYAS FAQEER	44107-8915539-7	MIR KHAN MANGRIO	1,990	-	1,262	3,252	-	-	1,252	1,252
3	JAHANIAN FIBRE PVT LTD Chak No.113/10-R, Budhia Sant, Jahanian, Multan	UZMA AYTESHA RAHAT SHAHWAR	35201-12693713-0 0322-89-851959	W/O NAVEED AHMAD W/O ZAFAR IQBAL	17,986	-	12,783	30,769	-	-	12,769	12,769
4	MUHAMMAD ABDUL JALEEL H.No.64, Union Park, Samanabad, Lahore	MUHAMMAD ABDUL JALEEL	35202-4626468-1	MUHAMMAD JALEEL	0,475	-	0,538	1,013	-	-	0,538	0,538
5	REHMAT TRADERS Pak Gole, Chinot Bazar, Faisalabad	ABDUL WAHEED	33100-5743962-7	SHEIKH REHMAT ULLAH	1,044	-	2,549	3,593	-	-	1,999	1,999
6	SHEIKHS BROTHERS STEEL 910-C, Canal View Cooperative Housing Society, Lahore	MUHAMMAD AFZAL	35202-2958849-9	MUHAMMAD IQBAL	3,796	-	2,252	6,048	-	-	2,252	2,252
7	ELAH ENTERPRISES Plot No. S/A-2 & C/AZ, Sector No.8-F, Industrial Area Korangi, Karachi.	MEHMOOD ELLAHI	42301-3568581-1	SHEIKH FAZAL ELLAHI	5,000	-	3,886	8,886	-	-	3,686	3,686
8	WADI ENTERPRISES Office # A/B/1, Adnisi Plaza, Block-B, Satellite town, Rawalpindi	BASHIR ULLAH KHAN, AB- BASI (SOLE PROPRIETOR)	61101-2002176-9	SARDAR HAMEED ULLAH KHAN	-	-	7,246	7,246	-	-	5,246	5,246
9	MUDASSAR COTTON INDUSTRIES (PVT) LTD, 1. Chak No.35 DNB, Head Rajkan, Tehsil Mandi Yazman, District Bahawalpur, 2. Kotla Musa Khan road, Ahmed Pur East.	IMAM UD DIN TAHIR JAMEEL MUHAMMAD RIZWAN	31201-7371833-3 31201-0245545-1 31201-7371833-3	NOOR MUHAMMAD CH. GHULAM MUHAMMAD MUHAMMAD ARSHAD	13,600	-	5,529	19,129	-	-	5,291	5,291
10	MADNI COTTON INDUSTRIES (PVT) LTD, 1. Chak No.35 DNB, Head Rajkan, Tehsil Mandi Yazman, District Bahawalpur, 2. Kotla Musa Khan road, Ahmed Pur East.	IMAM UD DIN TAHIR JAMEEL MUHAMMAD RIZWAN	31201-7371833-3 31201-0245545-1 31201-7371833-3	NOOR MUHAMMAD CH. GHULAM MUHAMMAD MUHAMMAD ARSHAD	16,600	-	5,368	21,968	-	-	3,106	3,106
11	RAO MUHAMMAD ALI Mouza Blawal Tehsil Kabirwala, Multan	RAO MUHAMMAD ALI	36102-5832434-3	AIS MUHAMMAD KHAN	4,980	-	2,206	7,186	-	-	1,063	1,063
12	NEW ROHI TRACTORS Near Al Ghazi Tractor Factory, Sakhi Sanwar Road, DG Khan.	MR. MANZOOOR HUSSAIN	32102-2037285-7	MUHAMMAD BAKHSH	1,196	-	0,880	2,076	-	-	0,576	0,576
13	HAFIZ MUHAMMAD BILAL House # 25/12, Khayaban Colony No. 2, Zeeshan Road, Madina Town, Faisalabad.	HAFIZ MUHAMMAD BILAL	33100-3324397-3	ABDUL HAFEEZ	2,000	-	0,601	2,601	-	-	0,601	0,601
14	GHULAM MUSTAFA BROTHERS Mohallah Kot Bsmillah, Kangan Pur, Tehsil Chunian, Kasur.	GHULAM MUSTAFA	35101-2859288-9	SHAH MUHAMMAD	3,798	-	1,975	5,773	-	-	0,740	0,740
15	DIAMOND INDUSTRIES LTD. Plot No.25 Gaddon Anmazai, Industrial Estate, Topi Gan- duf Road, Swabi Road, KPK	WAQAR A SHAFFI AMAN ULLAH GULZAR SOHAIL MALIK AMIR ANWAR ASAD HAMEED	35202-2895546-1 35202-3939119-9 35202-1522893-5 517-90-183902 273-90-277860	S.M SHAFFI GULZAR AHMED MUZAFFAR MALIK ANWAR KHAN ZAFAR HAMEED	137,298	-	189,526	326,824	-	-	189,526	189,526

Sr. No.	NAME AND ADDRESS OF BORROWER	NAME OF INDIVIDUALS/PARTNERS/ DIRECTORS		FATHER'S NAME	OUTSTANDING LIABILITIES AT THE BEGINNING OF THE PERIOD				PRINCIPAL WRITTEN-OFF	INTEREST/ MARK-UP WRITTEN-OFF	OTHER FINANCIAL RELIEF PROVIDED	TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL				
1	2	3	4	5	6	7	8	9	10	11	12	
16	DIAMOND POLYMERS (PVT) LTD., Plot No.12-A, New Industrial Area, Mirpur Azad Jammu & Kashmir	WAOAR A SHAFFI IFTIKHAR AHMED SHAFFI M.H. PERVAIZ SHARIQ IFTIKHAR	35202-2895546-1 35202-9167282-7 270-30-040953 35202-2633803-1	S.M SHAFFI MUHAMMAD SHAFFI M SHAREEF IFTIKHAR A SHAFFI	53,357	-	36,686	90,053	-	-	36,686	36,686
17	SHAFI CHEMICAL IND. (PVT) LTD. Plot No.2, Gadoon Amazal Industrial Estate, Topi Ganduf Road, Swabi, KPK	WAOAR A SHAFFI SHARIQ IFTIKHAR SEEMA IFTIKHAR M.H PERVAIZ AMAN ULLAH GULZAR MRS FARAH WAOAR MRS FARAH WAOAR SOHAIL MALIK MRS FARAH WAOAR	35202-2895546-1 35202-2633803-1 35202-2514170-0 270-30-040953 35202-3839119-9 35202-2790323-8 35202-2790323-8 35202-1522893-5 35202-2790323-8	S.M SHAFFI IFTIKHAR A SHAFFI IFTIKHAR A SHAFFI M SHARIF GULZAR AHMED WAOAR A SHAFFI WAOAR A SHAFFI MUZAFFAR MALIK WAOAR A SHAFFI	49,992	-	14,307	64,299	-	-	14,307	14,307
18	CRESCENT INDUSTRIAL GADOON (PVT) LTD. Plot No.32/3, Gadoon Amazal Industrial Estate, Topi, Ganduf Road, Swabi, KPK	IFTIKHAR AHMED SHAFFI SHARIQ IFTIKHAR	*35202-9167282-7 35202-2633803-1	MUHAMMAD SHAFI IFTIKHAR A SHAFFI	10,031	-	8,364	18,395	-	-	8,364	8,364
19	*HAFTZ ANEES UR REHMAN House # 83, measuring 20 marlas, situated at Block H-3, Wagdia Town, Lahore	HAFTZ ANEES-UR-REHMAN	35304-1607078-5	HAFTZ BASHIR AHMED	3,807	-	3,335	7,142	-	-	2,051	2,051
20	*AHMED AND CO., Shadman Colony Pattoki, Dist. Kasur	MUHAMMAD AKMAL	35103-1725199-7	MUHAMMAD HASSAN	6,315	-	2,921	9,236	-	-	1,586	1,586
21	*AHSAN SHAFI & CO. Block No.164/B, Block-C, Latifabad, Hyderabad	AHSAN SHAFI	41304-2662071-7	MUHAMMAD SHAFIULLAH	7,996	-	4,438	12,434	-	-	3,628	3,628
22	*REHMAN AGENCIES House No.268, Block-3, Satellite Town, Quetta	ABDULLAH	54400-3628134-7	RIAZ MUHAMMAD	0,025	-	0,924	0,949	-	-	0,537	0,537
23	*CATKO ENGINEERING Crescent Star Road Phdri Bypass G.T.Road Gujranwala	MIRZA MUNIR AHMED	34101-1210298-9	MIRZA MUHAMMAD SADIQ	3,647	-	2,512	6,159	-	-	0,988	0,988
24	*HEICON PHARMA CENTRE 5-T, Gulberg-II, Lahore	RAFAQAT ALI MUHAMMAD NAWAZ KHAN	*33100-2209051-5 33100-6883248-1	TUFAIL MUHAMMAD MUHAMMAD BASHIR	12,750	-	23,716	36,466	-	-	8,562	8,562
25	*POPULAR IRON STORE Thana Road, Jalal Pur Bhattian, Hafizabad.	ZAHID MUNIR	34302-1210905-3	MUHAMMAD MUNIR	1,599	-	1,095	2,694	-	-	0,844	0,844
26	*MLW INDUSTRIES (PVT) LTD. 18-km, Rawind Road, Lahore	MUHAMMAD NASEEM NIAZ MUHAMMAD WALEED NIAZ LARAB NIAZ	35202-0794596-7 35202-7141671-1 35202-8696238-8	*CH. NIAZ MUHAMMAD MUHAMMAD NASEEM NIAZ MUHAMMAD NASEEM NIAZ	71,736	-	66,371	138,107	31,736	-	9,427	41,163
27	HUSNAIN COTEX LIMITED	Directors before settlement approval as per form 29 dated 13.11.2015	-	-	67,815	-	70,260	138,075	-	-	45,829	45,829
	242-Ahmed Block,	HUSNAIN YOUSAF	33202-0601133-3	MUHAMMAD YOUSAF								
	New Garden Town, Lahore	MAHMUD-UL-HASSAN QURESHI	35202-2628237-5	HAKIM DOST MUHAMMAD								
		MST. RAZIA BEGUM	35202-6312974-4	MUHAMMAD YOUSAF SHEIKH								
		MST. DILSHAD AKHTAR	35201-0307898-6	MUHAMMAD YOUSAF SHEIKH								
		MUHAMMAD YAOOOB SHEIKH	35201-9482496-5	MUHAMMAD YOUSAF SHEIKH								
		MUHAMMAD AYUB SHEIKH	35201-1544971-3	MUHAMMAD YOUSAF SHEIKH								
		MUHAMMAD YOUNAS SHEIKH	35202-0624157-7	MUHAMMAD YOUSAF SHEIKH								
		MUHAMMAD RAMZAN SHEIKH	35201-9041208-1	MUHAMMAD YOUSAF SHEIKH								
		HUSNAIN HAIDER SHEIKH	35201-9499182-3	MUHAMMAD YOUSAF SHEIKH								
		ADNAN YOUSAF SHEIKH	35201-7360083-9	MUHAMMAD YOUSAF SHEIKH								



[illegible]

## ISLAMIC BANKING BUSINESS

The Bank is operating 117 (2017: 117) Islamic Banking Branches and 10 (2017: Nil) Islamic Banking Windows at the end of the year.

### Statement of Financial Position

As at December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		2,111,510	1,093,706
Balances with other banks		2,046,081	31,209
Due from financial institutions	1	3,529,999	1,914,968
Investments	2	10,249,093	8,303,563
Islamic financing and related assets – net	3	6,927,022	4,662,326
Fixed assets		1,139,785	959,241
Intangible assets		893	–
Due from Head Office	4	799,045	–
Other assets		501,078	385,148
<b>Total Assets</b>		<b>27,304,506</b>	<b>17,350,161</b>
<b>LIABILITIES</b>			
Bills payable		146,954	124,270
Due to financial institutions		–	500,000
Deposits and other accounts	5	24,632,632	15,546,966
Due to Head Office	4	–	65,013
Subordinated debt		–	–
Other liabilities		179,923	137,038
		<b>24,959,509</b>	<b>16,373,287</b>
<b>NET ASSETS</b>		<b>2,344,997</b>	<b>976,874</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		3,200,000	1,450,000
Reserves		(305)	–
Surplus/ (Deficit) on revaluation of assets		51,504	84,266
Accumulated Losses	7	(906,202)	(557,392)
		<b>2,344,997</b>	<b>976,874</b>

### CONTINGENCIES AND COMMITMENTS

8

## Profit and Loss Account

For the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Profit / return earned	9	1,257,179	707,065
Profit / return expensed	10	601,330	370,973
Net Profit / return		655,849	336,092
<b>OTHER INCOME</b>			
Fee and commission income		74,463	43,396
Dividend income		–	–
Foreign exchange income / (loss)		3,302	(1,097)
Income / (loss) from derivatives		–	–
Gain / (loss) on securities		(1,347)	(301)
Other income		2,925	74
Total other income		79,343	42,072
<b>TOTAL INCOME</b>		<b>735,192</b>	<b>378,164</b>
<b>OTHER EXPENSES</b>			
Operating expenses		1,083,994	760,124
Workers welfare fund		–	–
Other charges		–	–
Total other expenses		1,083,994	760,124
<b>PROFIT/ (LOSS) BEFORE PROVISIONS</b>		<b>(348,802)</b>	<b>(381,960)</b>
Provisions and write offs – net		8	–
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		<b>(348,810)</b>	<b>(381,960)</b>
Taxation		–	–
<b>PROFIT/ (LOSS) AFTER TAXATION</b>		<b>(348,810)</b>	<b>(381,960)</b>

# ISLAMIC BANKING BUSINESS

## Notes to the Annexure II

For the year ended December 31, 2018

	December 31, 2018			December 31, 2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Rupees in '000						

### 1 DUE FROM FINANCIAL INSTITUTIONS

Bai Muajjal Receivable from other						
Financial Institutions	1,029,999	–	1,029,999	–	–	–
Bai Muajjal Receivable from						
State Bank of Pakistan	–	–	–	214,968	–	214,968
Musharaka Lending	2,500,000	–	2,500,000	1,100,000	–	1,100,000
Modaraba Lending	–	–	–	600,000	–	600,000
	3,529,999	–	3,529,999	1,914,968	–	1,914,968

	December 31, 2018				December 31, 2017			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								

### 2 INVESTMENTS BY SEGMENTS

<b>Federal Government Securities:</b>								
–Ijarah Sukuks	3,350,837	–	(16,997)	3,333,840	2,845,696	–	15,455	2,861,151
	3,350,837	–	(16,997)	3,333,840	2,845,696	–	15,455	2,861,151
<b>Non Government Debt Securities</b>								
–Listed	172,579	–	(842)	171,737	223,034	–	(533)	222,501
–Unlisted	6,743,516	–	–	6,743,516	5,219,911	–	–	5,219,911
	6,916,095	–	(842)	6,915,253	5,442,945	–	(533)	5,442,412
<b>Total Investments</b>	<b>10,266,932</b>	<b>–</b>	<b>(17,839)</b>	<b>10,249,093</b>	<b>8,288,641</b>	<b>–</b>	<b>14,922</b>	<b>8,303,563</b>

	Note	December 31, 2018	December 31, 2017
Rupees in '000			

### 3 ISLAMIC FINANCING AND RELATED ASSETS

Ijarah	3.1	268,514	1,637,694
Murabaha	3.2	74,796	25,297
Diminishing Musharaka		2,628,167	260,759
Salam		20,643	–
Business Musharka – Financings		3,626,407	2,643,053
Staff Ijarah		272,629	95,523
Staff – DM		35,874	–
Gross Islamic financing and related assets		6,927,030	4,662,326
Less: provision against Islamic financings			
– Specific		–	–
– General		8	–
		8	–
Islamic financing and related assets – net of provision		6,927,022	4,662,326

December 31, 2018						
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2018
As at Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	As at Dec 31, 2018	
Rupees in '000						

### 3.1 Ijarah

Vehicles	198,603	132,638	331,241	53,777	28,405	82,182	249,059
Equipment	1,600,000	(1,577,770)	22,230	107,132	(104,357)	2,775	19,455
<b>Total</b>	<b>1,798,603</b>	<b>(1,445,132)</b>	<b>353,471</b>	<b>160,909</b>	<b>(75,952)</b>	<b>84,957</b>	<b>268,514</b>

December 31, 2017						
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2017
As at Jan 01, 2017	Additions / (deletions)	As at Dec 31, 2017	As at Jan 01, 2017	Charge for the year	As at Dec 31, 2017	
Rupees in '000						

Vehicles	120,731	77,872	198,603	15,132	38,645	53,777	144,826
Equipment	–	1,600,000	1,600,000	–	107,132	107,132	1,492,868
<b>Total</b>	<b>120,731</b>	<b>1,677,872</b>	<b>1,798,603</b>	<b>15,132</b>	<b>145,777</b>	<b>160,909</b>	<b>1,637,694</b>

	December 31, 2018				December 31, 2017			
	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over Five years	Total
Rupees in '000								

Future Ijarah payments receivable

Ijarah rental receivables	7,722	178,212	–	185,934	1,577,414	33,772	–	1,611,186
---------------------------	-------	---------	---	---------	-----------	--------	---	-----------

Note	December 31, 2018	December 31, 2017
Rupees in '000		

### 3.2 Murabaha

Murabaha financing	3.2.1	74,796	18,687
Inventory for Murabaha		–	–
Advances for Murabaha		–	6,610
		<b>74,796</b>	<b>25,297</b>

<b>3.2.1</b> Murabaha receivable – gross	3.2.2	74,796	18,687
Less: Deferred murabaha income	3.2.4	(1,680)	(50)
Profit receivable shown in other assets		–	–
Murabaha financings		<b>73,116</b>	<b>18,637</b>

#### 3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	18,687	–
Sales during the year	135,644	595,108
Adjusted during the year	(79,535)	(576,421)
Closing balance	<b>74,796</b>	<b>18,687</b>

<b>3.2.3</b> Murabaha sale price	135,644	595,108
Murabaha purchase price	(131,154)	(588,804)
	<b>4,490</b>	<b>6,304</b>



	December 31, 2018	December 31, 2017
	Rupees in '000	

### 3.2.4 Deferred murabaha income

Opening balance	50	–
Arising during the year	3,464	5,483
Less: Recognised during the year	(1,834)	(5,433)
Closing balance	1,680	50

## 4 DUE FROM/ (DUE TO) HEAD OFFICE

Pak Account Daily settlement with Head Office	799,045	(65,013)
---	---------	----------

	December 31, 2018			December 31, 2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					

## 5 DEPOSITS

### Customers

Current deposits	6,792,805	404,381	7,197,186	2,994,591	–	2,994,591
Savings deposits	9,426,409	31,623	8,358,032	5,299,337	330,392	5,629,629
Term deposits	1,237,301	–	1,237,301	1,388,372	–	1,388,372
	17,456,515	436,004	17,892,519	9,682,200	330,392	10,012,592

### Financial Institutions

Current deposits	3,822	–	3,822	500,050	–	500,050
Savings deposits	6,736,291	–	6,736,291	5,034,324	–	5,034,324
Term deposits	–	–	–	–	–	–
	6,740,113	–	6,740,113	5,534,374	–	5,534,374
	24,196,628	436,004	24,632,632	15,216,574	330,392	15,546,966

	December 31, 2018	December 31, 2017
	Rupees in '000	

### 5.1 Composition of deposits

– Individuals	6,893,387	5,452,340
– Government /	4,713,978	2,030,015
– Public Sector Entities	100	1,343
– Banking Companies	1,518,173	17,060
– Non-Banking Financial Institutions	5,221,940	5,517,317
– Private Sector	6,285,054	2,528,891
	24,632,632	15,546,966

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 7,342 million.

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>6 CHARITY FUND</b>			
Opening Balance		1	2
Additions during the period		–	–
Received from customers on account of delayed payment		933	22
Dividend purification amount		–	–
Other Non-Shariah compliant income		45	–
Profit on charity saving account		9	–
		988	24
Payments / utilization during the period			
Education		500	12
Health		485	11
		985	23
Closing Balance		3	1
<b>6.1</b>	During the year charity exceeding Rs 0.5 million and charity to related party is Nil. (2017: Nil)		
<b>7 ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT</b>			
Opening Balance		(557,392)	(175,432)
Add: Islamic Banking profit for the period		(348,810)	(381,960)
Less: Taxation		–	–
Less: Reserves		–	–
Less: Transferred / Remitted to Head Office		–	–
Closing Balance		(906,202)	(557,392)
<b>8 CONTINGENCIES AND COMMITMENTS</b>			
–Guarantees		96,846	4,577
–Commitments		485,472	738,959
–Other contingent liabilities		–	–
		582,318	743,536
<b>9 PROFIT/RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT</b>			
Profit earned on:			
Financing		382,297	130,343
Investments		689,782	549,380
Placements		185,100	27,342
		1,257,179	707,065
<b>10 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED</b>			
Deposits and other accounts		297,719	256,827
Due to Financial Institutions		256,159	21,994
Profit paid on Musharaka borrowings		46,739	91,640
Other profit expenses		713	512
		601,330	370,973

## 11 POOL MANAGEMENT

Allied Bank Limited – Islamic Banking is maintaining following pools for profit distribution under Modaraba, Wakala and Musharka modes:

- 1– General Pool for Local Currency Depositors (Modaraba)
- 2– FCY Pool for Foreign Currency (USD, GBP and EURO) depositors (Modaraba)
- 3– Specific Pools (Modaraba)
- 4– Treasury related FI Pools (Modaraba/Musharka/Wakala)

### 1– General Pool for Local Currency Depositors (Modaraba)

Under this pool category, The Bank acts as Manager (Mudarib) and accepts funds in local currency from general depositors (Rab-ul-Maal) on the principals of mudarba and invests the same in Shariah compliant modes of financings, investments and placements. The Bank may commingle its own equity in this pool, Bank prioritizes the funds received from depositors over the funds generated from own sources.

The profit of General Pool is calculated after deducting the directly incurred expenses, if any, from the income earned on all the remunerative assets managed by the pool. No provision against any non-performing asset of the pool are passed on to the pool except on the actual loss / write-off of such non-performing asset as per SBP guidelines. The profit of the pool is shared between equity and other members of the pool at gross level (before charging of mudarib fee) as per the investment ratios. After charging of agreed mudarib fee, The profit of the pool is shared among the members of the pool on profit weightages i.e. announced before start of profit calculation period.

### 2– FCY Pool for Foreign Currency (USD, GBP and EURO) depositors (Modaraba)

FCY pools are being maintained in USD, GBP, EURO currencies, All FCY deposits are parked in these pool(s) and return is shared among FCY deposit holders on the principals of mudarba according to the weightages of respective pool.

### 3– Specific Pools (Modaraba)

Specific pool(s) are created where the customers desire to invest in high yield assets. Profit rates of these pool(s) are usually different from the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the Special pool members. The distributable profit is derived by deduction of direct costs from the gross return earned on the pool and then profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool (if any) and mudarib fee to the total pool, rest of the profit is distributable profit.

### 4– Treasury related FI Pools (Modaraba/Musharka/Wakala)

Treasury Pools are created, to manage liquidity, on the basis of Musharaka / Modaraba / Wakala modes, wherein ABL-IBG and Financial Institutions share actual return earned by the pool according to pre-defined profit sharing ratio.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool.

#### Parameters associated with risk & rewards:

Following are the considerations attached with risk & reward of Modaraba based pools:

- Period, return, safety, security and liquidity of investment
- Change in deposit base due to withdrawals of deposits according to the maturities
- SBP rules, guidelines & Shariah Clearance.
- Mobilization of further deposit as a result of focused marketing efforts of ABL-IBG.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations.
- Risk annexed to various types of investments.

The deposits and funds accepted under the above mentioned pools are invested in diversified sectors and avenues of the economy / business along with investment in Government of Pakistan backed Ijarah Sukuks & other Shariah Compliant assets.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>11.1 Avenues / sectors where Mudaraba based deposits have been deployed</b>		
Production & Transmission of Energy	2,971,679	2,643,053
Manufacturing	748,676	–
Chemicals & Allied Products	52,598	231,544
Petroleum and Gas	1,812,676	1,589,841
Leather / Leather products	3,061	5,106
Financial Institutions	429,185	51,414
Agriculture & Food Products	22,839	2,340
Transportation & Logistics	28,647	40,406
Auto & Allied Products	13,588	–
Cotton Processing	20,643	–
Metal products	499,996	–
Others	323,442	98,622
<b>Total Gross Financing &amp; Related Assets</b>	<b>6,927,030</b>	<b>4,662,326</b>
GOP Ijarah Sukuk	3,333,840	2,861,151
Power/Energy Generation	4,880,168	4,155,412
Financial Institutions	1,287,000	1,287,000
Hotel Business	248,085	–
Steel Processing	500,000	–
<b>Total Investments &amp; Placements</b>	<b>10,249,093</b>	<b>8,303,563</b>
<b>Total Invested Funds</b>	<b>17,176,123</b>	<b>12,965,889</b>

## 11.2 Profit / (loss) distribution to depositor's pool

Remunerative Depositor's Pool	Profit rate and weightage announcement period	Profit rate return earned on earning assets	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
				Rupees in '000'		Rupees in '000'	
General Pool	Monthly	7.26%	50%	362,687	3.97%	18.12%	65,731

## Details of Disposal of Fixed Assets to Related Party

For the year ended December 31, 2018

### Annexure III

The particulars of disposal of fixed assets to related parties are given below:

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser*
Rupees in '000						
Electrical & Computer Equipments	194	194	-	19	As Per Bank Policy	Muhammad Raffat
	85	85	-	9	As Per Bank Policy	Muhammad Idrees
	94	94	-	9	As Per Bank Policy	Muhammad Shahzad Sadiq
	85	85	-	9	As Per Bank Policy	Muhammad Shahzad Sadiq
	153	70	83	102	As Per Bank Policy	Muhammad Shahzad Sadiq
	85	28	57	67	As Per Bank Policy	Muhammad Shahzad Sadiq
	83	83	-	8	As Per Bank Policy	Muhammad Tabrayz Agha
	65	65	-	7	As Per Bank Policy	Abid Anwar
	96	96	-	10	As Per Bank Policy	Muhammad Mohsin
	82	79	3	14	As Per Bank Policy	Imran Farooqi
	85	57	28	39	As Per Bank Policy	Imran Farooqi
	-	-	-	9	As Per Bank Policy	Muhammad Mohsin
	-	-	-	9	As Per Bank Policy	Tariq Javed Ghuman

\* They are Key Management Personnel of the Bank.



# CONSOLIDATED FINANCIAL STATEMENTS

---

for the year ended December 31, 2018

# Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2018

On behalf of the Board, we are pleased to present the consolidated annual report of Allied Bank Limited (holding company) and ABL Asset Management Company Limited (subsidiary company)

The operating results and appropriations, as recommended by the Board are given below:

	2018	2017	Growth
<b>Rs. In Million</b>			
<b>Profit after tax for the year</b>	13,032	12,926	1%
Accumulated profits brought forward	50,546	47,632	6%
Effect of re-measurement of defined benefit plans-net of tax	454	(966)	147%
Transferred from surplus on revaluation of fixed assets – net of tax	112	55	104%
Transferred from surplus on revaluation of non-banking assets – net of tax	3	188	(98%)
<b>Profit available for appropriation</b>	64,147	59,835	7%
Final cash dividend for the year ended December 31, 2017 at Rs. 1.75 per share (2017: Year ended December 31, 2016 at Rs. 1.75 per share)	(2,004)	(2,004)	0%
1st interim cash dividend for the year ended December 31, 2018 at Rs. 2.00 per ordinary share (2017: Rs. 1.75 per share)	(2,290)	(2,004)	14%
2nd interim cash dividend for the year ended December 31, 2018 at Rs. 2.00 per ordinary share (2017: Rs. 1.75 per share)	(2,290)	(2,004)	14%
3rd interim cash dividend for the year ended December 31, 2018 at Rs. 2.00 per ordinary share (2017: Rs. 1.75 per share)	(2,290)	(2,004)	14%
Transfer to statutory reserves	(1,288)	(1,273)	1%
<b>Accumulated profits carried forward</b>	53,985	50,546	7%
<b>Earnings Per Share (EPS) (Rs.)</b>	11.38	11.29	1%

## Pattern of shareholding

The pattern of shareholding as at December 31, 2018 is included in the Annual Report.

For and on behalf on the Board

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

**Tahir Hassan Qureshi**  
Chief Executive Officer

Faisalabad  
Dated: February 13, 2019

# Independent Auditor's Report

## To the members of Allied Bank Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the annexed consolidated financial statements of Allied Bank Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Provision against Loans and Advances</b>	
	<p>Refer to note <b>9</b> and the accounting policies in notes <b>2.4.2</b> and <b>4.4</b> to the consolidated financial statements.</p> <p>The Group makes provision against advances on a time based criteria that involves ensuring all non-performing loans and advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the time based criteria the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The Group's advances to the customers represent <b>32.4%</b> of its total assets as at 31 December 2018 and are stated at <b>Rs. 438,358 million</b> which is net of provision of <b>Rs. 15,549 million</b> at the year end.</p> <p>The determination of provision against advances was identified as a key audit matter in our audit as it involves a considerable degree of management judgment and estimation in complying with the above criteria.</p>	<p>Our audit procedures in respect of provision against advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Assessing the design and operating effectiveness of key controls to identify loss events and for determining provision required against non-performing advances, including: <ul style="list-style-type: none"> <li>Controls over correct classification of non-performing advances on time based criteria;</li> <li>Controls over monitoring of advances with higher risk of default and migration of these advances on a timely basis to watch list or to non-performing advances category on subjective criteria;</li> <li>Controls over accurate computation and recording of provisions; and</li> <li>Controls over the governance and approval process related to provision.</li> </ul> </li> <li>Testing on a sample basis, credit exposures identified by the management as displaying indicators of impairment, assessed the number of days overdue and assessed appropriateness of amount reported for provision in accordance with the Prudential Regulations;</li> </ul>

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> <li>Checking on a sample basis, the accuracy of specific provision made against non-performing advances and of general provision by recomputing the provision amount in accordance with the criteria prescribed under the PRs;</li> <li>Examining the credit history, account movement, financial ratios, report on security maintained in respect of advances where the management has not identified indicators displaying impairment, on a sample basis and challenging the management's assessment based on our view of the credit from the review of credit file.</li> </ul>
2	<b>Valuation of Investments</b>	
	<p>Refer to note <b>8</b> and the accounting policies in notes <b>2.4.3</b> and <b>4.3</b> to the consolidated financial statements.</p> <p>As at 31 December 2018, the Group has investments classified as "Available-for-sale", "Held for trading", "Held to maturity" and "Investment in subsidiary" amounting to <b>Rs. 672,587 million</b> which in aggregate represent <b>49.7%</b> of the total assets of the Group.</p> <p>Investments are carried at cost or fair value in accordance with the Group's accounting policy relating to their recognition. Provision against investment is made based on impairment policy of the Group which includes both objective and subjective factors.</p> <p>We identified assessing the valuation of investments as a key audit matter because of its significance to the consolidated financial statements and because assessing the key impairment assumptions involves a significant degree of management judgement.</p>	<p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of investments;</li> <li>Checking on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values;</li> <li>Evaluating the Group's assessment of available for sale and held to maturity investments for any additional impairment in accordance with the Group's accounting policies and performed an independent of the assumptions; and</li> <li>Considering the Group's disclosures of investments, to the guidelines laid down by the State Bank of Pakistan regarding forms and disclosures.</li> </ul>
3	<b>Change in the format of the annual financial statements</b>	
	<p>Refer to note <b>2.2</b> to the consolidated financial statements.</p> <p>The revised format for the preparation of annual financial statements of banks have been introduced by the State Bank of Pakistan, which became effective from the accounting year ending 31 December 2018. Accordingly, the Group has prepared these consolidated financial statements on the new format.</p> <p>The adoption to the new format required certain recognition requirements and reclassification of certain financial information. The amended format also introduced certain new disclosures in the consolidated financial statements of the Group.</p> <p>As part of this transition to the new format, the management performed a gap analysis to identify differences between the previous and the current financial reporting format.</p> <p>In view of the significant impact of the first time adoption of the revised format on the consolidated financial statements, we considered this as a key audit matter.</p>	<p>Our audit procedures to ensure compliance with the requirements of the SBP's amended format of the annual financial statement for banks included the following:</p> <ul style="list-style-type: none"> <li>Considering the management's process to identify the changes required in the consolidated financial statements to comply with the new format; and</li> <li>Obtaining relevant underlying supports relating to changes required in the consolidated financial statements consequent to the adoption of the new format to assess their appropriateness and verified then on test basis.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kamran Iqbal Yousafi.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Date: 13 February 2019  
Lahore

# Consolidated Statement Of Financial Position

as at December 31, 2018

(Restated)				(Restated)	
December 31, 2018	December 31, 2017	Note	December 31, 2018	December 31, 2017	
US \$ in '000			Rupees in '000		
ASSETS					
714,295	614,679	Cash and balances with treasury banks	5	99,188,414	85,355,555
18,466	4,677	Balances with other banks	6	2,564,202	649,512
387,332	62,612	Lendings to financial institutions	7	53,785,679	8,694,399
4,843,570	5,036,109	Investments – net	8	672,587,309	699,323,690
3,156,790	2,679,501	Advances – net	9	438,357,880	372,080,555
362,949	337,679	Fixed assets	10	50,399,773	46,890,760
12,647	10,551	Intangible assets	11	1,756,127	1,465,124
–	–	Deferred tax assets		–	–
243,055	265,130	Other assets – net	12	33,751,113	36,816,553
9,739,104	9,010,938			1,352,390,497	1,251,276,148
LIABILITIES					
55,832	56,426	Bills payable	14	7,752,959	7,835,467
1,626,674	1,609,919	Borrowings	15	225,882,986	223,556,383
7,089,512	6,363,891	Deposits and other accounts	16	984,463,067	883,702,056
–	–	Liabilities against assets subject to finance lease		–	–
–	–	Sub-ordinated debt		–	–
34,216	49,986	Deferred tax liabilities – net	17	4,751,359	6,941,206
149,431	152,605	Other liabilities	18	20,750,315	21,191,004
8,955,665	8,232,827			1,243,600,686	1,143,226,116
783,439	778,111	NET ASSETS		108,789,811	108,050,032
REPRESENTED BY					
82,461	82,461	Share capital	19	11,450,739	11,450,739
146,020	129,482	Reserves		20,276,515	17,980,116
166,188	202,165	Surplus on revaluation of assets – net of tax	20	23,077,174	28,073,051
388,770	364,003	Unappropriated profit		53,985,383	50,546,126
783,439	778,111			108,789,811	108,050,032

## CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Profit and Loss Account

for the year ended December 31, 2018

December 31, 2018	December 31, 2017	Note	December 31, 2018	December 31, 2017
US \$ in '000			Rupees in '000	
527,686	473,208	Mark-up / return / interest earned	73,275,474	65,710,553
296,390	245,779	Mark-up / return / interest expensed	41,157,150	34,129,289
231,296	227,429	<b>Net mark-up / interest income</b>	32,118,324	31,581,264
<b>NON MARK-UP / INTEREST INCOME</b>				
35,872	32,827	Fee and commission income	4,981,220	4,558,429
20,369	23,454	Dividend income	2,828,478	3,256,829
10,832	5,488	Foreign exchange income	1,504,189	762,059
–	–	Income from derivatives	–	–
16,703	4,403	Gain on securities – net	2,319,341	611,369
1,778	1,155	Other income	246,888	160,386
85,554	67,327	<b>Total non-markup / interest income</b>	11,880,116	9,349,072
316,850	294,756	<b>Total income</b>	43,998,440	40,930,336
<b>NON MARK-UP / INTEREST EXPENSES</b>				
178,014	156,941	Operating expenses	24,719,299	21,793,123
(8,052)	3,046	Workers welfare fund – net	(1,118,156)	422,979
590	697	Other charges	81,963	96,856
170,552	160,684	<b>Total non-markup / interest expenses</b>	23,683,106	22,312,958
146,298	134,072	<b>Profit before provisions</b>	20,315,334	18,617,378
(7,848)	(18,192)	Net reversal against provisions and write offs	(1,089,688)	(2,526,148)
1,239	–	Extra-ordinary / unusual items	172,111	–
152,907	152,264	<b>PROFIT BEFORE TAXATION</b>	21,232,911	21,143,526
59,060	59,180	Taxation	8,201,094	8,217,755
93,847	93,084	<b>PROFIT AFTER TAXATION</b>	13,031,817	12,925,771
<b>In US \$</b>			<b>In Rupees</b>	
0.08	0.08	<b>Basic and diluted earnings per share</b>	11.38	11.29

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Statement of Comprehensive Income

for the year ended December 31, 2018

(Restated)			(Restated)	
December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
US \$ in '000			Rupees in '000	
93,847	93,084	<b>Profit after taxation for the year</b>	13,031,817	12,925,771
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>				
7,262	1,248	Effect of translation of net investment in foreign branches	1,008,347	173,267
		Movement in deficit on revaluation of		
(38,222)	(54,444)	investments – net of tax	(5,307,574)	(7,560,135)
(30,960)	(53,196)		(4,299,227)	(7,386,868)
<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>				
		Re-measurement gain / (loss) on defined benefit		
3,273	(6,956)	obligations – net of tax	454,522	(965,870)
		Movement in (deficit) / surplus on revaluation of		
(982)	66,442	fixed assets – net of tax	(136,403)	9,226,210
		Movement in surplus on revaluation of non-banking		
4,057	3,247	assets – net of tax	563,393	450,933
6,348	62,733		881,512	8,711,273
69,235	102,621	<b>Total comprehensive income</b>	9,614,102	14,250,176

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Cash Flow Statement

for the year ended December 31, 2018

(Restated)				(Restated)	
December 31, 2018	December 31, 2017		Note	December 31, 2018	December 31, 2017
US \$ in '000				Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES					
152,907	152,263	Profit before taxation		21,232,911	21,143,526
(20,369)	(23,233)	Less: Dividend income		(2,828,478)	(3,226,146)
132,538	129,030			18,404,433	17,917,380
Adjustments:					
22,434	17,150	Depreciation		3,115,251	2,381,518
2,910	2,216	Amortization		404,071	307,746
(6,763)	(17,043)	Net reversal against provisions and write offs	31	(939,121)	(2,366,608)
449	302	Unrealized loss on revaluation of 'held-for-trading' securities		62,372	41,912
(8,052)	3,046	(Reversal) / Provision for workers' welfare fund – net		(1,118,156)	422,979
(251)	(382)	Gain on sale of fixed assets		(34,903)	(53,012)
(39)	(579)	Gain on sale of non-banking assets / other assets		(5,485)	(80,419)
10,688	4,710			1,484,029	654,116
143,226	133,740			19,888,462	18,571,496
(Increase) / decrease in operating assets					
(324,720)	13,095	Lendings to financial institutions		(45,091,280)	1,818,353
178,783	(179,664)	Held-for-trading securities		24,826,109	(24,948,471)
(471,664)	(292,796)	Advances		(65,496,094)	(40,658,277)
30,062	(6,672)	Other assets (excluding advance taxation)		4,174,455	(926,486)
(587,539)	(466,037)			(81,586,810)	(64,714,881)
Increase / (decrease) in operating liabilities					
(594)	(14,499)	Bills payable		(82,508)	(2,013,328)
15,755	699,588	Borrowings		2,187,802	97,146,144
725,411	566,116	Deposits		100,732,013	78,611,982
4,267	9,375	Other liabilities (excluding current taxation)		592,523	1,301,835
744,839	1,260,580			103,429,830	175,046,633
300,526	928,283			41,731,482	128,903,248
(56,634)	(65,734)	Income tax paid		(7,864,272)	(9,127,888)
243,892	862,549	Net cash flow generated from operating activities		33,867,210	119,775,360
CASH FLOW FROM INVESTING ACTIVITIES					
(465,638)	(767,389)	Net investments in 'available-for-sale' securities		(64,659,309)	(106,561,084)
420,639	82,311	Net realizations from 'held-to-maturity' securities		58,410,682	11,429,857
20,521	24,505	Dividend received		2,849,652	3,402,747
(51,125)	(59,292)	Investments in fixed assets		(7,099,357)	(8,233,382)
335	579	Proceeds from sale of fixed assets		46,526	80,414
7,262	1,248	Effect of translation of net investment in foreign branches		1,008,347	173,267
(68,006)	(718,038)	Net cash flow used in investing activities		(9,443,459)	(99,708,181)
CASH FLOW FROM FINANCING ACTIVITIES					
(63,480)	(57,518)	Dividend paid		(8,815,003)	(7,987,116)
(63,480)	(57,518)	Net cash flow used in financing activities		(8,815,003)	(7,987,116)
(31,524)	(5,094)	Effect of exchange rate changes on opening cash and cash equivalents		(4,377,475)	(707,403)
80,882	81,899	Increase in cash and cash equivalents during the year		11,231,273	11,372,660
650,206	536,703	Cash and cash equivalents at beginning of the year		90,277,719	74,527,584
731,088	618,602	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	35	101,508,992	85,900,244

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Consolidated Statement of Changes in Equity

for the year ended December 31, 2018

	Capital reserve			Revenue reserve	Surplus on revaluation of				
	Share capital	Exchange translation reserve	Statutory reserve	General reserve	Investments	Fixed assets	Non-banking assets	Un-appropriated profit	Total
Rupees in '000									
<b>Balance as at January 01, 2017 – Restated</b>	11,450,739	57,687	16,469,798	6,000	18,053,478	6,832,802	1,313,080	47,631,788	101,815,372
Profit after taxation for the year ended December 31, 2017	–	–	–	–	–	–	–	12,925,771	12,925,771
<b>Other Comprehensive Income – net of tax</b>									
Deficit on revaluation of investments – net of tax	–	–	–	–	(7,560,135)	–	–	–	(7,560,135)
Surplus on revaluation of fixed assets – net of tax	–	–	–	–	–	9,226,210	–	–	9,226,210
Surplus on revaluation of non-banking assets – net of tax	–	–	–	–	–	–	263,846	187,087	450,933
Re-measurement loss on defined benefit obligation – net of tax	–	–	–	–	–	–	–	(965,870)	(965,870)
Effect of translation of net investment in foreign branches	–	173,267	–	–	–	–	–	–	173,267
	–	173,267	–	–	(7,560,135)	9,226,210	263,846	(778,783)	1,324,405
Transfer to statutory reserve	–	–	1,273,364	–	–	–	–	(1,273,364)	–
Transferred from surplus in respect of incremental depreciation of fixed assets to unappropriated profit – net of tax	–	–	–	–	–	(54,937)	–	54,937	–
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit – net of tax	–	–	–	–	–	–	(1,293)	1,293	–
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended December 31, 2016 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
Second interim cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
Third interim cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
	–	–	–	–	–	–	–	(8,015,516)	(8,015,516)
<b>Balance as at December 31, 2017 - Restated</b>	11,450,739	230,954	17,743,162	6,000	10,493,343	16,004,075	1,575,633	50,546,126	108,050,032
Profit after taxation for the year ended December 31, 2018	–	–	–	–	–	–	–	13,031,817	13,031,817
<b>Other Comprehensive Income – net of tax</b>									
Deficit on revaluation of investments – net of tax	–	–	–	–	(5,307,574)	–	–	–	(5,307,574)
Deficit on revaluation of fixed assets – net of tax	–	–	–	–	–	(136,403)	–	–	(136,403)
Surplus on revaluation of non-banking assets – net of tax	–	–	–	–	–	–	562,176	1,217	563,393
Re-measurement gain on defined benefit obligation – net of tax	–	–	–	–	–	–	–	454,522	454,522
Effect of translation of net investment in foreign branches	–	1,008,347	–	–	–	–	–	–	1,008,347
	–	1,008,347	–	–	(5,307,574)	(136,403)	562,176	455,739	(3,417,715)
Transfer to statutory reserve	–	–	1,288,052	–	–	–	–	(1,288,052)	–
Transferred from surplus in respect of incremental depreciation of fixed assets to unappropriated profit – net of tax	–	–	–	–	–	(112,263)	–	112,263	–
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit – net of tax	–	–	–	–	–	–	(1,813)	1,813	–
<b>Transactions with owners recognized directly in equity</b>									
Final cash dividend for the year ended December 31, 2017 (Rs. 1.75 per ordinary share)	–	–	–	–	–	–	–	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended December 31, 2018 (Rs. 2 per ordinary share)	–	–	–	–	–	–	–	(2,290,148)	(2,290,148)
	–	–	–	–	–	–	–	(8,874,323)	(8,874,323)
<b>Balance as at December 31, 2018</b>	11,450,739	1,239,301	19,031,214	6,000	5,185,769	15,755,409	2,135,996	53,985,383	108,789,811

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 1 STATUS AND NATURE OF BUSINESS

The "Group" consist of:

### Holding Company

Allied Bank Limited ("the Bank"), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Pakistan Stock Exchange Limited. The Bank operates a total of 1,343 (2017: 1,250) branches in Pakistan including 117 (2017: 117) Islamic banking branches, 1 branch (2017:1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2017: 1) in Bahrain. The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is 'AAA'. Short term rating of the Bank is 'A1+'.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it's registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 – Tipu Block, Main Boulevard, New Garden Town, Lahore.

### Subsidiary Company

ABL Asset Management Company Limited ("the Company") is a public unlisted company, incorporated in Pakistan as a limited liability company on October 12, 2007 under the repealed Companies Ordinance, 1984. The Company has received certificate of commencement of business on 31 December, 2007. The Company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry out Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131(I) 2007 (the NBFC Rules). The Company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005. The registered office of the Company is situated at Plot no. 14, Main Boulevard, DHA Phase VI, Lahore (previously at 11-B Lalazar, M.T Khan Road Karachi). The Company is a wholly owned subsidiary of Allied Bank Limited (the holding company).

The management quality rating of the Company, as assigned by JCR-VIS Crediting Rating Company Limited, is AM2++ (Stable) in December 2018.

ABL Asset Management company is managing following funds:

–	ABL Income Fund	Launched on September 20, 2008
–	ABL Stock Fund	Launched on June 28, 2009
–	ABL Cash Fund	Launched on July 30, 2010
–	ABL Islamic Income Fund	Launched on July 30, 2010
–	ABL Government Securities Fund	Launched on November 30, 2011
–	ABL Islamic Stock Fund	Launched on June 12, 2013
–	ABL Pension Fund	Launched on August 20, 2014
–	ABL Islamic Pension Fund	Launched on August 20, 2014
–	ABL Islamic Financial Planning Fund	Launched on December 22, 2015
–	ABL Financial Planning Fund	Launched on December 31, 2015
–	ABL Islamic Dedicated stock fund	Launched on December 19, 2016
–	Allied Capital Protected Fund	Launched on February 19, 2018
–	ABL Islamic Asset Allocation Fund	Launched on May 31, 2018
–	Allied Finergy Fund	Launched on November 30, 2018

## 2 a) BASIS OF PRESENTATION

These consolidated financial statements consist of holding company and its subsidiary company for the year ended December 31, 2018.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in Annexure II to these financial statements.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank, in that environment as well. The amounts are rounded to nearest thousand.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

The US Dollar amounts reported in the statement of financial position, profit and loss account, statement of comprehensive income and statement of cash flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 138.8619 per US Dollar has been used for 2018 and 2017, as it was the prevalent rate on reporting date

## b) BASIS OF CONSOLIDATION

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Bank is eliminated against the shareholders' equity in the consolidated financial statements.

## 2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) & the Securities and Exchange Commission of Pakistan (SECP).

**2.1.1** Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the directives issued by the SBP and the SECP differ with the requirements of IFRS and IFAS the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

**2.1.2** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

### 2.1.3 IFRS 9 'Financial Instruments'

IFRS-9 has been globally adopted from January 01, 2018. The standard stipulates a paradigm shift from incurred loss model to expected loss model (ECL). The prudential regulations currently allows provisioning against bad debts on the incurred loss model. There is also a major shift in subsequent measurement of investments with reference to booking of realized and unrealized gains / losses.

As part of the adoption process of this IFRS-9, SBP advised the banks to initially conduct an impact assessment based on the cut-off for the year ended December 31, 2017 and submit the same after verification by the respective external auditors.

Bank complied with the SBP's instructions and have submitted the external auditor's verified impact assessment to SBP, which is the now in the process of compiling and finalizing the results of the impact analysis at industry level.

Based on the final assessment, SBP is expected to announce the implementation plan for IFRS-9 during the year ending December 31, 2019. The consolidated financial statements of the Bank for the year ended December 31, 2018 are therefore prepared on the existing prudential regulations for domestic operations.

The adoption of the said standard by the overseas branch as per the requirement of regulatory regime, has resulted in additional ECL provisioning requirement of Rs. 22.7 million. The amount of additional provision has been accounted for in the profit for the current period and opening balance of retained earnings has not been adjusted as the amount is not material. There is no effect on the statement of cash flow of the Bank.

**2.1.4** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of International Financial Reporting Standard 10 'Consolidated Financial Statements' (IFRS 10) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**2.1.5** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard 3 'Profit & Loss Sharing on Deposits' (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

State Bank of Pakistan prescribed a new format for financial statements of banks effective from the year ended December 31, 2018. Accordingly, these financial statements are prepared in accordance with the new format. The changes impacting (other than certain presentation changes) these financial statements include:

- Recording of acceptances on-balance sheet (previously disclosed as off-balance sheet) (note 12 and 18).
- Inclusion of surplus / deficit on revaluation of investments as part of equity (previously shown below equity).
- Other reversal of provisions / write offs have now been combined under provisions and write offs – net (note 30).

In addition, Companies Act 2017 also became effective for the financial statements for the year ended December 31, 2017. As the Bank's financial statements are prepared in accordance with the format prescribed by SBP, it did not have a direct impact on the financial statements.

## 2.3 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of accounting and reporting standards as applicable in Pakistan will be effective for accounting periods beginning on or after January 01, 2019:

- IFRS 16 'Leases' (effective for annual period beginning on or after January 01, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.
- The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Bank's leases portfolio, the Bank's assessment of whether it will exercise any lease renewal options and the extent to which the Bank chooses to use practical expedients and recognition exemptions. The nature of expenses related to the leases will now change because IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right-of-use assets and profit expense on lease liabilities.
- The matter of adopting IFRS-16 has been taken by Banks with SBP, based upon the factors involved in its applications and its adoption is dependent upon the directives issued by SBP in this regard.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Bank's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is currently in the process of assessing the impact of this standard on the financial statements of the Group and expects that the amendments are not likely to have an impact on the Bank's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after July 1, 2018 and January 1, 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, an expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Bank has carried out an impact assessment as at December 31, 2017 which has been submitted to State Bank of Pakistan. However, this assessment has not been updated to December 31, 2018 pending notification as to date the standard is applicable for banks.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' – Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The application of this amendment is not likely to have impact on the Bank's financial statements.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

- Amendments to IAS 19 ‘Employee Benefits’ – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Bank’s financial statements.
- Amendment to IFRS 3 ‘BusinessCombinations’ – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The amendment is effective for transactions in the future and therefore would not have an impact on past financial statements.
- “Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle. The new cycle of improvements addresses improvements to following accounting and reporting standards:

- IFRS 3 Business Combinations and IFRS 11 JointArrangement – the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 IncomeTaxes – the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs – the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual periods beginning on or after January 1, 2019 and are not likely to have an impact on Group’s financial statements.

## 2.4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the management to exercise its judgment in the process of applying the Group’s accounting policies. Estimates, underlying assumptions and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group’s financial statements or where judgment was exercised in application of accounting policies are as follows:

### 2.4.1 Classification of investments

- In classifying investments as ‘held-for-trading’ the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as ‘held-to-maturity’ the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.
- The investments, other than those in subsidiary, which are not classified as ‘held-for-trading’ or ‘held-to-maturity’ are classified as ‘available-for-sale’.

### 2.4.2 Provision against non-performing loans and advances and debt securities classified as investments

The Group reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and the requirements of the Prudential Regulations are considered. The amount of general provision is determined in accordance with the requirements set out in Prudential Regulations.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 2.4.3 Valuation and impairment of 'available-for-sale' equity investments

The Group determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

## 2.4.4 Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Group's future taxable profits are taken into account.

## 2.4.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the reporting date and the rates contracted.

## 2.4.6 Depreciation / amortization

In making estimates of the depreciation / amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 – Accounting Policies, 'Changes in Accounting Estimates and Errors'.

## 2.4.7 Defined benefits plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 37.

## 2.4.8 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group categorizes fair value measurements within the following fair value hierarchy:

### a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

### b) Level 2

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

### c) Level 3

These are input for the assets or liability that are not based on observable market data (unobservable inputs).

## 3 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts / fair values / present values:

- Investments (Note 4.3);
- Certain fixed assets (Note 4.5);
- Staff retirement and other benefits (Note 4.7);
- Non-banking assets acquired in satisfaction of claims (Note 4.8); and
- Derivative financial instruments (Note 4.15.2).

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in these consolidated financial statements of the Group, except for the following:

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

Upto December 31, 2017, surplus / (deficit) on revaluation of fixed assets were being measured under the repealed Companies Ordinance, 1984. The surplus arising on the revaluation is credited to the surplus on revaluation of fixed asset account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the surplus account. With effect from January 1, 2018, the Bank has revised its accounting policy in respect of measurement of 'surplus / (deficit) on revaluation of fixed assets' which are now accounted for in accordance with the requirements of International Financial Reporting Standard IAS-16 'Property, Plant and Equipment'. The revaluation is measured on individual assets where the surplus is taken to surplus on revaluation of fixed assets account. The deficit on revaluation of the asset is charged to profit and loss account after netting of any surplus already recorded on that asset. The management of the Bank believes that the impact of change in policy is not material, therefore, no adjustments are being taken.

Significant accounting policies are enumerated as follows:

## 4.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

## 4.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

### a. Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as mark-up expense.

### b. Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as mark-up income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

In Bai Muajjal, the Group sells Shariah Compliant instruments including sukuks on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Expected profit expense is recognized on accrual basis.

In Musharaka / Modaraba, the Group invests in the Shariah compliant business pools of the financial institutions at the agreed profit and loss sharing ratio. Expected profit is recognized on accrual basis.

Other borrowings including borrowings from SBP are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account on a time proportion basis.

Lendings are stated net of provision. Return on such lending is accrued to the profit and loss account on a time proportion basis except mark-up on impaired/ delinquent lendings, which is recognized on receipt basis.

## 4.3 Investments

4.3.1 The Group at the time of purchase classifies its investment portfolio as mentioned in note 2.4.1.

4.3.2 Investments are initially recognized at fair value which, in case of investments other than 'held-for-trading', includes transaction cost associated with the investments. Transaction cost on 'held-for-trading' investments are expensed as incurred.

All 'regular way' purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require settlement within the time frame generally established by regulation or convention in the market place.

4.3.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held-to-maturity' and investments in subsidiaries, are carried at market value. Investments classified as 'held-to-maturity' are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Group's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

# Notes to the Consolidated Financial Statements

## for the year ended December 31, 2018

Unquoted equity securities are valued at the lower of cost and break-up value. The break-up value of these securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. A decline in the carrying value is charged to the profit and loss account. A subsequent increase in the carrying value, upto the cost of the investment, is credited to the profit and loss account. Investments in other unquoted securities are valued at cost less impairment, if any.

Provision for diminution in the value of securities (except for debentures, participation term certificates, sukuks and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates, sukuks and term finance certificates is made in accordance with the requirements of Prudential Regulations issued by SBP.

### 4.3.4 Investments in subsidiaries are stated at cost less impairment.

## 4.4 Advances

### a. Loans and advances

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

### b. Net investment in finance lease

Leases, where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including un-guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

### c. Islamic financing and related assets

The Group provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah, Business Musharakah and Salam. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The profit on such financing is recognised in accordance with the principles of Islamic Shariah. The Group determines specific and general provisions against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

## 4.5 Fixed assets and depreciation

### a. Tangible assets

Property and equipment owned by the Group, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost of property and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 10.2. The residual values, useful lives and depreciation methods are reviewed and adjusted, if required. Adjustments in residual values, useful lives and depreciation methods are treated as change in accounting estimates.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

When an asset or class of assets is revalued, any increase in the carrying amount arising on revaluation is recorded through other comprehensive income and credited to the revaluation reserve in equity. However, the increase shall be recognized in the profit and loss account to the extent it reverses previously recognised revaluation decrease/impairment loss of the same asset in the profit and loss account, net of amortization or depreciation had no revaluation decrease/impairment been required for the asset in prior years. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that asset and the remaining portion being charged as an expense.

The surplus on revaluation of fixed assets to the extent of incremental depreciation (net of deferred tax) charged on the related assets is transferred directly to un-appropriated profit.

Revaluation of entire class of assets is carried out by independent professionally qualified valuers with sufficient regularity (every third year) to ensure that the carrying amount of the entire class of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

## **b. Intangible assets**

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.2. The useful lives are reviewed and adjusted, if appropriate, at each reporting date.

## **c. Capital work-in-progress**

Capital work-in-progress is stated at cost less impairment losses, if any.

## **4.6 Taxation**

### **a. Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year.

### **b. Prior**

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments/changes in laws and changes in estimates made during the current year.

### **c. Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the reporting date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of fixed assets, non-banking assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS-12 'Income Taxes'.

## **4.7 Staff retirement and other benefits**

### **4.7.1 Staff retirement schemes**

#### **a. For employees who opted for the 2002 scheme introduced by the management**

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary, service length and age as on June 30, 2002 are payable to all employees whose date of joining the Group is on or before July 01, 1992, i.e., who have completed ten years of continuous service as on June 30, 2002.

During the year, the pensioners were given a voluntary option to settle their monthly pension with a lump sum payment. Those who will not opt for the lump sum option, will continue to receive monthly pension (defined benefit scheme).

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i. For members whose date of joining the Group is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii. For members whose date of joining the Group is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit. This rule will be applicable upon retirement or in service death only, in case of resignation gratuity will be payable from July 01, 2002, even if he or she had joined the Group before July 01, 2002.

A contributory provident fund scheme to which equal contributions are made by the Group and the employees (defined contribution scheme).

#### **b. For employees who did not opt for 2002 scheme**

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary as on June 30, 2002 are payable to all employees opting continuation of the previous scheme and whose date of joining the Bank is on or before July 01, 1992, i.e., who had completed ten years of continuous service as on June 30, 2002.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

In the light of decision of Honorable Supreme Court of Pakistan in SMC No. 20/2016 dated 13th February 2018 read with Order dated 3rd April 2018 passed in CRP No.72/2018 and Order dated 7th August 2018 in Crl.O.No. 98 and 99 of 2018 and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

## c. Benevolent Fund

Until December 31, 2008 the Group operated a contributory benevolent fund, which was discontinued for active employees. The beneficiaries as on that date were also given an option to settle their monthly grant with a lump sum payment. Those who have not opted for the lump sum option will continue to receive benevolent grant (Defined benefit scheme).

## d. Post-retirement medical benefits

The Group provides post-retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

## 4.7.2 Other long term benefits

### a. Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees, upto a maximum of 60 days. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against un-availed leaves, as per terms of service contract, up to the reporting date, based on actuarial valuation using Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Profit and Loss account in the period of occurrence.

### b. Compensation to certain class of employees

Bank has revised its retirement policy by reducing the retirement age to 58 years for class of employees effective January 01, 2018. Consequent to the revision, these employees shall be compensated with gross salary along with employer's contribution on provident fund and gratuity for the remaining period up to 60 years in addition to already defined post-employment benefits, payable at the time of retirement, if any.

## 4.8 Non-banking assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation (excluding land). Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of assets' account through statement of comprehensive income and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property are charged to profit and loss account and not capitalised.

## 4.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the profit and loss account on time proportion basis. Deposits mobilized under Islamic Banking operations are generated under two modes i.e. 'Qard' and 'Modaraba'. Deposits taken on Qard basis are classified as 'Current accounts' and Deposits generated on Modaraba basis are classified as 'Saving deposits / Fixed deposits'.

## 4.10 Impairment

### a. Available-for-sale equity securities

The Group determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price in the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology.

### b. Non-financial assets

The carrying amount of the Group's assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account except for an impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the revaluation surplus. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 4.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified losses on non-funded exposure is recognized when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

## 4.12 Acceptances

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

## 4.13 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the reporting date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognized in the period in which these are declared / approved.

## 4.14 Foreign currencies

### a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date. Foreign bills purchased are valued at spot rate and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

### b) Foreign operations

The assets and liabilities of foreign operating branches are translated to Pakistan Rupee (PKR) at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average exchange rate for the period.

### c) Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in profit and loss account. Regular translation gains and losses are taken to profit and loss account.

### d) Commitments

Commitments for outstanding forward contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing on the reporting date.

## 4.15 Financial instruments

### 4.15.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is extinguished. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 4.15.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

## 4.16 Off setting

Financial assets and financial liabilities are off set and the net amount is reported in the financial statements when there is a legally enforceable right to off set and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 4.17 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. These are recognised as follows:

### a. Advances and investments

Mark-up / return on regular loans / advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

### b. Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

### c. Islamic financing and related assets

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha and Salam income is recognised on deferred income basis.

### d. Fees, brokerage and commission

Fee, Commission and Brokerage income is recognized on an accrual basis except where, in the opinion of management, it would not be prudent to do so.

## 4.18 Business Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure. The Group's primary segment reporting is based on following business segments:

### a. Corporate & investment banking

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Group. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all Group related matters.

### b. Trading and sales (Treasury)

This segment undertakes the Group's treasury and money market activities.

### c. Commercial & retail banking

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and Islamic) customers.

### d. Others

Others includes functions which cannot be classified in any of the above segments.

## 4.19 Geographical Segment Reporting

Geographically the Bank operates in Pakistan, Middle East and China.

## 4.20 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			

## 5 CASH AND BALANCES WITH TREASURY BANKS

<b>In hand</b>			
Local currency		15,271,580	12,269,658
Foreign currencies		1,008,439	881,144
		16,280,019	13,150,802
<b>Remittances in transit</b>			
		591,133	513,672
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	5.1	38,599,518	37,791,773
Foreign currency current account	5.2	81,311	1,247
		38,680,829	37,793,020
<b>Foreign currency deposit accounts</b>			
Non-remunerative	5.1	4,722,714	3,898,776
Remunerative	5.3	14,128,800	11,667,460
		18,851,514	15,566,236
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		24,610,744	18,156,411
<b>Prize Bonds</b>			
		174,175	175,414
		99,188,414	85,355,555

**5.1** Deposits with SBP are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 and SBP statutory requirements issued from time to time.

**5.2** This represents US Dollar settlement account maintained with SBP.

**5.3** This represents special cash reserve maintained with SBP. The return on this account is declared by SBP on a monthly basis and carries mark-up at the rate of 0.56% to 1.35% (2017: 0.37%) per annum.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			

## 6 BALANCES WITH OTHER BANKS

<b>In Pakistan</b>			
In deposit accounts	6.1	2,000,000	747
<b>Outside Pakistan</b>			
In current accounts	6.2	257,659	326,579
In deposit accounts	6.2	306,543	322,186
		2,564,202	649,512

**6.1** This represents local currency deposit placement by Islamic banking business with an Islamic bank at expected profit of 10.60% (2017: Nil) per annum, maturing on January 24, 2019.

**6.2** These are nostro balances placed with other banks.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>7</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lendings	7.1	5,500,000	1,000,000
Repurchase agreement lendings (Reverse Repo)	7.2 & 7.8	44,455,680	5,779,431
Musharaka lendings	7.3	2,500,000	1,100,000
Modaraba lending		–	600,000
Bai muajjal receivable from:			
– State Bank of Pakistan		–	214,968
– other financial institutions	7.4	1,029,999	–
Certificates of investment	7.5	70,000	70,000
Letters of placement	7.6	300,000	–
		53,855,679	8,764,399
Less: Provision held against lendings to financial institutions	7.5 & 7.9	(70,000)	(70,000)
Lendings to financial institutions – net of provision		53,785,679	8,694,399

**7.1** These represent local currency call money lending at the mark-up rate of 10.35% to 10.70% (2017: local currency lending at the rate of 5.90%) per annum, maturing on various dates, latest by February 13, 2019.

**7.2** These are short-term local currency lendings to financial institutions against government securities as shown in note 7.8 below. These carry mark-up at the rate of 10.10% to 10.40% (2017: 5.95% to 6.10%) per annum, maturing on various dates, latest by February 1, 2019.

**7.3** These represent local currency lendings by Islamic banking business under Musharaka agreement at expected profit of 9.50% to 9.70% (2017: 5.83% to 5.85%) per annum, maturing on various dates, latest by January 18, 2019.

**7.4** This represents local currency lending by Islamic banking business under Bai Muajjal agreement with an islamic bank at expected profit of 9.80% (2017: Nil) per annum, maturing on January 21, 2019.

**7.5** This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2017: Rs. 70 million).

**7.6** These represent local currency letters of placement with a financial institution at the mark-up rate of 10.70% (2017: Nil) per annum, maturing on February 01, 2019.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>7.7</b>	<b>Particulars of lending</b>	
In local currency	53,855,679	8,764,399
In foreign currencies	–	–
	53,855,679	8,764,399

	December 31, 2018			December 31, 2017		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	Rupees in '000					

## **7.8** Securities held as collateral against lending to financial institutions

Market Treasury Bills	33,500,000	–	33,500,000	800,000	–	800,000
Pakistan Investment Bonds	11,000,000	–	11,000,000	5,000,000	–	5,000,000
	44,500,000	–	44,500,000	5,800,000	–	5,800,000

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018		December 31, 2017	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				

## 7.9 Category of classification

<b>Domestic</b>				
Other Assets Especially Mentioned	—	—	—	—
Substandard	—	—	—	—
Doubtful	—	—	—	—
Loss	70,000	70,000	70,000	70,000
	70,000	70,000	70,000	70,000

	December 31, 2018				December 31, 2017			
Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								

## 8 INVESTMENTS

### 8.1 Investments by type:

<b>Held-for-trading securities</b>								
Federal Government Securities	—	—	—	—	24,826,109	—	1,782	24,827,891
Open Ended Mutual Funds/ Pension Funds	1,912,351	—	(53,328)	1,859,023	1,785,318	—	(43,694)	1,741,624
	1,912,351	—	(53,328)	1,859,023	26,611,427	—	(41,912)	26,569,515
<b>Available-for-sale securities</b>								
Federal Government Securities	610,683,028	(21,248)	(1,608,457)	609,053,323	548,683,329	—	3,491,782	552,175,111
Shares	25,390,404	(2,266,130)	9,572,004	32,696,278	25,513,458	(2,336,353)	12,653,552	35,830,657
Non Government Debt Securities	11,732,046	(21,071)	(47,874)	11,663,101	9,173,111	(22,948)	(1,728)	9,148,435
Foreign Securities	1,037,692	—	—	1,037,692	1,037,692	—	—	1,037,692
Open Ended Mutual Funds	63,834	—	62,436	126,270	—	—	—	—
8.4	648,907,004	(2,308,449)	7,978,109	654,576,664	584,407,590	(2,359,301)	16,143,606	598,191,895
<b>Held-to-maturity securities</b>								
Federal Government Securities	16,151,622	—	—	16,151,622	74,562,280	—	—	74,562,280
Non Government Debt Securities	346,090	(346,090)	—	—	346,102	(346,102)	—	—
8.5	16,497,712	(346,090)	—	16,151,622	74,908,382	(346,102)	—	74,562,280
<b>Total Investments</b>	<b>667,317,067</b>	<b>(2,654,539)</b>	<b>7,924,781</b>	<b>672,587,309</b>	<b>685,927,399</b>	<b>(2,705,403)</b>	<b>16,101,694</b>	<b>699,323,690</b>

### 8.2 Investments by segments:

<b>Federal Government Securities:</b>								
Market Treasury Bills	543,454,941	—	(21,790)	543,433,151	390,385,471	—	(37,270)	390,348,201
Pakistan Investment Bonds	64,695,276	—	(1,397,373)	63,297,903	237,630,509	—	2,811,595	240,442,104
Ijarah Sukuks	3,350,848	—	(16,997)	3,333,851	2,845,696	—	15,455	2,861,151
GOP Sukuks (US\$)	9,756,796	(21,248)	(191,642)	9,543,906	12,214,033	—	184,269	12,398,302
Foreign Currency Bonds (US\$)	5,576,788	—	19,346	5,596,134	4,996,009	—	519,515	5,515,524
	626,834,649	(21,248)	(1,608,456)	625,204,945	648,071,718	—	3,493,564	651,565,282
<b>Shares:</b>								
Listed Companies	22,646,719	(2,103,351)	9,572,003	30,115,371	22,957,532	(2,264,790)	12,653,552	33,346,294
Unlisted Companies	2,743,686	(162,779)	—	2,580,907	2,555,926	(71,563)	—	2,484,363
Units of open-ended mutual funds	1,976,185	—	9,108	1,985,293	1,785,318	—	(43,694)	1,741,624
	27,366,590	(2,266,130)	9,581,111	34,681,571	27,298,776	(2,336,353)	12,609,858	37,572,281
<b>Non Government Debt Securities</b>								
Listed	3,139,909	(105,329)	(47,874)	2,986,706	2,622,497	(105,329)	(1,728)	2,515,440
Unlisted	8,938,227	(261,832)	—	8,676,395	6,896,716	(263,721)	—	6,632,995
	12,078,136	(367,161)	(47,874)	11,663,101	9,519,213	(369,050)	(1,728)	9,148,435
<b>Foreign Securities</b>								
Equity securities	1,037,692	—	—	1,037,692	1,037,692	—	—	1,037,692
<b>Total Investments</b>	<b>667,317,067</b>	<b>(2,654,539)</b>	<b>7,924,781</b>	<b>672,587,309</b>	<b>685,927,399</b>	<b>(2,705,403)</b>	<b>16,101,694</b>	<b>699,323,690</b>

\* Provision for diminution against federal government securities represents expected credit loss provisioning under IFRS 9 on portfolio parked in overseas branch.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	

## 8.2.1 Investments given as collateral

Market Treasury Bills	158,411,120	75,663,516
Pakistan Investment Bonds	10,077,521	100,554,745
GOP Foreign Currency Sukuks (US\$)	4,451,600	1,577,089
GOP Foreign Currency Bonds (US\$)	710,569	–
<b>Total Investments given as collateral</b>	<b>173,650,810</b>	<b>177,795,350</b>

## 8.3 Provision for diminution in value of investments

8.3.1 Opening balance	2,705,403	2,696,599
Exchange adjustments	1,557	–

### Charge / reversals

Charge for the year	112,794	22,581
Reversals for the year	(3,776)	(13,777)
Reversal on disposals	(161,439)	–
	(52,421)	8,804

### Closing Balance

	2,654,539	2,705,403
--	-----------	-----------

	December 31, 2018		December 31, 2017	
	NPI	Provision	NPI	Provision
	Rupees in '000			

## 8.3.2 Particulars of provision against debt securities

### Category of classification

#### Domestic

Other assets especially mentioned	–	–	–	–
Substandard	–	–	–	–
Doubtful	–	–	–	–
Loss	367,161	367,161	369,050	369,050
	<b>367,161</b>	<b>367,161</b>	<b>369,050</b>	<b>369,050</b>

#### Overseas

Not past due but impaired*	9,756,796	21,248	–	–
Overdue by:				
Upto 90 days	–	–	–	–
91 to 180 days	–	–	–	–
181 to 365 days	–	–	–	–
> 365 days	–	–	–	–
<b>Total</b>	<b>10,123,957</b>	<b>388,409</b>	<b>369,050</b>	<b>369,050</b>

\* Provision represents expected credit loss provisioning in overseas branch.

The State Bank of Pakistan (SBP) has not granted any relaxation in any classification / provisioning during the year ended December 31, 2018.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Cost	
	Rupees in '000	

## 8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

### *Federal Government Securities – Government guaranteed*

Market Treasury Bills	543,454,941	365,679,302
Pakistan Investment Bonds	48,543,655	164,056,432
GOP Sukuks (US\$)	9,756,796	11,105,890
Foreign Currency Bonds (US\$)	5,576,788	4,996,009
GOP Ijarah Sukuks	3,350,848	2,845,696
	610,683,028	548,683,329

### *Shares*

#### *Listed Companies*

Power Generation and Distribution	8,991,081	8,992,522
Oil & Gas Exploration Companies	5,093,607	5,681,860
Fertilizer	3,701,965	3,701,965
Commercial Banks	2,900,903	2,575,489
Oil & Gas Marketing Companies	1,043,460	1,043,460
Real Estate Investment Trust	455,851	455,851
Chemical	268,289	268,289
Leasing Companies	89,322	97,022
Close-end Mutual Funds	51,603	90,436
Investment Banks	50,000	50,000
Cement	638	638
	22,646,719	22,957,532

	December 31, 2018		December 31, 2017	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

#### *Unlisted Companies*

Security General Insurance Limited	1,075,653	147.61	1,075,653	140.51
Habib Allied Holding Limited	1,035,922	211.41	1,035,922	179.09
Nishat Hotels And Properties Limited	944,970	8.64	944,970	9.60
Atlas Power Limited	355,000	23.93	355,000	21.48
Pakistan Mortgage Refinance Co. Limited	200,000	10.02	12,240	–
1 Link Guarantee Limited	50,000	–	50,000	–
Central Depository Company	40,300	38.94	40,300	36.72
ISE Towers REIT Management Company Limited	30,346	14.09	30,346	12.13
First Women Bank Limited	21,200	9.35	21,200	9.96
LSE Financial Services Limited	8,440	21.70	8,440	18.29
SME Bank Limited	5,250	(1.82)	5,250	0.09
Arabian Sea Country Club Ltd.	5,000	0.70	5,000	0.70
Eastern Capital Limited	5,000	–	5,000	–
SWIFT	1,770	677,701	1,770	499,351
National Institute of Fashion Technology	1,527	26.06	1,527	24.62
Pakistan Agricultural Storage and Services Corporation	1,000	242,002	1,000	228,378
	3,781,378		3,593,618	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Cost	
	Rupees in '000	
Non Government Debt Securities		
Listed		
– AAA	383,308	383,463
– AA+, AA, AA–	2,618,458	2,133,705
– A+, A, A–	32,813	–
	3,034,579	2,517,168
Unlisted		
– AAA	3,750,000	2,600,000
– AA+, AA, AA–	3,080,965	2,033,959
– A+, A, A–	1,845,431	1,719,911
– Unrated	21,071	302,073
	8,697,467	6,655,943
Open Ended Mutual Funds		
HBL Growth Fund – Class B Segment	38,834	–
Allied Finergy Fund	25,000	–
	63,834	–
Foreign Securities		
Equity Securities – Unlisted		
Habib Allied Holding Limited	1,035,922	1,035,922
SWIFT	1,770	1,770
	1,037,692	1,037,692
8.5 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities – Government guaranteed		
Pakistan Investment Bonds	16,151,622	73,454,137
GOP Sukuks (US\$)	–	1,108,143
	16,151,622	74,562,280
Non Government Debt Securities		
Listed		
– Unrated	105,329	105,329
Unlisted		
– Unrated	240,761	240,773

**8.5.1** The market value of securities classified as held-to-maturity as at December 31, 2018 amounted to Rs. 15,579.4 million (December 31, 2017: Rs. 78,655.2 million).

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

Note	Performing		Non Performing		Total	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017

Rupees in '000

## 9 ADVANCES

Loans, cash credits, running finances, etc.	9.1	428,933,543	363,567,812	14,569,294	16,512,648	443,502,837	380,080,460
Islamic financing and related assets	A-III. 3	6,927,030	4,662,326	–	–	6,927,030	4,662,326
Bills discounted and purchased		1,982,031	2,512,605	1,495,347	1,539,101	3,477,378	4,051,706
<b>Advances – gross</b>	9.2	437,842,604	370,742,743	16,064,641	18,051,749	453,907,245	388,794,492
<b>Provision against advances</b>							
Specific	9.3 & 9.4	–	–	(15,533,497)	(16,702,236)	(15,533,497)	(16,702,236)
General	9.4	(15,868)	(11,701)	–	–	(15,868)	(11,701)
		(15,868)	(11,701)	(15,533,497)	(16,702,236)	(15,549,365)	(16,713,937)
<b>Advances – net of provision</b>		437,826,736	370,731,042	531,144	1,349,513	438,357,880	372,080,555

	December 31, 2018				December 31, 2017			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total

Rupees in '000

### 9.1 Includes Net investment in finance lease as described below

Lease rentals receivable	631,223	1,504,537	116,221	2,251,981	548,697	1,335,126	194,666	2,078,489
Residual value	42,542	460,880	188,280	691,702	63,787	375,705	178,991	618,483
Minimum lease payments	673,765	1,965,417	304,501	2,943,683	612,484	1,710,831	373,657	2,696,972
Financial charges for future periods	(66,148)	(133,067)	(130,661)	(329,876)	(37,398)	(142,759)	(136,242)	(316,399)
Present value of minimum lease payments	607,617	1,832,350	173,840	2,613,807	575,086	1,568,072	237,415	2,380,573

	December 31, 2018	December 31, 2017
--	-------------------	-------------------

Rupees in '000

### 9.2 Particulars of advances (Gross)

9.2.1 In local currency	443,682,812	378,216,223
In foreign currencies	10,224,433	10,578,269
	453,907,245	388,794,492

### 9.3 Advances include Rs. 16,064.641 million (2017: Rs. 18,051.749 million) which have been placed under non-performing status as detailed below:

	December 31, 2018		December 31, 2017	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision

Rupees in '000

#### Category of Classification

##### Domestic

Other Assets Especially Mentioned	38,425	2,231	39,805	1,054
Substandard	436,938	109,035	492,961	122,297
Doubtful	334,094	167,047	107,934	53,967
Loss	15,255,184	15,255,184	17,411,049	16,524,918
	16,064,641	15,533,497	18,051,749	16,702,236

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

- 9.3.1** The Bank has participated in government guaranteed syndicated long term loan facilities, granted to Power Holding (Pvt.) Limited, with the Bank's outstanding share being Rs. 6,757 million. State Bank of Pakistan has extended relaxation against classification of the exposure vide Letter No. BPRD/ BRD (Policy)/ 021574/ 2018 dated October 03, 2018 till December 31, 2018; with instructions to recognize mark-up on receipt basis.

		December 31, 2018			December 31, 2017		
	Note	Specific	General	Total	Specific	General	Total
Rupees in '000							
9.4 Particulars of provision against advances							
Opening balance		16,702,236	11,701	16,713,937	18,720,563	63,309	18,783,872
Charge for the year		500,412	4,167	504,579	365,854	–	365,854
Reversals	9.5	(1,637,415)	–	(1,637,415)	(2,281,184)	(51,608)	(2,332,792)
		(1,137,003)	4,167	(1,132,836)	(1,915,330)	(51,608)	(1,966,938)
Amounts written off	9.6	(31,736)	–	(31,736)	(102,997)	–	(102,997)
Closing balance		15,533,497	15,868	15,549,365	16,702,236	11,701	16,713,937
9.4.1 In local currency							
		15,207,403	15,868	15,223,271	16,442,940	11,701	16,454,641
In foreign currencies		326,094	–	326,094	259,296	–	259,296
		15,533,497	15,868	15,549,365	16,702,236	11,701	16,713,937

- 9.4.2** No benefit of forced sale value of the collaterals held by the Bank has been taken while determining the provision against non-performing loans as allowed under BSD circular No. 01 dated October 21, 2011.

- 9.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 29.2 million (2017: Rs. 32.5 million).

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>9.6 Particulars of write-offs</b>			
<b>9.6.1</b> Against provisions		31,736	102,997
Directly charged to Profit and Loss account		–	–
		31,736	102,997
<b>9.6.2</b> Write-offs of Rs. 500,000 and above – Domestic	9.7	31,736	102,997
Write-offs of below Rs. 500,000		–	–
		31,736	102,997

## 9.7 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees and above allowed to a person(s) during the year ended December 31, 2018 is given in Annexure-'I'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			

## 10 FIXED ASSETS

Capital work-in-progress	10.1	2,338,494	2,963,429
Property and equipment	10.2	48,061,279	43,927,331
		50,399,773	46,890,760



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	

## 10.1 Capital work-in-progress

Civil works	1,855,180	2,530,114
Advances to suppliers	483,314	433,315
	<b>2,338,494</b>	<b>2,963,429</b>

	December 31, 2018								
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Rented Premises)	Total
	Rupees in '000								

## 10.2 Property and Equipment

<b>At January 1, 2018</b>									
Cost / Revalued amount	15,281,070	11,068,636	6,260,977	4,261,641	1,682,198	11,676,459	827,965	3,501,922	54,560,868
Accumulated depreciation	–	–	–	–	(878,225)	(7,220,730)	(537,487)	(1,997,095)	(10,633,537)
<b>Net book value</b>	<b>15,281,070</b>	<b>11,068,636</b>	<b>6,260,977</b>	<b>4,261,641</b>	<b>803,973</b>	<b>4,455,729</b>	<b>290,478</b>	<b>1,504,827</b>	<b>43,927,331</b>

<b>Year ended December 2018</b>									
Opening net book value	15,281,070	11,068,636	6,260,977	4,261,641	803,973	4,455,729	290,478	1,504,827	43,927,331
Additions	2,380,971	58,138	859,667	296,527	273,610	2,347,406	359,000	575,046	7,150,365
Disposals cost	–	–	–	–	(17,878)	(429,280)	(28,822)	(90)	(476,070)
Disposals accumulated depreciation	–	–	–	–	17,173	422,746	24,524	90	464,533
Disposals	–	–	–	–	(705)	(6,534)	(4,298)	–	(11,537)
Depreciation charge	–	–	(340,664)	(228,787)	(178,517)	(1,359,445)	(125,945)	(509,332)	(2,742,690)
Exchange rate adjustments	–	–	–	–	(78)	(113)	–	–	(191)
Other adjustments / transfers	(97,437)	(164,562)	–	–	–	–	–	–	(261,999)
<b>Closing net book value</b>	<b>17,564,604</b>	<b>10,962,212</b>	<b>6,779,980</b>	<b>4,329,381</b>	<b>898,283</b>	<b>5,437,043</b>	<b>519,235</b>	<b>1,570,541</b>	<b>48,061,279</b>

<b>At December 31, 2018</b>									
Cost / Revalued amount	17,564,604	10,962,212	7,120,644	4,558,168	1,937,930	13,594,585	1,158,143	4,076,878	60,973,164
Accumulated depreciation	–	–	(340,664)	(228,787)	(1,039,647)	(8,157,542)	(638,908)	(2,506,337)	(12,911,885)
<b>Net book value</b>	<b>17,564,604</b>	<b>10,962,212</b>	<b>6,779,980</b>	<b>4,329,381</b>	<b>898,283</b>	<b>5,437,043</b>	<b>519,235</b>	<b>1,570,541</b>	<b>48,061,279</b>
<b>Rate of depreciation (percentage)</b>	<b>–</b>	<b>–</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>14.28% –50%</b>	<b>20%</b>	<b>20%</b>	<b>–</b>

	December 31, 2017								
	Freehold Land	Leasehold Land	Building on Freehold Land	Building on Leasehold Land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Building Improvements (Rented Premises)	Total
	Rupees in '000								

<b>At January 1, 2017</b>									
Cost / Revalued amount	12,157,409	3,303,825	5,514,533	3,097,922	1,405,607	9,853,134	822,004	2,622,036	38,776,470
Accumulated depreciation	–	–	(873,444)	(285,426)	(717,576)	(6,342,334)	(450,677)	(1,613,646)	(10,283,103)
<b>Net book value</b>	<b>12,157,409</b>	<b>3,303,825</b>	<b>4,641,089</b>	<b>2,812,496</b>	<b>688,031</b>	<b>3,510,800</b>	<b>371,327</b>	<b>1,008,390</b>	<b>28,493,367</b>

<b>Year ended December 2017</b>									
Opening net book value	12,157,409	3,303,825	4,641,089	2,812,496	688,031	3,510,800	371,327	1,008,390	28,493,367
Additions	2,146,874	716,833	980,765	639,744	285,831	2,066,344	66,427	880,062	7,782,880
Movement in surplus on assets revalued during the year	976,787	7,047,978	895,616	952,762	–	–	–	–	9,873,143
Disposals cost	–	–	–	–	(9,240)	(243,019)	(60,466)	(176)	(312,901)
Disposals accumulated depreciation	–	–	–	–	8,467	239,763	54,122	176	302,528
Disposals	–	–	–	–	(773)	(3,256)	(6,344)	–	(10,373)
Depreciation charge	–	–	(256,493)	(143,361)	(169,102)	(1,118,131)	(140,932)	(383,625)	(2,211,644)
Exchange rate adjustments	–	–	–	–	(14)	(28)	–	–	(42)
Other adjustments / transfers	–	–	–	–	–	–	–	–	–
<b>Closing net book value</b>	<b>15,281,070</b>	<b>11,068,636</b>	<b>6,260,977</b>	<b>4,261,641</b>	<b>803,973</b>	<b>4,455,729</b>	<b>290,478</b>	<b>1,504,827</b>	<b>43,927,331</b>

<b>At December 31, 2017</b>									
Cost / Revalued amount	15,281,070	11,068,636	6,260,977	4,261,641	1,682,198	11,676,459	827,965	3,501,922	54,560,868
Accumulated depreciation	–	–	–	–	(878,225)	(7,220,730)	(537,487)	(1,997,095)	(10,633,537)
<b>Net book value</b>	<b>15,281,070</b>	<b>11,068,636</b>	<b>6,260,977</b>	<b>4,261,641</b>	<b>803,973</b>	<b>4,455,729</b>	<b>290,478</b>	<b>1,504,827</b>	<b>43,927,331</b>
<b>Rate of depreciation (percentage)</b>	<b>–</b>	<b>–</b>	<b>5%</b>	<b>5%</b>	<b>10%</b>	<b>14.28% –50%</b>	<b>20%</b>	<b>20%</b>	<b>–</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

- 10.3** Bank arranged for valuation of all Land and Buildings as at December 31, 2017 from four independent valuers {Sadrudin Associates (Pvt.) Ltd, Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt). Ltd.}. The revalued amounts of properties have been determined on the basis of market value. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
– Land (Freehold and leasehold)	14,768,004
– Building	7,796,683

- 10.4** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	

- 10.5** Incremental depreciation charged during the year transferred to unappropriated profit

20.1	172,713	84,520
------	---------	--------

- 10.6** Restriction / discrepancy in the title of property having a net book value of

57,694	59,131
--------	--------

- 10.7** The cost of fully depreciated assets that are still in use:

Furniture and fixtures	342,011	286,863
Electrical, office and computer equipments	4,497,694	4,464,328
Vehicles	327,935	285,809
Leasehold Improvements	1,342,260	1,200,646

Amount of fully depreciated assets includes depreciation of Rs. 197.73 million (2017: Rs. 145.56 million) of under Rs.10,000 items which are fully depreciated in the month of purchase.

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	

- 10.8** The carrying amount of property and equipment that have retired from active use

349,670	353,461
---------	---------

## 11 INTANGIBLE ASSETS

Capital work in progress	11.1	340,990	99,361
Intangible Assets	11.2	1,415,137	1,365,763
		1,756,127	1,465,124

### 11.1 Capital work in progress

Softwares	184,046	73,621
Advances for softwares to suppliers	156,944	25,740
	340,990	99,361

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018		
	Computer software	Others	Total
	Rupees in '000		
<b>11.2 Intangible Assets</b>			
<i>At January 1, 2018</i>			
Cost	2,714,595	–	2,714,595
Accumulated amortisation and impairment	(1,348,832)	–	(1,348,832)
<b>Net book value</b>	<b>1,365,763</b>	<b>–</b>	<b>1,365,763</b>
<i>Year ended December 2018</i>			
Opening net book value	1,365,763	–	1,365,763
Additions:			
directly purchased	453,444	–	453,444
Amortisation charge	(404,070)	–	(404,070)
<b>Closing net book value</b>	<b>1,415,137</b>	<b>–</b>	<b>1,415,137</b>
<i>At December 31, 2018</i>			
Cost	3,168,039	–	3,168,039
Accumulated amortisation and impairment	(1,752,902)	–	(1,752,902)
<b>Net book value</b>	<b>1,415,137</b>	<b>–</b>	<b>1,415,137</b>
<b>Rate of amortisation (percentage)</b>	<b>14.28%</b>		<b>14.28%</b>
<b>Useful life</b>	<b>7 Years</b>		<b>7 Years</b>
	December 31, 2017		
	Computer software	Others	Total
	Rupees in '000		
<i>At January 1, 2017</i>			
Cost	2,033,515	–	2,033,515
Accumulated amortisation and impairment	(1,036,915)	–	(1,036,915)
<b>Net book value</b>	<b>996,600</b>	<b>–</b>	<b>996,600</b>
<i>Year ended December 2017</i>			
Opening net book value	996,600	–	996,600
Additions:			
directly purchased	681,082	–	681,082
Amortisation charge	(311,919)	–	(311,919)
<b>Closing net book value</b>	<b>1,365,763</b>	<b>–</b>	<b>1,365,763</b>
<i>At December 31, 2017</i>			
Cost	2,714,597	–	2,714,597
Accumulated amortisation and impairment	(1,348,834)	–	(1,348,834)
<b>Net book value</b>	<b>1,365,763</b>	<b>–</b>	<b>1,365,763</b>
<b>Rate of amortisation (percentage)</b>	<b>14.28%</b>		<b>14.28%</b>
<b>Useful life</b>	<b>7 Years</b>		<b>7 Years</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
11.3	The cost of fully amortized assets that are still in use:		
	Intangible assets – software	306,326	282,187
11.4	Remaining amortization period of material intangible assets is from 3 to 5 years.		
12	OTHER ASSETS		
	Income / Mark-up accrued in local currency – net of provision	11,777,626	15,530,697
	Income / Mark-up accrued in foreign currency – net of provision	293,994	266,574
	Advances, deposits, advance rent and other prepayments	1,254,352	1,257,201
	Advance taxation (payments less provisions)	4,624,072	4,747,404
	Non-banking assets acquired in satisfaction of claims	12.1	1,947,348
	Mark to market gain on forward foreign exchange contracts	2,698,766	2,227,080
	Acceptances	4,183,083	3,953,545
	Due from the employees' retirement benefit schemes		
	Benevolent fund	37.4	115,915
	Pension fund	37.4	4,560,065
	Fraud and forgeries	510,013	517,113
	Stationery and stamps in hand	190,398	196,230
	HRC agent receivable	111,098	–
	Overdue FBN / FBD	72,441	–
	Charges receivable	23,043	–
	Receivable from SBP – customers encashments	12,572	15,476
	ATM / POS settlement account	18	–
	Excise duty	11	11
	Others	3,561	133,098
		32,378,358	35,962,193
	Less: Provision held against other assets	12.2	(787,203)
			(747,062)
	Other assets (net of provision)	31,591,155	35,215,131
	Surplus on revaluation of non-banking assets acquired		
	in satisfaction of claims	2,159,958	1,601,422
	Other assets – net	33,751,113	36,816,553

## **12.1 Market value of non-banking assets acquired in satisfaction of claims**

Full-scope revaluation was carried out at December 31, 2018 through two independent valuers approved by Pakistan Banks' Association (Unicorn International Surveyors & Sadruddin Associates (Pvt) Limited). The revalued amounts of properties have been determined on the basis of market rates depending upon physical verification and general appearance of the site.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>12.1.1 Non banking assets acquired in satisfaction of claims</b>		
Opening balance	3,584,030	3,476,350
Additions	52,482	38,041
Revaluation	600,425	472,683
Disposals / Transfers	(109,969)	(374,400)
Depreciation	(19,662)	(18,938)
Impairment	–	(9,706)
Closing balance	4,107,306	3,584,030

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	

## 12.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds		3,542	447,750
Less:			
Cost		(3,629)	(374,400)
Impairment / Depreciation		60	–
		(3,569)	(374,400)
(Loss) / gain		(27)	73,350

## 12.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments		209,506	102,342
Provision against fraud and forgeries		507,977	517,112
Overdue FBN / FBD		24,295	24,295
Charges receivable		23,043	35,081
Others		22,382	68,232
		787,203	747,062

### 12.2.1 Movement in provision held against other assets

Opening balance		747,062	926,951
Charge for the year		96,695	67,620
Reversals		(12,000)	(224,478)
Written off / adjusted		(44,554)	(23,031)
Closing balance		787,203	747,062

## 13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2018 and December 31, 2017.

## 14 BILLS PAYABLE

In Pakistan		7,752,959	7,835,467
-------------	--	-----------	-----------

## 15 BORROWINGS

### Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	15.1 & 15.7	157,248,800	169,225,901
Under export refinance scheme	15.2	17,913,692	13,583,114
Under long term financing facility	15.3	13,894,674	10,584,203
Under financing scheme for renewable energy	15.4	158,952	13,462
Financing facility for storage of agriculture produce (FFSAP)		–	5,477
		189,216,118	193,412,157

Repurchase agreement borrowings from Financial Institutions	15.5 & 15.7	14,559,563	7,674,798
---	-------------	------------	-----------

### Unsecured

Call borrowings	15.6	11,861,797	20,246,997
Trading liability		9,987,849	1,976,436
Overdrawn nostro accounts		243,624	104,823
Musharaka borrowing		–	100,000
Other borrowings		14,035	41,172
		22,107,305	22,469,428
		225,882,986	223,556,383

**15.1** This represents local currency borrowing from the SBP against government securities, carrying mark-up at the rate of 10.21% (2017: 5.82% to 5.86%) per annum, maturing on January 04, 2019.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

- 15.2** The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. The borrowing carries mark-up at the rate of 1.00% to 2.00% (2017: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.
- 15.3** This represents Long Term Financing facility availed by the Bank for further extending the same to its customers, for a maximum period of 10 years. The borrowing carries mark-up at the rate of 4.50%, 3.50% and 3.00% (2017: 4.50%, 3.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.
- 15.4** These represent borrowings from the SBP availed by the Bank for financing power projects / facilities using alternative/ renewable energy (solar, wind, hydro, biogas, bio-fuels, bagasse cogeneration, and geothermal as fuel) for a maximum period of 12 years. The borrowing carries mark-up at the rate of 2% (2017: 2%) per annum for 10 years and 12 years.
- 15.5** These represent borrowings in local and foreign currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 10% to 10.21% (2017: 5.60% to 5.80%) per annum for local currency borrowings, and at the rate of 3.37% to 3.99% (2017: 2.80% to 2.85%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by February 7, 2019.
- 15.6** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 8.10% to 10.10% (2017: 5.71%) per annum for local currency borrowings, and at the rate of 2.35% to 4.27% (2017: 1.92% to 4.39%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by June 26, 2019.
- 15.7** Note 8.2.1 includes the carrying amount of investments given as collateral..

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>15.8 Particulars of borrowings with respect to currencies</b>			
In local currency		211,201,481	206,150,246
In foreign currencies		14,681,505	17,406,137
		<u>225,882,986</u>	<u>223,556,383</u>

	December 31, 2018			December 31, 2017		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					

## 16 DEPOSITS AND OTHER ACCOUNTS

### Customers

Current deposits – non-remunerative	323,679,045	18,874,483	342,553,528	289,377,760	14,338,979	303,716,739
Savings deposits	365,551,154	24,707,235	390,258,389	321,236,255	19,699,697	340,935,952
Term deposits	120,847,788	50,092,266	170,940,054	141,015,687	44,529,569	185,545,256
	<u>810,077,987</u>	<u>93,673,984</u>	<u>903,751,971</u>	<u>751,629,702</u>	<u>78,568,245</u>	<u>830,197,947</u>

### Financial Institutions

Current deposits – non-remunerative	21,057,705	27,949	21,085,654	12,600,736	17,958	12,618,694
Savings deposits	54,621,957	–	54,621,957	33,298,874	–	33,298,874
Term deposits	4,950,750	52,735	5,003,485	7,529,715	56,826	7,586,541
	<u>80,630,412</u>	<u>80,684</u>	<u>80,711,096</u>	<u>53,429,325</u>	<u>74,784</u>	<u>53,504,109</u>
	<u>890,708,399</u>	<u>93,754,668</u>	<u>984,463,067</u>	<u>805,059,027</u>	<u>78,643,029</u>	<u>883,702,056</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	

## 16.1 Composition of deposits

Individuals	384,786,399	356,719,817
Private Sector	287,469,596	263,573,489
Government (Federal and Provincial)	117,892,648	108,592,437
Public Sector Entities	113,603,058	101,311,990
Non-Banking Financial Institutions	72,920,606	47,189,325
Banking Companies	7,790,760	6,314,998
	<b>984,463,067</b>	<b>883,702,056</b>

**16.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 513,218 million.

**16.3** Net outstanding value against prepaid cards is Rs. 140.858 million as at reporting date.

	December 31, 2018			
	At January 1, 2018	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2018
	Rupees in '000			

## 17 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on

Provision against:

– Investments	19,093	–	–	19,093
– Other assets	38,959	–	–	38,959
– Off balance sheet obligations	14,824	–	–	14,824
– Advances	46,869	(556)	–	46,313
– Post retirement medical benefits	42,980	–	–	42,980
– Workers welfare fund	1,183,246	(393,039)	–	790,207
	<b>1,345,971</b>	<b>(393,595)</b>	<b>–</b>	<b>952,376</b>

Taxable Temporary Differences on

– Surplus on revaluation of fixed assets	(1,208,989)	54,842	–	(1,154,147)
– Surplus on revaluation of investments	(5,650,262)	4,833	2,857,924	(2,787,505)
– Surplus on revaluation on non banking assets	(25,789)	–	1,827	(23,962)
– Actuarial gains	(93,888)	–	(244,743)	(338,631)
– Accelerated tax depreciation / amortization	(1,295,641)	(90,643)	–	(1,386,284)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	–	–	(13,206)
	<b>(8,287,775)</b>	<b>(30,968)</b>	<b>2,615,008</b>	<b>(5,703,735)</b>
	<b>(6,941,804)</b>	<b>(424,563)</b>	<b>2,615,008</b>	<b>(4,751,359)</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017				
	At January 1, 2017	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2017
Rupees in '000				
Deductible Temporary Differences on				
Provision against:				
– Investments	19,093	–	–	19,093
– Other assets	38,959	–	–	38,959
– Off balance sheet obligations	14,824	–	–	14,824
– Advances	55,572	(8,703)	–	46,869
– Post retirement medical benefits	42,980	–	–	42,980
– Workers welfare fund	915,389	267,857	–	1,183,246
	1,086,817	259,154	–	1,345,971
Taxable Temporary Differences on				
– Surplus on revaluation of fixed assets	(591,639)	29,582	(646,932)	(1,208,989)
– Surplus on revaluation of investments	(9,721,104)	1,835	4,070,842	(5,648,427)
– Surplus on revaluation on non banking assets	(13,930)	–	(11,859)	(25,789)
– Actuarial gains	(613,973)	–	520,085	(93,888)
– Accelerated tax depreciation / amortization	(1,119,852)	(177,026)	–	(1,296,878)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	–	–	(13,206)
	(12,073,704)	(145,609)	3,932,136	(8,287,177)
	(10,986,887)	113,545	3,932,136	(6,941,206)
		Note	December 31, 2018	December 31, 2017
				Rupees in '000

## 18 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		2,366,946	2,269,141
Mark-up / return / interest payable in foreign currencies		343,307	264,305
Unearned commission and income on bills discounted		123,294	–
Accrued expenses		1,101,822	1,764,625
Retention money payable		306,416	264,520
Acceptances		4,183,083	3,953,545
Unclaimed dividends		291,816	246,259
Dividend payable		32,055	18,292
Branch adjustment account		280,134	272,344
Provision for:			
Gratuity	37.4	444,655	511,919
Employees' medical benefits	37.4	1,332,925	1,240,250
Employees' compensated absences	37.4	606,216	571,757
Payable to defined contribution plan		3,306	–
Provision against off-balance sheet obligations	18.1	306,342	306,342
Security deposits against lease		693,151	662,862
ATM / POS settlement account	12	932,311	–
Home Remittance Cell overdraft		701,908	–
With-holding tax payable		690,598	–
Sundry deposits		2,427,652	2,064,111
Workers welfare fund payable	29	2,297,057	3,415,609
Others		1,285,321	3,365,123
		20,750,315	21,191,004

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		306,342	557,958
Charge for the year		–	12,459
Reversals		–	(264,075)
Net reversal		–	(251,616)
Closing balance		306,342	306,342

The above provision includes provisions made against letters of guarantee issued by the Bank.

## 19 SHARE CAPITAL

### 19.1 Authorized capital

December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

### 19.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2018	December 31, 2017		December 31, 2018	December 31, 2017
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
720,745,186	720,745,186	Issued as bonus shares	7,207,452	7,207,452
1,127,525,280	1,127,525,280		11,275,253	11,275,253
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 ordinary shares of Rs. 10 each, held by Ibrahim		
9,148,550	9,148,550	Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein.		
8,400,000	8,400,000		84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Holdings (Private) Limited (holding company of the Bank), holds 967,911,610 (84.53%) [2017: 965,879,110 (84.35%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX</b>			
Surplus arising on revaluation of:			
– fixed assets	20.1	15,755,409	16,004,075
– non-banking assets acquired in satisfaction of claims	20.2	2,135,995	1,575,632
– available-for-sale securities	8.1	5,185,770	10,493,344
Surplus on revaluation of assets – net of tax		<u>23,077,174</u>	<u>28,073,051</u>
<b>20.1 Surplus on revaluation of fixed assets acquired in satisfaction of claims</b>			
Surplus as at January 1, 2018		17,213,064	7,424,441
Surplus on revaluation during the year		37,226	9,873,143
Surplus related to transfer / adjustments		(168,022)	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(112,263)	(54,938)
Related deferred tax liability		(60,450)	(29,582)
	10.5	(172,713)	(84,520)
Surplus on revaluation as at December 31, 2018		<u>16,909,555</u>	<u>17,213,064</u>
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2018		(1,208,989)	(591,639)
Deferred tax liability on revaluation surplus		(5,607)	(646,932)
Deferred tax on incremental depreciation transferred to profit and loss account		60,450	29,582
		(1,154,146)	(1,208,989)
		<u>15,755,409</u>	<u>16,004,075</u>
<b>20.2 Surplus on revaluation of non-banking assets</b>			
Surplus as at January 1, 2018		1,601,421	1,327,010
Surplus on revaluation during the year		600,425	463,489
Surplus realised on disposal /transfer		(39,099)	(187,088)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(1,813)	(1,294)
Related deferred tax liability		(976)	(696)
		(2,789)	(1,990)
Surplus on revaluation as at December 31, 2018		<u>2,159,958</u>	<u>1,601,421</u>
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2018		(25,789)	(13,930)
Deferred tax liability on revaluation surplus		(5,412)	(12,555)
Deferred tax on surplus on disposal/transfer		6,262	–
Deferred tax on incremental depreciation transferred to profit and loss account		976	696
		(23,963)	(25,789)
		<u>2,135,995</u>	<u>1,575,632</u>



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>21 CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	21.1	28,018,148	25,711,134
Commitments	21.2	342,770,483	201,555,442
Other contingent liabilities	21.3	8,738,009	8,638,605
		<u>379,526,640</u>	<u>235,905,181</u>
<b>21.1 Guarantees</b>			
Financial guarantees		4,434,872	4,096,744
Performance guarantees		6,656,657	6,807,170
Other guarantees		16,926,619	14,807,220
		<u>28,018,148</u>	<u>25,711,134</u>
<b>21.2 Commitments</b>			
Documentary credits and short term trade related transactions:			
letters of credit		68,457,757	55,592,136
Commitments in respect of:			
forward foreign exchange contracts	21.2.1	207,509,971	136,619,348
forward government securities transactions	21.2.2	57,768,858	–
operating leases	21.2.3	6,018,458	6,279,911
Commitments for acquisition of:			
fixed assets		2,895,671	3,064,047
intangible assets		119,768	–
		<u>342,770,483</u>	<u>201,555,442</u>
<b>21.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		137,056,586	95,038,705
Sale		70,453,385	41,580,643
		<u>207,509,971</u>	<u>136,619,348</u>
<b>21.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		57,768,858	–
<b>21.2.3 Commitments in respect of operating leases</b>			
Not later than one year		1,101,928	1,120,394
Later than one year and not later than five years		3,231,233	3,405,724
Later than five years		1,685,297	1,753,793
		<u>6,018,458</u>	<u>6,279,911</u>
<b>21.3 Other contingent liabilities</b>			
<b>21.3.1 Claims against the Bank not acknowledged as debt</b>		<u>8,738,009</u>	<u>8,638,605</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

- 21.3.2** The income tax assessments of the Group have been finalized up to and including tax year 2018 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments up to tax year 2018, income tax authorities made certain add backs with aggregate tax impact of Rs. 24,344 million (2017: 24,344 million). As a result of appeals filed by the Group before appellate authorities, most of the add backs have been deleted. However, the Group and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by the Group on aggregate sum of Rs. 24,344 million (2017: 24,344 million). The management is confident that the outcome of these appeals / references will be in favor of the Group.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2003 to 2006 and tax year 2008 to 2017 and created an arbitrary demand of Rs. 1,556 million (2017: 1,440 million). The Group's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Group; therefore, no provision has been made against the said demand of Rs. 1,556 million (2017: 1,440 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 / Sales Tax Act, 1990 and Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2017 thereby creating arbitrary aggregate demand of Rs. 900 million (2017: 893 million). The Group's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 900 million (2017: 893 million).

- 21.3.3** As a result of default by Fateh Textile Mills to terms of compromise decree passed in August 2002 by the Honourable High Court of Sindh, 16,376,106 shares of ABL were sold in accordance with section 19 (3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, after complying with the due and complete transparent process. Sealed bids were invited from interested parties. The bidding process was scheduled for July 23, 2004 and the Rs. 25 per share was fixed reserve price. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited filed suit in the High Court of Sindh challenging the above sale of shares. The High Court had not granted a stay order against the said sale. The sale of shares was, therefore; concluded.

- 21.3.4** While adjudicating foreign exchange repatriation cases of exporter namely: Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court (FEAC) of the State Bank of Pakistan (SBP) has arbitrarily adjudicated penalties against various banks including Rs. 2,173 million in aggregate against Allied Bank Limited (the Bank). Against the said judgments, the Bank had filed appeals before the Appellate Board and Constitutional Petitions (CP) in the High Court of Sindh, Karachi. The Honorable High Court granted relief to the Bank by way of interim orders. Meanwhile, alongwith other banks, Bank filed a further CP whereby vires of section 23C of the FE Regulations Act, 1947 was sought to be declared ultra vires. On November 8, 2018, the Honorable court was pleased to order that the Appellate Board shall not finally decide the appeals. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

### Foreign Exchange Swaps

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

## Equity Futures

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

The Bank may use equity futures as a hedging instrument to hedge its equity portfolio, in both 'held-for-trading' and 'available-for-sale', against equity price risk. Only selected shares are allowed to be traded on futures exchange. Equity futures give flexibility to the Bank either to take delivery on the future settlement date or to settle it by adjusting the notional value of the contract based on the current market rates. Maximum exposure limit to the equity futures is 10% of Tier I Capital of the Bank, based on prevailing SBP regulations.

The accounting policies used to recognize and disclose derivatives are given in Note 4.15.2. The risk management framework of derivative instruments is given in note 44.

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>23 MARK-UP / RETURN / INTEREST EARNED</b>			
Loans and advances		29,697,818	23,722,450
Investments		37,204,167	41,615,667
Lendings to financial institutions		6,185,232	344,868
Balances with banks		188,257	27,568
		<b>73,275,474</b>	<b>65,710,553</b>
<b>24 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		30,128,283	23,923,527
Borrowings		9,524,346	8,909,148
Cost of foreign currency swaps against foreign currency deposits		1,504,521	1,296,614
		<b>41,157,150</b>	<b>34,129,289</b>
<b>25 FEE AND COMMISSION INCOME</b>			
Card related fees (debit and credit cards)		1,328,552	1,158,585
Branch banking customer fees		1,849,638	1,795,474
Commission on remittances including home remittances		590,077	419,375
Investment banking fees		524,226	580,449
Commission on trade		362,470	357,832
Commission on cash management		119,770	108,906
Commission on guarantees		103,085	110,589
Commission on bancassurance		78,936	11,352
Credit related fees		20,270	13,500
Consumer finance related fees		4,196	2,367
		<b>4,981,220</b>	<b>4,558,429</b>
<b>26 GAIN ON SECURITIES</b>			
Realised – net	26.1	2,372,668	653,281
Unrealised – held for trading		(53,327)	(41,912)
		<b>2,319,341</b>	<b>611,369</b>
<b>26.1 Realised gain / (loss) on:</b>			
Federal government securities		1,775,998	641,043
Shares		606,868	–
Non Government debt securities		(1,153)	–
Open ended mutual funds		(9,045)	12,238
		<b>2,372,668</b>	<b>653,281</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>27 OTHER INCOME</b>			
Recovery of written off mark-up and charges		172,074	–
Gain on sale of fixed assets – net		34,903	53,012
Other assets disposal		34,464	29,045
Rent on property		–	3,337
Fee for attending Board meetings		2,845	1,882
Gain on disposal of islamic financing and related assets other assets – net		2,629	–
(Loss) / gain on sale of non-banking assets	27.1	(27)	73,110
		<u>246,888</u>	<u>160,386</u>

**27.1** This includes (loss) / gain on sale of two non-banking assets amounting to Rs. (0.157) million and Rs. 0.130 million respectively (2017: gain of Rs. 73.350 million).

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>28 OPERATING EXPENSES</b>			
<b>Total compensation expense</b>	28.1	12,439,299	11,151,667
<b>Property expense:</b>			
Depreciation		2,068,320	1,594,441
Rent and taxes		1,755,132	1,548,614
Utilities cost		1,012,681	962,173
Security (including guards)		717,501	773,558
Repair and maintenance (including janitorial charges)		564,580	548,644
Insurance		68,064	67,660
		<u>6,186,278</u>	<u>5,495,090</u>
<b>Information technology expenses:</b>			
Network charges		631,926	521,362
Depreciation		548,711	476,635
Amortization		404,071	311,919
Software maintenance		353,806	296,517
Hardware maintenance		297,826	186,148
Others		8,521	10,978
		<u>2,244,861</u>	<u>1,803,559</u>
<b>Other operating expenses:</b>			
Marketing, advertisement and publicity		654,441	605,548
Insurance		567,053	171,987
Outsourced service costs	36.1	534,151	466,615
Cash in Transit service charge		415,560	405,972
Stationery and printing		334,409	340,452
Travelling and conveyance		193,607	200,352
Legal and professional charges		141,709	119,124
Postage and courier charges		126,877	155,097
Depreciation		125,659	140,568
Donations	28.3	113,238	54,209
NIFT clearing charges		106,097	99,475
Communication		87,952	116,685
Directors fees and allowances		29,736	21,376
Auditors Remuneration	28.2	19,611	20,101
Others		398,761	425,246
		<u>3,848,861</u>	<u>3,342,807</u>
		<u>24,719,299</u>	<u>21,793,123</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>28.1 Total compensation expense</b>		
Salaries	8,280,099	7,872,718
Fees And Allowances etc.	1,440,423	1,329,350
Bonus and Awards	1,096,909	947,796
Charge For Defined Benefit Plan	596,601	57,796
Contribution To Defined Contribution Plan	310,235	297,696
Conveyance expense	199,580	164,131
Medical expense	113,576	143,925
Staff Training	101,430	47,313
Insurance	80,194	80,189
Education Subsidy	30,200	31,913
Hajj Expenses	23,531	15,624
Staff Uniform	13,175	12,402
Executive Club Membership	11,335	3,300
Verification Charges Educational Documents	2,275	3,024
Recruitment Charges	1,282	3,073
Others	1,218	278
Sub-Total	12,302,063	11,010,528
Voluntary Retirement Scheme	137,236	141,139
<b>Grand Total</b>	<b>12,439,299</b>	<b>11,151,667</b>

**28.1.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Fifty three (53) employees (2017: 59) of the Bank opted for retirement under this scheme.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>28.2 Auditors' remuneration</b>		
Audit fee	6,450	6,448
Fee for other statutory certifications	4,752	4,524
Fee for audit of foreign branches*	2,150	1,629
Half year review	2,620	2,610
Special certifications and sundry advisory services	1,359	2,500
Sales tax	628	653
Out-of-pocket expenses	1,652	1,737
	<b>19,611</b>	<b>20,101</b>

\*This includes audit fee amounting to Bahraini Dinar 5,500 (2017: 4,350) relating to Wholesale Bahrain Branch.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Naeem Mukhtar (Chairman / Non-Executive Director) is director in National Management Foundation (LUMS). Further, spouse of a key management personnel also holds key position in RAAST Welfare Society.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
Acumen Fund Pakistan		10,000	–
Altaf Mahmood Foundation		–	1,000
Anjuman Himayat-i-Islam	28.3.1	5,065	4,577
Bakhtawar Amin Memorial Trust Hospital		1,000	–
Baluchistan Residential Colleges		–	989
Chaman (Center for Mentally Challenged Children)		1,000	1,695
COMKAR Command Improvement Fund		–	1,000
Children Hospital Faisalabad		1,730	–
Diamer – Bhasha and Mohmand Dam Fund		14,283	–
Fountain House Mental Health Association		500	–
Government Hospital Gawadar		–	923
Liver Foundation Trust		1,000	1,000
Namal Education Foundation		30,000	–
National Management Foundation (LUMS)		30,000	30,000
Bolan Cricket Stadium		–	500
Punjab Food Authority		337	4,500
RAAST Welfare Society		1,000	–
Rising Sun Institution for Special Children		200	–
Saleem Memorial Hospital		–	5,000
Shaukat Khanum Memorial Trust		1,000	–
Sukkur Institute of Business Administration		–	1,000
Sundas Foundation		1,000	–
Taj Medical Complex & Hamdard University		–	25
Tamir Welfare Organization		2,500	2,000
Tehzeeb Social Welfare Organization		250	–
The Indus Hospital		10,000	–
University of Turbat		2,373	–
		113,238	54,209

**28.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

## 29 WORKERS WELFARE FUND

Supreme Court of Pakistan vide order dated November 10, 2016 held that the amendments made in the law through Finance Act 2008, introduced by the Federal Government for the levy of Worker Welfare Fund (WWF) were unlawful. Federal Board of Revenue filed review petition against the subject order, which is currently pending for adjudication.

However, based on the above referred order and legal opinion of the tax consultants, the Bank has reversed the provision against WWF for the period from January 2008 to December 2013, i.e. before levy of WWF by Sindh Provincial Government.

WWF provision from 2014 to 2018 has been maintained conservatively, based on tax advisor's opinion in view of provincial levy of WWF by Sindh with effect from 2014; which is under litigation.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>30 OTHER CHARGES</b>		
Penalties imposed by State Bank of Pakistan	38,143	41,642
Education cess	23,267	31,022
Depreciation – non-banking assets	19,662	18,938
Other assets written off	891	5,254
	81,963	96,856

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
<b>31 PROVISIONS AND WRITE OFFS – NET</b>			
Provision for diminution in the value of investments		109,019	8,804
Reversal against loans and advances		(1,132,836)	(1,966,938)
Provision / (reversal) against other assets		84,696	(156,858)
Reversal against off balance sheet obligations		–	(251,616)
Bad debts written off directly		–	–
		(939,121)	(2,366,608)
Recovery of written off bad debts		(150,567)	(159,540)
		<u>(1,089,688)</u>	<u>(2,526,148)</u>

## 32 EXTRA-ORDINARY / UNUSUAL ITEM

Under the Suo Moto case SMC No. 20/2016, the Honorable Supreme Court had taken up the matter relating to pension arrangements of certain privatized banks including Allied Bank Limited. The Honorable Supreme Court of Pakistan concluded the Suo Moto case on February 13, 2018, by using judicial discretion and fixed the minimum pension and indexation levels for eligible staff, on humanitarian grounds. In view of the underlying judgement, the Bank under the guidance of legal counsel, has booked the related past service cost amounting to Rs. 172 million; based on a latest actuarial valuation.

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>33 TAXATION</b>		
Current – for the year including super tax	7,780,029	7,389,100
– for prior year	(4,096)	956,441
	<u>7,775,933</u>	<u>8,345,541</u>
Deferred – current	425,161	(127,786)
	<u>8,201,094</u>	<u>8,217,755</u>

### 33.1 Relationship between tax expense and accounting profit

Accounting profit for the year	21,232,911	21,143,526
Tax on income @ 35% (2017: 35%)	7,431,519	7,400,234
Super Tax @ 4%	790,490	962,923
Others	(20,915)	(125,407)
Tax charge for the year	<u>8,201,094</u>	<u>8,237,750</u>

## 34 EARNINGS PER SHARE – BASIC AND DILUTED

Profit after taxation	13,031,817	12,925,771
	Number of Shares	
Weighted average number of ordinary shares outstanding during the year	1,145,073,830	1,145,073,830
	Rupees	
Earnings per share – basic and diluted	11.38	11.29

There is no dilution effect on basic earnings per share.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
<b>35 CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	5	99,188,414	85,355,555
Balances with other banks	6	2,564,202	649,512
Overdrawn nostro accounts	15	(243,624)	(104,823)
		<u>101,508,992</u>	<u>85,900,244</u>

Numbers

<b>36 STAFF STRENGTH</b>			
Permanent		11,122	10,805
Temporary / on contractual basis / trainee		276	438
Bank's own staff strength at the end of the year		<u>11,398</u>	<u>11,243</u>
Average number of employees		<u>11,321</u>	<u>11,363</u>

**36.1** In addition to the above, 376 (2017: 319) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 8 (2017: 10) employees were posted abroad. The rest were working domestically.

## **37 DEFINED BENEFIT PLANS**

### **37.1 General description**

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme – funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

### **37.2 Number of employees and beneficiaries under the schemes**

The number of employees covered under the following defined benefit scheme / plans are:

	December 31, 2018	December 31, 2017
Numbers		
– Pension fund	922	1,193
– Gratuity fund	10,674	10,686
– Benevolent fund	76	88
– Post retirement medical benefits	10,623	10,637
– Employees' compensated absences	10,815	10,805

In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:

– Pension fund	2,236	2,022
– Post retirement medical benefits	1,610	2,017

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 37.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2018 based on the Projected Unit Credit Method, using the following significant assumptions:

Sources of estimation		December 31, 2018	December 31, 2017
<b>Withdrawal rate</b>			
Pension fund		Low	Low
Gratuity fund		High	High
Benevolent fund		High	High
Post retirement medical benefits		High	High
Employees' compensated absences		High	High
<b>Mortality rate</b>		Adjusted SLIC 2001–2005	Adjusted SLIC 2001–2005
<b>Discount rate</b>			
Yield on investments in Government Bonds		13.25%	8.25%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	13.25%	8.25%
Gratuity fund	Yield on investments in Government Bonds	13.25%	8.25%
Benevolent fund	Yield on investments in Government Bonds	13.25%	8.25%
<b>Expected rate of salary increase</b>		11.25%	6.25%

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

## 37.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

Note	December 31, 2018						December 31, 2017					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000						Rupees in '000					
Present value of defined benefit obligations	37.6	1,585,703	2,827,757	9,206	1,332,925	606,880	1,979,453	2,531,300	8,036	1,240,250	571,757	
Fair value of plan's / scheme's assets	37.7	(6,145,768)	(2,383,102)	(241,036)	–	–	(5,671,485)	(2,019,381)	(232,158)	–	–	
Net (asset) / liability		(4,560,065)	444,655	(231,830)	1,332,925	606,880	(3,692,032)	511,919	(224,122)	1,240,250	571,757	
Benefit of the surplus not available to												
the Bank		–	–	115,915	–	–	–	–	112,061	–	–	
Net (asset) / liability		(4,560,065)	444,655	(115,915)	1,332,925	606,880	(3,692,032)	511,919	(112,061)	1,240,250	571,757	

## 37.5 Movement in (receivable from) / payable to defined benefit plans

Note	December 31, 2018						December 31, 2017					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences	
	Rupees in '000						Rupees in '000					
Opening balance		(3,692,032)	511,919	(112,061)	1,240,250	571,757	(4,614,727)	255,291	(106,116)	1,298,380	700,997	
(Reversal) / charge for the year	37.9	(121,245)	391,019	(18,490)	144,612	244,446	(363,776)	306,687	(16,978)	129,178	38,016	
Other comprehensive (income) / losses		(746,788)	(72,143)	14,636	105,031	–	1,286,471	250,516	11,033	(62,068)	–	
Contribution to the fund / benefits paid		–	(386,040)	–	(156,968)	(209,323)	–	(300,575)	–	(125,240)	(167,256)	
Closing balance		(4,560,065)	444,755	(115,915)	1,332,925	606,880	(3,692,032)	511,919	(112,061)	1,240,250	571,757	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 37.6 Movement in defined benefit obligations

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	1,979,453	2,531,300	8,036	1,240,250	571,757
Current service cost	–	307,163	–	29,241	32,688
Interest cost	148,404	195,575	579	95,846	38,441
Benefits paid	(361,231)	(321,380)	(2,041)	(156,968)	(209,323)
Past Service Cost– Supreme Court	172,111	–	–	–	–
Past Service Cost– Change in retirement age	4,285	33,851	–	22,975	18,252
VRS / settlement loss	6,952	7,672	–	(3,450)	17,215
Re-measurement (gain) / loss	(364,271)	73,576	2,632	105,031	137,850
Closing balance	1,585,703	2,827,757	9,206	1,332,925	606,880

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	2,001,618	2,285,523	8,776	1,298,380	700,997
Current service cost	–	280,153	–	29,182	38,524
Interest cost	149,272	173,464	604	98,861	49,276
Benefits paid	(271,434)	(234,443)	(2,455)	(125,240)	(167,256)
Past Service Cost– Supreme Court	–	–	–	–	–
Past Service Cost– Change in retirement age	–	–	–	–	–
VRS / settlement loss / (gain)	5,402	6,111	–	1,135	21,856
Re-measurement loss / (gain)	94,595	20,492	1,111	(62,068)	(71,640)
Closing balance	1,979,453	2,531,300	8,036	1,240,250	571,757

## 37.7 Movement in fair value of plan assets

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	5,671,485	2,019,381	232,158	–	–
Expected return on plan assets	452,997	153,342	19,069	–	–
Bank's contribution	–	386,040	–	–	–
Benefits paid	(361,231)	(321,380)	(2,041)	–	–
Re-measurement gain / (loss)	382,517	145,719	(8,150)	–	–
Closing balance	6,145,768	2,383,102	241,036	–	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,616,345	2,030,232	221,007	–	–
Expected return on plan assets	518,450	153,041	17,582	–	–
Bank's contribution	–	300,576	–	–	–
Benefits paid	(271,434)	(234,443)	(2,455)	–	–
Re-measurement loss	(1,191,876)	(230,025)	(3,976)	–	–
Closing balance	5,671,485	2,019,381	232,158	–	–

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 37.8 Components of plan assets

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	5,333,723	655,028	29,796	–	–
Government securities	–	–	–	–	–
Cash and cash equivalents	812,045	1,728,074	211,240	–	–
	6,145,768	2,383,102	241,036	–	–

### 37.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	3,277,428	655,028	29,796	–	–
Term deposit receipts	664,594	1,693,708	193,345	–	–
Bank balances with ABL	147,451	34,366	17,895	–	–
	4,089,473	2,383,102	241,036	–	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	2,827,493	517,952	23,561	–	–
Government securities	–	304,383	–	–	–
Cash and cash equivalents	2,843,992	1,197,046	208,597	–	–
	5,671,485	2,019,381	232,158	–	–

### 37.8.2 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,827,493	517,952	23,561	–	–
Term deposit receipts	2,408,733	972,064	164,907	–	–
Bank balances with ABL	435,259	224,982	43,690	–	–
	5,671,485	1,714,998	232,158	–	–

**37.8.3** Investment in term deposit receipts are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

## 37.9 Charge for defined benefit plan

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	–	307,163	–	29,241	32,688
Interest cost	–	–	–	95,846	38,441
Net interest	(304,593)	42,333	(18,490)	–	–
Past Service Cost– Supreme Court	172,111	–	–	–	–
Past Service Cost– Change in retirement age	4,285	33,851	–	22,975	18,252
VRS loss / (gain)	6,952	7,672	–	(3,450)	17,215
Re-measurement loss recognised	–	–	–	–	137,850
	(121,245)	391,019	(18,490)	144,612	244,446



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	–	280,153	–	29,182	38,524
Interest cost	–	20,423	–	98,861	49,276
Net interest	(369,178)	–	(16,978)	–	–
Past Service Cost– Supreme Court	–	–	–	–	–
Past Service Cost– Change in retirement age	–	–	–	–	–
VRS loss	5,402	6,111	–	1,135	21,856
Re-measurement gain recognised	–	–	–	–	(71,640)
	(363,776)	306,687	(16,978)	129,178	38,016

## 37.10 Re-measurements recognized in other comprehensive income

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations – Experience adjustments	364,271	(73,576)	(2,632)	(105,031)	–
Re-measurement gain / (loss) on assets	382,517	145,719	(8,150)	–	–
Asset ceiling adjustment	–	–	(3,854)	–	–
Re-measurement gain / (loss) in OCI	746,788	72,143	(14,636)	(105,031)	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement (loss) / gain on obligations – Experience adjustments	(94,594)	(20,491)	(1,112)	62,068	–
Re-measurement loss on assets	(1,191,877)	(230,025)	(3,976)	–	–
Asset ceiling adjustment	–	–	(5,945)	–	–
Re-measurement (loss) / gain in OCI	(1,286,471)	(250,516)	(11,033)	62,068	–

	December 31, 2018	December 31, 2017
	Rupees in '000	

## 37.11 Actual return / (loss) on plan assets

– Pension fund	835,514	(673,427)
– Gratuity fund	299,061	(76,984)
– Benevolent fund	10,919	13,607

## 37.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	1,585,703	1,979,453	2,001,618	1,971,233	2,877,345
Fair value of plan assets	(6,145,768)	(5,671,485)	(6,616,345)	(5,770,403)	(7,252,046)
	(4,560,065)	(3,692,032)	(4,614,727)	(3,799,170)	(4,374,701)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement gain / (loss) on obligation	364,271	(94,595)	(172,722)	(152,852)	(316,213)
Re-measurement gain / (loss) on assets	382,517	(1,191,876)	660,173	(854,480)	478,030

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Gratuity fund				
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	2,827,757	2,531,300	2,285,523	2,043,833	1,725,573
Fair value of plan assets	(2,383,102)	(2,019,381)	(2,030,232)	(1,482,378)	(1,727,942)
	444,655	511,919	255,291	561,455	(2,369)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement loss on obligation	(73,576)	(20,492)	36,036	(167,783)	(93,984)
Re-measurement gain / (loss) on assets	145,719	(230,025)	26,301	(168,935)	137,284

	Benevolent fund				
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	9,206	8,036	8,776	12,355	10,469
Fair value of plan assets	(278,393)	(232,158)	(221,007)	(205,166)	(197,461)
	(269,187)	(224,122)	(212,231)	(192,811)	(186,992)
<b>Experience adjustments on plan obligations / assets</b>					
Re-measurement (loss) / gain on obligation	(2,632)	(1,111)	931	(4,376)	(2,203)
Re-measurement (gain) / loss on assets	(8,150)	(3,976)	1,136	(10,841)	5,247

	Post retirement medical				
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	1,332,925	1,240,250	1,298,380	1,217,945	970,060
Fair value of plan assets	–	–	–	–	–
	1,332,925	1,240,250	1,298,380	1,217,945	970,060
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(105,031)	62,068	(97,990)	(243,936)	(21,931)

	Employees' compensated absences				
	2018	2017	2016	2015	2014
	Rupees in '000				
Present value of defined benefit obligation	606,880	571,757	700,997	763,257	755,785
Fair value of plan assets	–	–	–	–	–
	606,880	571,757	700,997	763,257	755,785
<b>Experience adjustments on plan obligations</b>					
Re-measurement (loss) / gain on obligation	(137,850)	71,640	11,662	(45,712)	(47,308)

## 37.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial expected charge for the next financial year. No contributions are being made to pension / benevolent fund due to surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 2019 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Expected (reversal) / charge for the next year	(604,209)	390,902	(30,717)	198,491	118,021

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 37.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Indexation Rate	-1% Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1 Year Mortality age set back	1 Year Mortality age set forward
Rupees in '000										
Pension fund	1,542,089	1,633,835	-	-	1,613,786	1,560,502	1,585,770	1,585,770	1,585,526	1,586,451
Gratuity fund	2,657,769	3,019,456	3,034,769	2,641,515	-	-	2,841,692	2,812,590	2,826,721	2,828,787
Benevolent fund	8,807	9,648	-	-	-	-	-	-	8,416	9,997
Post retirement medical	1,244,926	1,432,565	1,362,228	1,302,797	1,377,358	1,296,130	1,330,584	1,335,438	1,331,688	1,334,151
Leave compensated absences	566,236	651,113	651,644	565,121	-	-	598,853	613,928	604,509	607,953

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the defined benefit obligation recognized within the statement of financial position.

December 31, 2018					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					

## 37.15 Maturity Profile

The weighted average duration of the obligation (in years)	2.89	6.39	4.57	7.04	7.00
--	------	------	------	------	------

## 37.16 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 37.17 Risk associated with defined benefit plans

The defined benefit plans may expose the bank to actuarial risks such as longevity risk, investment risk, salary increase risk and withdrawal rate risk as described below;

### Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### Investment risks:

The risk arises when the actual performance level of investment levels is lower than expectation and thus creating a shortfall in the funding objectives.

### Salary increase risk:

The most common type of retirement benefit is one where the final benefit is linked with final salary. The risk arises when the actual increases are higher than expectations and impact the liability accordingly.

### Withdrawal Rate:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 38 DEFINED CONTRIBUTION PLAN

The Group operates an approved contributory provident fund for 10,270 (2017: 10,357) employees where contributions are made by the Bank and employees at 8.33% to 10% per annum (2017: 8.33% to 10% per annum) of the basic salary every month.

## 39 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President / Chief Executive		Non-Executive Directors		Executives	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000							
Fees	39.1	–	–	18,700	18,300	–	–
Managerial remuneration		12,900	11,400	–	–	1,568,578	1,528,975
Charge for defined benefit plans		1,399	928	–	–	315,532	191,117
Contribution to defined contribution plan		1,075	950	–	–	131,037	128,397
Rent and house maintenance		7,740	6,840	–	–	894,126	843,943
Utilities		2,580	2,280	–	–	306,040	295,507
Medical		2,687	2,362	–	–	305,906	325,071
Bonus		20,000	17,000	–	–	549,653	579,758
Conveyance and others		3,374	3,293	–	–	732,227	850,542
		51,755	45,053	18,700	18,300	4,803,099	4,743,310
Number of persons		1	1	12	11	1,591	1,683

**39.1** This represents meeting fee paid to directors (other than two sponsor directors) for attending meetings of the Board of Directors and Board Committees held during the year.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 40 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On-Balance sheet Financial Instruments	December 31, 2018										
	Carrying Value							Fair Value			
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)											
Financial assets – measured at fair value											
Investments											
Shares / Open Ended Mutual Funds	–	1,859,024	30,241,640	–	–	–	32,100,664	30,115,370	1,985,294	–	32,100,664
Federal Government Securities	–	–	609,053,323	–	–	–	609,053,323	–	609,053,323	–	609,053,323
Non Government Debt Securities	–	–	2,986,706	–	–	–	2,986,706	–	2,986,706	–	2,986,706
Financial assets – not measured at fair value	–	–	–	–	99,188,414	–	99,188,414	–	–	–	–
Cash and balances with treasury banks	–	–	–	–	2,564,202	–	2,564,202	–	–	–	–
Balances with other banks	–	–	–	53,785,679	–	–	53,785,679	–	–	–	–
Lendings	–	–	–	438,357,880	–	–	438,357,880	–	–	–	–
Advances	–	–	–	–	28,986,261	–	28,986,261	–	–	–	–
Other asset	–	–	–	–	–	–	–	–	–	–	–
Investments ( HTM, unlisted ordinary shares, Term finance certificate, sukuk, subsidiaries )	16,151,622	–	12,294,995	–	–	–	28,446,617	–	–	–	–
	16,151,622	1,859,024	654,576,664	492,143,559	130,738,877	–	1,295,469,746	30,115,370	614,025,323	–	644,140,693
Financial liabilities – measured at fair value											
Trading Liability	–	9,987,849	–	–	–	–	9,987,849	–	9,987,849	–	9,987,849
Financial liabilities – not measured at fair value											
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	–	–	–	–
Other liabilities	–	–	–	–	–	20,165,409	20,165,409	–	–	–	–
	–	9,987,849	–	–	–	1,238,264,421	1,248,252,270	–	9,987,849	–	9,987,849
Off-balance sheet financial instruments – measured at fair value											
Forward foreign exchange contracts	–	–	–	–	207,509,971	–	207,509,971	–	207,509,971	–	207,509,971
December 31, 2017											
On-Balance sheet Financial Instruments	Carrying Value							Fair Value			
	Held to Maturity	Held for Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)										
Financial assets – measured at fair value											
Investments											
Shares / Open Ended Mutual Funds	–	1,741,625	33,346,294	–	–	–	35,087,919	33,346,294	1,741,625	–	35,087,919
Federal Government Securities	–	24,827,891	552,175,110	–	–	–	577,003,001	–	577,003,001	–	577,003,001
Non Government Debt Securities	–	–	2,515,440	–	–	–	2,515,440	–	2,515,440	–	2,515,440
Other assets	–	–	–	–	–	–	–	–	–	–	–
Financial assets – not measured at fair value											
Cash and balances with treasury banks	–	–	–	–	85,355,555	–	85,355,555	–	–	–	–
Balances with other banks	–	–	–	–	649,512	–	649,512	–	–	–	–
Lending to Financial institutions	–	–	–	8,694,399	–	–	8,694,399	–	–	–	–
Advances	–	–	–	372,080,555	–	–	372,080,555	–	–	–	–
Other asset	–	–	–	–	32,526,154	–	32,526,154	–	–	–	–
Investments (HTM, unlisted ordinary shares, Term finance certificate, sukuk, subsidiaries )	74,562,280	–	10,155,050	–	–	–	84,717,330	–	–	–	–
	74,562,280	26,569,516	598,191,894	380,774,954	118,531,221	–	1,198,629,865	33,346,294	581,260,066	–	614,606,360
Financial liabilities – measured at fair value											
Trading Liability ( Pakistan Investment Bonds )	–	1,976,436	–	–	–	–	1,976,436	–	1,976,436	–	1,976,436
Financial liabilities – not measured at fair value											
Bills payable	–	–	–	–	–	7,835,467	7,835,467	–	–	–	–
Borrowings	–	–	–	–	–	223,556,383	223,556,383	–	–	–	–
Deposits and other accounts	–	–	–	–	–	883,702,056	883,702,056	–	–	–	–
Other liabilities	–	–	–	–	–	20,612,318	20,612,318	–	–	–	–
	–	1,976,436	–	–	–	1,135,706,224	1,137,682,660	–	1,976,436	–	1,976,436
Off-balance sheet financial instruments – measured at fair value											
Forward foreign exchange contracts	–	–	–	–	136,619,348	–	136,619,348	–	136,619,348	–	136,619,348

### 40.1 Valuation Techniques used in determination of Fair Valuation of Financial Instruments within Level 2

Item	Valuation approach and input used
Federal Government Securities	Marked to Market on the basis of PKRV rates.
Non-Government Debt Securities	Marked to Market on the basis of MUFAP rates.
Foreign exchange contracts	Marked to Market on the basis of SBP rates.
Open ended mutual funds	Marked to Market on the basis of MUFAP rates.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 41 SEGMENT INFORMATION

### 41.1 Segment Details with respect to Business Activities

	December 31, 2018						
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Other	Total
	Rupees in '000						
Profit & Loss							
Net mark-up/return/profit	27,902,619	(28,096,467)	31,526,565	655,849	2,883	111,838	32,103,287
Inter segment revenue - net	(27,412,947)	56,996,482	(27,126,100)	-		(2,457,435)	-
Non mark-up / return / interest income	4,610,156	2,879,344	3,460,206	79,343	605,713	260,391	11,895,153
Total Income	5,099,828	31,779,359	7,860,671	735,192	608,596	(2,085,206)	43,998,440
	-	-	-	-	-	-	-
Segment direct expenses	525,101	13,782,024	108,445	1,083,994	392,113	7,963,540	23,855,217
Total expenses	525,101	13,782,024	108,445	1,083,994	392,113	7,963,540	23,855,217
Provisions / (Reversals)	(234,885)	(3,418)	-	8	-	(851,393)	(1,089,688)
Profit before tax	4,809,612	18,000,753	7,752,226	(348,810)	216,483	(9,197,353)	21,232,911
Balance Sheet							
Cash & Bank balances	79,354	44,090,551	47,880,283	4,157,592	1,263	5,543,573	101,752,616
Investments	53,748,130	-	606,731,062	10,249,093	1,859,024	-	672,587,309
Net inter segment Lending/Borrowing	(402,000,239)	893,698,327	(529,115,678)	1,705,552	-	35,712,038	-
Lendings to financial institutions	3,610,409	-	50,255,680	3,529,999	-	(3,610,409)	53,785,679
Advances - performing	394,141,674	27,977,670	-	6,927,022	38,985	8,672,957	437,758,308
Advances - non-performing	415,941	183,631	-	-	-	-	599,572
Others	4,772,403	7,977,518	2,236,843	1,641,756	406,822	68,871,671	85,907,013
Total Assets	54,767,672	973,927,697	177,988,190	28,211,014	2,306,094	115,189,830	1,352,390,497
	-	-	-	-	-	-	-
Borrowings	42,470,267	3,912,691	183,088,196	-	-	(3,588,168)	225,882,986
Subordinated debt	-	-	-	-	-	-	-
Deposits & other accounts	-	957,686,064	-	24,632,633	-	2,144,370	984,463,067
Others	2,326,845	12,328,942	(3,680,842)	326,877	321,117	21,631,694	33,254,633
Total liabilities	44,797,112	973,927,697	179,407,354	24,959,510	321,117	20,187,896	1,243,600,686
Equity/Reserves	9,970,560	-	(1,419,164)	3,251,504	1,984,977	95,001,934	108,789,811
Total Equity & liabilities	54,767,672	973,927,697	177,988,190	28,211,014	2,306,094	115,189,830	1,352,390,497
	-	-	-	-	-	-	-
Contingencies & Commitments	83,806,271	12,033,028	265,278,829	582,318	1,780	17,824,414	379,526,640
December 31, 2017							
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Other	Total
	Rupees in '000						
Profit & Loss							
Net mark-up/return/profit	21,884,218	(22,486,973)	30,988,158	336,092	3,001	697,229	31,421,725
Inter segment revenue - net	(19,894,855)	45,217,795	(22,463,859)	-	-	(2,859,081)	-
Non mark-up / return / interest income	4,505,299	2,589,889	1,417,589	42,072	648,511	316,951	9,520,311
Total Income	6,494,662	25,320,711	9,941,888	378,164	651,512	(1,844,901)	40,942,036
	-	-	-	-	-	-	-
Segment direct expenses	534,638	12,809,073	104,758	760,124	386,681	7,729,385	22,324,658
Total expenses	534,638	12,809,073	104,758	760,124	386,681	7,729,385	22,324,658
Provisions / (Reversals)	(1,234,864)	137,263	-	-	-	(1,428,547)	(2,526,148)
Profit before tax	7,194,888	12,374,375	9,837,130	(381,960)	264,831	(8,145,738)	21,143,526



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2017							Total
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Other		
Rupees in '000								
Balance Sheet								
Cash & Bank balances	253,992	33,996,040	45,806,721	1,124,915	27,573	4,795,826	86,005,067	
Investments	58,590,024	-	630,790,305	8,303,563	1,741,623	(101,825)	699,323,690	
Net inter segment lending/borrowing	(342,527,341)	814,267,111	(510,811,919)	557,392	-	38,514,757	-	
Lendings to financial institutions	-	-	6,779,431	1,914,968	-	-	8,694,399	
Advances - performing	332,342,878	24,547,759	-	4,662,326	42,842	8,009,754	369,605,559	
Advances - non-performing	1,955,663	519,333	-	-	-	-	2,474,996	
Others	4,691,652	7,674,292	9,165,697	1,344,389	345,172	61,951,235	85,172,437	
Total Assets	55,306,868	881,004,535	181,730,235	17,907,553	2,157,210	113,169,747	1,251,276,148	
Borrowings	38,223,390	3,257,139	181,968,813	500,000	-	(392,959)	223,556,383	
Subordinated debt	-	-	-	-	-	-	-	
Deposits & other accounts	-	867,018,332	-	15,546,966	-	1,136,758	883,702,056	
Others	3,332,606	10,729,064	(3,011,120)	326,321	323,531	24,267,275	35,967,677	
Total liabilities	41,555,996	881,004,535	178,957,693	16,373,287	323,531	25,011,074	1,143,226,116	
Equity/Reserves	13,750,872	-	2,772,542	1,534,266	1,833,679	88,158,673	108,050,032	
Total Equity & liabilities	55,306,868	881,004,535	181,730,235	17,907,553	2,157,210	113,169,747	1,251,276,148	
Contingencies & Commitments	48,981,202	31,576,925	136,619,348	743,534	1,610	17,982,562	235,905,181	

## 41.2 Geographical Segment Analysis

	December 31, 2018			
	Domestic Operations	Middle East	China	Total
Rupees in '000				
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	31,312,120	543,312	-	31,855,432
Inter segment revenue - net	-	262,892	-	262,892
Non mark-up / return / interest income	12,052,442	(172,326)	-	11,880,116
Total Income	43,364,562	633,878	-	43,998,440
Segment direct expenses	(23,726,906)	(97,631)	(30,680)	(23,855,217)
Inter segment expense allocation	-	-	-	-
Total expenses	(23,726,906)	(97,631)	(30,680)	(23,855,217)
Provisions	(1,109,600)	19,912	-	(1,089,688)
Profit before tax	20,747,256	516,335	(30,680)	21,232,911
<b>Balance Sheet</b>				
Cash & Bank balances	101,720,143	32,473	-	101,752,616
Investments	662,343,886	10,243,423	-	672,587,309
Net inter segment lendings	1,302	3,609,107	-	3,610,409
Lendings to financial institutions	53,785,679	-	-	53,785,679
Advances - performing	436,438,268	1,388,468	-	437,826,736
Advances - non-performing	531,144	-	-	531,144
Others	85,783,154	125,429	-	85,908,583
<b>Total Assets</b>	<b>1,340,603,576</b>	<b>15,398,900</b>	<b>-</b>	<b>1,356,002,476</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Borrowings	213,245,406	12,637,580	–	225,882,986
Subordinated debt	–	–	–	–
Deposits & other accounts	983,976,700	486,367	–	984,463,067
Net inter segment borrowing	3,610,409	–	–	3,610,409
Others	33,231,258	24,945	–	33,256,203
<b>Total liabilities</b>	<b>1,234,063,773</b>	<b>13,148,892</b>	<b>–</b>	<b>1,247,212,665</b>
Equity	106,539,803	2,250,008	–	108,789,811
<b>Total Equity &amp; liabilities</b>	<b>1,340,603,576</b>	<b>15,398,900</b>	<b>–</b>	<b>1,356,002,476</b>
<b>Contingencies and commitments</b>	<b>379,041,027</b>	<b>485,613</b>	<b>–</b>	<b>379,526,640</b>
	December 31, 2017			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
<b>Profit &amp; Loss</b>				
Net mark-up/return/profit	30,998,946	572,947	–	31,571,893
Inter segment revenue – net	–	9,371	–	9,371
Non mark-up / return / interest income	9,402,120	106,492	–	9,508,612
Total Income	40,401,066	688,810	–	41,089,876
–	–	–	–	–
Segment direct expenses	(21,797,840)	(86,181)	(20,463)	(21,904,484)
Inter segment expense allocation	–	–	–	–
Total expenses	(21,797,840)	(86,181)	(20,463)	(21,904,484)
Provisions	1,958,134	–	–	1,958,134
Profit before tax	20,561,360	602,629	(20,463)	21,143,526
<b>Balance Sheet</b>				
Cash & Bank balances	85,967,856	37,211	–	86,005,067
Investments	685,699,753	13,623,937	–	699,323,690
Net inter segment lendings	–	–	–	–
Lendings to financial institutions	8,694,399	–	–	8,694,399
Advances – performing	349,529,636	4,499,170	–	354,028,806
Advances – non-performing	18,051,749	–	–	18,051,749
Others	81,026,214	192,678	–	81,218,892
<b>Total Assets</b>	<b>1,228,969,607</b>	<b>18,352,996</b>	<b>–</b>	<b>1,247,322,603</b>
Borrowings	207,955,537	15,600,846	–	223,556,383
Subordinated debt	–	–	–	–
Deposits & other accounts	883,231,679	470,377	–	883,702,056
Net inter segment borrowing	–	–	–	–
Others	31,928,227	85,905	–	32,014,132
<b>Total liabilities</b>	<b>1,123,115,443</b>	<b>16,157,128</b>	<b>–</b>	<b>1,139,272,571</b>
Equity	105,854,164	2,195,868	–	108,050,032
<b>Total Equity &amp; liabilities</b>	<b>1,228,969,607</b>	<b>18,352,996</b>	<b>–</b>	<b>1,247,322,603</b>
<b>Contingency and commitments</b>	<b>235,326,388</b>	<b>580,403</b>	<b>–</b>	<b>235,906,791</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 42 RELATED PARTY TRANSACTIONS

	December 31, 2018						December 31, 2017					
	Parent	Directors	Key management personnel	Associates	Joint venture	Other related parties	Parent	Directors	Key management personnel	Associates	Joint venture	Other related parties
	(Rupees in '000)											
Balances with other banks												
In current accounts	-	-	-	-	-	-	-	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Addition during the year	-	-	-	-	-	-	-	-	-	-	-	-
Repaid during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) – net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Investments												
Opening balance	-	-	-	351	-	1,785,318	-	-	-	351	-	1,390,368
Investment made during the year	-	-	-	-	-	1,772,598	-	-	-	-	-	3,038,015
Investment redeemed / disposed off during the year	-	-	-	-	-	(1,652,072)	-	-	-	-	-	(2,698,609)
Surplus	-	-	-	-	-	(18,493)	-	-	-	-	-	55,543
Transfer in / (out) – net	-	-	-	-	-	25,000	-	-	-	-	-	-
Closing balance	-	-	-	351	-	1,912,351	-	-	-	351	-	1,785,318
Provision for diminution in value of investments	-	-	-	4,649	-	-	-	-	-	4,649	-	-
Advances												
Opening balance	-	17,029	252,674	-	-	(57)	-	24,137	253,417	-	-	459
Addition during the year	-	13,304	112,248	-	-	8,011	-	63,948	86,852	-	-	5,470
Repaid during the year	-	(21,629)	(102,179)	-	-	(7,361)	-	(47,103)	(146,588)	-	-	(5,986)
Transfer in / (out) – net	-	-	1,661	-	-	-	-	(23,953)	58,993	-	-	-
Closing balance	-	8,704	264,404	-	-	593	-	17,029	252,674	-	-	(57)
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
Interest / mark-up accrued	-	13,143	66,580	-	-	330,776	-	12,631	81,472	-	-	288,594
Receivable from staff retirement fund	-	-	-	-	-	4,204,441	-	-	-	-	-	3,255,453
Other receivable	-	-	-	-	-	-	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018				December 31, 2017			
	Parent	Directors	Key management personnel	Associates*	Joint venture	Other related parties	Parent	Directors
						(Rupees in '000)		
<b>Borrowings</b>								
Opening balance	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-
Transfer in / (out) – net	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
<b>Subordinated debt</b>								
Opening balance	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>								
Opening balance	1,202	262,709	61,889	85,690	-	9,246,496	403	53,177
Received during the year	9,623,398	99,342	622,197	8,614,444	-	226,189,869	6,779,403	420,062
Withdrawn during the year	(9,622,816)	(337,996)	(616,342)	(8,617,739)	-	(217,149,184)	(6,778,604)	(193,798)
Transfer in / (out) – net	-	369	2,643	(14)	-	9,339	-	(16,732)
Closing balance	1,784	24,424	70,387	82,381	-	18,296,520	1,202	262,709
<b>Other Liabilities</b>								
Interest / mark-up payable	-	2,506	625	757	-	651,581	-	2,457
Payable to staff retirement fund	-	-	-	-	-	546,795	-	-
Other liabilities	-	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-
Other contingencies	-	-	-	-	-	-	-	-
<b>42.1 Related Party Transactions</b>								
<b>Income</b>								
Mark-up / return / interest earned	-	513	13,475	-	-	-	-	1,115
Sales Commission	-	-	-	-	-	26,827	-	-
Fee and commission income	2	10	101	83	-	483,477	2	17
Dividend income	-	-	-	-	-	-	-	-
Net loss on sale of securities	-	-	-	-	-	(262)	-	-
Rental income	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	2,237	-	-
<b>Expense</b>								
Mark-up / return / interest paid	-	2,506	625	757	-	651,581	-	2,457
Directors meeting fee	-	18,700	-	-	-	-	-	18,300
Remuneration	-	49,281	376,005	-	-	-	-	43,175
Other expenses**	-	-	-	32,006	-	-	-	-
Rent expense**	-	-	-	26,363	-	-	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	551,657	-	-
Insurance premium paid	-	99	244	-	-	-	-	99
Insurance claims settled	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

\* Associated companies are as per IAS 24 'Related Party Disclosure'.

\*\*Other expenses mainly include donation of Rs. 30 million to National Management Foundation for construction of hostel building.

\*\*\*Rent expense of ABL Branch with associated company (Ibrahim Fibres Limited) was carried out on terms other than that of arm's length with prior permission of State Bank of Pakistan.

During the year ended December 31, 2018; certain moveable assets having cumulative net book value of Rs. 171,228 were disposed off for Rs. 309,071 to the Key Management Personnel of the bank.

	December 31, 2018	December 31, 2017
	Rupees in '000	
43 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,450,739	11,450,739
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	75,372,381	72,204,657
Eligible Additional Tier 1 (ADT 1) Capital	—	—
Total Eligible Tier 1 Capital	75,372,381	72,204,657
Eligible Tier 2 Capital	20,564,931	22,779,883
Total Eligible Capital (Tier 1 + Tier 2)	95,937,312	94,984,540
Risk Weighted Assets (RWAs):		
Credit Risk	315,518,950	308,576,331
Market Risk	40,673,396	34,852,846
Operational Risk	78,800,062	81,022,617
Total	434,992,408	424,451,794
Common Equity Tier 1 Capital Adequacy ratio	17.33%	17.01%
Tier 1 Capital Adequacy Ratio	17.33%	17.01%
Total Capital Adequacy Ratio	22.05%	22.38%

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.

Further, 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. A phase in arrangement has been put in place whereby the banks are required to maintain the following ratios on an ongoing basis:

	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>	10.00%	10.00%	10.00%	10.00%	10.00%
*Capital Conservation Buffer – CCB	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	10.25%	10.65%	11.275%	11.90%	12.50%

\* Consisting of CET1 only.

The paid up capital and Consolidated CAR of the Bank stands at Rs. 11.451 billion and 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. Standardized Approach is used for calculating the Credit and Market risk, whereas, Basic Indicator Approach is used for Operational Risk in the Capital Adequacy Calculation.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Rupees in '000	
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	75,372,381	72,204,657
Total Exposures	1,634,600,480	1,534,209,065
Leverage Ratio	4.61%	4.71%

**43.1** The link to the full disclosure is available at <https://www.abl.com/investor-relations/>.

**43.2** The impact of acceptances being accounted for as financial asset and financial liability for the purpose of calculation of Capital Adequacy Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio is taken in 2018 only.

## **44 RISK MANAGEMENT**

The principal risks associated with ABL's business are credit risk, market risk, liquidity risk, reputational risk and operational risk. The Risk Management Framework (henceforth to be referred to as 'The Framework') provides principles for identifying, assessing, and monitoring risk within the Bank. The Framework specifies the key elements of the risk management process in order to maximize opportunities, minimize adversities and to achieve improved outputs based on informed decision making.

The Bank performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees.

### **Categories of Risk**

<b>Credit Risk</b>	This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.  Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.
<b>Market Risk</b>	The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).
<b>Liquidity Risk</b>	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.
<b>Operational Risk</b>	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.
<b>Reputational Risk</b>	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.
<b>Information Security &amp; Governance Risk</b>	Information Security Governance Risk Management involves the identification of an organization's information assets and the development, documentation, and implementation of policies, standards, procedures and guidelines that ensure confidentiality, integrity, and availability.
<b>Strategic Risk</b>	Risk of an adverse impact on strategic goals. Strategic risk mainly arises from strategic decisions, improper implementation of those decisions, or lack of responsiveness of Bank to industry, economic or technological changes.

### **Risk Responsibilities**

- The Board of Directors are accountable for overall supervision of the risk management process. The Board is responsible for determining the manner in which risk authorities are set, as well as the approval of all risk policies and ensuring that these are properly implemented. Further, the Board shall also seek appointment of senior management personnel capable of managing the risk activities conducted by the Bank.
- The Board Risk Management Committee (BRMC) is responsible for ensuring that the overall risk strategy and appetite of the Bank is appropriately defined in the Strategic Plan and recommend the same to the Board of Directors.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of Asset & Liability Committee (ALCO) and Risk Management Committee (RMC). Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Risk Framework of the Bank.

## Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal, Information security and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to monitor the health of assets and liabilities, while ensuring risk mitigants against cyber and information system threats.

### 44.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

#### Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### Counterparty credit risk on its private sector advances

Each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk.

Financial analysis is further strengthened through use of separate financial spread sheet templates that have been designed for manufacturing / trading concerns, financial institutions and insurance companies.

#### Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is

#### A. Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

#### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located all over the country.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.1.1 Lendings to financial institutions

### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
Public/ Government	–	214,968	–	–	–	–
Private	53,785,679	8,479,431	70,000	70,000	70,000	70,000
	53,785,679	8,694,399	70,000	70,000	70,000	70,000

## 44.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross Investments		Non-performing Investments		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
Basic metals (iron, steel)	500,000	–	–	–	–	–
Financial	6,081,881	4,994,217	–	–	–	–
Hotel, restaurant & clubs	248,085	–	–	–	–	–
Power, gas, water & sanitary	4,881,010	4,155,945	–	–	–	–
Sugar	10,487	10,499	10,487	10,499	10,487	10,499
Textile – Spinning	51,345	53,222	51,345	53,222	51,345	53,222
Textile – Weaving	200,000	200,000	200,000	200,000	200,000	200,000
Government	626,834,650	623,245,609	9,756,796	–	21,248	–
Others	105,329	105,329	105,329	105,329	105,329	105,329
	638,912,787	632,764,821	10,123,957	369,050	388,409	369,050

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Rupees in '000						
<b>Credit risk by public / private sector</b>						
Public/ Government	630,584,650	625,845,609	9,756,796	–	21,248	–
Private	8,328,137	6,919,212	367,161	369,050	367,161	369,050
	638,912,787	632,764,821	10,123,957	369,050	388,409	369,050

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees in '000					

## 44.1.3 Advances

<b>Credit risk by industry sector</b>						
Agriculture, Forestry and Hunting	78,511,776	61,558,861	624,049	547,602	596,596	494,710
Basic metals (iron, steel)	7,220,441	2,705,732	151,863	229,849	151,863	229,849
Cement / clay & ceramics	16,781,544	14,416,693	74,089	75,089	74,089	75,089
Chemical & pharmaceutical	23,965,746	20,702,251	376,479	714,158	376,479	714,158
Construction	6,958,964	8,108,971	120,529	148,384	120,529	147,259
Education	124,885	115,335	123	123	123	123
Financial	22,710,967	20,487,988	72,454	72,454	72,454	72,454
Footwear & leather garments	2,212,093	1,148,700	116,953	75,014	108,133	74,419
Furniture & sports goods	1,118,853	1,275,838	265,990	266,103	265,990	266,103
Grains, food & beverages	12,750,666	11,719,839	1,917,020	1,766,277	1,766,367	1,760,202
Health & social welfare	52,122	55,713	3,478	5,984	3,478	5,984
Hotel, restaurant & clubs	1,000,000	1,400,000	7,664	7,664	7,664	7,664
Individuals	10,034,356	9,916,565	361,566	449,729	361,501	448,329
Machinery & equipment	4,200,452	1,864,567	1,157,834	1,206,611	1,157,834	1,206,611
Manufacture of transport equipment	844,246	389,289	140,522	211,014	140,522	211,014
Paper & paper boards	5,632,472	6,218,078	210,574	210,574	210,574	210,574
Petroleum products	13,291,165	10,515,762	13,228	1,201,469	13,228	309,149
Power, gas, water & sanitary	140,719,800	122,133,670	637,015	637,015	637,015	637,015
Printing, publishing & allied	1,121,462	114,390	10,056	10,838	10,056	10,838
Real estate, renting, and business activities	5,485,741	4,790,686	–	–	–	–
Rubber & plastic	295,588	778,824	233,068	235,068	233,068	235,068
Sugar	7,365,203	6,034,307	51,066	51,216	51,066	51,216
Textile –Manufacture of made up & ready made garments	25,684,060	21,251,761	3,003,575	2,966,776	3,003,575	2,966,776
Textile – Finishing	16,456,503	14,557,321	2,884,586	2,889,512	2,884,586	2,869,986
Textile – Spinning	18,618,930	13,299,514	1,141,751	1,352,423	1,141,751	1,343,415
Textile – Weaving	1,664,289	1,731,836	38,632	60,493	38,632	49,563
Transport, storage & communication	12,439,987	14,112,816	428,077	468,945	127,149	140,024
Wholesale & retail trade	9,220,564	8,579,749	977,027	1,096,493	948,802	1,071,495
Others	7,385,384	8,766,595	1,045,374	1,094,872	1,030,374	1,093,149
	453,868,259	388,751,651	16,064,642	18,051,749	15,533,498	16,702,236
<b>Credit risk by public / private sector</b>						
Public/ Government	177,970,051	149,693,772	135,180	135,180	135,180	135,180
Private	275,898,208	239,057,879	15,929,461	17,916,569	15,398,317	16,567,056
	453,868,259	388,751,651	16,064,641	18,051,749	15,533,497	16,702,236

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018	December 31, 2017
	Amount in Rs '000	
<b>44.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry and Hunting	1,748,522	1,454,511
Basic metals (iron, steel)	2,298,302	2,325,262
Cement/clay & ceramics	2,491,703	6,227,925
Chemical & pharmaceutical	1,168,652	3,629,067
Construction	3,532,782	4,394,720
Education	55,461	55,461
Financial	272,292,661	143,715,218
Footware & leather garments	248,281	510,891
Furniture & sports goods	25,375	5,577
Grains, food and beverages	58,426	39,448
Health & social welfare	1,993,444	1,977,624
Hotel, restaurant & clubs	960	960
Individuals	11,027,620	11,032,051
Machinery & equipment	38,708,740	17,239,296
Manufacture of transport equipment	87,725	99,084
Paper & paper boards	275,184	1,969,615
Petroleum products	17,777,157	8,824,756
Power, gas, water & sanitary	9,569,562	8,814,281
Printing, publishing & allied	136,729	110,197
Real estate, renting and business activities	6,018,458	6,279,911
Rubber & plastic	106,775	41,385
Sugar	26,740	19,600
Textile – Manufacture of madeup & ready made garments	275,109	573,861
Textile – Finishing	1,589,863	5,434,753
Textile – Spinning	56,195	118,344
Textile – Weaving	65,702	211,476
Transport, storage & communication	5,315,605	6,845,681
Wholesale & retail trade	957,570	1,859,924
Others	1,617,337	2,094,292
	<b>379,526,640</b>	<b>235,905,181</b>
<b>Credit risk by public / private sector</b>		
Public/ Government	89,704,889	26,886,670
Private	289,821,751	209,018,511
	<b>379,526,640</b>	<b>235,905,181</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 220,201.42 million (December 31, 2017: Rs. 180,003.81 million) are as following:

	December 31, 2018	December 31, 2017
	Rupees in '000	
Funded	184,180,778	151,366,645
Non Funded	36,020,642	28,637,168
Total Exposure	220,201,420	180,003,813

The sanctioned limits against these top 10 exposure aggregated to Rs. 255,278.34 million (December 31, 2017: Rs. 236,485.33 million).

## 44.1.6 Advances – Province/Region-wise Disbursement & Utilization

During the year ended December 31, 2018							
Disbursements	Utilization						AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad		
	Rupees in '000						

Province/Region							
Punjab	591,723,087	522,554,625	34,494,817	–	–	34,673,645	–
Sindh	802,485,680	42,048,213	656,714,012	4,851,487	–	98,871,968	–
KPK including FATA	1,429,676	686,026	–	743,650	–	–	–
Balochistan	525,809	–	–	–	525,809	–	–
Islamabad	8,766,970	–	–	–	–	8,766,970	–
AJK including Gilgit-Baltistan	551,587	–	–	–	–	–	551,587
Total	1,405,482,809	565,288,864	691,208,829	5,595,137	525,809	142,312,583	551,587

During the year ended December 31, 2017							
Disbursements	Utilization						AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad		
	Rupees in '000						

Province/Region							
Punjab	549,306,791	507,020,988	17,876,188	–	–	24,409,615	–
Sindh	686,305,373	36,838,177	554,387,445	5,188,085	–	89,891,666	–
KPK including FATA	1,306,828	427,859	–	878,969	–	–	–
Balochistan	924,727	–	–	–	924,727	–	–
Islamabad	10,328,348	–	–	–	–	10,328,348	–
AJK including Gilgit-Baltistan	669,094	–	–	–	–	–	669,094
Total	1,248,841,161	544,287,024	572,263,633	6,067,054	924,727	124,629,629	669,094

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. Thus market risk can be further described into Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Market Risk performs risk measurement, monitoring and control functions through use of various risk procedures and models. To give it a formal structure, all the policies and guidelines are approved by the Board and relevant management committees. The Bank appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

The Bank uses three types of risk management tools to measure the Bank's Market Risk: Value-at Risk (VaR), Expected Shortfall (ES) and Stress Testing. In addition, control limits are utilized to maintain the risks within acceptable levels.

The Bank maintains adequate regulatory capital to cover all interest rate risks falling under the "Trading Book" as well as "Banking Book", as defined by Basel capital accord. The Bank uses Standardized Approach in determining credit risk, market risk and operational risk exposures in the capital adequacy calculation. In Market risk exposures, Maturity method is used to calculate charge on Interest rate risk and FX risk.

In its pursuit of automation, the Bank has successfully implemented Oracle Financial Services Analytical Application (OFSAA) Market Risk Module to automate the risk monitoring and reporting activities pertaining to Market Risk, which allows for more efficient risk monitoring and increased focus on risk analysis to help in making more informed decisions.

### 44.2.1 Market Risk Pertaining to the Trading Book

#### Trading Book

The Trading Book of the Bank consists of positions in financial instruments held either with trading intent or in order to hedge other elements of the trading book. To be eligible for trading book, financial instruments must be held with the intent of trading and free of any restrictive covenants on their tradability. In addition, positions need to be frequently and accurately valued and the portfolio should be actively monitored and managed accordingly.

The Bank's trading book includes securities classified as 'Held-For-Trading', 'Open Ended Mutual Fund' and non strategic listed equity placed in 'Available-For-Sale'. These positions are exposed to all forms of market risk, therefore, are managed actively.

#### Risk Pertaining to Banking Book Investment Portfolio

All investments excluding trading book are considered as part of banking book. Banking book includes:

- i) Available-for-sale securities – (other than non-strategic listed equity)
- ii) Held-to-maturity securities

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate risk, equity price risk and FX risk.

#### Interest Rate Risk – Banking Book

Government securities (PIBs, Sukuks & T-Bills), Bonds, Debentures, etc. and other money market investments are subject to interest rate risk. To capture the risk associated with these securities, extensive modelling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits). Stress testing is also conducted on various macro-economic scenarios to test the resilience of the Bank.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

	December 31, 2018			December 31, 2017		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					

## 44.2.2 Balance sheet split by trading and banking books

Cash and balances with treasury banks	99,188,414	–	99,188,414	85,355,555	–	85,355,555
Balances with other banks	2,564,202	–	2,564,202	649,512	–	649,512
Lendings to financial institutions	53,785,679	–	53,785,679	8,694,399	–	8,694,399
Investments	655,034,518	17,552,791	672,587,309	655,766,488	43,557,202	699,323,690
Advances	438,357,880	–	438,357,880	372,080,555	–	372,080,555
Fixed assets	50,399,773	–	50,399,773	46,890,760	–	46,890,760
Intangible assets	1,756,127	–	1,756,127	1,465,124	–	1,465,124
Deferred tax assets	–	–	–	–	–	–
Other assets	33,751,113	–	33,751,113	36,816,553	–	36,816,553
	1,334,837,706	17,552,791	1,352,390,497	1,207,718,946	43,557,202	1,251,276,148

## 44.2.3 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations in exchange rates. The Bank's FX Risk is largely mitigated by following a matched funding policy whereas for any mismatched exposures, the Bank utilizes appropriate derivative instruments such as Forwards and Swaps.

The majority of the Bank's net foreign currency exposure is in US Dollars and the Bank uses system-based monitoring of its intra-day Net Open Position for effective risk management. The Bank carefully monitors the net foreign currency exposure and the effect of exchange rate fluctuations by conducting sensitivity analysis and stress testing, as well as utilizing the currency forwards and swaps to hedge the related exposure.

The Bank maintains adequate regulatory capital to cover against foreign exchange risks.

The bank undertakes foreign exchange exposures in the shape of FX Forwards and Swaps in order to hedge its foreign currency deposits and advances, after incorporating the impact of its NOSTRO and Cash Reserve balances.

	December 31, 2018				December 31, 2017			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000				Rupees in '000			
Pakistani Rupee	1,301,681,193	1,126,246,407	(66,414,629)	109,020,157	1,203,509,345	1,042,252,496	(53,340,095)	107,916,754
United States Dollar	50,030,348	109,211,476	58,937,581	(243,547)	46,967,686	92,784,942	45,931,305	114,049
Great Britain Pound Sterling	283,035	5,309,004	5,026,143	174	319,361	5,307,053	4,988,957	1,265
Japanese Yen	4,317	975	(2,521)	821	10,415	761	(10,568)	(914)
Euro	326,332	2,826,096	2,502,163	2,399	371,402	2,856,405	2,487,262	2,259
Other currencies	65,272	6,728	(48,737)	9,807	97,939	24,459	(56,861)	16,619
	50,709,304	117,354,279	66,414,629	(230,346)	47,766,803	100,973,620	53,340,095	133,278
	1,352,390,497	1,243,600,686	–	108,789,811	1,251,276,148	1,143,226,116	–	108,050,032

	December 31, 2018		December 31, 2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			

After tax Impact of 1% change in foreign exchange rates on:

– Profit and loss account	–	(1,604,197)	–	872,510
– Other comprehensive income	–	–	–	–
	–	(1,604,197)	–	872,510

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.2.4 Equity position Risk

Equity risk is the potential for incurring losses due to adverse changes in stock prices. ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Bank maintains adequate regulatory capital to cover against equity price risks. Equity investments classified as "Held-For-Trading" as well as listed non-strategic equity investments classified as "Available-For-Sale" are part of the "Trading Book" and subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of "Banking Book" and are therefore subject to credit risk charge as specified by the Basel Framework.

	December 31, 2018		December 31, 2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of 5% change in equity prices on				
– Profit and loss account	–	–	–	–
– Other comprehensive income	(590,410,345)	(526,955,764)	(646,121,540)	(565,849,509)

## 44.2.5 Yield / Interest Rate Risk in the Banking Book (IRRBB)–Basel II Specific

Interest rate / Rate of return risk is the current or prospective risk of losses, to both the Bank's capital and earnings, arising from movements in interest rates / rates of return. The losses may be due to earnings deterioration or capital erosion.

The Bank has a robust system in place to monitor Interest rate risk and ALCO regularly analyses the interest rate scenario and devises strategies to minimize adverse impact of interest rate risk to the Bank's equity and profits.

Interest rate risk is measured through "duration" of an instrument. To assess the interest rate risk at Balance Sheet and Income Statement level, gap analysis on "re-pricing schedule" is utilized. Re-pricing schedule is a distribution of interest-sensitive assets, liabilities, and Off-Balance Sheet positions into a number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate), and is calculated in compliance with SBP instructions. For non-contractual assets and liabilities, an ALCO approved methodology is utilized to place these assets and liabilities in the re-pricing schedule. This methodology is based on the results of a behavioral analysis which statistically models the historical trends of the last 5 years.

Government securities (PIBs & T-Bills, Sukuks), Bonds, Debentures, etc. and other money market investments are subject to interest rate / rate of return risk. To capture the risk associated with these securities, extensive modelling is being done with respect to duration analysis. Stress testing and scenario-based models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements. Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

In accordance with BSD Circular No.03 of 2011, issued by the SBP, the Group is required to report interest rate sensitivity gap of assets and liabilities on the basis of an objective and systematic behavioural study approved by ALCO committee.

	December 31, 2018		December 31, 2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 1%				
– Net Interest Income	1,636,879	658,525	724,882	434,157
– Market Value of Equity	(1,934,221)	(94,006)	(3,552,425)	(70,864)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

December 31, 2018										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Above 10 Years
Rupees in '000										
On-balance sheet financial instruments										
Assets										
		99,188,414	14,128,800	-	-	-	-	-	-	85,059,614
		2,564,202	-	-	-	-	-	-	-	2,564,202
7.95%		53,785,679	50,998,579	2,787,100	-	-	-	-	-	-
7.94%		672,587,309	231,024,247	324,350,027	20,049,288	32,732,625	893,744	5,816,244	7,291,693	16,569,201
7.35%		438,357,880	40,865,140	237,269,909	96,024,034	35,018,571	1,248,347	3,499,197	7,321,457	11,978,040
		28,986,261	-	-	-	-	-	-	-	4,847,232
		1,295,469,745	337,016,766	564,407,036	116,073,322	67,751,196	2,142,091	9,315,441	14,613,150	28,986,261
										150,756,270
Liabilities										
		7,752,959	-	-	-	-	-	-	-	7,752,959
5.89%		225,882,986	173,702,776	27,973,227	10,161,557	40	282,296	641,607	1,556,729	-
3.51%		984,463,067	121,284,355	229,412,178	295,508,730	53,568,188	19,398,720	825,194	876,633	534,810
		-	-	-	-	-	-	-	-	80,108
		-	-	-	-	-	-	-	-	262,974,151
		-	-	-	-	-	-	-	-	-
		20,163,840	-	-	-	-	-	-	-	-
		1,238,282,852	294,987,131	257,385,405	305,670,287	53,568,228	19,681,016	1,466,801	2,433,362	12,099,564
		57,206,893	42,029,635	307,021,631	(189,596,965)	14,182,968	(17,538,925)	7,848,640	12,179,788	16,447,677
										4,767,124
										(140,134,660)
On-balance sheet gap										
Off-balance sheet financial instruments										
		96,475,905	12,705,839	6,870,608	32,410,166	21,944,400	20,200,564	1,085,634	77,339	7,500
										1,173,855
Commitments in respect of purchase of:										
- forward foreign exchange contracts		137,056,586	46,875,838	55,520,667	34,407,428	252,653	-	-	-	-
- forward government securities transactions		57,768,858	54,219,284	3,549,574	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-
		194,825,444	101,095,122	59,070,241	34,407,428	252,653	-	-	-	-
Commitments in respect of sale of:										
- forward foreign exchange contracts		70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-
- forward government securities transactions		-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-
		70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-
Other commitments										
		27,762,282	13,998,922	4,536,571	2,459,295	1,850,964	807,808	807,808	1,615,617	1,685,297
										-
Off-balance sheet gap										
		248,610,246	94,659,580	53,752,454	48,715,471	24,021,319	21,008,372	1,893,442	1,692,956	1,692,797
										1,173,855
Total Yield/Interest Risk Sensitivity Gap										
		305,817,139	136,689,215	360,774,085	(140,881,494)	38,204,287	3,469,447	9,742,082	13,872,744	18,140,474
										5,940,979
										(140,134,660)
Cumulative Yield/Interest Risk Sensitivity Gap										
		305,817,139	136,689,215	497,463,300	356,581,806	394,786,093	398,255,540	407,997,622	421,870,366	440,010,840
										445,951,819

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years
Rupees in '000										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	85,355,555	11,667,460	-	-	-	-	-	-	-	73,688,095
Balances with other banks	649,512	-	-	-	-	-	-	-	-	649,512
Lending to financial institutions	8,694,399	8,479,431	-	214,968	-	-	-	-	-	-
Investments	699,323,690	207,983,906	255,255,631	5,295,188	77,537,147	69,068,252	911,023	12,335,225	31,594,411	2,474,558
Advances	372,080,555	37,899,637	185,934,869	98,281,221	25,216,029	1,860,087	1,698,088	3,634,904	12,717,505	4,800,501
Other assets	32,526,154	-	-	-	-	-	-	-	-	32,526,154
	1,198,629,865	266,030,434	441,190,500	103,791,377	102,753,176	70,928,339	2,609,111	15,970,129	44,311,916	143,769,824
Liabilities										
Blis payable	7,835,467	-	-	-	-	-	-	-	-	7,835,467
Borrowings	223,556,383	187,022,240	18,928,986	5,135,191	1,889,389	24,603	424,408	1,130,910	9,000,656	-
Deposits and other accounts	883,702,056	114,776,837	179,108,142	277,712,372	54,121,362	10,708,471	1,643,439	672,985	279,725	244,605,828
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Other liabilities	20,612,318	-	-	-	-	-	-	-	-	20,612,318
	1,135,706,224	301,799,077	198,037,128	282,847,563	56,010,751	10,733,074	2,067,847	1,803,895	9,280,381	273,053,613
On-balance sheet gap	62,923,641	(35,768,643)	243,153,372	(179,056,186)	46,742,425	60,195,265	541,264	14,166,234	35,031,535	7,202,164 (129,283,789)
Off-balance sheet financial instruments										
Documentary credits and short-term trade-related transactions	81,303,270	10,374,686	9,834,147	29,912,375	15,789,295	14,156,377	913,869	18,254	7,500	296,767
Commitments in respect of purchase of:										
- forward foreign exchange contracts	95,038,705	47,065,184	41,879,615	6,075,063	18,843	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-
	95,038,705	47,065,184	41,879,615	6,075,063	18,843	-	-	-	-	-
Commitments in respect of sale of:										
- forward foreign exchange contracts	41,580,643	22,932,197	15,865,960	2,531,882	250,604	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-
	41,580,643	22,932,197	15,865,960	2,531,882	250,604	-	-	-	-	-
Other commitments	31,592,555	14,969,156	5,748,217	5,018,468	697,197	851,431	851,431	1,702,862	1,753,793	-
Off-balance sheet gap	166,353,887	49,476,829	41,596,019	38,474,024	16,254,731	15,007,808	1,765,300	1,721,116	1,761,293	296,767
Total Yield/Interest Risk Sensitivity Gap	229,277,528	13,708,186	284,749,391	(140,582,162)	62,997,156	75,203,073	2,306,564	15,887,350	36,792,828	7,498,931 (129,283,789)
Cumulative Yield/Interest Risk Sensitivity Gap	229,277,528	13,708,186	298,457,577	157,875,415	220,872,571	296,075,644	298,382,208	314,269,558	351,062,386	358,561,317

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

Reconciliation to total assets	December 31, 2018	December 31, 2017	Reconciliation to total liabilities	December 31, 2018	December 31, 2017
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
<b>Balance as per balance sheet</b>	1,352,390,497	1,251,276,148	<b>Balance as per balance sheet</b>	1,243,600,686	1,143,226,116
<b>Less: Non financial assets</b>			<b>Less: Non financial liabilities</b>		
<b>Fixed assets</b>	52,155,900	48,355,884	<b>Deferred tax liabilities</b>	4,751,359	6,941,206
<b>Other assets</b>	4,764,852	4,290,399	<b>Other liabilities</b>	586,475	578,686
	56,920,752	52,646,283		5,337,834	7,519,892
<b>Total financial assets</b>	<b>1,295,469,745</b>	<b>1,198,629,865</b>	<b>Total financial liabilities</b>	<b>1,238,262,852</b>	<b>1,135,706,224</b>

## 44.3 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

Further, detailed data of operational losses is being maintained, in conformance with regulatory guidelines. Major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Bank has also developed a Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

The Bank is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

## 44.4 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. The 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 the Bank's liquidity risk and devise strategies accordingly. The Bank also has various limits and triggers in place to monitor liquidity risk on a periodic basis, while it also utilizes stress testing & scenario analysis to assess adequacy of Bank's liquid assets. The Bank also complies with SBP's instructions on Liquidity Standards as prescribed under the Basel III Framework.

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

### 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.

### Liquidity Risk Mitigation Techniques

The Bank uses the following tools to identify and mitigate Liquidity Risk:

- Gap Analysis
- Liquidity Ratio
- Liquidity Stress Testing
- Liquidity Contingency Plan
- Risk Control Limits (RCLs)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

December 31, 2018													
	Total	Upto 1 Day	Upto 7 days	Upto 14 days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 Years
(Rupees in '000)													
<b>Assets</b>													
Cash and balances with treasury banks	99,188,414	99,188,414	–	–	–	–	–	–	–	–	–	–	–
Balances with other banks	2,564,202	2,564,202	–	–	–	–	–	–	–	–	–	–	–
Lending to financial institutions	53,785,679	–	48,488,580	500,000	2,029,999	2,787,100	–	–	–	–	–	–	–
Investments – net	672,587,309	35,719,264	220,417,989	–	8,071,443	317,394,215	32,888	16,947,301	25,667,744	6,135,368	1,135,813	7,051,206	25,542,242
Advances – net	438,357,880	70,461,195	2,033,096	194,526	13,017,586	6,728,414	10,881,765	30,016,092	16,468,371	101,843,527	58,049,605	46,900,308	31,328,527
Fixed assets	50,399,773	13,842	83,051	96,893	235,313	429,099	429,099	1,287,298	1,287,298	1,287,298	2,782,924	2,756,539	37,572,269
Intangible assets	1,756,127	674	4,045	4,719	11,460	20,898	20,898	62,694	62,694	62,693	250,775	501,550	502,252
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets – net	33,751,113	347,328	2,083,967	2,431,295	5,904,573	1,931,149	5,678,328	4,211,433	1,496,275	1,470,237	586,758	2,732,176	4,290,836
	1,352,390,497	206,294,919	273,090,728	3,227,433	29,270,374	329,290,875	17,042,978	52,524,818	44,982,382	110,799,124	62,805,965	57,545,596	99,236,126
<b>Liabilities</b>													
Bills payable	7,752,959	7,752,959	–	–	–	–	–	–	–	–	–	–	–
Borrowings	225,882,986	–	159,079,594	3,277,502	6,624,376	14,289,234	12,434,236	16,132,619	–	40	282,296	641,607	1,556,729
Deposits and other accounts	984,463,067	809,675,645	10,413,217	14,158,732	30,324,819	27,831,940	13,976,360	37,210,046	12,590,619	23,771,946	2,193,097	825,194	876,633
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities – net	4,751,359	6,267	37,597	43,862	106,524	1,358,181	43,129	214,804	255,322	166,077	175,928	196,871	146,541
Other liabilities	20,750,315	371,706	2,230,240	2,601,946	6,319,013	744,625	711,642	1,025,241	908,295	893,367	1,044,424	773,156	895,342
	1,243,600,886	817,806,477	171,760,648	20,082,042	43,374,732	44,223,980	27,165,367	54,582,710	13,754,236	24,831,430	3,695,746	2,436,828	3,475,245
<b>Net assets</b>	108,789,611	(609,511,559)	101,330,080	(16,854,609)	(14,104,359)	285,066,895	(10,122,389)	(2,057,882)	31,228,146	85,967,694	59,110,219	55,108,758	60,803,944
Share capital	11,450,739												
Reserves	20,276,515												
Unappropriated profit	53,985,383												
Surplus on revaluation of assets net of tax	23,077,174												
	108,789,811												



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

December 31, 2017												
Total	Upto 1 Day	Upto 7 days	Upto 14 days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 Years
(Rupees in '000)												
<b>Assets</b>												
Cash and balances with treasury banks	85,355,555	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	649,512	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	8,694,399	-	7,879,431	600,000	-	-	214,968	-	-	-	-	-
Investments - net	699,323,690	38,609,974	110,829,309	-	95,423,880	112,975,715	245,888	75,414,184	1,252,151	69,157,669	1,159,932	40,575,777
Advances - net	372,080,555	53,084,410	346,168	304,380	40,622,606	8,883,124	22,659,313	10,385,527	48,012,065	44,497,782	51,383,480	57,349,159
Fixed assets	46,890,760	14,412	86,469	100,881	244,996	446,757	1,340,272	1,340,272	1,340,273	2,371,354	2,346,363	34,893,884
Intangible assets	1,465,124	562	3,375	3,937	9,561	17,435	52,305	52,305	52,305	209,220	209,220	419,025
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets - net	36,816,553	534,886	3,209,320	3,744,207	9,093,074	4,528,296	3,870,840	1,497,638	1,496,554	512,004	512,004	3,580,071
	1,251,276,148	178,249,311	122,354,072	4,753,405	145,394,117	126,861,327	28,383,596	88,689,926	52,152,348	116,748,029	55,610,999	110,215,335
<b>Liabilities</b>												
Bills payable	7,835,467	7,835,467	-	-	-	-	-	-	-	-	-	-
Borrowings	223,556,383	-	172,679,291	3,769,066	8,255,121	9,684,911	5,135,191	4,208,110	40	24,603	424,409	9,000,655
Deposits and other accounts	883,702,056	699,588,484	22,779,027	7,768,373	17,034,748	26,521,973	37,753,203	15,180,412	29,302,479	1,070,000	1,643,439	352,620
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities - net	6,941,206	16,056	96,337	112,392	272,952	937,030	90,788	701,139	98,602	750,604	207,294	2,282,265
Other liabilities	21,191,004	354,889	2,129,335	2,484,225	6,033,117	1,016,515	1,179,292	1,206,268	1,162,363	906,310	747,728	1,988,448
	1,143,226,116	707,774,896	197,683,990	14,134,056	31,595,938	38,160,429	44,158,474	21,295,929	30,563,484	2,751,517	3,022,870	13,623,988
<b>Net assets</b>	108,050,032	(529,525,585)	(75,329,919)	(9,380,651)	113,798,179	88,700,898	(15,774,878)	67,393,997	21,588,864	113,996,512	52,588,129	96,591,347
Share capital	11,450,739	-	-	-	-	-	-	-	-	-	-	-
Reserves	17,980,116	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	50,546,126	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets net of tax	28,073,051	-	-	-	-	-	-	-	-	-	-	-
	108,050,032	-	-	-	-	-	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

December 31, 2018										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	99,188,414	27,339,089	10,192,026	4,908,440	4,104,803	1,973,027	2,007,802	–	–	48,663,227
Balances with other banks	2,564,202	2,564,202	–	–	–	–	–	–	–	–
Lending to financial institutions	53,785,679	50,998,579	2,787,100	–	–	–	–	–	–	–
Investments – net	672,587,309	229,720,004	317,736,941	17,412,057	32,732,625	9,798,775	14,898,089	8,471,835	40,401,983	1,415,000
Advances – net	438,357,880	22,697,487	21,999,745	32,820,234	121,877,527	75,466,221	64,316,834	67,851,305	26,487,962	4,840,565
Fixed assets	50,399,773	429,099	858,198	1,287,298	2,574,596	2,782,924	2,756,539	2,138,850	2,393,868	35,178,401
Intangible assets	1,756,127	20,898	41,796	62,694	125,387	250,775	250,775	501,550	502,252	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets – net	33,751,113	10,767,163	7,609,477	4,211,433	2,966,512	586,758	586,758	2,732,176	4,290,836	–
	1,352,390,497	344,536,521	361,225,283	60,702,156	164,381,450	90,858,480	84,816,797	81,695,716	74,076,901	90,097,193
<b>Liabilities</b>										
Bills payable	7,752,959	7,752,959	–	–	–	–	–	–	–	–
Borrowings	225,882,986	168,981,472	26,723,469	16,132,619	40	282,296	641,607	1,556,729	11,564,754	–
Deposits and other accounts	984,463,067	121,284,355	173,849,475	83,725,237	70,017,278	35,847,810	35,073,079	876,633	534,810	463,254,390
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities – net	4,751,359	194,250	1,401,310	214,804	421,399	175,929	196,871	146,541	280,426	1,719,829
Other liabilities	20,750,315	11,522,905	1,456,267	1,025,241	1,801,662	1,044,424	773,156	895,342	2,231,318	–
	1,243,600,686	309,735,941	203,430,521	101,097,901	72,240,379	37,350,459	36,684,713	3,475,245	14,611,308	464,974,219
<b>Net assets</b>	108,789,811	34,800,580	157,794,762	(40,395,745)	92,141,071	53,508,021	48,132,084	78,220,471	59,465,593	(374,877,026)
Share capital	11,450,739									
Reserves	20,276,515									
Unappropriated profit	53,985,383									
Surplus on revaluation										
of assets net of tax	23,077,174									
	108,789,811									

December 31, 2017										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	85,355,555	21,869,641	6,787,778	2,985,981	2,697,175	–	4,072,263	–	–	46,942,717
Balances with other banks	649,512	649,512	–	–	–	–	–	–	–	–
Lending to financial institutions	8,694,399	8,479,431	–	214,968	–	–	–	–	–	–
Investments – net	699,323,690	207,473,977	252,306,662	681,304	77,537,147	77,651,512	10,561,003	14,638,525	54,583,935	3,889,625
Advances – net	372,080,555	45,860,621	17,434,263	25,541,371	61,573,706	57,055,651	63,941,348	69,907,027	25,867,506	4,899,062
Fixed assets	46,890,760	446,758	893,514	1,340,272	2,680,545	2,371,354	2,346,363	1,918,060	2,243,908	32,649,986
Intangible assets	1,465,124	17,435	34,870	52,305	104,610	209,220	209,220	418,439	419,025	–
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets – net	36,816,553	16,581,487	6,494,915	3,870,840	2,993,192	512,004	512,004	2,292,040	3,560,071	–
	1,251,276,148	301,378,862	283,952,002	34,687,041	147,586,375	137,799,741	81,642,201	89,174,091	86,674,445	88,381,390
<b>Liabilities</b>										
Bills payable	7,835,467	7,835,467	–	–	–	–	–	–	–	–
Borrowings	223,556,383	184,703,479	18,928,986	5,135,191	4,208,150	24,603	424,408	1,130,911	9,000,655	–
Deposits and other accounts	883,702,056	114,776,837	111,946,744	82,256,885	77,493,792	34,080,901	33,231,083	672,985	279,725	428,963,104
Subordinated debt	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities – net	6,941,206	497,737	2,087,723	90,788	799,741	750,604	207,294	225,054	555,478	1,726,787
Other liabilities	21,191,004	11,001,566	2,086,576	1,179,292	2,368,631	906,310	747,728	912,453	1,988,448	–
	1,143,226,116	318,815,086	135,050,029	88,662,156	84,870,314	35,762,418	34,610,513	2,941,403	11,824,306	430,689,891
<b>Net assets</b>	108,050,032	(17,436,224)	148,901,973	(53,975,115)	62,716,061	102,037,323	47,031,688	86,232,688	74,850,139	(342,308,501)
Share capital	11,450,739									
Reserves	17,980,116									
Unappropriated profit	50,546,126									
Surplus on revaluation										
of assets net of tax	28,073,051									
	108,050,032									

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2018

## 44.5 Derivative Risk

Market & Liquidity Risk Division under Risk Management Group is responsible for assessing and monitoring the derivative risk emanating from Bank's exposures.

The Bank's Treasury Group buys and sells derivative instruments, for hedging and market making purposes, such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

The Bank's Risk Management Group, ALCO & BRMC monitor the risk emanating from the Bank's portfolio of derivatives exposures on a periodic basis and uses Off-Balance Sheet gap analysis to implement prudent asset liability management of the Bank's derivatives exposures.

## 45 NON ADJUSTING EVENT AFTER THE REPORTING DATE

**45.1** The Board of Directors of the Bank in its meeting held on February 13, 2019 has proposed a final cash dividend in respect of 2018 of Rs. 2.00 per share (2017: cash dividend Rs. 1.75 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements of the Bank for the year ended December 31, 2018 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

**45.2** Federal Government vide Finance Supplementary (Second Amendment) Bill, 2019 (Bill) dated January 23, 2019, has proposed to amend rate of Super Tax for Banks for Tax Year 2018 (Accounting Year ended 31 December, 2017) from "0%" to "4%". As a result, the proposed implementation shall result in a retrospectively levy. The proposed bill is under debate in the Parliament and would take effect only upon approval by the Parliament.

The consolidated financial statements of the Bank for the year ended December 31, 2018 do not include the effect of this new proposed levy, which would be accounted for in the year ending December 31, 2019 as past year tax charge; if the proposed bill which is under debate in the Parliament is approved by the Parliament.

## 46 GENERAL

**46.1** Captions as prescribed by BPRD circular no.2 of 2018 issued by SBP, in respect of which there are no amounts, have not been reproduced in these financial statements, except for caption of the statement of financial position and profit and loss account.

**46.2** Comparative figures have been re-classified, re-arranged or additionally incorporated in these financial statements wherever necessary to facilitate comparison and better presentation in accordance with new format prescribed by SBP vide BPRD circular no. 2 of 2018.

## 47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 13, 2019 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Pattern of Shareholding

as at December 31, 2018

Information for annual financial statements as on December 31, 2018.

## 1 Issued,Subscribed and Paid-up Capital

Ordinary Shares	As on December 31, 2018		As on December 31, 2017	
	No. of Shares	Amount (Rs)	No. of Shares	Amount (Rs)
Fully paid in cash	406,780,094	4,067,800,940	406,780,094	4,067,800,940
Increase in Share Capital	-	-	-	-
Issued as bonus shares	720,745,186	7,207,451,860	720,745,186	7,207,451,860
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
Total	1,145,073,830	11,450,738,300	1,145,073,830	11,450,738,300

## 2 Major shareholding

Holding more than 5% of the total paid-up capital

Name of Shareholder	No. of Shares Held	Percentage Held
Ibrahim Holdings (Pvt) Ltd.	967,911,610	84.5283
Total	967,911,610	84.5283

No. of Shareholders	Shareholdings'Slab		Total Shares Held
	From	To	
6128	1	to 100	235,739
9119	101	to 500	2,531,649
1121	501	to 1000	812,436
2092	1001	to 5000	4,444,225
399	5001	to 10000	2,946,521
134	10001	to 15000	1,680,575
81	15001	to 20000	1,469,780
58	20001	to 25000	1,320,955
28	25001	to 30000	774,142
19	30001	to 35000	617,763
19	35001	to 40000	715,948
17	40001	to 45000	725,616
10	45001	to 50000	486,173
6	50001	to 55000	312,409
7	55001	to 60000	403,633
3	60001	to 65000	185,822
6	65001	to 70000	409,548
6	70001	to 75000	439,000
4	75001	to 80000	318,000
4	80001	to 85000	335,000
3	85001	to 90000	263,063
9	95001	to 100000	900,000
1	100001	to 105000	103,400
3	105001	to 110000	318,400
3	110001	to 115000	334,371
2	115001	to 120000	237,618
4	120001	to 125000	491,200
1	125001	to 130000	127,500
1	145001	to 150000	150,000
4	150001	to 155000	606,627
1	155001	to 160000	157,600
1	165001	to 170000	165,500
2	170001	to 175000	343,000
2	175001	to 180000	355,450
3	180001	to 185000	547,320
1	185001	to 190000	189,300

No. of Shareholders	Shareholdings'Slab			Total Shares Held
	From		To	
1	195001	to	200000	200,000
1	205001	to	210000	209,500
1	210001	to	215000	210,500
2	225001	to	230000	458,069
1	235001	to	240000	236,437
1	245001	to	250000	250,000
1	255001	to	260000	259,000
1	260001	to	265000	262,300
1	265001	to	270000	270,000
1	285001	to	290000	290,000
1	305001	to	310000	306,800
1	310001	to	315000	314,900
1	325001	to	330000	325,100
1	345001	to	350000	346,000
1	355001	to	360000	355,100
1	375001	to	380000	378,000
1	385001	to	390000	385,500
2	400001	to	405000	805,200
1	435001	to	440000	440,000
1	480001	to	485000	480,500
3	495001	to	500000	1,500,000
2	580001	to	585000	1,165,500
1	595001	to	600000	599,045
1	605001	to	610000	610,000
1	650001	to	655000	652,500
1	700001	to	705000	704,500
1	710001	to	715000	712,000
1	730001	to	735000	734,000
1	820001	to	825000	822,151
1	860001	to	865000	865,000
1	960001	to	965000	964,400
1	995001	to	1000000	1,000,000
1	1015001	to	1020000	1,015,897
1	1090001	to	1095000	1,092,614
1	1195001	to	1200000	1,198,500
1	1225001	to	1230000	1,227,500
1	1250001	to	1255000	1,252,000
1	1430001	to	1435000	1,433,604
1	1495001	to	1500000	1,500,000
1	1510001	to	1515000	1,515,000
1	1765001	to	1770000	1,770,000
1	1940001	to	1945000	1,940,500
1	1995001	to	2000000	1,999,500
1	2365001	to	2370000	2,367,500
1	2480001	to	2485000	2,485,000
1	2885001	to	2890000	2,885,747
1	3090001	to	3095000	3,091,000
1	3860001	to	3865000	3,860,726
1	4095001	to	4100000	4,098,500
1	4105001	to	4110000	4,105,700
1	4675001	to	4680000	4,676,400
1	6275001	to	6280000	6,277,500
1	6660001	to	6665000	6,660,400
1	9755001	to	9760000	9,755,604
1	29995001	to	30000000	30,000,000
1	37385001	to	37390000	37,385,743
1	967910001	to	967915000	967,911,610
19364				1,145,073,830

# Categories of Shareholders

as at December 31, 2018

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Parent, Associated Companies, undertakings and related parties</b>			
IBRAHIM HOLDINGS (Private) LIMITED*	1	967,911,610	84.5283
TRUSTEES OF ABL EMPLOYEES SUPERANNUATION (PENSION) FUND A/C	1	37,385,743	3.2649
<b>Sub-Total</b>	<b>2</b>	<b>1,005,297,353</b>	<b>87.7932</b>
<b>Directors and their spouse(s) and minor children</b>			
MOHAMMAD NAEEM MUKHTAR	1	2,500	0.0002
MUHAMMAD WASEEM MUKHTAR	1	2,500	0.0002
SHEIKH MUKHTAR AHMED	1	2,500	0.0002
ABDUL AZIZ KHAN	1	26,620	0.0023
DR. MUHAMMAD AKRAM SHEIKH	1	2,500	0.0002
ZAFAR IQBAL	1	2,500	0.0002
SUMAIRA ASLAM KHAN / NAZRAT BASHIR	1	2,500	0.0002
<b>Sub-Total</b>	<b>7</b>	<b>41,620</b>	<b>0.0036</b>
<b>Banks, Development Finance Institutions, Non-Banking Financial Institutions</b>			
M/S. AL-FAYSAL INVESTMENT BANK	1	55	0.0000
M/S STANDARD CHARTERED BANK (PAKISTAN) LIMITED	1	22,118	0.0019
HABIB METROPOLITAN BANK LIMITED	1	580,500	0.0507
MCB BANK LIMITED - TREASURY	1	6,660,400	0.5817
FIRST DAWOOD INVESTMENT BANK LIMITED	1	8,600	0.0008
BANK ALFALAH LIMITED	1	1,515,000	0.1323
ESCORTS INVESTMENT BANK LIMITED	1	77	0.0000
THE BANK OF PUNJAB, TREASURY DIVISION.	1	1,999,500	0.1746
FIRST CREDIT & INVESTMENT BANK LIMITED	1	24,000	0.0021
NATIONAL BANK OF PAKISTAN LTD.	5	4,698,690	0.4103
SINDH BANK LIMITED	1	3,091,000	0.2699
<b>Sub-Total</b>	<b>15</b>	<b>18,599,940</b>	<b>1.6243</b>
<b>NIT AND ICP</b>			
IDBL (ICP UNIT)	1	762	0.0001
INVESTMENT CORPN. OF PAKISTAN	3	14,438	0.0013
<b>Sub-Total</b>	<b>4</b>	<b>15,200</b>	<b>0.0013</b>
<b>Executives**</b>			
OTHER EMPLOYEES	634	725,455	0.0634
<b>Sub-Total</b>	<b>635</b>	<b>726,849</b>	<b>0.0635</b>
<b>Insurance Companies</b>			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	2,885,747	0.2520
GULF INSURANCE COMPANY LIMITED.	1	723	0.0001
M/S. ORIENT INSURANCE CO.LTD.,	1	404	0.0000
PREMIER INSURANCE LIMITED	1	5,100	0.0004
JUBILEE GENERAL INSURANCE COMPANY LIMITED	1	585,000	0.0511
ALPHA INSURANCE CO. LTD.	1	121,000	0.0106
HABIB INSURANCE CO. LIMITED	1	7,500	0.0007
HABIB INSURANCE COMPANY LIMITED	1	12,500	0.0011
IGI LIFE INSURANCE LIMITED	1	15,000	0.0013
ADAMJEE INSURANCE COMPANY LIMITED	1	6,277,500	0.5482
EFU LIFE ASSURANCE LTD	1	4,098,500	0.3579
IGI LIFE INSURANCE LIMITED	1	6,500	0.0006
<b>Sub-Total</b>	<b>12</b>	<b>14,015,474</b>	<b>1.2240</b>



Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
<b>Modarabas and Mutual Funds</b>			
FIRST FIDELITY LEASING MODARABA	1	614	0.0001
M/S. FIRST TAWAKKAL MODARABA	1	347	0.0000
M/S. MODARABA AL MALI	1	116	0.0000
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	38,162	0.0033
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	3,860,726	0.3372
CDC - TRUSTEE NAFA STOCK FUND	1	4,105,700	0.3586
CDC - TRUSTEE NAFA MULTI ASSET FUND	1	262,300	0.0229
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,092,614	0.0954
CDC - TRUSTEE ABL STOCK FUND	1	2,367,500	0.2068
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	1	401,700	0.0351
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	480,500	0.0420
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,433,604	0.1252
MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	1	41,000	0.0036
CDC - TRUSTEE NAFA FINANCIAL SECTOR FUND	1	865,000	0.0755
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	704,500	0.0615
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	118,674	0.0104
CDC - TRUSTEE PICIC INVESTMENT FUND	1	229,500	0.0200
CDC - TRUSTEE PICIC GROWTH FUND	1	440,000	0.0384
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	110,500	0.0097
CDC - TRUSTEE HBL - STOCK FUND	1	385,500	0.0337
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	290,000	0.0253
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	181,000	0.0158
CDC - TRUSTEE HBL EQUITY FUND	1	28,500	0.0025
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	47,000	0.0041
CDC - TRUSTEE ASKARI EQUITY FUND	1	24,500	0.0021
CDC - TRUSTEE ALLIED FINERGY FUND	1	259,000	0.0226
<b>Sub-Total</b>	<b>26</b>	<b>17,768,557</b>	<b>1.5517</b>
<b>Foreign Investors</b>			
HABIB BANK AG ZURICH, ZURICH, SWITZERLAND	1	6,000	0.0005
HABIB BANK AG ZURICH, DEIRA DUBAI	1	2,485,000	0.2170
THE BANK OF NEW YORK MELLON	1	1	0.0000
ALPHA BETA FINANCE LIMITED	1	170,900	0.0149
MCKINLEY CAPITAL MEASA FUND OEIC LIMITED	1	67,000	0.0059
TARIIC HOLDING COMPANY BSC (CLOSED)	1	107,600	0.0094
MAHMOOD AHMAD CHAUDHRY	1	10,000	0.0009
ALIYA ANWAR	1	10,000	0.0009
NIZAR LALANI	1	1,500	0.0001
ADAM JOOSUB	1	10,000	0.0009
SHOKAT ALI MOHAMED ALI ALI BHAI	1	25,000	0.0022
<b>Sub-Total</b>	<b>11</b>	<b>2,893,001</b>	<b>0.2526</b>
<b>Others</b>	<b>172</b>	<b>44,200,893</b>	<b>3.8601</b>
<b>Individuals</b>	<b>18480</b>	<b>41,514,943</b>	<b>3.6255</b>
<b>Grand Total</b>	<b>19,364</b>	<b>1,145,073,830</b>	<b>100.0000</b>

\* M/s Ibrahim Holdings (Pvt) Limited purchased 2,132,500 shares during the year ended December 31, 2018 out of which 100,000 shares were purchased as on reporting date, against which title was transferred as on January 02, 2019\*.

\*\* CEO and all Chiefs and Group Heads are termed as Executives.

All the trades in shares carried out by the Sponsors, Directors, Executives and their spouses and minor children are reported during the year 2018 as under:

Sr. No	Name	Designation	Sale	Purchased
1	Mohsin Mithani	Group Head (ITG)	1,000	-
2	M/s. Ibrahim Holdings (Pvt.) Limited	Parent	-	2,032,500

Apart from the above there have been no trade in the shares of the Bank carried out by its Sponsors, Directors, Executives, their spouses and minor children.

# Glossary of Financial & Banking Terms

## Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

## Automated Teller Machine (ATM)

ATM is an e-banking delivery channel that enables the customers to perform financial transactions 24/7.

## Alternate Delivery Channels (ADCs)

ADCs are those access points that expand the reach of banking services beyond the traditional over the counter banking and includes internet banking, mobile banking, Point of Sale (POS) transactions, ATM, SMS and Phone banking.

## Basis point

One hundredth of a per cent i.e. 0.01 percent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

## Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

## Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

## Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

## Call Money Rate

Interbank clean (without collateral) lending/ borrowing rates are called Call Money Rates

## Common Equity Tier (CET) Capital

CET capital is sum of fully paid share capital, reserves and un-appropriated profit adjusted by regulatory adjustments as specified in Basel III.

## Consumer Price Index (CPI)

The CPI measure changes in the cost of buying a representative fixed basket of goods and generally indicates inflation rate in the country. (Source: Pakistan Bureau of Statistics)

## Coupon Rate

Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

## Call Deposits

These include short notice and special notice deposits

## Current Deposits

Non-remunerative Chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

## Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

## YOY

Year on Year (2018 vs 2017).

## CAGR

An abbreviation for Compound Annual Growth Rate.

## Corporate Governance

It is "the system by which companies are directed and controlled" by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

## Defined Contribution

A post-employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

## Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets.
- Requires no or very little initial net investment
- It is settled at a future date.

## Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age

and other factors. The risks of paying for the plan rest entirely with the plan.

## Deferred Taxation

Sum set aside for tax in financial statements that will become payable / receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

## Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

## Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

## Euro-pay, Master-card and Visa (EMV)

EMV is a global standard for cards equipped with computer chips and the technology used to authenticate chip-card transactions.

## Finance Lease

Finance lease is the one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

## Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

## Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

## Forward Exchange Contract

Forward contracts are agreements between two parties to exchange two designated currencies at a specific time in the future.

## Gross Domestic Product (GDP)

GDP is a monetary value of all the finished goods and services produced in a country in a specified time period. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a country.

## Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

**Historical Cost Convention**

Recording transactions at the actual value received or paid.

**Impairment**

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

**Interest Rate Swap (IRS)**

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'Notional Principal' amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating / floating rates are exchanged by the parties from one another. The party incurring a negative interest. The party incurring a negative interest rate differential for that leg pays the other counter-party.

**Interest Spread**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

**Interest in Suspense**

Interest suspended on non-performing loans and advances.

**KIBOR – (Karachi Interbank Offered Rate)**

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

**LIBOR (London Interbank Offered Rate)**

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

**Liquid Assets**

An asset that can be converted into cash quickly and with minimal impact to the price received.

**Market Capitalization**

Number of ordinary shares in issue multiplied by the market value of share as at any cutoff date.

**Market Treasury bills (MTBs)**

MTBs are negotiable debt instrument issued by State Bank of Pakistan on behalf of Government of Pakistan with

tenors available in 3 months, 6 months and one year maturities.

**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

**Non-Performing Loan**

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

**Non-Performing Loan Substandard Category**

Where markup/interest or principal is overdue by 90 days or more from the due date.

**Non-Performing Loan-Doubtful Category**

Where markup/interest or principal is overdue by 180 days or more from the due date.

**Non-Performing Loan-Loss Category**

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

**Nostro Account**

An account held with a bank outside Pakistan.

**Net Interest Income**

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinancing funds and inter-bank borrowings.

**Off Balance Sheet Transactions**

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

**Organization of the Petroleum Exporting Countries (OPEC)**

OPEC is a permanent intergovernmental Organization whose objective is to coordinate and unify petroleum policies among member Countries.

**Pakistan Investment Bonds (PIBs)**

They are the long term coupon yielding instruments of the Government of

Pakistan with tenors available in 3, 5, 10, 15 and 20 years.

**Prudence**

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

**Risk Weighted Assets**

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

**Repurchase Agreement**

Contract to sell and subsequently repurchase securities at a specified date and price.

**Reverse Repurchase Agreement**

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

**Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**Revenue Reserve**

Reserves set aside for future distribution and investment.

**Subsidiary Company**

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

**Shareholders' Funds**

Total of Issued and fully paid share capital and revenue reserves.

**Statutory Reserve Funds**

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

## Financial Ratios Formulas

Profit before Tax Ratio	=	$\frac{\text{Profit before Tax}}{\text{Interest Income} + \text{Non-Interest Income}}$
Gross Spread Ratio	=	$\frac{\text{Net markup Income}}{\text{Gross Markup Income}}$
Cost / Income Ratio	=	$\frac{\text{Operating expenses}}{\text{Gross Income}}$
Return on Equity	=	$\frac{\text{Net Income}}{\text{Shareholder's Equity-CET1}}$
Profit Margin	=	$\frac{\text{Net Profit}}{\text{Markup} + \text{Non Markup Income}}$
Advances to Deposits Ratio (Net)	=	$\frac{\text{Loans \& Advances (Net)}}{\text{Deposits}}$
Total Asset to Shareholder Fund (Tier 1)	=	$\frac{\text{Total Assets}}{\text{Shareholder's Equity-CET1}}$
NPL Ratio	=	$\frac{\text{Non-Performing Loans}}{\text{Gross Advances}}$
Net Infection Ratio	=	$\frac{\text{Non-performing Loans} - \text{Provision on NPL's}}{\text{Net Advances}}$
Earnings Per Share (EPS)	=	$\frac{\text{Profit after Tax}}{\text{Weighted Average Number of Ordinary Shares}}$
Price Earnings Ratio	=	$\frac{\text{Market value of share at Year End}}{\text{EPS}}$
Dividend Yield Ratio	=	$\frac{\text{Annual Dividends per Ordinary Share}}{\text{Market Price of Share at Year End}}$
Dividend Payout Ratio	=	$\frac{\text{Dividend per Share}}{\text{EPS}}$
Dividend Cover Ratio	=	$\frac{\text{Basic EPS}}{\text{Annual Total Dividend per Share}}$
Break-up Value per share without Surplus on Revaluation of Fixed Assets	=	$\frac{\text{Total Equity} - \text{Revaluation Surplus}}{\text{Total Ordinary Shares Outstanding}}$
Break-up Value per share including Surplus on Revaluation of Fixed Assets	=	$\frac{\text{Total Shareholders' Equity}}{\text{Total Ordinary Shares Outstanding}}$
Capital Adequacy Ratio	=	$\frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$
Earning Assets to Total Assets Ratio	=	$\frac{\text{Earning Assets}}{\text{Total Assets}}$
Net Assets per Share	=	$\frac{\text{Net Assets}}{\text{Number of Shares outstanding}}$
Assets Turnover	=	$\frac{\text{Mark-up Income} + \text{Non mark-up Income}}{\text{Total Assets}}$
Price to Book Ratio	=	$\frac{\text{Market value of share at Year End}}{\text{Net Assets / No of Shares}}$
NPL Coverage Ratio	=	$\frac{\text{Provision against NPL's}}{\text{Non-performing Loans}}$

## Form of Proxy

73<sup>rd</sup> Annual General Meeting  
Allied Bank Limited

I/We \_\_\_\_\_ S/o/ D/o/ W/o \_\_\_\_\_  
of \_\_\_\_\_ being a  
member of Allied Bank Limited and holder of \_\_\_\_\_ ordinary shares as per share Registered Folio No. \_\_\_\_\_  
and/or CDC Participant ID No. \_\_\_\_\_ and Account/sub-account No. \_\_\_\_\_ do hereby appoint Mr./Mrs./Miss \_\_\_\_\_  
Folio No./CDC No. \_\_\_\_\_ of \_\_\_\_\_ failing him/her, Mr./Mrs./Miss \_\_\_\_\_ Folio No./ CDC No. \_\_\_\_\_  
of \_\_\_\_\_ as my/our proxy and to attend, act and vote for me/us on my/our behalf at the 73<sup>rd</sup> Annual General Meeting of  
the Bank to be held on Thursday, the March 28, 2019 and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if  
personally present at such meeting.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

### Witness

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

AFFIX  
Revenue  
Stamp of Rs. 5/-

Signature  
The signature should  
agree with the specimen  
registered with the Company

### Witness

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

### IMPORTANT NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint another person as a proxy to attend, speak and vote for him/her. The proxy appointed should be a member of Allied Bank Limited.
2. For additional copies of the instrument of proxy, the shareholder may use photocopies of the instrument.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting. In calculating the 48 hours, no account shall be taken of any part of the day that is not a working day.
4. **For CDC Account holders/Corporate Entities:**
  - i) Attested copies of Computerized National Identity Cards (CNIC) or the Passport of the beneficial owners and the proxy shall be provided with proxy form.
  - ii) The proxy shall produce his/her original CNIC or Passport at the time of meeting.
  - iii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted along with proxy form to the company.
5. If a member appoints more than one proxy and more than one instrument of proxies are deposited with the Share Registrar, all such instruments of proxy shall be rendered invalid.
6. Members are requested to immediately notify changes in their registered address, if any, to Bank's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, S.M.C.H. Society, Main Shahra-e-Faisal Karachi, before start of the book closure.



AFFIX  
CORRECT  
POSTAGE

**Company Secretary  
Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore – Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)



ایسی ایم سی ایچ سوسائٹی میں شاہراہ فیصل کراچی کو فوری طور پر مطلع کریں۔ ایسی درخواستیں کتب کی بندش سے قبل پہنچی چاہیے ہیں۔



AFFIX  
CORRECT  
POSTAGE

**Company Secretary  
Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore – Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)








www.jamapunji.pk






**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator  
(based on live feed from PSX)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device
-  Online Quizzes



Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 [jamapunji.pk](http://jamapunji.pk)

 [@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices





KPMG Taseer Hadi & Co.  
Chartered Accountants  
351 Shadman-1, Jail Road,  
Lahore 54000 Pakistan  
+92 (42) 111-KPMGTH (576484), Fax +92 (42) 3742 9907

## **INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES**

**To the Chief Executive of the Allied Bank Limited**

### **1. Introduction**

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares ("the Statement") of Allied Bank Limited ("the Bank") as of 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018.

### **2. Applicable Criteria**

The criteria against which the Statement is assessed is Regulation No. 5.7.2(c)(ii) of Pakistan Stock Exchange Limited Regulations ("PSX Regulations") which requires every listed company / modaraba / mutual fund to submit directly to Pakistan Stock Exchange ("PSX") an annual Free-Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.4(a) of the PSX Regulations.

### **3. Management's Responsibility for the Statement**

Management is responsible for the preparation of the Statement as of 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

### **4. Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **5. Our responsibility and summary of the work performed**

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

*KPMGTH*





KPMG Taseer Hadi & Co.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), '*Assurance Engagements other than audits or reviews of historical financial statements*' ("ISAE 3000") (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to the Bank's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Bank with Securities and Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulation also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**6. Opinion**

In our opinion, the Statement as of 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018 is prepared, in all material respects, in accordance with the PSX Regulations.

**7. Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Regulation No. 5.7.2(c)(ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

Lahore

Date: 04 March 2018

KPMG Taseer Hadi & Co.  
Chartered Accountants  
(Kamran Iqbal Yousafi)



**STATEMENT OF FREE FLOAT OF SHARES**  
**For the Year 2018**

	Quarter-1	Quarter-2	Quarter-3	Quarter-4
Total Outstanding Shares	1,145,073,830	1,145,073,830	1,145,073,830	1,145,073,830
Less: Government Holdings	-	-	-	-
Less: Shares held by Directors / Sponsors / Senior Management Officers and their associates	(39,120)	(39,120)	(39,120)	(39,120)
Less: Share in Physical Form	(10,974,296)	(10,895,652)	(10,788,942)	(10,683,456)
Less: Shares held by Associate companies / Group Companies (Cross holdings)	(965,879,110)	(965,879,110)	(965,879,110)	(967,911,610)
Less: Shares issued under Employees Stock Option Schemes that cannot be sold in the open market in normal course	-	-	-	-
Less: Treasury Shares	-	-	-	-
Less: Any other category that are barred from selling at the review date	-	-	-	-
<b>Free Float</b>	<b>168,181,304</b>	<b>168,259,948</b>	<b>168,366,658</b>	<b>166,439,644</b>

**Basis of Preparation:** This Statement is prepared in accordance with the requirements of Regulation No. 5.7.2(c)(ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations)



**Muhammad Raffat**  
Company Secretary

*Handwritten signature/initials*



**Tahir Hassan Qureshi**  
Chief Executive

**Note:**

"Sponsors" has the same meaning as defined in The Companies (Issue of Capital) Rules, 1996.

"Senior Management Officers" and "Associates" have the same meaning as defined in the Securities Act, 2015.