

Corporate Affairs Group

HO/CAG/CAD/2020/

March 04, 2020

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, 2019

Dear Sir,

We have to inform you that the Annual Report of Allied Bank Limited for the year ended December 31, 2019 have been transmitted through PUCARS and is also available on Bank's Website.

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

Yours Sincerely


Muhammad Raffat

Company Secretary

Encl: as above




About this report


The Board is responsible for the preparation of this Annual Report. It is prepared in accordance with the following regulations, frameworks and guidelines:

- The International Integrated Reporting <IR> Framework issued in December 2014 by the International Integrated Reporting Council.
- The Banking Companies Ordinance, 1962 issued by the State Bank of Pakistan.
- The Companies Act, 2017 issued by the Securities and Exchange Commission of Pakistan.
- The Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan.
- International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.
- Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan.
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

This report is published within three months of the date of the Statement of Financial Position and is available in three mediums to cater the need of our various readers.

 **A limited number of printed reports have been produced to be dispatched to those who have requested for the same.**

 **Readers who prefer viewing our report online and on the go can access through <https://www.abl.com/investor-relations/financials/financial-presentations/>**

 **A soft copy (PDF) version of the report is also available in CD (compact disk) format for those who would like to maintain an easily-portable digital version of the Report.**

CONTENTS

Overview

This section provides information covering who we are and our corporate structure. It also contains message from the Chairman Board of the Directors.

Strategy and Resource Allocation

This section contains the CEO's thoughts on pertinent matters and recaps the year's performance.

Risk Management

This section details our commitment to robust and effective risk management framework.

Governance

This section details our commitment to sound and effective governance and sustainability.

Financial and Other Reports

02		Who We Are
04		Awards and Accolades
06		Business Excellence
08		Corporate Structure
10		Board of Directors
14		Chairman's Message
18		Management Team
20		Our Value Creation Business Model
22		Products & Services

28		Achievements Against Our Strategic Objectives
30		Director's Report
42		CEO's Review
52		Group Reviews
64		Key Performance Indicators
66		Horizontal & Vertical Analysis
70		Value Creation for Shareholders
73		Cash Flow
74		Stakeholders Engagement

80		Risk & Opportunities Approach & Oversight
81		Risk & Opportunities

84		Our Governance Philosophy
85		Board Committees
87		Managing Conflict of Interest
88		Report of the Audit Committee
89		Statement of Internal Controls
90		Statement of Compliance
91		Independent Auditor's Review Report
92		Remuneration Report
94		Shariah Board
94		Report of Shariah Board
98		Information Technology Governance
100		Whistle Blowing Policy
100		Investor Grievance
101		Corporate Social Responsibility Policy
102		Corporate Sustainability Report
108		Our Commitment to Sustainable Development Goals

111		Unconsolidated Financial Statements
203		Consolidated Financial Statements
286		Pattern of Shareholding
290		Notice of 74th Annual General Meeting
292		Glossary
295		Form of Proxy

WHO WE ARE

Total Assets (PKR)

1,481 billion

ABL is the 4th largest private sector commercial bank and 5th largest bank in Pakistan in terms of total assets which accounts for approximately 7.3% of sector assets.

Total Deposits (PKR)

1,049 billion

As one of Pakistan's leading bank, we understand the intricacies of the local market and provide a wide range of financial services with a nationwide coverage and customer outreach.

Total Equity (PKR)

115 billion

Our superior asset quality depicted by an industry leading coverage, infection ratios, diverse revenue streams, resilient deposit-based funding structures and a solid capital base, supplemented by high standards of corporate governance have contributed towards maintaining a strong financial position with stable profitability.

Profit After Tax (PKR)

14.1 billion

Earnings Per Share (PKR)

12.3

Keeping track of the fast paced, dynamic and a competitive market scenario, we are constantly updating our technology platforms to enhance customer experiences and improve operating effectiveness.

Over

4 million
customers

The Bank is among the group of select few which have been awarded highest long term and short-term entity credit ratings of AAA (Triple A) and A1+ (A One Plus) respectively.

Over

11,000
Employees

Over

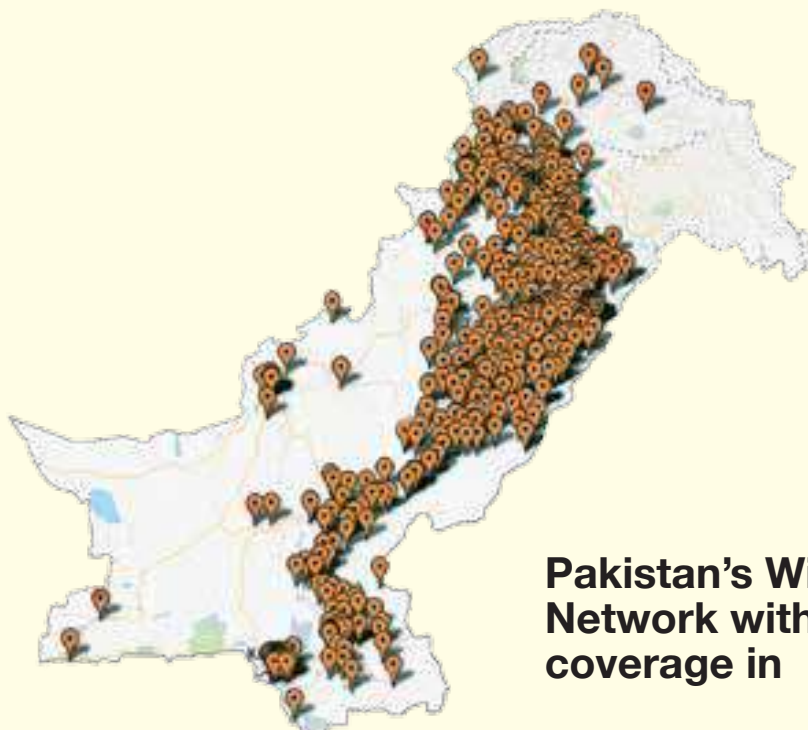
1,375
Branches

Over

1,500
ATMs

Bank Ranking (As per
Bankers ALMANAC)

5
In Pakistan



**Pakistan's Widest
Network with
coverage in**

128 & 547
Districts Cities/Towns

Present in 4 markets globally with 2 overseas branches (Bahrain & Karachi Export processing Zone) and 2 overseas representative offices (Peoples Republic of China & Dubai).

Board of Directors

Mr. Mohammad Naeem Mukhtar (Chairman)
Mr. Sheikh Mukhtar Ahmad
Mr. Muhammad Waseem Mukhtar
Mr. Abdul Aziz Khan
Dr. Muhammad Akram Sheikh
Mr. Zafar Iqbal
Ms. Nazrat Bashir
Mr. Tahir Hassan Qureshi (CEO)

Shariah Board

Mufti Muhammad Iftikhar Baig (Chairman)
Mufti Tayyab Amin
Mufti Mahmood Ahmad

Chief Financial Officer

Mr. Mehmud ul Hassan

Company Secretary

Mr. Muhammad Raffat

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Mandviwalla & Zafar Advocates

Share Registrar

CDC Share Registrar Services Limited





Registered and Head Office

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

Contact Details

www.abl.com
info@abl.com

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

 /ablpk
 /alliedbankpk
 /user/alliedbankltd
 /ablpk

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

Core Values

- Integrity
- High Performance
- Excellence in Service
- Innovation and Growth

Your *Trust*



Allied Bank is proud to share that your bank has been awarded as the prestigious **Best Bank of the Year 2018** by **CFA Society Pakistan**, honoured with **Best Primary Dealer 2018-19** by **State Bank of Pakistan (SBP)** for outstanding fixed income markets performance and excellent client coverage and declared as **Best Place to Work** in 2019 by **Engage Consulting & PSHRM**.

Wins Again!



Allied Bank has also been declared as the **Top issuer of PayPak Debit Cards** by **1 Link** and awarded with **Certificate of Excellence 2019** by **Management Association of Pakistan**, **Certificate of Merit** for Corporate Governance Disclosure by **SAFA**, **Best Corporate Report 2018** (2nd position) by **ICAP/ICMAP** & **Utility Deal of the Year** by **The Asset Magazine (HK)**.

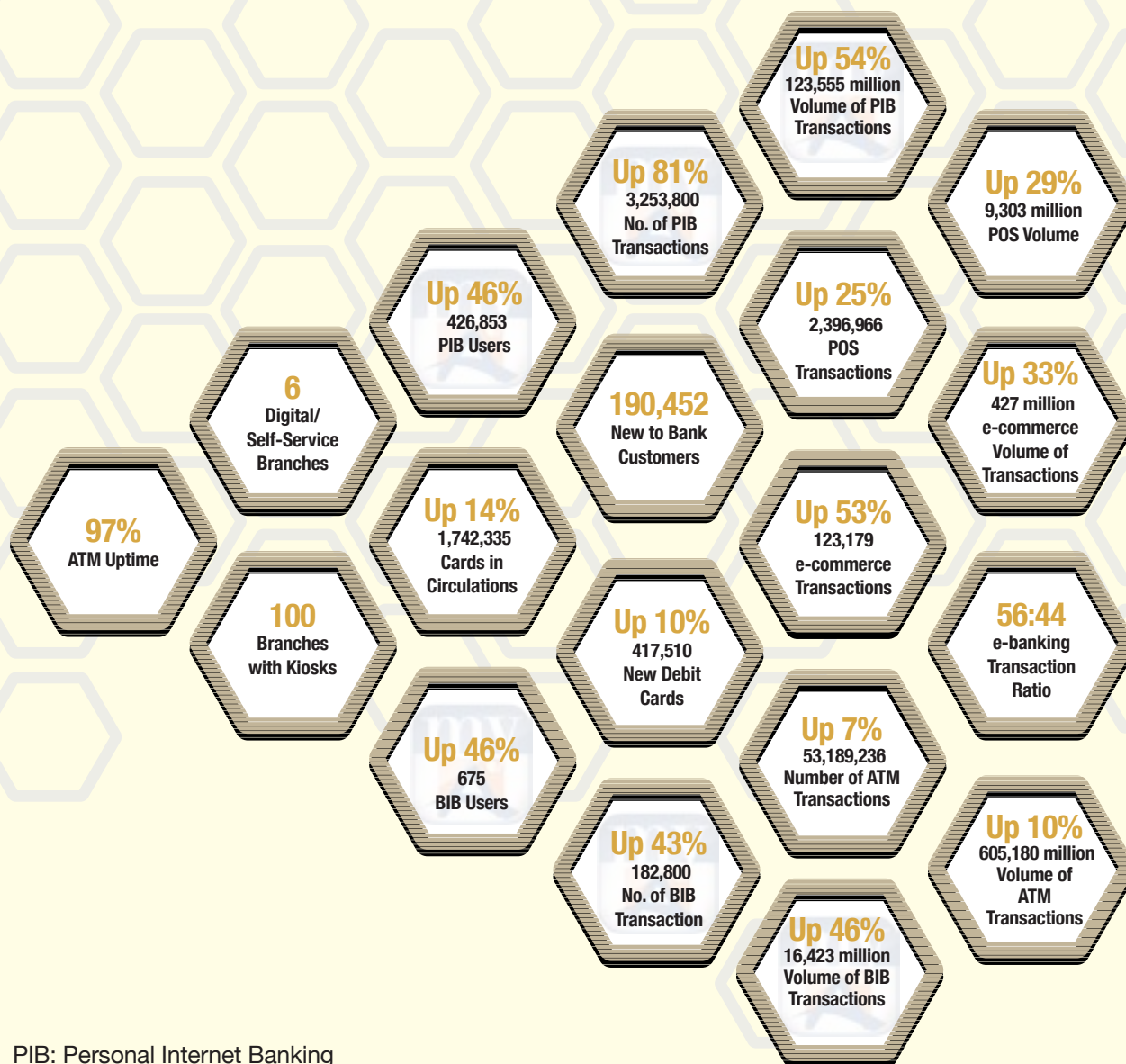
This would not have been possible without the team work and your trust. We thank you, promising to stay committed towards achieving sustained growth.

BUSINESS EXCELLENCE

Digital Transformation



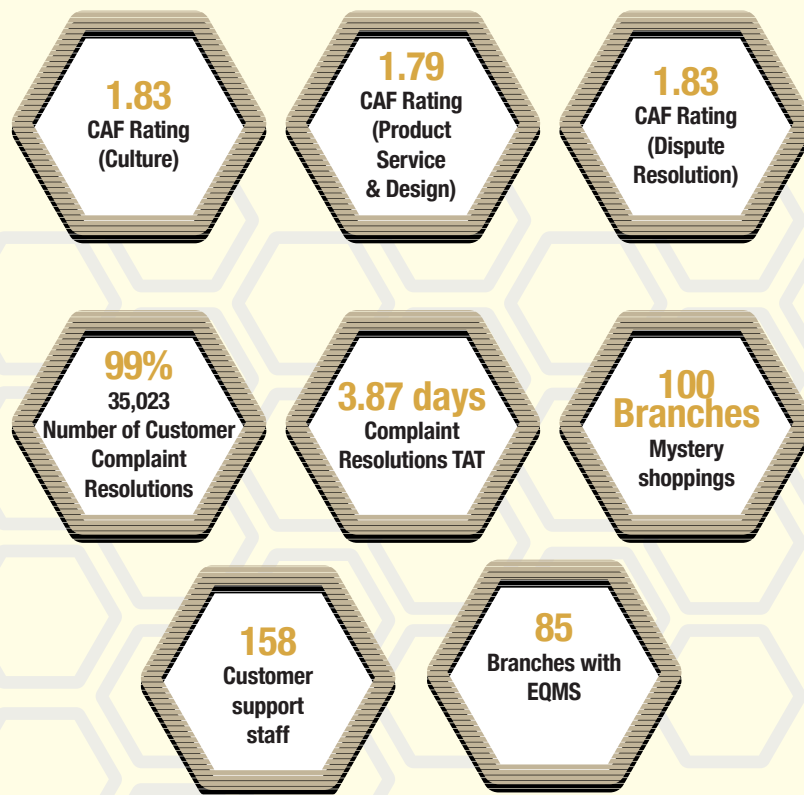
- In 1 Link Acquiring transaction volume having 13.1% market share with 26 million transactions count and Rs. 250 billion transaction volume.
- In PayPak POS transactions having 21.1% market share.
- In Launch of PayPak Cards.



PIB: Personal Internet Banking
BIB: Business Internet Banking

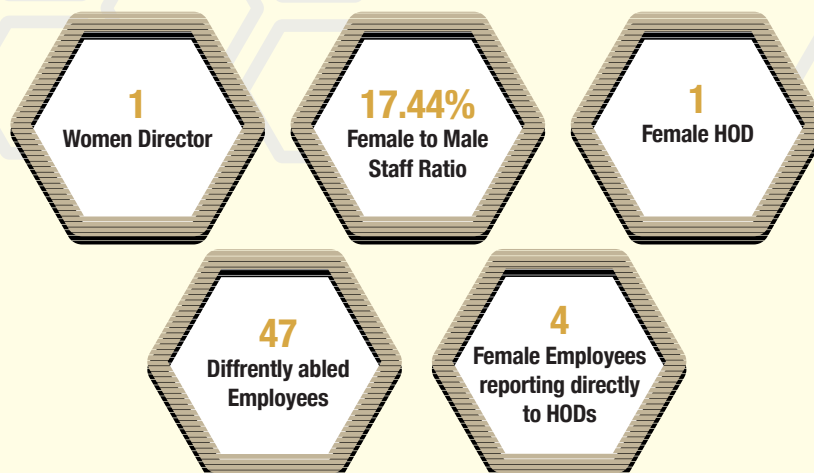
Service Delivery

Allied Phone Banking is working 24/7 to serve its customers and provide First Call Resolution (FCR). Allied Bank customers may get in touch with Allied Phone Banking using telephone service, email, webchat, social media and state of the art ABL Video Phone Banking.



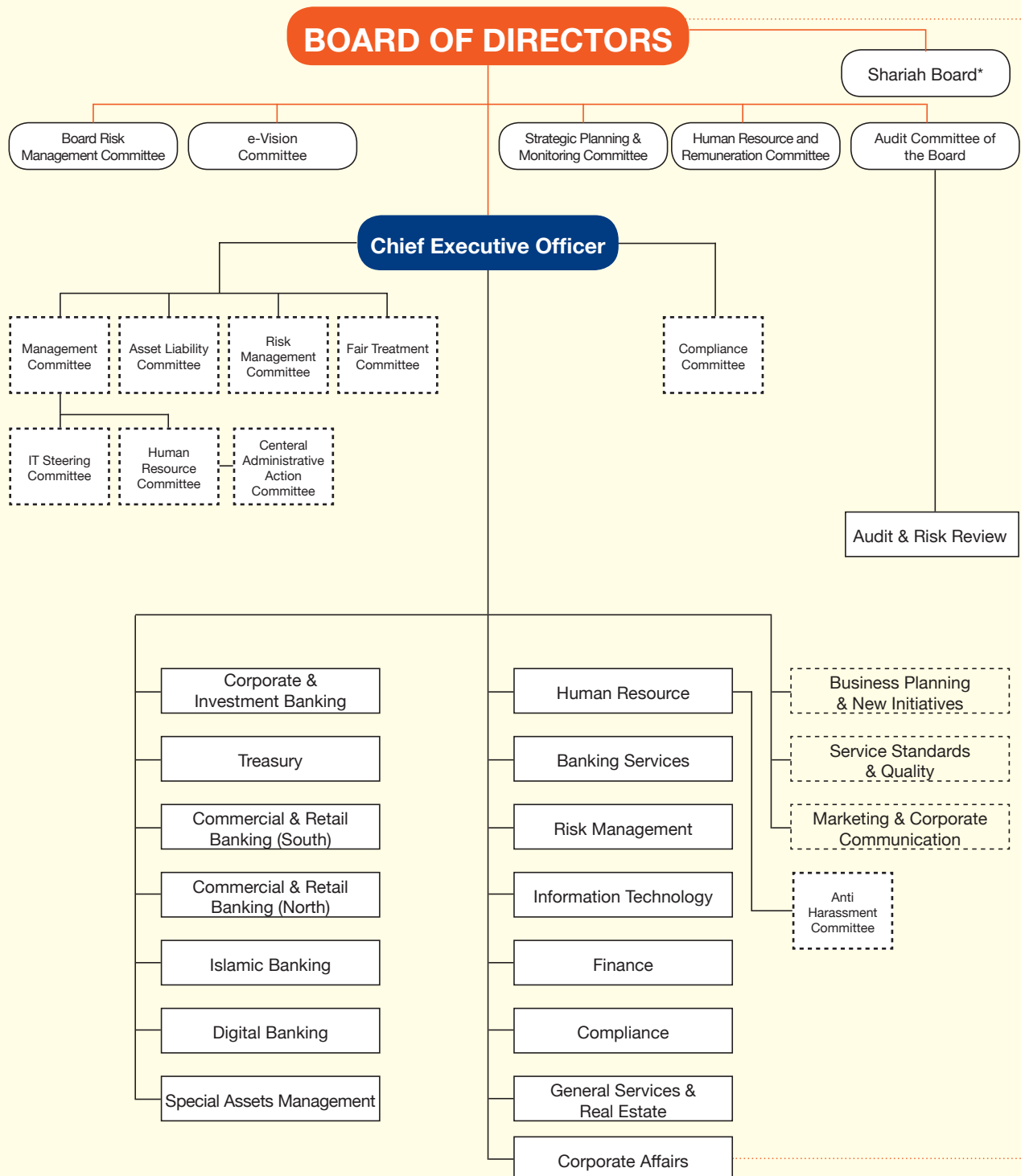
CAF: Conduct Assessment Framework for Banks by SBP
EQMS: Electronic Queue Management System

Human Resource Diversity



HOD: Head of Department, reporting directly to the CEO

CORPORATE STRUCTURE



□ Board Committee □ Management Committee □ Group □ Function

* Independent Shariah Board overseas Islamic banking operations



Allied Bank owes its existence to Australasia Bank, commenced its operations before independence in 1942; merged with three other banks (Sarhad Bank Limited, Lahore Commercial Bank Limited and Pak Bank Limited) upon nationalization in 1974 with the name changed to Allied Bank of Pakistan Limited; recapitalized in 2004 by Ibrahim Group and renamed as Allied Bank Limited in 2005. Its journey from Awain Shah Chiragh Building, Lahore to Head Office Building, New Garden Town, Lahore is worth-emulation saga of resilience against odds and obstacles over the decades. It has grown into a towering tree with verdant foliage, blossoms and blooms and has become one of the most prestigious financial institutions of the country and preferred choice of millions who bank with and repose trust in its personalize service excellence to mutually beneficial advantage.

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
- Tahir Hassan Qureshi
- Muhammad Waseem Mukhtar
- 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 August 2004. He has done MBA from Cardiff Business School UK, Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (CText ATl) 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 April 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 22 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 August 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.

Abdul Aziz Khan

Non-Executive Director

Mr. Abdul Aziz Khan has enriched and diversified experience of more than 56 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration. His accomplishments include 16 years of experience as Board Member of ABL, 11 years of experience as Chief Executive Officer of M/s. Ibrahim Leasing and 9 years of international banking, holding key positions. He is on the Board of Allied Bank Limited since August 2004.





Dr. Muhammad Akram Sheikh

Independent Director

Dr. Muhammad Akram Sheikh (Hilale-Imtiaz) has over 54 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, Tricon Boston Consulting Corporation (Pvt.) Limited (a 100% subsidiary of Sapphire Textile Mills Limited - STML).

In addition to the above, Mr. Akram Sheikh is a member of KPK Search and Selection Committee for Vice Chancellors and Pakistan Engineering Council Elders Committee.

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 36 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.



Zafar Iqbal

Independent Director

He has 34 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 27 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.

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 31 years including over 26 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 director on the Board of Habib Allied Holding Limited - UK, ABL Asset Management Company Limited and Pakistan Corporate Restructuring Company Limited. He is Member of Council of the Institute of Bankers Pakistan and Finance and Investment Committee (A working Committee of IBP's Council). He is a lifetime fellow member of Institute of Bankers Pakistan and a representative of the Bank at Management Association of Pakistan and Pakistan Business Council. He is serving as CEO of the Bank since January 2017.



CHAIRMAN'S MESSAGE



The World is continuously being transformed by digital revolution with a momentum not experienced since the 19th century industrial revolution; embedding digital practices and capabilities into the fabric of global economies thereby inculcating fundamental changes in all areas of modern life including society and government.

The mass adoption of digital technologies through connected services and devices has accelerated economic growth, facilitated digital entrepreneurship for the next generation, especially millennials, reduced socioeconomic inequalities amongst citizens and enabled transparent and efficient governance.

As governments and businesses seek continuous growth in an evolving global economy, many have turned to digitization; the digital economy now constitutes 23% of the global Gross Domestic Product and is expected to grow by approximately US\$ 5.5 trillion to increase its share in the world economy to 25% by end 2020. Global Banking landscape is also being reshaped to yield a new business normal; displacing banks focus from a closed operating environment to more open ended and agile e-banking platforms.

Banks are developing long term strategies to strike a balance between brick and mortar branches and e-banking platforms. Furthermore, disruptions posed by Fintechs and heightened customer expectations are gradually impacting banks traditional approach of growth and efficiency while concurrently raising concerns about cyber security, data governance, high transitioning and infrastructure costs, complexity of technology migration and skills shortage.

Technologies like Internet of Things (IoT), Big Data, Artificial Intelligence (AI), Advanced Machine Learning, Blockchain Technology and Cloud Computing are having a growing impact on digital ecosystems in general and particularly the traditional banking processes including credit expansion, low cost funding mobilization, compliance and risk management.

Cross-divisional integration of e-banking processes and company-wide information linkages are enabling gradual launch of virtual branches facilitating customers to perform transactions without human intervention through Graphical User Interface (GUI), applications and remote helpdesks; thus, improving productivity, efficiency and offering customers an omni-channel experience based on their individual needs.

Amidst high penetration of smart phones, banks continue to tap into the digital domain by offering innovation, enriched mobile applications and web access to a wider community in order to remain competitive and increase financial inclusion.

In a digitally disruptive environment banks' ability to manifest opportunities by progressively transforming processes, leveraging intelligent analytics, incubating robotic assisted environments and forming strategic external partnerships to create customer value will eventually determine their sustainability.

Pakistan is considered to be amongst the major emerging global economies. On the digital participation metrics, however, the country still lags other regional economies. Cash transactions continue to heavily dominate Pakistan's US\$ 275 billion plus economy; characterized by country's large informal sector, infrastructural impediments, low affordability due to low-income population, low digital

literacy and an evolving regulatory and supervisory framework governing e-financial services; hence, further efforts are needed to reach the scale necessary for transforming the cash-based economy to digital economy.

Country's economic growth has witnessed a slowdown as the incumbent Government, paying heed to the deteriorating economic imbalances, undertook restrictive policy actions and several reforms; consumption led Gross Domestic Product (GDP) growth rate thereby moderating to 3.3% in FY 2018-19 from an un-sustainable level of 5.8% achieved in FY 2017-18.

Curtailement of non-essential imports, exchange rate adjustments, initiatives encouraging remittance inflows, and support from friendly countries reduced external vulnerabilities, while Extended Finance Facility (EFF) program agreed with the International Monetary Fund (IMF) to support Government's structural reform agenda paved way for country's access to international markets and concessional financing from other multilateral partners.

Long standing structural weaknesses continue to impact fiscal discipline; as lowest taxes to GDP ratios in the region, burgeoning debt servicing and unavoidable expenditure leaves little fiscal space to address economic inefficiencies. Primary deficit and overall deficit worsened to reach 3.5% and 8.9% of GDP respectively in FY 2018-19.

A legacy of unsynchronized policy decisions has led the country into the current economic dilemma and while the stabilization measures adopted by the incumbent Government have swiftly placed the country on the path of macroeconomic adjustment, it still faces a long and arduous journey to lay the foundation for driving structural and governance reforms to improve documentation, broaden tax net and increase exports base to support a move from consumption driven to exports driven economy.

While threats emanating from digital disruptions are more visible globally; Pakistan's banking industry's transition is at a comparatively slower pace in view of country's unique population demographics and aforementioned economic dynamics.

Encouraging strides have been made by the sector in its e-banking drive through investments in sophisticated tools and processes for provision of digital support, extension of branchless banking to far flung areas, creation of digital innovation labs and digitization of payments along with initiatives to educate consumers about the benefits of e-banking. However, the progress remains hampered by an underdeveloped financial ecosystem, both on the issuance and acceptance side; trailing other countries with similar macroeconomic profiles and supporting one of the lowest financial inclusion ratios in the region.

According to the recent World Bank Global Financial Inclusion Database (FINDEX), only 14% of the adults have access to a formal account, with the percentage dropping as low as 7% in case of females.

With a population base of more than 220 million, around 2/3rd of the total population falling below the age of 30 and one of the fastest growing mobile markets globally with over 150 million mobile phone subscribers accounting for 73% tele-density, Pakistan's low ranking in the Digital Inclusion Index and Mobile Connectivity Index (MCI) highlights vast potential for growth in the e-banking spectrum, while at the same time reflecting immense challenges faced in achieving transformation from infancy to pioneer stage.

Engulfed in a challenging macroeconomic and operating scenario, banking sector's growth trajectory has remained stressed; with repricing lag between earning assets and remunerative liabilities, rising risks to credit profiles and increasing cost of doing business amidst emerging regulatory requirements focusing on compliance, leaving a marked impact on interest margins. However, stabilization of interest rates, during first half of FY 2019-20, have helped ease pressure on banks bottom line and assisted in consolidating revenue growth momentum.

Credit growth has registered a sharp slowdown which had averaged 16% over the last three years. Muted demand and flagging economic activities weighed down on private sectors credit uptake; which has grown by only 2.2% during the first half of FY 2019-20 as compared to a growth rate of 8.5% achieved in the corresponding period of FY 2018-19.

Although, Non-Performing Loans have witnessed a gradual buildup on the back of deteriorating asset quality indicators; the incremental formation is primarily driven by idiosyncratic factors rather than a systematic risk.

Rising currency in circulation due to un-documentation in the economy and prevailing income tax regime has remained a key challenge to deposit mobilization, which has depicted a growth rate of 10% mainly due to rising Minimum Saving Rate (MSR). Currency to deposit ratio has increased to 37% in December 2019 as against 34% in December 2018. This factor has also impacted the growth of low-cost private sector deposits, which has depicted a muted growth rate of 5% against a period end growth of 15% in public sector deposits as at December 2019.

Your Bank's robust asset quality depicted by industry leading coverage and infection ratios, diverse revenue streams, resilient deposit-based funding structures and a solid capital base, supplemented by high standards of corporate governance have contributed towards maintaining a strong financial position with stable profitability

CHAIRMAN'S MESSAGE

despite aforementioned challenges. The performance has also culminated into recognition as the "Best Bank of the Year 2018 – Large Banks" by the prestigious CFA institute and "Best Primary Dealer" by the State Bank of Pakistan.

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.

Establishing, nurturing and deepening of relationships with both individual and institutional clients, undertaking e-banking initiatives and following through on a comprehensive innovation strategy entailing forging of strong partnerships with leading technology platforms and partners for provision of premier services to the customers remains at the forefront of Your Bank's strategic focus.

During the year under review, Your Bank collaborated with Avanza Premier Payment Services (APPS) to revamp online transactions through APPS' payment gateway, Payfast; thereby enabling customers to shop on APPS' vast ecosystem of merchants using their bank accounts.

Keeping track of the fast paced, dynamic and a virtually competitive market scenario, Your Bank has constantly updated its technology platforms to enhance customer experiences and improve operating effectiveness. Oracle Big Data Appliance was successfully installed to support data driven business decisions based on meaningful insights and machine learning models while implementation of several use cases on Robotic Process Automation Solution has enabled Your Bank in instilling and further strengthening operational efficiencies.

myABL has been augmented with new features to provide customers a reliable e-banking channel that is rapid, secure and customer friendly. myABL's upgrade to the latest version of Oracle Digital Banking Experience (OBDx 18.1), during the year, has been designed exclusively to enable customers to seamlessly perform financial operations and conveniently utilize a wide range of available mobile payments options while simultaneously offering exciting and distinct features of 360-degree view of accounts, touch and face ID login, Master Card QR payments, credit card bill payment facility using "1Bill" option and ticket purchasing options for various utilities from any location.

Your Bank optimistically and actively engages in focus driven partnerships to avail sustainable results for the stakeholders while attracting customers in an inclusive manner. In order to elevate fee income streams by increasing debit and credit card circulation alongside engaging the tech savvy customer segment, Your Bank signed an agreement with Golootlo to offer a wide array of discounts at more than 12,500 merchants nationwide via

myABL Digital Banking App and UPI-PayPak co-badged debit cards.

Immense growth in conventional and e-banking platforms has culminated into the need for heightened focus on monitoring of Data Governance and Cybersecurity risks. Your Bank remaining fully cognizant of these risks has implemented robust information security (info-sec) platforms, arranged awareness programs for customers and has undertaken regular system audits along with independent information technology security and risk assessments.

A multi-layered safety approach encompassing extension of biometric verification services, undertaking re-carding activity with upgradation to chip and PIN capability, installation of anti-skimming devices and implementation of 'Euro-Pay, Mastercard and Visa' (EMV) compliance standards across the entire ATM network remained an imperative part of Your Bank's strategic priority. Initiation of 3-D secure services on all ABL Visa debit and credit cards further facilitated in improving customer confidence in online shopping while minimizing risk of fraud.

Your Bank's contribution towards enhancing financial services' access to country's population remained on course as 50 additional branches were added into the network during the year to expand bank's overall outreach to 1,395 branches, while concurrent in roads made into introducing service offering's in the e-banking realm supported launch of a state of the art, self-servicing branch at Lahore University of Management Sciences (LUMS); enabling customers to conduct banking seamlessly and independently 24/7 using various e-touch points.

Upon attaining a reasonable footprint of 117 Islamic Banking branches, sustained focus on further promoting Islamic Banking amongst a vast potential customer base has continued through addition of 50 "Islamic Windows" at viable conventional branches. Similarly, the ATM network of the Bank has increased from 1,388 ATM's to 1,515 ATM's including 329 offsite ATM's.

Developing a highly skilled and capable workforce within the perspective of upcoming digital age remains one of the key objectives of Your Bank. Specialized in-house and external training programs were conducted to instill and reinforce existing workforce with skills necessary to transforming them into a dynamic and progressive work force capable of delivering in this age of technology revolution.

Sustaining focus on creating an inclusive work environment encompassing gender diversity and a multi-cultural workforce through provision of equal employment opportunities to female employees as well as internal elevations across the bank has enabled to achieve female ratio of 17.4% during the year.

In line with SBP directives for training initiatives under the National Financial Literacy program (NFLP), Your Bank arranged 496 sessions in 37 remote districts of the country to improve financial inclusion in unbanked segments of the society. More than 10,900 persons from local communities attended these sessions. Lauding Your Bank's contribution to the national financial inclusion agenda, Your Bank was declared an industry leader in NFLP's execution.

Playing its role as a responsible corporate citizen, Your Bank generously contributed towards Corporate Social Responsibility (CSR) programs through active assistance to reputable healthcare, educational and environmental protection initiatives, proactively supporting various charitable organizations in their endeavors.

In continuance of Bank's distinctive initiative of engaging with the obligors to offer them the latest insights on business management and strategies; three interactive seminars for corporate, commercial and SME obligors on the topic "Transition from Family Owned Business Structure to Corporate Structure" were organized during 2019. Furthermore, implementation of Enterprise Resource Planning (ERP) system was successfully completed at two SME obligors to facilitate transition towards an ERP based automated book keeping and accounting system, with off the shelf features, in turn enabling enhanced control over their financial decision-making processes.

Acknowledging the sound business and governance performance, Pakistan's Credit Rating Agency (PACRA) has maintained Long Term and Short Term ratings of Allied Bank at the highest level of "AAA" (Triple A) and "A1+" (A One plus) respectively. Your Bank further consolidating its position as one of only a select group of financial institutions in the country to maintain highest entity credit rating.

Future Outlook

According to IMF, Pakistan has achieved most of its milestones on the heels of tax and non-tax revenue growth and pragmatic development spending. Resultantly, fiscal stimulus to support exports along with envisaged interest rate cut on the back of improving external indicators is expected to bolster economic outlook for 2020.

However, the reversal in economic downturn still remains largely dependent on Government's ability to prioritize efforts towards implementing structural and governance reforms to sustain recent uplift in fiscal discipline, further improve "ease of doing business" metric to encourage corporatization, incentivize export-oriented industries to support current account adjustment and effective anchoring of market sentiment to exploit immense potential for growth in foreign direct investment; amidst sustained pressure on the financial front



due to rising debt servicing costs.

World Bank's latest release on country's outlook has re-affirmed the need to focus on 4 key elements to achieve and sustain industry growth; (i) Accumulation of physical and human capital to utilize country's growing working age population; (ii) Productive allocation of resources; (iii) Environmental and social sustainability; (iv) Proper governance to ensure successful implementation of reforms.

Furthermore, Pakistan needs to target curtailment in population growth to 2%, increase tax to GDP ratio to 18% and rise up 86 points in the "ease of doing" business metric to be ranked within top 50 countries in the world by year 2023. With the dynamic growth framework already in place together with improvement in literacy rate, the country is expected to gradually reach upper-middle income status by 2047.

The country's e-commerce industry thereby has the potential to strengthen country's economy by creating job opportunities for the youth who are more open to embracing advancements in technology.

In this era of the 4th industrial revolution, people aspire easy access, proficiency, convenience and transaction swiftness. This revolution is expected to thoroughly transform bank-customer relationship with the objective to continuously stay in touch vide cyber space and offer seamless and limitless services 24/7.

Banking sector's future success, thereby, clearly depends on amalgamating conventional banking platforms with smart mobile and virtual technologies such as cyber-physical systems, artificial intelligence and cloud computing to intelligently track user behaviors and meet customer expectations with personal, contextual, and predictive services while simultaneously handling the advice and communication part of the customer services domain through data analytics. Concurrent focus on adopting emerging data protection and cryptographic techniques to improve secrecy and

integrity of data is paramount to supplement the transition amidst evolving vulnerabilities.

In line with changing industry dynamics and long term-strategic vision of Your Bank, focused efforts are being made to increase the mix of e-banking transactions vide adoption of Artificial intelligence, machine learning, humanoids and implementation of "Integration Framework Studio" and "AA Architecture" on T24-R16, which will facilitate Your Bank's business analytics, customer service offerings and operational efficacy, in the e-banking era.

Your bank, maintaining its industry pioneer status in innovative solutions has launched Application Programming Interface (APIs) with a view to establish open ended and agile platforms through which third parties including FinTech's, while becoming ecosystem partners, can engage, collaborate and innovate for the benefit of customers. Encouraging headways were achieved during the year towards launch of branchless banking; augmenting Your Bank's e-banking suite in line with the SBP's objective of building a dynamic and inclusive financial sector under National Financial Inclusion Strategy. Commercial launch in 2020 shall add to Your Bank's e-touch points, facilitating in expanding its customer base particularly in unserved areas of the country.

myABL (Personal Internet Banking) and myABL Business Internet Banking (BIB) facilities shall continue to be augmented with the purpose of converting conventional ways of interaction with our customers towards a handheld experience, thereby capitalizing on the technological edge.

Your Bank would keep focusing on serving priority sectors, while remaining cognizant of enabling environment, including agriculture and SME sectors by expanding bank-maintained warehouse initiative with the purpose of increasing quality lending portfolio and Country's GDP.

Your Bank aims to continue its efforts towards expanding the horizon of Robotic Process Automation and Machine Learning solutions, which will not only inculcate operational efficiencies but shall also optimize resources allocation.

Data governance and Data security shall remain at the forefront of Your Bank's strategic focus to supplement the transition and strengthen the structure for informed decision making and service provision to valued customers.

Your Bank shall continue to leverage upon emerging technologies including digital recruitment solutions, internal communication platforms and workforce engagement software in creating a workforce for the future; thereby introducing better learning and development platforms, performance monitoring tools, workforce mobility and efficient HR services to ensure better employment experience and agility in meeting evolving business needs.

Visualizing 2020, I am optimistic that Your Bank will remain well positioned to register steady growth in shareholder value. On behalf of the Board of Directors, I would like to extend my gratitude to the regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue for their uninterrupted assistance and co-operation. I would also like to appreciate our valued shareholders' for putting up their confidence in long-term strategic goals.

Finally, I would like to pay my gratitude to Allied Bank's management team and the 11,000+ Allied bankers, for their utmost hard work and commitment on the road to building a robust and technologically empowered Allied Bank.

Mohammad Naeem Mukhtar
Chairman

MANAGEMENT TEAM



Tahir Hassan Qureshi
Chief Executive Officer



Owais Shahid
Chief Corporate & Investment Banking



Ahmad Faheem Khan
Chief Treasury



Asif Bashir
Chief Commercial & Retail Banking South



Shahid Aamir
Chief Commercial & Retail Banking North



Muhammad Idrees
Chief Islamic Banking
Retired since December 31, 2019



Sohail Aziz Awan
Chief Digital Banking



Mujahid Ali
Chief Information Technology



Aizid Gill
Chief Risk Management



Saira Shahid Hussain
Chief Human Resource



Tariq Javed Ghumman
Chief Banking Services



Mehmud ul Hassan
Chief Financial Officer



Abid Anwar
Chief Special Assets Management



Ahmed Mansoor
Chief Compliance



Muhammad Mohsin
Chief General Services & Real Estate



Muhammad Raffat
Company Secretary



Imran Maqsood
Chief Audit & Risk Review

Our Value Creation Business Model

OUR CAPITALS - Inputs



Financial Capital

• Equity - Tier 1	89,542 million
• Total Equity	115,351 million
• Deposits	1,049,043 million



Manufactured Capital

• Domestic & Foreign Branches	1,395
• ATM Network	1,515
• Core IT Systems	93
• Digital Touch points	14
• Other Fixed Assets	



Human Capital

• Engaged and capable employees	
• Female Employees	2,034
• Male Employees	9,631
• Total Number of Employees	11,665
• Total Number of Graduates	10,706
• State of the Art Management Development Centers	3
• Culture of Empathy	



Social And Relationship Capital

• Depositors	4.2 million
• Obligors	24,500
• Regulators Pakistan Business Council, PBA, Chammebrs of Commers and Industry	
• 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 Management	
• Detailed Policies & Procedures	
• Strong Management Structure - Leadership Teams	



Natural Capital

• Solar Branches	58
• Inverters	1,060
• Green Banking Initiatives	
• Compliance to Environmental Laws	

ACTIVITIES

- Enrichment of Customer Experience
- Facilitate Payments and Transactions - Conventional & Digital
- Risk Management to balance Risk and Reward
- Maintain, optimize and invest in our operations, including technology, infrastructure and regulatory compliance
- Reward & Compensation structure linked with performance and value drivers; staff development and retention of quality staff

■ Generate NIM on earning Assets / Liabilities

■ Data Analytics

■ Data Governance

■ Automation

■ Pay taxes in the jurisdictions in which we operate

■ Collaboration & Alliances

VALUE FOR STAKEHOLDERS



Shareholders

• 4th Largest private sector commercial bank of the country	
• Profit Before Tax	24,242 million
• Profit After Tax	14,113 million
• Earning per Share	Rs. 12.32
• Full-year dividend per share	Rs. 8
• Return on Equity (Tier 1)	16%
• Return on Assets	1%
• Capital Adequacy Ratio (CAR)	22%



Customer

• Advances Growth	11%
• Deposits Mobilization	7%
• Non Performing Loans Reduction	-1%
• CASA Mix Improved	1%
• Customer Onboarding (Approx)	750,000+
• Customer Complaint Resolutions	99%
• myABL Registered Users (Approx)	426,000+
• myABL volume of transactions (PKR million)	125,555
• No. of Debit Cards issued (Approx)	417,000+
• Digital Transactions increase	2%
• Corporate Website Visits	5,869,766
• Social Media Fan	1,002,370



Employees

• Salaries and Benefits (Rs. In million)	13,180
• Employee Retention Ratio	93%
• Training Programs	1,396
• Employees Trained in Service	10,800+
• Total Investment in Employee Trainings	97 million
• Team building events	



Regulators

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



Society

• Contribution to National Exchequer	Rs. 18,653 million
• Customer Relations	Rs. 943 million
• Improving Workplace Environment	Rs. 435 million
• Environmental Sustainability	Rs. 204 million
• Plantation of saplings of environment friendly plants	16,000 +

PRODUCTS & SERVICES



Branch Banking

With a vast network of 1,395 branches and 1,515 ATMs, Bank is committed to provide real time online banking solution to its customers in an efficient and convenient manner.

Saturday Banking & Extended Hours Banking

ABL offers added convenience of "full service" Saturday Banking to its customers. The extended week of banking operations, is currently available at 165 branches from 10:00 AM to 02:00 PM.

Extended hours banking facility is also offered at selected branches.

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 has launched Women branches, Youth branches and Village branches.

ATMs and CCDMs (Cash & Cheque Deposit Machines)

The vast network of 1,515 ATMs all



over the country gives 24/7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more. ABL has 12 CCDMs installed at selected branches offering facility to deposit cash & cheques round the clock.

Biometric ATM Service

ABL has set another milestone by introducing the Biometric ATM service on the entire ATM network for the convenience of valued customers. Now customers can seamlessly perform ATM transactions without using the Prepaid or Debit card.

Allied Easy Current Account

Allied Easy current account is tailored to meet banking needs of every individual. With Allied Easy Current Account Financial transactions can be conducted through variety of e-banking channels without any minimum balance requirement with zero service charges on minimum balance requirement.



Allied Basic Banking Account

A non-remunerative PKR checking account that gives our customers the support they need to manage their bank account in a simple and hassle-free way.

Allied Business Account

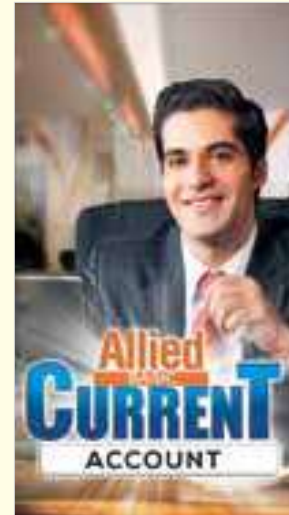
Allied Business Account is meant for growing business proprietors looking for exceptional value and services, packed with multiple free of cost features. It is a cost effective and simple way to consolidate business and personal banking needs into one tailored package.

Allied Asaan Account

Allied Asaan Account is tailored to cater to the banking needs of unbanked people of society with simplified account opening requirement. 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.

Platinum Rewarding Profit Account

Get all the benefits and features of a remunerative current account with premium profit rates and manage your daily transactions, frequent payments and flow of funds.

Allied Senior Citizen Account

Your Bank launched Allied Senior Citizen account offering a host of free services including free visa debit 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 the financial needs of millennials across 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 bundled with 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 and 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 best suited to their need.

Allied Advance Profit Plus Payment

Is Ideal for, Individuals who intend to start banking for the first time and want to build a profitable relationship with a strong, stable and robust bank.

Parents who are already saving and intend to invest for the best and immediate returns

Businessmen who are looking for an opportunity to earn instant profit against their savings.



Salaried Individuals who want to invest their savings and earn profit. Non-Resident Pakistanis (NRPs) who want to invest their remittances in a scheme which gives them immediate advance profit. Institutions who want to retain their savings by earning advance profit.

Foreign Currency Term Deposit

Allied Bank's Foreign Currency Term Deposit offers industry's competitive profit rates for customer chosen term and is ideal to help them save in a foreign currency. This particular account is available in multiple currencies, including: US Dollar, British Sterling Pound, and Euro.

Allied VISA Debit Card

Allied 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 50,000 retailers in Pakistan and millions of retailers worldwide. It also gives cardholders access to millions of retailers and over 13,000 ATMs in Pakistan.



Debit Card Variants

Customers have liberty to choose from a variety of Visa Debit Card 'Sapphire' packages, offering wide-ranging transactional limits to pay for everyday shopping or get access to funds at ATMs in Pakistan and abroad.

Allied Co-Badged Debit Card

Allied Bank welcomes you to a world of convenience and security with first ever Co-Badged Union Pay & PayPak Debit Card in Pakistan. Now you not only can conduct ATM and retail transactions within Pakistan but around the globe as well.

E-commerce Transactions on VISA Debit Card

Allied Bank Visa Debit Card holders can now use their VISA Debit cards for online and ecommerce transactions. Considering evolving customer needs Allied Bank delivers services that fit customers' lifestyles and offers more choice as to where, when and how customers conduct transactions. Allied Bank differentiates not just by offering



PRODUCTS & SERVICES



multi-dimensional channels to customer but also by enhancing their experience from utilization of the new and innovative channels.

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 added security of 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.

Third Party Products: Mutual Funds & BANCA

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.

Jazz Cash Domestic Remittance Services

In line with the Financial Inclusion Strategy set by SBP, Allied Bank collaborated with Jazz Cash [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.

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 e-banking service.

myABL Business Internet Banking

With Business Internet Banking, customers can significantly enjoy the multiple 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 which allows users in online tracking and maintaining the accounts while enabling the customers to execute Banking transactions from their workstation and offices.

ABL Self Service Digital Branch

ABL has introduced Self Service Banking facility at Lucky One Mall and LUMS with state of the art e-banking channels. Allied Bank's



self-service banking offers a blend of "Conventional" and "Self-Service Banking" facilities to its account holders as well as walk-in customers. It is equipped with hi-tech 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 hefty paper work and long queues.

Allied Business Finance (ABF)

Allied Business Finance is designed for SME sector to avail financing 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 along with Term Loans.

Allied Fast Finance (AFF)

Allied Fast Finance is a facility 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 Running Finances, Letter of Guarantee & Letter of Credit as well as Term Loan.

Prime Minister Youth business Loan (PMYBL)

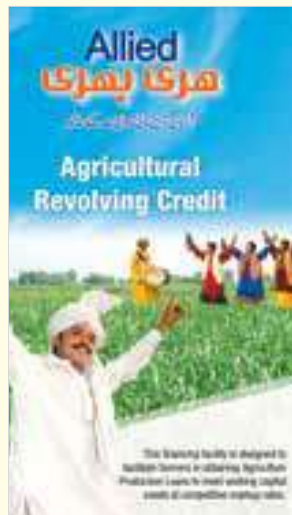
It is a long-term loan scheme specifically launched for unemployed youth under the directives of GOP and SBP. The scheme especially funds startups. Loans are offered at subsidized rates.

Allied Home Finance

The Bank, in its endeavor to provide current and prospective customers a complete suite, launched "Allied Home Finance" to fulfill customers' needs to build, buy and renovate their own home.

Allied Car Finance

This product is designed to serve vehicle financing needs of bank's depositors and the employees of institutional customers. It's



a demand finance facility with repayment in equal monthly installments spread over the term of the finance with a competitive mark-up rate.

Allied Visa Credit Card (Pay wave – Chip Based)

Allied Visa Gold and Platinum Credit Cards are exclusively being offered to the bank's valued customers. 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 facility is designed to facilitate farmers in obtaining agriculture based loans to meet working capital needs of farming. Credit is available on revolving basis.

Tractor Financing

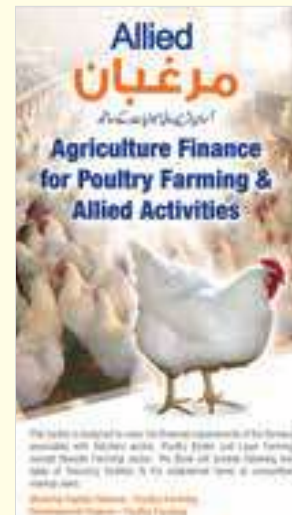
Tractor financing is designed to facilitate farmers in obtaining Agriculture Development Loans (Term Finance) for purchase of brand new Tractor.

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

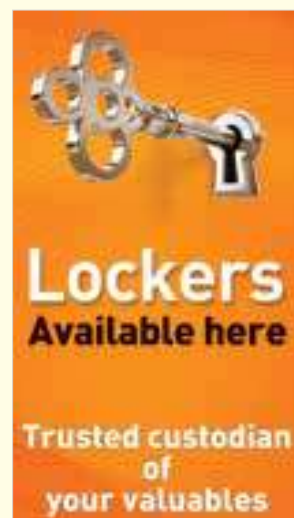
Bank has developed this product program for poultry farmers to cater



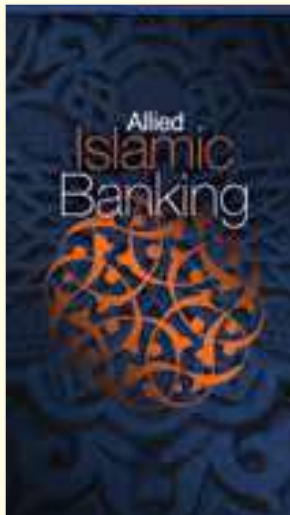
to working capital needs as well as long term investment for purchase of new equipment and machinery for farm, hatchery incubators, generators, farms equipment and construction of sheds for extension of current poultry farms

Allied Aabayari (Irrigation Solution)

This financing facility is designed to facilitate farmers in obtaining Agriculture Development Loans for purchase and installation of electric or solar tube wells, lift pumps & high efficiency irrigation systems e.g. sprinkler, trickles, drip and rain gun etc. This product will target the prospective obligors who possess experience in the farm sector activities and actively involved in the farm business management interested to achieve operational efficiencies



PRODUCTS & SERVICES



Allied Farm Mechanization

This financing facility is designed to facilitate farmers in obtaining Agriculture Development Loans (Term Finance) to purchase Agricultural Equipment to be employed for farm mechanization.

Allied Commercial Lease

Allied Bank offers leasing products to meet the business needs of its customers with flexible terms & conditions based on customers' choice of asset & repayments.

Allied Bank Lockers

Bank Lockers provide high-security protection for customers' valuables. 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 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 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 myABL.

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.

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.

Emerging Corporates

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 and over the counter payment.

Cash Management

Cash Management is a state of the art real-time service providing customers with efficient liquidity management solutions, across the robust ABL network.

Treasury Product Services

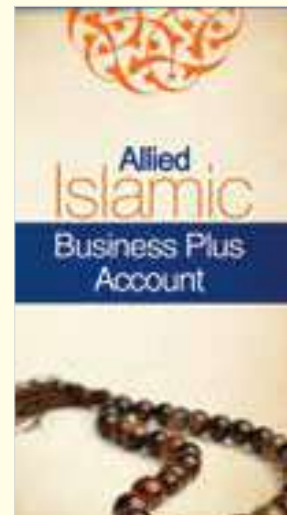
Bank offers fixed income treasury services, having attractive returns, to its institutional and retail clients. ABL's treasury is an active participant in the interbank securities trading and FX trading, capitalizing on its primary dealer status, providing competitive pricing.

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

It is developed on the guidelines provided by SBP for Pakistani Nationals with simplified account



opening procedure, initial deposit requirement of Rs.100. The product is available both in Current and Saving deposit categories.

Allied Islamic Basic Banking Account

It is a banking account for day to day transactions without any risks or rewards. A simple bank account for individuals with minimum transactional requirements. It enables customers to fulfill their basic banking needs.

Allied Islamic Youth Account

ABL-IBG has developed a Shariah compliant Mudharabah based product (Saving Account) for individuals between the age group of 18 to 35 years. This product is designed to cater the Banking requirements of Youth segment through a Shariah compliant solution and is offered in Regular & Asaan variants.

Allied Aitebar Senior Citizen Account

A Shariah compliant Mudharabah based product (Saving Account) for individuals of 55 years or above age. This Account is designed to cater the banking requirements of senior citizens and offered in regular & asaan variants.

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 number of free services on maintaining a minimum monthly average balance.

Allied Islamic Anmol Plus Account

This is a "Mudharabahdeposits" 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

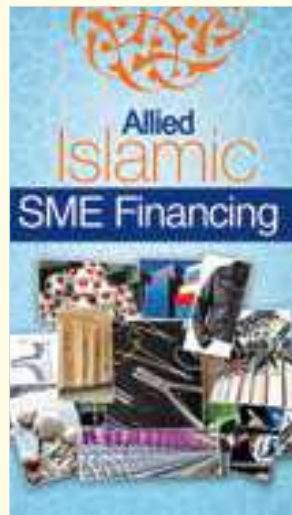
The product is designed to facilitate allocation of complimentary safe deposit lockers upon maintaining of certain balance in account. The account is offered in Pak Rupees only and profit is paid semi-annually.

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 Aitebar 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 average balance and paid on monthly basis.

Allied Aitebar Premium Account

A Shariah compliant saving deposit product particularly for high net-worth individuals, business entities, pension / benevolent funds, Govt. / semi-Govt. bodies which is based on Mudharabah. Profit is calculated on daily average balance and paid monthly.

Allied Aitebar Express Account

A Shariah compliant banking product 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.

Islamic 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
- Allied Islamic Car Ijarah

- Allied Aitebar Home Musharakah
- Allied Aitebar Tractor Financing
- Allied Aitebar Hari Bhari Agriculture Financing
- Allied SME Financing

myABL integration with Fintechs

The Bank has integrated with Fintechs like GoLootlo, Easy Tickets, 1 Link and Avanza Premier Payment Services through myABL mobile apps. Now customer can scan QR and avail different deals at thousands of merchants through myABL mobile application.

ACHIEVEMENTS AGAINST OUR STRATEGIC OBJECTIVES

Enhancing brand image and creating shareholders' value through sustainable performance, while optimizing return against acceptable risk appetite.

- Industry leading, infection coverage ratio, capital adequacy ratio with sustainable growth.
- Awarded "Most Innovative Islamic Bank Window" – International Finance Awards 2018 by International Finance
- Footprint expansion with facilities such as Cash Management, Employee Banking and Business Internet Banking and Personal Internet Banking.
- MoU signed with Bank of China and China Everbright Bank to formalize strategic partnerships

Augmenting financial inclusion of unbanked population through innovative and diversified technologies, building customers' confidence through convenient delivery channels and product designs.

- Launched of Open banking API portal to offer Fintechs and Startups
- Upgradation of myABL digital banking platform and launch of Master Card QR retail payments
- Launch of card management facility on myABL
- Launch of Pakistan First Co-badged Card in collaboration with UPI and PayPak
- Provision of Mastercard QR transaction in myABL
- Introduction of Biometric ATM Services on all ABL ATMs
- Launched segment based Shariah Compliant products for Consumer, Agriculture, Senior Citizen and Youth segments.
- Launched its first self service branch for 24/7 banking.

Continuous re-engineering of policies, procedures, SOPs, SLAs and TATs, ensuring operational efficiencies through effective management of key resources.

- Installation of Oracle Big Data Appliance in partnership with IBM
- Implementation of Robotics Process Automation for improved service delivery
- Launched 3D Secure service to secure e-commerce transactions
- Automation of approvals through system
- Upgradation to IBFT 3.0 for complying with SBP Electronic Fund Transfer (EFT) guidelines
- Upgradation of Financial Crime and Compliance Management (FCCM) application & Review of Benchmarks
- Deployed Compliance Risk Management solution from Bench Matrix.
- Establishment of dedicated Countering Financing of Terrorism (CFT) Desk.
- Re-carded all debit and prepaid cards with chip and PIN capability to comply with SBP guidelines
- Self-service branch at LUMS Lahore with state of the art facilities including instant Debit Card issuance and Interactive Teller Machine (ITM)
- Powered top 100 branches with Self Service Kiosks providing myABL digital banking, complaint services, customer feedback, various promotions and discounts offers
- Full week banking operations from Disaster Recovery site for robust banking operations.
- Capacity Building & awareness provided to 1,668 staff during the year through class room trainings.

Instilling a culture of ethics and responsibility among human resource and becoming an 'Employer of Choice' for the Top Professionals.

- Trainings, Seminars & Workshops for employees.
- Awarded "Best Place to Work" under the category of "Financial Services"



Discover, Innovate and Build



Allied Bank Open Banking APIs

A platform to enable innovations via Open APIs for Freelance Developers, Startups, FinTechs and Partner Institutions

Allied Bank believes in co-creation and innovation that empowers you to innovate and grow with us. We invite you to build the next generation of digital services together with us, based on our Open APIs.

Join us and Build the services and apps of tomorrow!



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, 2019. The operating results and appropriations, as recommended by the Board are included in the appended table:

	Year ended December 31,		
	2019	2018	Growth
	Rs. In Million		%
Profit after tax for the year	14,113	12,881	10
Accumulated profits brought forward	52,501	49,212	7
Effect of re-measurement of defined benefit plans - net of tax	(503)	455	(211)
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit - net of tax	116	112	4
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit - net of tax	166	3	5,433
Profit available for appropriation	66,392	62,663	6
Final cash dividend for the year ended December 31, 2018 at Rs. 2.00 per share (2018: Year ended December 31, 2017 at Rs. 1.75 per share)	(2,290)	(2,004)	14
First interim cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2018: Year ended December 31, 2018 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	-
Second interim cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2018: Year ended December 31, 2018 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	-
Third interim cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2018: Year ended December 31, 2018 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	-
Transfer to statutory Reserves	(1,411)	(1,288)	10
Accumulated profits carried forward	55,821	52,501	6
Earnings Per Share (EPS) (Rs.)	12.32	11.25	10

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 2019, will be approved in the forthcoming Annual General Meeting.

Macroeconomic Developments 2019

Pakistan's Gross Domestic Product (GDP) growth has moderated to 3.3% in FY 2018-19 from 5.8% in FY 2017-18 on account of measures implemented to address the twin deficit crises emanating from consumption led growth in preceding years. Policy induced demand management measures weighed in on the aggregate demand which has resulted in contraction of the Industrial activity. Agriculture production was also affected due to high input cost, lower fertilizer offtake, water shortages and redistribution of area under cultivation resulting in a muted growth of 0.85% during FY 2018-19 as compared to previous year's growth of 3.9%. Service sector was also affected due to aforementioned reasons and has depicted a growth rate of 4.7% as against 6.2% in FY2017-18, falling short of the annual target by 1.8%. On the external front, notwithstanding

country's export volumes which remained subdued during FY 2018-19, macro stabilization measures entailing currency devaluation amidst transition to a flexible, market determined exchange rate, monetary tightening, reduction in development spending and trade protectionist measures implemented through imposition of various tariff and non-tariff barriers assisted in reducing country's import bill by 8%.

Supplemented by 10% growth in worker remittances on back of stronger inflows and enhanced focus, current account deficit balance contracted by 30% as compared to a sizeable expansion of 58% in FY 2017-18.

Foreign Direct Investment has witnessed a marked slowdown, falling by 52% in FY 2018-19 as ensuing uncertainty regarding exchange rate volatility, external financing risk and completion of early harvest CPEC related energy projects impacted the

business confidence and the growth trajectory. However, external financing from bilateral and multilateral agencies including International Monetary Fund (IMF) have assisted in supporting the dwindling reserves; which stood at US\$ 7.3 billion as at end June 2019.

Improvement in Balance of Payments position gained further momentum during the first half of FY 2019-20. Contracting trade deficit and steady worker's remittance inflows despite a synchronized global economic slowdown translated into favorable current account developments, while a trend reversal in foreign portfolio investment, on the back of improving market sentiment, disbursement of IMF's economic program related inflows and activation of Saudi Arabia's oil facility extended much needed support on the financial front; further easing pressure on State Bank of Pakistan's foreign exchange reserves which have consequently risen to US\$ 11.3 billion as at end December 2019.

Fiscal consolidation gained traction to counter deteriorating indicators; fiscal deficit was recorded at 8.9% of GDP in FY 2018-19 owing to low taxation base, shortfall in revenue collections, broad based expansion in current expenditures, bloating energy sector circular debt, untargeted subsidies and loss-making public sector enterprises.

However, Governments' adopted broad-based taxation reforms encompassing partial withdrawal of tax reliefs, enhancing regulatory duties and federal excise, public confidence building measures together with austerity measures to manage non-development expenditures improved revenue mobilization; which witnessed a growth of 18.4% in first half of FY 2019-20 as compared to the corresponding period of FY 2018-19.

Attributable to higher Government borrowing from State Bank of Pakistan (SBP) during FY 2018-19, lagged impact of currency devaluation, hike in domestic fuel costs and rising food prices, Consumer Price Index (CPI) was recorded at a multi-year high level of 8% on a year on year (YoY) basis in FY 2018-19. During the first half of FY 2019-20, CPI rose further to reach 12.6% at end December 2019, on a YoY basis, as inflationary pressures persisted; reflecting various rounds of upward adjustments in administered tariffs of gas and electricity and rising prices of perishable and non-perishable food items owing to supply disruptions.

In view of the above, SBP proactively managed its monetary policy stance leading to a cumulative increase of 475 bps in policy rate during the FY 2018-19 to reach 12.25% at end June 2019. However, as inflation outcomes achieved parity with projections, policy rate increase was curtailed to 100 bps during the first half of FY 2019-20; with no-hike announcements in monetary policy announcements of September 2019 and November 2019 respectively.

Although the current account deficit balance has been brought down to sustainable level, posting a contraction of 75% during first half of FY 2019-20, the external position still remains challenging as the containment exercise is primarily driven by import contraction rather than import substitution and the economy still carries the risk of trend reversal when the local demand starts to rebound.

Going forward rising business and consumer confidence on the back of

improving "ease of doing business" metric, expected agriculture sector rebound from weather induced contraction and impact realization of government offered incentives for export-oriented industries are expected to support economic growth under Government of Pakistan's economic reform agenda; while measures aimed at curtailing imports, partial withdrawal of tax reliefs, tightening in regulatory and federal excise duties shall improve revenue mobilization amidst sustained pressure on expenditure and financial account management due to rising debt servicing costs and maturing external debt.

Financial Performance

Pakistan's banking sector continued to face significant ramifications and private sector credit appetite has remained subdued stemming from the prevailing economic circumstances. Sector's bottom line was affected by sharp repricing pace of funding liabilities, credit losses, impairment related to equity portfolio, rising cost of doing business, increasing compliance cost and regulatory changes. However, in second half of the year ended December 31, 2019 improved asset repricing on the back of stabilizing interest rates has diluted the impact.

Your Bank fully cognizant of these developments, prudently managed its economic capital during the year under review. Capitalizing on consistent growth in low and no cost deposits along with superior quality asset base, a multi-faceted long-term strategy governing optimum organizational structure, comprehensive risk management framework, investment towards digital transformation, enhanced customer acquisition and continuous enrichment of its innovative and well-diversified service suite has facilitated Your Bank in achieving sustainable financial performance.

Positive volumetric growth in average earning assets supported by improving spreads and effective duration management of investments through re-profiling towards flexible, shorter tenor investments in a rising interest rate scenario has enabled Your Bank to post a higher gross mark-up income by Rs. 49,363 million, higher by 67% over the 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. 39,971 million. As a result, Your Bank has posted net mark-up income of Rs. 41,507 million against Rs. 32,115 million in 2018, reflecting a growth of 29%.

Diversification of revenue streams through continuous enrichment of service suite along with concurrent focus on upholding highest service standards has enabled Your Bank to post a robust growth of 17% in fee income which has reached Rs. 5,092 million.

Prudent positioning of Your Bank's foreign exchange assets and liabilities assisted a notable growth of 32% in income from dealing in foreign currencies to close the year at Rs. 1,992 million against Rs. 1,504 million recorded in 2018.

Dividend income has decreased, as compared to the corresponding year, as aforementioned economic slowdown weighed in on shareholder returns, thereby impacting dividend payouts. Active participation as a Primary Dealer along-with staggered derecognition of equity portfolio has resulted in capital gains of Rs. 1,579 million realized during the year; lower than Rs. 2,382 million recognized in 2018 on the back of prudent disposal of Pakistan Investment Bonds, foreseeing imminent sharp increase in benchmark rates. Correspondingly, non markup income stood at Rs. 10,891 million for the year as against Rs. 11,289 million in the corresponding year.

In line with SBP's National Financial Inclusion Strategy for building a dynamic and inclusive financial services sector in the country, Branch outreach expanded to 1,395 branches including 1,278 conventional and 117 Islamic banking branches across Pakistan. Islamic network was further augmented with 50 windows added to the network at viable conventional branches while contemporaneous growth in ATM network increased total ATMs to 1,515, inclusive of 1,186 on-site and 329 off-site ATMs.

During the year, Punjab Workers Welfare Fund Act 2019 (PWWF) has introduced provincial levy of WWF in Punjab with effect from December 13, 2019. Your Bank, based on the legal opinion of the Bank's tax consultant, conservatively reversed the cumulative provision maintained, against WWF from 2014 till

DIRECTOR'S REPORT

the date of PWFF's enactment. Despite aforementioned outreach expansion coupled with new and ongoing compliance related regulatory changes, sustaining inflationary pressures, ongoing investment in technological infrastructure along-with performance awards and merits adjustments of the human resource; implementation of technology-based solutions has assisted Your Bank in optimizing operating costs; thus, Non-markup expense growth was curtailed to 15%.

Realization of systematic risks posed by the aforementioned economic slowdown has culminated into a lack luster performance by Pakistan Stock Exchange during the year under review. In consideration of downtrend along with translation of other idiosyncratic factors, Your Bank has recognized a net charge of Rs. 979 million for diminution in value of equity securities. Proactive monitoring and recovery efforts has resulted in a net provision reversal against non-performing loans; aggregating to Rs. 394 million for the year under review; thereby infection ratio fell to 3.2% while coverage ratio stood a strong level of 95.6%, well above the September 2019 industry averages of 8.2% and 84.4% respectively. No FSV benefit has taken while determining the provision against non-performing loans as allowed under the guidelines of the State Bank of Pakistan.

As a result, Your Bank has earned profit before tax of Rs. 24,242 million for the year ended December 31, 2019 as compared to Rs. 21,016 million earned in the corresponding year; reflecting a healthy growth of 15%. Super Tax, which was initially levied vide Finance Act, 2015 has continued and vide Finance Act 2019 was extended with retrospective effect causing an additional charge of Rs. 835 million, for the tax year 2018, recognized in first quarter of 2019; effective tax rate thereby rising to 42%. Profit after tax stood at Rs. 14,113 million as against Rs. 12,881 million achieved in the corresponding year. Barring impact of aforementioned incremental super tax charge, Profit after tax has posted a notable growth of 16%.

Resultantly Earnings per share of Your Bank has improved to Rs. 12.32 while Return on Equity and Return on Assets stood at a strong level of 16% and 1% respectively.

Loan growth momentum has slowed sharply as a weaker economic scenario and elevated interest rates has dampened credit demand; industry advances growth declined by 83% during the year. Amidst aforementioned industry downtrend, Your Bank's pragmatic business strategy along with a robust risk management framework facilitated growth of 10% in gross advances, well above the industry growth of 4%; Gross Advances thereby crossed the half a trillion mark and closed the year at Rs. 500,168 million compared to Rs. 453,867 million posted at end December 2018.

With rising credit risks and a dearth of quality lending avenues, incremental liquidity diversified towards investments; the portfolio was reprofiled, anticipating peaked interest rates, to reach Rs. 757,957 million at end December 2019; posting an increase of 13%, synchronized with the industry trend. The liquidity was placed primarily in Government securities, Rs. 542,742 million deployed in T-bills and Rs. 155,134 million diverted to Pakistan Investment Bonds (PIB's); thereby increasing PIB's contribution in total investment mix to 20% at end December 31, 2019 as against 9% in the corresponding year.

Despite a notable increase in Minimum Saving Rate amidst monetary tightening cycle, unabated growth in the undocumented economy and prevailing income tax regime hampered deposit growth. M2 growth was registered at 11.2%, while Currency in Circulation has grown to Rs. 5,391 billion at end December 31, 2019, on the back of a staggering CAGR growth of 16% achieved in last 2 years.

Accumulation of zero-cost and low-cost deposits during the year has remained a key strategic objective of Your Bank. Thereby, non-remunerative deposits have grown by 17% to close at Rs. 388,019 million; constituting 37% of the total deposits mix as at end December 2019. Total Deposit base of Your Bank has registered a healthy increase of Rs 64,568 million and stood at Rs. 1,049,043 million, reflecting a YoY growth of 7%.

Consequently, aggregated asset base of Your Bank has increased by 10% to reach Rs. 1,481,121 million as against Rs. 1,350,599 million at end December, 2018, while the equity base stood at robust level of Rs. 115,351 million;

recording an increase of 7%. Capital Adequacy ratio (CAR) under Basel III stood at a healthy level of 21.7% on standalone basis whereas the consolidated CAR stood at 21.8%; adequately meeting the requirements of the State Bank of Pakistan. Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) have stood at 17% as against the requirement of 6.0% and 7.5% respectively; clearly depicting a well-capitalized position of Your Bank.

The economy continues to pass through challenging times with GDP growth projections remaining strangled in the medium term. Decrease in public sector spending's amidst limited fiscal space owing to low tax revenues and high current expenditures remain key impediments to economic growth.

Implementation of envisaged governance and structural reforms to strengthen institutional frameworks and enhancing documentation of economic activities shall remain critical to credibly reversing the trend of fiscal deterioration; while further laying the foundation for achieving long term sustainable and balanced GDP growth.

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), Compliance Committee 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. RMG took following major initiatives in 2019 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, Your Bank 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. The financing activity under the project to the targeted segment is expected to commence shortly. 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.

- State Bank of Pakistan (SBP) issued detailed directions on implementation of International Financial Reporting Standard-9 (IFRS 9) vide BPRD Circular No. 04, dated October 24, 2019. The effective date for implementation of IFRS 9 is January 1, 2021 and the Banks are required to conduct parallel run and make necessary preparations for its implementation during 2020. Your Bank has already submitted a detailed quantitative and qualitative impact analysis report to SBP for adoption of IFRS-9 for the year ended December 31, 2017. In order to ensure smooth transition towards the compliance of SBP's instructions for implementation of IFRS 9, Project Steering Committee of the management comprising senior members of Finance, Risk, IT and Business Groups has been formed while presenting periodical project status to the "Board Risk Management Committee". The main stakeholders are acting in a coordinated manner through the Committee forum towards preparedness of the Bank for smooth implementation.

The Bank believes that implementation of IFRS 9 in Pakistan requires a comprehensive forward-looking approach, less dependent on subjectivity, by all the stakeholders and alignment of existing laws and regulations with IFRS 9 requirements.

- The Bank has successfully implemented Bench Matrix Solution for Operational and Compliance Risk Management. This system has enabled the bank to automate various functions pertaining to Operational

and Compliance risk management as per best practices.

- The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and Monitoring. The system has enabled the Bank towards effective management of Credit Risk, also reflected by one of the lowest infection ratios in the industry. During the year, the management has undertaken initiative for major upgrade in the system, providing additional tools and information for the risk approvers and monitoring teams.
- The Project of Oracle Financial Services Analytical Application (OFSA) for Enterprise Risk Management was completed during the year with the implementation of Assets Liability Management (ALM) & Liquidity Risk Management (LRM) Modules. With the successful completion of OFSAA and Bench Matrix practices, a wide spectrum of Enterprise Risk now stands automated in the Bank; enabling effective monitoring of the underlying risks.
- In compliance with the Green Banking Guidelines issued by the State Bank of Pakistan, Your Bank has established a dedicated Green Banking Office (GBO) to promote environmentally friendly practices. In this regard, Your Bank has formulated & implemented a Green Banking Policy to reinforce its commitment for environmental sustainability. The objective of this policy is to reduce the vulnerability of the Bank from the Environmental Risks and to reduce its carbon footprint on the environment. Your Bank is one of the leading Banks in the Industry, which has successfully implemented Environment Risk Management (EnvRM) discipline to identify, assess, mitigate and monitor environmental risks arising from operations of obligor's business. Besides, Your Bank is also actively pursuing the initiative of creating a sustainable paperless environment.
- In continuance of Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; three interactive seminars for corporate, commercial & SME obligors on the topic "Transition from Family Owned Business Structure to Corporate Structure" were organized during 2019.

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.

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, 2019.

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.

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

During the year, Pakistan Credit Rating Agency (PACRA) maintained Bank's long-term and short-term credit rating at the highest level of "AAA" (Triple A) and "A1+" (A One Plus) respectively. These ratings indicate highest credit quality and an exceptionally strong capacity for payment of financial commitments.

Corporate Governance Rating

VIS Credit Rating Company Limited re-affirmed Allied Bank's Corporate Governance Rating of 'CGR-9+'. The rating indicates a 'very high level of corporate governance'; thus, depicting a strong commitment towards governance framework by the Board and Management of Your Bank. VIS has noted that Human Resource and Remuneration Committee be chaired by an independent director as per Listed Companies (Code of Corporate Governance) Regulations 2019, which is currently being headed by a non-executive director.

DIRECTOR'S REPORT

Board of Directors

The profile of all Board members is disclosed separately in Overview section of the Annual Report.

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 (excluding those who have opted not to receive meeting fee on voluntary basis) are paid a reasonable and appropriate remuneration for attending the Board and/or its committees' meetings which is disclosed in the Financial Statements note 38.

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.

In order 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, the Board decided to opt for in-house approach with quantitative techniques and evaluation by an external independent evaluator every three years. Accordingly, independent assessment was conducted in 2018 and for 2019, in-

house approach has been exercised.

As per approved mechanism, performance evaluation of following categories was carried out:

- I. Chairman.
- II. Overall Board of Directors
- III. Sponsor Directors.
- IV. Independent Directors.
- V. Other Non-Executive Directors.
- VI. Board of Directors' Committees.
- VII. Chief Executive Officer.

The responses and feedback from the directors on each of the above-mentioned categories (except Chairman) is compiled and submitted to the Chairman enabling him to discuss the results/findings with each individual Board member, if so desired.

The authorized independent director communicates the feedback in respect of the Chairman to the Company Secretary for incorporation in the consolidated performance report.

Accordingly, the report comprising of consolidated evaluation results and action plan forwarded by the Chairman is submitted to the Board of Directors for consideration. The Board of Directors, in its 244th Meeting dated February 07, 2020, noted contents of Board Annual Evaluation for the year 2019 and expressed its satisfaction on its results.

External Auditors

The present Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants in pursuance of the Code of Corporate Governance become ineligible for re-appointment having completed a term of five years. However, State Bank of Pakistan and Securities Exchange Commission of Pakistan has granted permission to the Bank to extend the term of M/s KPMG Taseer Hadi & Co, Chartered Accountants for next term. Extension was sought to avoid self-review threat in light of exceptional circumstances which arose due to evaluation of automated solutions to comply with regulatory requirements.

M/s KPMG Taseer Hadi & Co, Chartered Accountants retired and offered themselves for re-appointment.

The Board of Directors, on the recommendation of the Audit Committee has recommended M/s KPMG Taseer Hadi & Co, Chartered

Accountants, as Statutory Auditors for the next term.

Pattern of Shareholding

Pattern of Shareholding, is annexed.

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 placing their trust in Allied Bank. Securities and Exchange Commission of Pakistan, State Bank of Pakistan and other regulatory authorities for their consistent direction and oversight. We would also like to extend appreciation to our colleagues for their diligent work towards meeting customer expectations and their dedication towards achieving the Bank's goals and objectives.

For and on behalf of the Board of Directors.

Tahir Hassan Qureshi
Chief Executive Officer

Mohammad Naeem Mukhtar
Chairman Board of Directors

Faisalabad
Date: February 07, 2020

ڈائریکٹرز جائزہ رپورٹ

محترم حصص مالکان!

بورڈ آف ڈائریکٹرز کی جانب سے ہم آپ کے بینک کے 31 دسمبر 2019 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ پیش کرتے ہوئے نہایت مسرت محسوس کر رہے ہیں۔ بورڈ کی طرف سے سفارش کردہ کاروباری نتائج اور تخصیص مندرجہ ذیل ہیں:

سال برائے اختتام 31 دسمبر			
اضافہ فی صد %	2018	2019	ملین روپے
10	12,881	14,113	منافع بعد از ٹیکس
7	49,212	52,501	گزشتہ جمع شدہ منافع
(211)	455	(503)	معین شدہ مفید منصوبوں کی تخصیص ثانی کے اثرات۔ نیٹ آف ٹیکس
4	112	116	پائیدار اثاثہ جات کی قدر و پیکائش سے منتقلی۔ نیٹ آف ٹیکس
5433	3	166	غیر ہنگامہ جات کی قدر و پیکائش سے غیر تخصیص شدہ کو منتقلی۔ نیٹ آف ٹیکس
6	62,663	66,392	تخصیص کے لیے دستیاب منافع
14	(2,004)	(2,290)	حتمی کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2018
بحساب 2.00 روپے فی عام حصص (2018: سال ختمہ 31 دسمبر 2017 - 1.75 روپے فی عام حصص)			
-	(2,290)	(2,290)	پہلا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2019
بحساب 2 روپے فی عام حصص (2018: سال ختمہ 31 دسمبر 2018 - 2.00 روپے فی عام حصص)			
-	(2,290)	(2,290)	دوسرا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2019
بحساب 2 روپے فی عام حصص (2018: سال ختمہ 31 دسمبر 2018 - 2.00 روپے فی عام حصص)			
-	(2,290)	(2,290)	تیسرا عبوری کیش ڈیویڈنڈ برائے سال ختمہ 31 دسمبر 2019
بحساب 2 روپے فی عام حصص (2018: سال ختمہ 31 دسمبر 2018 - 2.00 روپے فی عام حصص)			
10	(1,288)	(1,411)	ضوابطی ریزرو میں منتقلی
6	52,501	55,821	آگے منتقل کیا گیا جمع شدہ منافع
10	11.25	12.32	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 2019 کے دیگر مجوزہ ڈیویڈنڈز کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں کی جائے گی۔

سال 2019ء میں کلاں معاشی پیش رفت:

گزشتہ سالوں میں مصارف پر منحصر نمونہ بدولت سامنے آنے والے دہرے خسارے کے بحران سے نپٹنے کے لیے اٹھائے گئے اقدامات کی بناء پر پاکستان کی کل داخلی پیداوار (جی ڈی پی) کی ترقی مالی سال 2017-18ء کی 5.8 فیصد کی شرح کی نسبت مالی سال 2018-19ء میں قدرے کمی کے ساتھ 3.3 فیصد پر پہنچ گئی۔

پالیسی میں موجود ترغیبات کے نتیجے میں طلب کی مجموعی حیثیت پر توجہ مرکوز رکھتے ہوئے طلب کے انتظام کے لیے اٹھائے گئے اقدامات کے باعث صنعتی سرگرمیوں میں سکڑاؤ کی کیفیت پیدا ہوئی۔ زرعی پیداوار بھی ان پٹ (درآمد) کاروبار کی بڑھتی لاگت، کھاد کی کم خریداری، پانی کی قلت اور زرعی رقبہ کی دوبارہ تقسیم کی بدولت، متاثر ہوا۔ جس کے نتیجے میں گزشتہ سال کی 3.9 فیصد کی ترقی کے مقابلہ میں مالی سال 2018-19ء میں محض 0.85 فیصد کی معمولی نمو حاصل ہوئی۔ خدمات کا شعبہ بھی مندرجہ بالا صورتحال سے متاثر ہوا اور اس میں مالی سال 2017-18ء کی 6.2 فیصد کی شرح کی نسبت 4.7 فیصد کی ترقی دیکھی گئی جو کہ اپنے سالانہ ہدف سے 1.8 فیصد کم ہے۔

ملک کی برآمدات جن میں مالی سال 2017-18ء کے دوران بھی کمی کارہجان برقرار رہا، سے قطعاً نظر بیرونی محاذ پر میکرو (کلاں) استحکام کے اقدامات جن کے قدرتی نتیجے میں پلکار اور مارکیٹ کی تعین کردہ تبادلہ کی شرح، مالیاتی تناؤ، ترقیاتی اخراجات میں کمی اور مختلف محصولاتی اور غیر محصولاتی رکاوٹوں کے

ذریعے نفاذ شدہ کاروبار کے تحفظ کے اقدامات کے تناظر میں کرنسی کی قدر میں تنزلی کی وجہ سے ملکی درآمدات کے بل میں 8 فیصد کی کمی درج ہوئی۔

بڑھتی ہوئی توجہ اور مضبوط ترسیلات کی بنیاد پر افرادی ترسیلات میں 10 فیصد کی ترقی سے مستفید کرنٹ اکاؤنٹ خسارہ کے توازن میں مالی سال - 2017 18ء میں 58 فیصد کی واضح شرح کے مقابلہ 30 فیصد تک کی کمی دیکھی گئی۔

کمزور شرح تبادلہ، بیرونی قرضہ جات سے جڑے خدشات اور سی پیک سے متعلقہ توانائی کے منصوبوں کی جلد تکمیل، کاروباری اعتماد اور ترقی پر اثر انداز ہوئے جس کے باعث غیر ملکی براہ راست سرمایہ کاری میں سست روی دیکھنے میں آئی اور اس کی شرح مالی سال - 2018 19ء کے دوران 52 فیصد تک کم ہوئی۔ تاہم دوطرفہ اور کثیر اطراف ایجنسیوں، جن میں بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) شامل ہے، سے ملنے والے بیرونی قرضوں نے گرتے (ڈگمگاتے) زرمبادلہ کے ذخائر کو مدد فراہم کی، جو کہ جون 2019ء کے اختتام پر 7.3 بلین امریکی ڈالر زبردورج ہوئے۔

مالی سال 20 - 2019ء کی پہلی ششماہی کے دوران ادائیگیوں کے توازن میں بہتری کی تحریک میں مزید افزائش ہوئی۔ مربوط عالمی معاشی تطہیر کے باوجود سکتے ہوئے مالی خسارے اور افرادی ترسیلات کی فعال آمد نے کرنٹ اکاؤنٹ کی پیش رفت پر مثبت اثرات چھوڑے ہیں۔ جبکہ مارکیٹ کی بہتر ہوتی صورتحال، آئی ایم ایف کے معاشی پروگرام سے متعلقہ رقوم کی وصولی اور سعودی عرب کی جانب سے تیل کی سہولت کے اجراء کی بدولت غیر ملکی سرمایہ کاری کے رجحان میں واپسی رونما ہوئی جس کی مالیاتی مجاز پر اشد ضرورت تھی اور جس سے اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر پر دباؤ میں آسانی پیدا ہوئی اور ان کا حجم دسمبر 2019ء کے اختتام پر بڑھتے ہوئے 11.3 بلین امریکی ڈالر زبردورج ہو گیا۔

تنزلی کے ان اشاروں کے سدباب کے لیے مالیاتی جامعیت ناگزیر ضرورت اختیار کر گئی ہے۔

مالیاتی خسارہ، محصولات کی کمزور اساس، آمدنی کی وصولیوں میں کمی، رواں اخراجات میں وسیع البیاد بڑھوتی، توانائی کے شعبہ کے تیزی سے بڑھتے گردش قرضے، غیر تعین شدہ امدادی اہداف اور خسارہ پیدا کرنے والے سرکاری ملکیتی اداروں جیسے عوامی کی وجہ سے مالی سال 2019ء میں مالیاتی خسارہ جی ڈی پی کی 8.9 فیصد کی شرح پر ریکارڈ ہوا۔

تاہم، حکومت کی جانب سے اپنائی گئی وسیع البیاد ٹیکس اصلاحات جن میں محصولات کی چھوٹ کی جزوی واپسی، محصول آبکار اور ریگولیٹری (ضوابطی) ڈیوٹی میں اضافہ، عوامی اعتماد میں فروغ کے ساتھ ساتھ غیر ترقیاتی اخراجات میں سادگی کے رجحان نے محصولات کو متحرک کرنے میں اہم کردار ادا کیا۔ جس کے نتیجے میں مالی سال 20 - 2019ء کی پہلی ششماہی میں پیداوار کی شرح میں مالی سال 19 - 2018ء کے مقابلہ میں 18.4 فیصد کا اضافہ ہوا۔

مالی سال 19 - 2018ء کے دوران اسٹیٹ بینک آف پاکستان سے حاصل کئے گئے حکومتی قرضہ جات، کرنسی کی تنزلی کے دور رس اثرات، تیل کی دزون خانہ بڑھتی قیمتیں، اور اشیاء خوردنی کی قیمتوں میں اضافہ سے منسوب صارفین کی قیمتوں کے جدول (کنزیومر پرائس انڈیکس - سی پی آئی) مالی سال 19 - 2018ء میں، سال بہ سال کی بنیاد پر، 8 فیصد کی گزشتہ کئی سالوں کی بلند ترین شرح پر ریکارڈ ہوا۔

مالی سال 20 - 2019ء کی پہلی ششماہی میں سی پی آئی (CPI)؛ افراط زر کے متواتر دباؤ، جس کے باعث بجلی اور گیس کی قیمتوں میں بارہا کی گئی انتظامی محصولات کی افقی مطابقت، رسد میں خلل کے باعث پائیدار اور ناپائیدار اشیاء خورد و نوش کی قیمتوں میں اضافہ کی بدولت دسمبر 2019ء کے اختتام تک، سال بہ سال کی بنیاد پر مزید اضافے کے ساتھ 12.6 فیصد کی شرح پر جا پہنچا۔

مذکورہ بالا، اسباب کی روشنی میں اسٹیٹ بینک آف پاکستان نے اپنے مالیاتی پالیسی کے بیانیہ کا

پیش قدمی سے انصرام کرتے ہوئے مالی سال 19 - 2018ء کے دوران پالیسی ریٹ میں مجموعی طور پر 475 بی پی ایس کا اضافہ کیا۔ جس سے اس کی شرح جون 2019ء کے اختتام تک 12.25 فیصد تک جا پہنچی۔ تاہم افراط زر کی اپنی توقعات کے مطابق ہم آہنگی کے باعث پالیسی ریٹ کے اضافے کو مالی سال 20 - 2019ء کی پہلی ششماہی کے دوران محض 100 بی پی ایس تک محدود رکھا گیا۔ جبکہ ستمبر 2019ء اور نومبر 2019ء میں اعلان شدہ مانیٹری پالیسی میں پالیسی ریٹ میں کسی قسم کا کوئی اضافہ نہیں کیا گیا۔

اگرچہ کرنٹ اکاؤنٹ خسارے کے توازن کو مالی سال 20 - 2019ء کی پہلی ششماہی کے دوران 75 فیصد تک کی کمی کے ساتھ قابل برداشت حد تک لایا گیا تاہم بیرونی صورتحال میں درآمدات کے متبادل کی فراہمی کی بجائے درآمدات کو روکنے اور اندرونی طلب میں پیدا ہونے والے تغیر سے طلب کی رخ کے پلٹنے کے خدشات کے رجحانات جیسے عوامل کو ان کی حدود میں رکھنے والے اقدامات کے باعث اس میں مسلسل مشکلات درپیش ہیں۔

مستقبل میں "کاروبار کرنے میں آسانی" جیسے بھاری بھر کم عزم میں بہتری، زرعی شعبہ کی موسموں پر منحصر سکڑاؤ سے متوقع واپسی اور برآمدات سے متعلقہ صنعت کے لیے حکومتی مراعات کی منفعت کے اثرات کی بنیاد پر کاروبار اور صارفین کے اعتماد میں بڑھتے اضافے سے، حکومت پاکستان کے معاشی اصلاحات کے ایجنڈے کے تحت معاشی نمو میں بہتری کے عمل کو تقویت حاصل ہوگی۔ جبکہ درآمدات میں کمی، ٹیکس چھوٹ کی جزوی واپسی، کڑے محصول آبکار اور ریگولیٹری (ضوابطی) ڈیوٹیوں کی بدولت آمدنی کو متحرک کرنے میں مدد ملے گی۔ دوسری طرف اخراجات اور مالیاتی اکاؤنٹ کے انتظام میں بیرونی قرضوں اور اس سے جڑے سود کی ادائیگیوں میں اضافہ کے باعث دباؤ بھی برقرار ہے۔

مالیاتی کارکردگی

موجودہ معاشی حالات سے پیدا ہونے والی

صورتحال اور نجی شعبہ میں قرض کی محدود طلب کے باعث پاکستان میں بینکاری کا شعبہ مسلسل مشکلات سے دوچار ہے۔ واجبات کے سرمائے کی قیمتوں کی دوبارہ تشخیص کی رفتار میں تیزی، قرضوں کے نقصانات، ایکویٹی پورٹ فولیو میں بگاڑ کے لیے اخراجات کا تعین، کاروبار کرنے کی بڑھتی لاگت، تعمیلی لاگت میں اضافہ اور اصلاحی (ریگولیٹری) تبدیلیوں نے اس شعبہ کے نفع و نقصان کو متاثر کیا ہے۔

تاہم 31 دسمبر 2019ء کو اختتام پذیر سال کے دوسرے نصف عرصہ میں (دوسری ششماہی میں) اثاثہ جات کی قیمتوں کی تشخیص نو میں معتدل ہوتے انٹرسٹ ریٹ کی بدولت بہتری آنے سے ان اثرات میں قدرے کمی واقع ہوئی ہے۔

آپ کے بینک نے اس تمام پیش رفت سے مکمل آگاہی رکھتے ہوئے اس زیر تجزیہ سال کے دوران اپنے معاشی سرمائے کو نہایت دانشمندی سے استعمال کیا ہے۔ بغیر یا کم لاگت کے ڈیپازٹس میں متواتر اضافہ اور اپنے اثاثہ جات کے اعلیٰ ترین معیار سے مستفید ہوتے ہوئے ایک طویل مدتی کثیر الجہت حکمت عملی اپنائی گئی جس میں موزوں ترین انتظامی ڈھانچے، خدشات کے تدارک کا ایک جامع نظام، ڈیجیٹل منتقلی کے لیے سرمایہ کاری، صارفین کے حصول میں مزید اضافہ اور اس کا ساتھ ساتھ جدید اور تنوع سے بھرپور خدمات میں مسلسل افزودگی جیسے عوامل کے موثر انتظام سے آپ کا بینک ایک پائیدار مالیاتی کارکردگی کا مظاہرہ کرنے میں کامیاب رہا ہے۔

بڑھتے ہوئے انٹرسٹ ریٹ کے تناظر میں، قلیل اور لچکدار مدت کی سرمایہ کاری میں منتقلی کے ذریعے اپنی سرمایہ کاری کی معیاد کے موثر انتظام اور اوسط پیداواری اثاثہ جات میں مقداری اضافے کے ساتھ بہتر ہوتے سپریڈز نے آپ کے بینک کو گزشتہ سال کی نسبت 67 فیصد کے اضافہ کے ساتھ 49 ملین روپے کی کل مارک اپ آمدنی حاصل کرنے کے قابل کیا۔ ڈیپازٹس میں مقداری نمو اور پالیسی ریٹ میں ہونے والی ہر تبدیلی کے ساتھ لاگتوں میں

فوری رد و بدل کے باوجود کل مارک اپ اخراجات کو 39,971 ملین روپے تک محدود رکھا گیا۔ جس کے نتیجے میں آپ کے بینک نے سال 2018ء کی 32,115 ملین روپے کی سطح سے 29 فیصد کی ترقی ظاہر کرتے ہوئے 41,507 ملین روپے کی خالص مارک اپ آمدنی حاصل کی۔

اپنی خدمات میں مسلسل افزودگی اور خدمات کے اعلیٰ ترین معیار پر جاری توجہ کے ذریعے اپنی آمدنی کے دھاروں میں تنوع سے آپ کے بینک نے فیس کی آمدنی کی مد میں 17 فیصد کی توانا بڑھوتی حاصل کی ہے جس کا مجموعی حجم 5,092 ملین روپے تک پہنچ گیا ہے۔

آپ کے بینک کے غیر ملکی شرح تبادلہ سے متعلقہ اثاثہ جات اور واجبات کی دانشمندانہ درجہ بندی، غیر ملکی کرنسیوں کے لین دین سے حاصل شدہ آمدنی میں 32 فیصد کی قابل قدر ترقی کا باعث بنی جو کہ سال 2018ء کی 1,504 ملین روپے کی ریکارڈ شدہ سطح کی نسبت سال کے اختتام پر 1,992 ملین روپے پر درج ہوئی۔

حصص یافتگان کی آمدنی پر مندرجہ بالا معاشی سست روی کے اثرات کی وجہ سے ڈیویڈنڈ کی ادائیگی بھی متاثر ہوئی لہذا، گزشتہ سال کے مقابلہ میں ڈیویڈنڈ کی آمدنی میں کمی واقع ہوئی۔ بینک کی پرائمری ڈیلر کے طور پر فعال شمولیت اور اسکے ساتھ اپنے سر مانے کے متاثرہ پورٹ فولیو کی تشخیص کی بدولت سال کے دوران 1,579 ملین روپے کا کپٹل گین حاصل کیا گیا جو کہ سال 2018 میں 2,382 ملین روپے کی درج کردہ آمدنی سے کم ہے۔ اس کے بنیادی عوامل میں شیئ مارک ریٹ میں نمایاں اور تیز بڑھوتی کی درست پیش بینی کے باعث پاکستان انویسٹمنٹ بانڈز کی دانشمندانہ فروخت رہی۔ جس کے مطابقت میں نان مارک اپ آمدنی گزشتہ تقابلی سال کی 11,289 ملین روپے کی نسبت 10,891 ملین روپے رہی۔

اسٹیٹ بینک آف پاکستان کی ملک میں متحرک اور بشمول مالیاتی خدمات کے شعبہ کی

تعمیر کے لیے قومی مالیاتی شمولیت کی حکمت عملی (National Financial Inclusion Strategy) کے تحت برانچوں کی تعداد کو 1,395 برانچوں تک وسیع کر دیا گیا جس میں پورے پاکستان میں پھیلی 1,278 روایتی بینکاری اور 117 اسلامی بینکاری کی برانچیں شامل ہیں۔

اسلامی میٹ ورک کی مزید فروغ کی خاطر موزوں روایتی برانچوں میں 50 نئی ونڈوز (Windows) کا اضافہ کیا گیا۔ جبکہ اے ٹی ایمز (ATMs) کی تعداد میں بھی موجودہ دور سے ہم آہنگ رہتے ہوئے اضافہ کیا گیا جن کی کل تعداد 1,515 تک پہنچ گئی جس میں 1,186 آن سائٹ اور 329 آف سائٹ اے ٹی ایمز شامل ہیں۔

اس سال کے دوران پنجاب ورکر ویلفیئر فنڈ ایکٹ 2019ء (PWFF) کے ذریعہ صوبہ پنجاب میں 31 دسمبر 2019ء سے قابل اطلاق ڈبلیو ڈبلیو ایف (WWF) کے صوبائی محصول کا آغاز کیا گیا۔ آپ کے بینک نے اپنے ٹیکس کے مشیر کی قانونی رائے کی روشنی میں (WWF) ڈبلیو ڈبلیو ایف کے سال 2014ء سے تعین شدہ مجموعی اخراجات (پروویژن) میں، پی ڈبلیو ڈبلیو ایف (PWFF) کی تاریخ اجراء تک کی مدت سے پہلے کے عرصہ کے لیے، نہایت محتاط طریقہ سے کٹوتی کی ہے۔

مندرجہ بالا رسائی کے فروغ اور اس کے ساتھ ہی اور جاری ٹیکس سے متعلقہ ضوابطی تبدیلیاں، افراط زر کے مسلسل دباؤ، ٹیکنالوجی کے ڈھانچے میں جاری سرمایہ کاری اور اس کے ساتھ کارکردگی کے یوارڈز اور افرادی وسائل کی انکی قابلیت سے مطابقت، ٹیکنالوجی سے مزین سہولتوں کے نفاذ آپ کے بینک کے لیے اپنی کاروباری لاگت کو ایک موزوں سطح پر رکھنے میں معاون ثابت ہوا ہے۔ چنانچہ غیر مارک اپ اخراجات کی نمو کو 15 فیصد کی شرح تک محدود رکھا گیا۔

مذکورہ بالا معاشی سست روی سے ظہور پذیر منظم خدشات نے اس زیر تجزیہ سال کے دوران، پاکستان شاک ایپیکچر پر، منفی طور پر اثر انداز ہوتے

ہوئے اس کی کارکردگی کو گہنا دیا۔ اس گرتے ہوئے رجحان اور دیگر منفرد پہلوؤں کو مدنظر رکھتے ہوئے آپکے بینک نے اپنی ایکویٹی سکیورٹیز کی قدر میں تبہیر کرتے ہوئے 979 ملین روپے کے خالص اخراجات مختص کئے ہیں۔

پیش قدم نگرانی اور وصولیوں کی موثر کوششوں کے نتیجے میں غیر فعال قرضوں کی مد میں خالص اخراجات (پروویژن) میں کٹوتی کی گئی۔ جس کا تعین اس زیر تجزیہ سال کے دوران مجموعی طور پر 394 ملین روپے رہا۔ چنانچہ انفلکشن کی شرح میں 3.2 فیصد کی کمی ہوئی جبکہ کوریج کی شرح بہتر ہوتے ہوئے 95.6 فیصد پر جا پہنچی جو کہ ستمبر 2019ء تک صنعت کی بالترتیب 8.2 فیصد اور 84.4 فیصد کی شرح سے نمایاں طور پر بلند ہے۔ اسٹیٹ بینک آف پاکستان کی جانب سے دیئے گئے رہنمائی کے اصولوں میں اجازت کے باوجود غیر فعال قرضوں کے لیے اخراجات (پروویژن) کے تعین میں جبری فروخت کے فائدے کا اندراج نہیں کیا گیا۔

جس کے نتیجے میں آپکے بینک کا قبل از ٹیکس منافع گزشتہ تقابلی سال میں حاصل کی گئی 21.016 ملین روپے کی سطح سے 15 فیصد کی توانا نمو کے ساتھ 31 دسمبر 2019 کو اختتام پذیر سال کے لیے 24.242 ملین روپے کی سطح پر درج ہوا۔

سپر ٹیکس کو، جس کا ابتدائی نفاذ فنانس ایکٹ 2015ء میں کیا گیا تھا، فنانس ایکٹ 2019ء میں بھی، گزشتہ مدت سے قابل اطلاق، جاری رکھا گیا ہے، چنانچہ سال 2019ء کی پہلی سہ ماہی میں ٹیکس سال 2018 کے لیے 835 ملین روپے کے اضافی خرچ کا اندراج کیا گیا اور جس کے نتیجے میں ٹیکس کی موثر شرح 42 فیصد تک بڑھ گئی۔

منافع بعد از ٹیکس گزشتہ تقابلی سال کے 12,881 ملین روپے کے حاصل شدہ حجم کے مقابلہ میں 14,113 ملین روپے پر رپورٹ ہوا۔ مندرجہ بالا سپر ٹیکس کے اثرات سے قطع نظر منافع بعد از ٹیکس میں 16 فیصد کی قابل ذکر ترقی دیکھی گئی ہے۔

جس کے نتیجے میں آپکے بینک کی فی حصص آمدنی بہتری کے ساتھ 12.32 روپے پر رپورٹ ہوئی جبکہ سرمائے کی آمدنی اور اثاثہ جات پر آمدنی بالترتیب 16 فیصد اور 1 فیصد کی مضبوط شرح پر رہے۔

کمزور معاشی صورتحال اور بڑھتے ہوئے انٹرسٹ ریٹ نے قرض کی طلب کو بری طرح متاثر کیا لہذا قرضہ جات کی متحرک ترقی تیزی سے سست روی کا شکار ہوئی اور سال کے دوران صنعت کے قرضہ جات میں 83 فیصد کی کمی دیکھی گئی۔ مذکورہ بالا کی کے رجحان کے تناظر میں آپکے بینک کی دور رس کاروباری حکمت عملی اور اس کے ساتھ خدشات کے تدارک کے ایک مضبوط نظام کی بدولت آپکے بینک کے کل قرضہ جات میں 10 فیصد کا اضافہ ہوا جو صنعت کی حاصل شدہ 4 فیصد کی شرح سے خاصا بلند ہے۔

کل قرضہ جات چنانچہ آدھے ٹریلین کی حد کو عبور کرتے ہوئے دسمبر 2018 کے اختتام پر 453,867 ملین روپے کے حجم کے مقابلہ میں سال کے اختتام پر 500,168 ملین روپے پر بند ہوئے۔

قرض کے بڑھتے ہوئے خدشات اور معیاری قرضوں کے مواقع کی قلت کے ساتھ اضافی سال پذیری کا رخ سرمایہ کاری کی طرف موڑا گیا۔ پورٹ فولیو کو بڑھتے ہوئے انٹرسٹ ریٹس کے درست اندازوں کے ساتھ ازسرنو تعمیر کیا گیا اور اس طرح دسمبر 2019ء کے اختتام تک انکا حجم 13 فیصد کے اضافہ کے ساتھ 757,957 ملین روپے پر رپورٹ ہوا جو صنعت کے رجحانات سے ہم آہنگ ہے۔

یہ سیال پذیری بنیادی طور پر حکومتی ترسکات میں استعمال کی گئی۔ ٹی بلز (T-Bills) میں 542,742 ملین روپے اور پاکستان انویسٹمنٹ بانڈز (پی آئی بیز) میں 155,134 ملین روپے مختص کیئے گئے۔ جس کے باعث 31 دسمبر 2019ء کے اختتام پر پی آئی بیز (PIBs) کی سرمایہ کاری کی کل ترکیب میں گزشتہ تقابلی سال کی 9 فیصد کی شرح

کی نسبت 20 فیصد تک کی شمولیت ہو گئی۔ مالیاتی سختی کے دور، غیر دستیازی معیشت کی بے لگام ترقی اور انکم ٹیکس کے موجودہ دور کے تناظر میں کم از کم بچت کے ریٹ میں قابل ذکر اضافے کے باوجود ڈیپازٹس کی ترقی کے عمل کو نقصان ہوا ہے۔ ایم 2 (M 2) میں 11.2 فیصد کی ترقی درج ہوئی جبکہ گزشتہ دو سالوں میں سی اے جی آر (CAGR) کی ترقی کی 16 فیصد کی حاصل شدہ شرح کی بنیاد پر کرنسی کی سرکولیشن (گردش) 31 دسمبر 2019 کے اختتام تک 5,391 بلین روپے رہی۔

بغیر لاگت یا کم لاگت کے ڈیپازٹس کی جامعیت، اس سال کے دوران، آپکے بینک کی حکمت عملی کے اہم رکن کی حیثیت کے طور پر رہی، لہذا، غیر پیداواری ڈیپازٹس 17 فیصد کے اضافہ کے ساتھ 388,019 ملین پر رپورٹ ہوئے جو کہ دسمبر 2019ء کے اختتام تک کے کل ڈیپازٹس کی ترکیب کا 37 فیصد حصہ ظاہر کرتے ہیں۔

آپکے بینک کے کل ڈیپازٹس 64,568 ملین روپے کے شاندار اضافہ کے ساتھ 1,049,043 ملین روپے پر جا پہنچے جو کہ سال بہ سال کی بنیاد پر 7 فیصد کے اضافہ کا مظہر ہے۔

چنانچہ آپکے بینک کے مجموعی اثاثہ جات کی اساس دسمبر 2018ء کے اختتام کی 1,350,599 ملین روپے کی سطح سے 10 فیصد کے اضافہ کے ساتھ 1,481,121 ملین روپے پر درج ہوئے جبکہ سرمائے کی اساس 7 فیصد کے اضافہ کے ساتھ 115,350 ملین روپے کی مضبوط سطح پر تعین کی گئی۔

بازل III (BASEL - III) کے تحت سرمائے کی معقولیت کیپٹل ایڈیکویٹی شرح۔ (سی اے آر) انفرادی طور پر 21.7 فیصد کی مضبوط شرح پر رہی جبکہ مجموعی سی اے آر کی شرح 21.8 فیصد پر رہی جو کہ اسٹیٹ بینک آف پاکستان کی مطلوبہ شرح کو موزوں طور پر پورا کرتی ہے۔ کامن ایکویٹی ٹائیر کی

شرح (سی ای ٹی) اور ٹائیر-1 (سی ای ٹی-ون) کی شرح 6.0 فیصد اور 7.5 فیصد کی بالترتیب مطلوبہ شرح کی نسبت 17 فیصد پر رپورٹ کی گئی جو کہ آپ کے بینک کے بہترین سرمائے کی حیثیت کی عکاس ہے۔

جی ڈی پی کی درمیانی مدت میں متوقع نمو میں برقرار اندیشوں کی وجہ سے، معیشت ایک مسلسل مشکل صورتحال سے دوچار ہے۔ بڑھتے ہوئے رواں اخراجات اور ٹیکس کی کم آمدنی کی وجہ سے محدود مالی وسائل کے تناظر میں سرکاری اخراجات میں کمی معاشی ترقی کی بڑی رکاوٹ کے طور پر برقرار ہے۔ اداروں کے نظام کو مضبوط بنانے اور معاشی سرگرمیوں کی دستاویزی میں اضافہ کے لیے انتظامی اور تعمیری اصلاحات کا نفاذ، معاشی تطہیر کے رجحان کے پلٹنے کے لیے انتہائی ناگزیر ہے اور ساتھ ہی طویل المدت پائیدار اور متوازن جی ڈی پی کی نمو کے حصول کی بنیاد ہے۔

رہسک مینجمنٹ فریم ورک (ڈھانچہ) :

بورڈ آف ڈائریکٹرز اپنے خدشات کا نظم و نسق مضبوط اصولوں پر استوار ایک فریم ورک کے ذریعہ کرتے ہیں۔ جس میں خدشات کو برداشت کرنے کی حدود کا تعین، امکانی خدشات کی نشاندہی، بینک پر انکے 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 ریسک مینجمنٹ کمیٹی (BRMC)، انتظامیہ کی ذیلی کمیٹیوں؛ ریسک مینجمنٹ کمیٹی (RMC)، کمپلائنس کمیٹی اور ایسٹ و لائیکلیٹی کمیٹی (ALCO) کے ذریعے کی جاتی ہے تاکہ خدشات کے انتظام کی موزونیت کو یقینی بنایا جاسکے۔ خدشات کا خلاصہ اور اس سے متعلق تدارک نہ عوامل، ممکنہ خدشات (ریسک) اور مواقع (اپریچونٹی) رپورٹ میں درج کئے گئے ہیں۔

ریسک مینجمنٹ گروپ (RMG) کو یہ اختیار تفویض کیا گیا ہے کہ اس فریم ورک کو کاروباری

کمرشل حدود سے ماورا رکھتے ہوئے ایک آزاد جزو کے طور پر لاگو کرے۔ RMG نے سال 2019ء 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 انوویو چیلنج فنڈ ICF 3 - Innovative (challenge Fund) " ایس ایم ای فنانسنگ کی ہیئت میں تبدیلی - ایس ایم ای کے قرضوں کے نئے ماڈل " میں شرکت کی ہے اور اس پراجیکٹ کے ایک شراکت کار کے طور پر منتخب ہوا ہے۔ اس پراجیکٹ کے تحت قرضہ جات کی متعلقہ شعبہ کو فراہمی کا آغاز جلد ہی متوقع ہے۔ یہ پراجیکٹ ناصرف بینک کے لیے نئے کاروباری مواقع کی فراہمی میں سہولت پیدا کرے گا بلکہ ہمیں اپنی مالی شمولیت کی معاشرتی ذمہ داری کو پورا کرنے میں مددگار بھی ثابت ہوگا۔

اسٹیٹ بینک آف پاکستان نے بی پی آر ڈی سرکل نمبر 04 مورخہ 24 اکتوبر 2019ء کے ذریعے عالمی مالیاتی رپورٹنگ اسٹینڈرڈ - 9 (IFRS - 9) کے نفاذ کے بارے میں تفصیلی ہدایات جاری کیں ہیں۔ آئی ایف آر ایس - 9 کی قابل اطلاق تاریخ 01 جنوری 2021ء ہے۔ اور بینکوں کو سال 2020ء میں اس کے نفاذ کے بارے میں ضروری تیاری اور اس کے لیے مساوی مشق اختیار کرنے کی ہدایات دی گئی ہیں۔ آپ کے بینک نے اسٹیٹ بینک آف پاکستان کو 31 دسمبر 2017ء کو اختتام پذیر سال کے لیے آئی ایف آر ایس 9 - کو اختیار کرنے کے بارے میں مقداری اور معیاری اثرات کے تجزیہ پر مشتمل تفصیلی رپورٹ پہلے سے ہی ارسال کر رکھی ہے۔

- اسٹیٹ بینک آف پاکستان کی آئی ایف آر ایس - 9 کے نفاذ کے لیے دی گئی ہدایات کے تحت اس منتقلی میں آسانی کو یقینی بنانے کے لیے فنانس، ریسک، آئی ٹی اور بزنس گروپس کے سینئر ممبران پر

مشتمل مینجمنٹ کی ایک پراجیکٹ سٹیئرنگ کمیٹی (Project Steering Committee) تشکیل دی ہے۔ جبکہ بورڈ کی ریسک مینجمنٹ کمیٹی کو بھی اس پراجیکٹ کی صورتحال کے بارے میں معیادی آگاہی بھی دی جائے گی۔ تمام اہم اسٹیک ہولڈرز، کمیٹی کے فورم کے ذریعے ہم آہنگی سے سرگرم عمل ہیں تاکہ اس نفاذ کو ہموار بنانے کے لیے بینک کو مکمل طور پر تیار کیا جاسکے۔

- بینک کو یقین ہے کہ پاکستان میں آئی ایف آر ایس - 9 کا نفاذ اس امر کا متقاضی ہے کہ تمام اسٹیک ہولڈرز کی جانب سے ایک جامع اور مستقبل کی پیش بین اپروچ اختیار کی جائے جس میں موضوعی انحصار کم ہو اور مروجہ قوانین اور اصلاحات کو آئی ایف آر ایس - 9 کے مطالبات سے ہم آہنگ کیا جاسکے۔

- بینک نے اپنے آپریشنل اور تعمیلی خدشات کے انتظام کے لیے شیڈ میٹریکس سولوشن (Banch Matrix Salution) کا کامیابی سے نفاذ کیا ہے۔ اس سسٹم کے حصول سے بینک اپنے آپریشنل اور تعمیلی خدشات کے انتظام کے مختلف شعبوں کو مروجہ اعلی ترین ضابطہ عمل کے مطابق خود کار کرنے کی اہلیت رکھتا ہے۔ قرضہ جات کی تکمیل اور نگرانی کے لیے بینک کے پاس اسکا خود ساختہ اور جدید ترین ریسک ایسیسمینٹ اینڈ مینجمنٹ سسٹم (آر اے ایم ایس) and Risk Assessment) موجود ہے۔ اس سسٹم کی مدد سے بینک نے اپنے کریڈٹ ریسک کا موثر طریقہ سے انتظام کیا ہے جس کا عکس صنعت میں ایک کم ترین انفیکشن کی شرح کا حامل بینک ہونے سے بھی ملتا ہے۔ سال کے دوران انتظامیہ نے اپنے سسٹمز میں جدت اور اپنے خدشات کو منظور اور نگرانی کرنے والی ٹیم کے لیے اضافی طریقہ کار اور معلومات کی فراہمی کے لیے کئی اقدامات کیے ہیں۔

- اس سال کے دوران ایسٹ لائیکلیٹی مینجمنٹ (اے ایل ایم) (Asset Liability - ALM Management) اور لیکوڈیٹی ریسک

منجمنٹ (Liquidity Risk Management) کے موڈلز کے نفاذ کے ساتھ انٹر پرائز رسک منجمنٹ Enterprise Risk Management کے لیے اوریکل فنانسل سروسز اینالٹیکل ایپلیکیشن (اوائف ایس اے اے) Oracle Financial Analytical Application (OFSAA) کے پراجیکٹ کو مکمل کر لیا گیا۔ آفسا (OFSAA) اور بیج میٹریکس کے ضابطہ عمل کی کامیاب تکمیل سے بینک میں انٹر پرائز رسک کا وسیع حصہ ناصرف اب خود کار ہو چکا ہے بلکہ اس سے جڑے خدشات کی موثر نگرانی سے بھی مزین ہے۔

اسٹیٹ بینک آف پاکستان کی جانب سے جاری شدہ گرین بینکنگ کی گائیڈ لائنز کی تکمیل میں بینک نے ماحول دوست سرگرمیوں کے فروغ کے لیے ایک مخصوص گرین بینکنگ آفس کا قیام کیا ہے۔ اس سلسلے میں آپکے بینک نے ماحولیاتی پائیداری کے لیے اپنے عزم کو مضبوط بنانے کے لیے ایک گرین بینکنگ پالیسی کو تیار اور نافذ کیا ہے۔ اس پالیسی کا مقصد بینک پر ماحولیاتی خدشات اور ماحول پر اسکے کاربن کے اثرات کو کم کرنا ہے۔ آپکا بینک صنعت کے ان ممتاز بینکوں میں سے ایک ہے، جنہوں نے قرض دہندگان کی کاروباری سرگرمیوں سے ابھرنے والے ماحولیاتی خدشات کی نشاندہی، اس کا جائزہ، اس کے تدارک اور نگرانی کے عمل کے لیے اینوائرمینٹ (Environment) رسک منجمنٹ (EnvRM) ڈسپلن کا کامیابی سے نفاذ کیا ہے۔ اس کے علاوہ آپکا بینک کاغذ کے بغیر دیر پاماحول کی تشکیل کے اقدام پر نہایت مستعدی سے کاربند ہے۔

بینک نے قرض دہندگان سے رابطہ اور انکو کاروباری انتظام اور حکمت عملیوں سے آگاہی کے منفرد اقدام کو جاری رکھتے ہوئے سال 2019ء میں کارپوریٹ، کمرشل اور ایس ایم ای قرض دہندگان کے لیے خاندانی ملکیتی کاروبار کے سٹرکچر سے کارپوریٹ سٹرکچر کی تبدیلی کے موضوع پر تین متعاطلی (Interactive) سیمیناروں کا انعقاد کیا ہے۔

بینک نے قابل ذکر ذرائع اور وسائل خود

کو درپیش خدشات اور رسکس کے انتظام کرنے کیلئے وقف کیئے 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۔

چیف ایگزیکٹو آفیسر کا تجزیہ:

بورڈ آف ڈائریکٹرز، چیف ایگزیکٹو آفیسر کے 31 دسمبر 2019 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 و پیمائی 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۔

اسٹیٹ ریٹنگ:

دی 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" ٹرپل 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:

وی آئی پی (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 آپکے بینک کی منجمنٹ کے ایک مضبوط اور مضبوط

گورننس کے نظام (فریم ورک) پر مسلسل یقین اور اعادہ کا مظہر ہے۔ وی آئی ایس (VIS) نے اس امر کا مشاہدہ کیا ہے کہ ہیومن ریسورس اینڈ رپوزیشن کمیٹی، جس کی سربراہی ایک غیر انتظامی ڈائریکٹر کرتے ہیں، کی صدارت لہڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019ء کے تحت ایک آزاد ڈائریکٹر نے کی۔

بورڈ آف ڈائریکٹرز:

بورڈ کے تمام ممبران کے پروفائل کو سالانہ رپورٹ کے کارپوریٹ پروفائل کے سیکشن میں علیحدہ طور پر 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 (ماسوائے 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۔ جسکا ذکر مالیاتی گوشواروں کے نوٹ نمبر 38 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 انتظامیہ کی 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۔

کمپنیز ایکٹ 2017، بینکنگ کمپنیز آرڈیننس 1962 اور اسٹیٹ بینک کے پروڈیوشنل

ریگولیشنز میں بورڈ کے کردار کو واضح کیا گیا ہے۔ اس کے ساتھ کارپوریٹ گورننس میں بھی بورڈ کی ذمہ داریوں اور کارگزاری کو احسن طریقہ سے بیان 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) پی بی آر ڈی سرکل 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 تحمینہ ساز سے اس کی جانچ کو اختیار کرنے کا فیصلہ کیا ہے۔ چنانچہ سال 2018ء کے ایک آزادانہ تحمینہ لگوا دیا گیا جبکہ 2019ء کے لیے بینک میں موجود وسائل کا ہی انتخاب کیا گیا۔

ایک منظور شدہ نظام پر کاربند رہتے ہوئے مندرجہ ذیل اقسام کی کارکردگی کو جانچا ہے:

- ۱۔ چیئرمین
- ۲۔ مجموعی بورڈ آف ڈائریکٹرز
- ۳۔ ضامن ڈائریکٹرز
- ۴۔ آزاد ڈائریکٹرز
- ۵۔ دیگر نان ایگزیکٹو (غیر انتظامی) ڈائریکٹرز
- ۶۔ بورڈ آف ڈائریکٹرز کی کمیٹیاں
- ۷۔ چیف ایگزیکٹو آفیسر

مندرجہ بالا ہر درجہ (سوائے چیئرمین) کے بارے میں ڈائریکٹرز کے خیالات / نقطہ نظر کو اکٹھا کر کے چیئرمین کو پیش کیا گیا تاکہ وہ، اگر چاہیں تو ان نتائج اتحاد پر ہر بورڈ ممبر سے افراد ی طور رائے زنی کر سکیں۔

مجاز آزاد ڈائریکٹرز اس بارے میں چیئرمین کی رائے سے کمپنی سیکریٹری کو آگاہ کیا تاکہ اس کو مجموعی کارکردگی کی رپورٹ کا حصہ بنایا جاسکے۔ چنانچہ چیئرمین کی جانب سے بھیجی گئی اس

جانچ کے مجموعی نتائج اور عملی تدابیر پر مشتمل رپورٹ کو بورڈ آف ڈائریکٹرز کے سامنے جائزے کے لیے پیش کیا گیا۔ بورڈ آف ڈائریکٹرز نے اپنے 244 ویں اجلاس مورخہ 07 فروری 2020 میں سال 2019 کے لیے بورڈ کی سالانہ جانچ کے مندرجات کو نوٹ کیا اور اس کے نتائج پر اطمینان کا اظہار کیا۔

بیرونی آڈیٹرز:

موجودہ آڈیٹرز میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کوڈ آف کارپوریٹ گورننس کے تحت اپنی پانچ سالہ مدت کے مکمل ہونے کے بعد دوبارہ منتخب ہونے کے مجاز نہیں۔ تاہم، اسٹیٹ بینک آف پاکستان اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے بینک کو میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو اگلی مدت میں ایکسٹینشن کے لیے خصوصی اجازت دی ہے۔ یہ توسیع ضوابطی مطلوبات کی تکمیل کے خود کار نظام کی تشخیص کے دوران رونما ہونے والے غیر معمولی واقعات کی روشنی میں خود تجزیاتی خطرے سے صرف نظر کے لیے حاصل کی گئی ہے۔

میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہونے کے بعد اپنی دوبارہ تقرری کی پیش کش کرتے ہیں۔ بورڈ آف ڈائریکٹرز آڈٹ کمیٹی کی تجویز پر میسرز کے پی ایم جی (KPMG) تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، کو اگلی مدت کیلئے قانونی (Statutory) آڈیٹر مقرر کرتے ہیں۔

حصص کی ملکیت کا نمونہ:

حصص کی ملکیت کا نمونہ ساتھ منسلک ہے۔
تسلیم و تحمین:

ہم، بورڈ اور مینجمنٹ کی جانب سے، اپنے قابل قدر صارفین اور معزز شیئر ہولڈرز کے الائیڈ بینک پراکے اعتماد، سکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر انتظامی اداروں کا ان کی مسلسل رہنمائی اور تعاون پر مشکور ہیں۔ ہم

صارفین کی توقعات پر پورا اُترنے کے لیے اپنے سٹاف ممبرز کی انتھک محنت اور بینک کے اغراض و مقاصد کے حصول کے لیے انکی لگن پر بھی نہایت شکرگزار ہیں۔

منجانب و برائے بورڈ آف ڈائریکٹرز:

طاہر حسن قریشی

چیف ایگزیکٹو آفیسر

محمد نعیم مختار

چیئرمین بورڈ آف ڈائریکٹرز

تاریخ: 07 فروری 2020ء

بمقام: لاہور

CEO'S REVIEW



Economic Review

According to the International Monetary Fund, global economy is in synchronized stagnation, with growth for the year 2019 downgraded further to 2.9% compared to 3% projected in October 2019, delineating its slowest pace since the global financial crisis. The sluggish trend has emanated from escalating trade barriers, geopolitical tensions and aberrant economic pressures in key emerging markets. Amidst aforementioned headwinds, global growth started to bottom out by the fourth quarter of 2019; unfolding lagged impact of a broad-based shift towards an accommodative monetary policy, improving sentiments following announcement of "Phase One" of US-China trade deal and fading fears of a no Brexit deal. Global growth for the year 2020 and 2021 has thereby been projected to improve to 3.3% and 3.4% respectively.

Pakistan's economy found itself struggling against another economic quagmire as the legacy of yesteryear's policies, including incurrence of large fiscal deficits, accommodative monetary stance and an overvalued exchange rate had fueled consumption led growth, which steadily eroded macroeconomic buffers resulting in increased external and public debt.

The incumbent government persistently adopted a three-pronged strategy encompassing currency devaluation, monetary tightening and trade protectionism to curtail the burgeoning twin deficits and avert an imminent Balance of Payment (BoP) crisis. In line with the aforementioned macro stabilization measures, Pakistan's GDP growth moderated to 3.3% in FY 2018-19.

Industrial activity contracted with sector growth falling to 1.4% in FY 2018-19 against target of 7.6%, compared to 4.9% achieved in the FY 2017-18. Large Scale Manufacturing (LSM) witnessed a broad-based decline of 5.9% during the period of July 2019 to November 2019 as compared to the corresponding period; domestic oriented industries such as automobile, petroleum and construction allied firms have particularly suffered adversely.

Water shortages and weather-related concerns in tandem with higher cost of major inputs had dented agriculture outcome, resulting in lower than projected growth in the Agriculture sector. The decelerating trend in both of these sectors led to moderation in the services sector growth as well, which fell to 4.7% in FY 2018-19 compared to 6.2% achieved in FY 2017-18.

On the external front, Balance of Payment position has improved considerably as current account (CA) balance moved progressively along the

adjustment path. Deficit contracted by 62% during the year 2019 on the back of favorable trends in trade balance and worker remittances growth.

Unfolding impact of aforementioned macro stabilization measures and an imminent economic slowdown, import demand contracted, with total bill shrinking by 17.5% for the year 2019 as compared to the corresponding year. In case of exports, lower unit values dominated; partially offsetting the impact of volumetric rise achieved in a number of major export products and thereby stagnating growth to keep exports at the previous year's level of US\$ 30,000 million.

Workers' Remittances posted a growth of 5.3% to reach US\$ 22,204 million, in 2019, compared to US\$ 21,079 million posted in 2018. The impetuous was provided by the persistent uptick in inflows from US, UK, Malaysia and Saudi Arabia which has assisted in offsetting remittances decline from UAE due to general economic slowdown.

Barring impact of one-off inflows into the telecom sector, in lieu of license renewal fee, net foreign Direct Investment had witnessed a sharp decline of 6% and stood at US\$ 2,211 million in 2019; reflecting completion of first phase of China Pakistan Economic Corridor (CPEC) related projects and weakening business confidence. However, cognizant of these issues, policy measures and initiatives taken by the Government to create a business-friendly environment, progress on Financial Action Task Force's action plan through legislative updates and enhanced inter-agency cooperation, waning political uncertainty, elevating confidence level about sustainability of market-based exchange rate system and comfort provided by initiation of IMF's Extended Fund Facility program have started yielding results; the country's position has improved 28 notches as per latest "Ease of Doing Business" report released by the World Bank.

The positive sentiment also depicting in the performance of KSE 100 index during latter half of the year; which had rebounded from its lowest level of 28,765 points in August 2019 and gained a total of 11,970 points to close the year at a high level of 40,735 points.

The improvement in CA along with sufficient availability of external financing had led to building of reserve buffers; Rupee has thereby appreciated by 5.2% since June 2019 to close the year at a parity of Rs. 154.55 against the US\$, while gross foreign exchange reserves have reached US\$ 18,081 million, which depicts its highest month end level achieved during the last 2 years.

Long standing structural frailties, subsiding economic growth and sustained financial account pressures

amidst higher debt servicing costs continued to hamper fiscal consolidation. However, results of various initiatives, broad-based taxation reforms, public facilitation and confidence building measures have helped to improve revenue growth and resource mobilization, with collections during first half of FY 2019-20 increasing by 18.4% compared to the corresponding period of 2018; the growth driven primarily by domestic tax collection with 21%, 34% and 26% increase witnessed in income tax, sales tax and federal excise duty collection respectively.

Banking Sector Performance:

Banking sector witnessed multifarious challenges emanating from domestic macro-economic bottlenecks and digital transformation in sync with the global trend; changing business models, increasing regulatory compliance requirements, looming cyber security threats, asset liability repricing lag and rising risk of credit losses.

Nonetheless, during the year under review the sector has maintained its growth trajectory, as net interest spread expansion gained traction on the back of stabilizing interest rates.

Headline Return on Equity for the banking sector during the period ended September 2019 stood at 12.3%, higher than 11.5% for the corresponding period of 2018 in spite of hefty one offs and market related factors such as prior years super tax imposition, deposit insurance cost levy, regulatory non-compliance penalties, loan losses and equity related impairment charges putting a drag on the earnings; barring which the increase would have been more pronounced.

Rise in Minimum Saving Rate (MSR), PKR depreciation and increased inflows under Government amnesty scheme facilitated a growth of 10% for Industry deposits during 2019 compared to 8% growth achieved in 2018. Deposits, hence closed at Rs. 14,575 billion as at end December 2019, compared to Rs. 13,303 billion in December 2018.

The growth trajectory remained hampered by growing currency in circulation (CIC) due to informal economy and prevailing income tax regime; currency to deposit ratio had increased to 37% in December 2019 as against 34% posted in December 2018, while M2 posted a growth of 11.2% in 2019 compared to 10.2% in 2018; The burgeoning informal economy is also impacting the growth of low-cost private sector deposits which has fallen compared to the growth in expensive public sector deposits; increasing by 5% as compared to 15% growth witnessed in public sector deposits during 2019.

Imminent from macroeconomic slowdown, multi-year high interest

CEO'S REVIEW

rates, rising risks to credit quality, declining public sector spending and increased Govt. borrowing, industry advances growth dampened to mere 4% during 2019 as compared to 21.4% growth registered in 2018; with almost all segments witnessing a slowdown as Banks stayed shy of lending to structurally weaker institutions. Industry infection and Coverage ratio deteriorated to 8.2% and 84.4% as at September 2019 against 7.5% and 87.8% in December 2018 respectively.

Amidst weakening credit demand, banks channeled incremental liquidity towards government backed avenues. Investment in Government securities rose to 44% of total assets as at end December 2019 compared to 41% at end December 2018. Resultantly, sector investments stood at Rs. 8,767 billion as at end December 2019, compared to Rs.7,545 billion at end December 2018; posting a YoY increase of 16%.

Business Performance:

During the year under review, Your Bank maintained its steady growth trajectory despite aforementioned challenging macroeconomic and operating scenario; elucidated by the long-term strategic direction set by the Board of Directors.

Your Bank continued to purposefully and diligently work towards improving all aspects of banking operations, enhancing customer offerings, enriching technology platforms and developing Bank's human capital for gearing up towards the e-banking transition; resultantly, driving stable profitability along with robust growth in financial position and sustainable value created for stakeholders.

Another year of sustainable business performance has translated into a growth of 10% in total Assets footing, which stood at Rs. 1,481,121 million as at December 31, 2019, while the equity base stood at level of Rs. 115,351 million; recording an increase of 7%.

Subdued economic activity, on the back of trend reversal in expansionary cycle of various industries and higher borrowing costs weighed in on the credit offtake; creating a dearth of quality lending avenues in the market and concurrently alleviating systematic risks posed to asset quality.

However, Your Bank remaining fully cognizant of the paradigm shift in the evolving economic and banking sector dynamics, regularly upgraded its multi-dimensional and comprehensive Risk Management (RM) framework, which comprises of robust risk assessment models, effective pre-disbursement evaluation tools and an array of post-disbursement monitoring systems to sustain focus on lending practices while maintaining superior asset quality.

The aforementioned RM platform, in addition to facilitating an overall growth of 11% in advances portfolio during the year, also remained the underlying driving force behind Your Bank's low infection ratio and high coverage ratio of 3.2% and 95.6% respectively. Proactive monitoring and recovery effort's contributed towards net provision reversal of Rs. 394 million against Non-Performing Loans, which declined to Rs.15,152 million from Rs.15,549 million during the year under review.

Apart from consistent growth in Corporate advances, profitable Emerging Corporates segment posted a strong increase of 54% and laid the basis for Your Bank to cross a significant milestone of "half a trillion" in total advances as at December 31, 2019; Gross Advances thereby reaching Rs. 500,168 million.

Pro-actively managing the evolving interest rate risk, incremental resource mobilization was utilized towards shorter tenor instruments. Effective management of repricing gaps, optimization of investment portfolio duration and exploitation of interbank lending opportunities resulted in positive net interest income along-with curtailment of revaluation and opportunity losses.

Enhanced focus on customer service and delivery channels by capitalizing on a resilient technology platform of Your Bank to strengthen customer base paved way for augmentation of account opening run-rates during the year. As a result, a record 750,000+ New to Bank (NTB) accounts were opened in 2019; depicting a significant growth of 15% over the corresponding year.

Special emphasis was maintained on leveraging Bank's unparalleled network of touch-points to extend outreach to underbanked and unbanked segments of the rural community through opening of Asaan Accounts; which contributed 43% to the total NTB accounts mix for the year.

Overall growth in domestic deposits remained stifled for private sector banks due to intense competition and unabated growth in undocumented economy amidst prevailing income tax regime. Nonetheless, substantial growth in customer base has facilitated Your Bank to post a Year on Year (YoY) growth of 10% in average deposits and 7% on an outstanding basis, which increased by Rs. 64,568 million to reach Rs. 1,049,043 million at the end of 2019

In a rising interest rate scenario, repricing lag between earning assets and liabilities further emphasized the need to accumulate zero and low-cost deposits. Hence, Your Bank, maintaining its strategic focus, achieved a growth of 13% in Current Deposits; which reached Rs 410,262 million as at December 31, 2019, while a CASA growth of 7% during

the year facilitated improvement in overall CASA share to 83%

Your Bank's strong Equity base grew by 7% to reach Rs. 115,351 million as at end December 2019. Tier 1 equity increased to Rs. 89,542 million and enabled Your Bank to post a Capital Adequacy ratio (CAR) well above the requirements of the State Bank of Pakistan. The standalone CAR stood at a healthy level of 22%. Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) stood at 17% as against the requirement of 6.0% and 7.5% respectively; clearly depicting a well-capitalized position of Your Bank.

Positive volumetric growth in average earning assets supplemented by duration and cost management along with gradually increasing assets and liability spreads has enabled Your Bank to post Net interest income (NII) of Rs. 41,507 million; representing a healthy growth of 29% from the comparative period.

The Bank continued to maintain focus on diversifying revenue streams with emphasis on the growth of fee-based income. Accordingly, non-mark-up income reached Rs. 10,891 million for the year with major contribution from fee-based income that registered a strong growth of 17% and stood at Rs.5,092 million as compared to Rs. 4,361 million in the corresponding year.

Capitalizing on the opportunities in interbank foreign exchange market, Your Bank posted a significant growth of 32% in income from dealing in foreign currencies, reaching at milestone figure of Rs. 2 billion as compared to Rs. 1,504 million in the corresponding year.

Forecasting imminent rise in interest rates amidst SBP's restrictive policy stance, Your Bank had realized sizeable capital gains in 2018 for duration management through divestment of its Fixed Income investments; which, thereby, witnessed a decline during the year under review. However, continued active participation in the Fixed Income securities, trading business has facilitated Your Bank in realizing capital gains of Rs. 593 million through trading. Significant progress and market coverage in this segment also translated into Your Bank's recognition as the Top Primary Dealer in the market, by State Bank of Pakistan, during the FY 2018-19.

Amidst sustained volatility in the stock market, Your Bank prudently and cautiously de-recognized its equity portfolio in a staggered manner; thereby realizing Rs. 991 million in capital gains from equity divestments.

Automation led saving initiatives and centralization of operations enabled Your Bank to restrict growth in operating expenses to 15% during 2019, despite

continued investments towards technological uplift for the “Digital Age”, regulatory compliance, footprint expansion in both conventional and e-banking channels and continuous development of the human capital.

Promulgation of Punjab Workers Welfare Fund Act 2019 (PWWF), with effect from December 13, 2019 introduced provincial levy of WWF in Punjab. Your Bank, based on the legal opinion of the Bank’s tax consultant has reversed the cumulative provision maintained there-against resulting in a net reversal of Rs. 769 million during the year.

Resultantly, Your Bank’s Profit Before Tax increased to Rs. 24,242 million for the year, compared to Rs. 21,016 million in the corresponding year depicting a growth rate of 15%.

Profit after current years’ taxation stood at Rs. 14,948 million, as against Rs. 12,881 million for the corresponding year. Super Tax, which was initially levied vide Finance Act, 2015 continued and was extended vide Finance Act 2019 which led to an incremental super tax levy for the tax year 2018 amounting to Rs. 835 million, recognized in first quarter of 2019. This led to an additional drag on the profitability of Your Bank and resultantly Your Bank’s Profit after tax amounted to Rs. 14,113 million; depicting a notable growth of 10%.

In view of the above developments, EPS of Your Bank improved to Rs.12.32 per share against an EPS of Rs.11.25 per share last year. Despite a significant additional taxation liability, Return on Equity (ROE) and Return on Assets (ROA) also stood at a robust level of 16% and 1% respectively.

E-Banking Initiatives

Pakistan banking sector dynamics are continuously evolving, with challenges emanating from rapid technological advancements along with persistently enhancing customer preferences. Digitization is at the forefront of this profound transformation and innovation in banking service offerings.

Your Bank has adopted a multipronged long-term strategy to focus on broad based digitization and transformation through adoption of cutting-edge technologies geared towards delivering customer centric user experiences, while simultaneously taking concrete steps towards circumventing related cyber security and data governance threats.

Capitalizing on its extensive technological infrastructure, including an in-house maintained “Innovation Lab”, Your Bank kept pace with the transforming e-banking landscape through upgrade of ‘myABL’ e-banking platform to the latest version of Oracle Digital Banking Experience (OBDx); designed to enable customers to seamlessly perform financial operations while offering an enhanced user friendly and device responsive interface.

The aforementioned upgrade together with the launch of card management facility on myABL platform, entailing activation, temporary block/unblock, PIN change and international card usage blocking/unblocking option, drove a significant growth of 46% in myABL registered users at the close of the year.

Business Internet Banking (BIB) module, geared towards facilitating institutional customers in conducting banking transactions, including bulk payments and trade business, continued to be well received by the market; the number of registered customers rising at the end of December 2019 registering a growth of 46%.

Your Bank continued to augment its Debit Card base during the year under review. Therefore, total debit cards in circulation increased to 1.7 million as at December 31, 2019, registering a YoY growth of 14%. The Bank’s pioneer initiative of issuing subsidized PayPak debit cards, for the low-income segment, yielded results as the volume increased by 1.5 times during the year, to close at 550,214 cards.

Moreover, to facilitate customers, who seek both international and domestic spending convenience, the Bank launched Pakistan’s first ever co-badged EMV Chip and PIN debit card powered by UnionPay International (UPI) & PayPak. The card offers not only an array of exciting features and benefits of both payment schemes but also comes with enhanced security features; enabling customers to carryout transactions at millions of acceptance points including ATMs, Point of Sale (PoS) terminals and e-commerce sites across Pakistan and around the world.

The advent of sophisticated technologies has contributed towards evolving methods of skimming attacks, with ATM fraud becoming one of the fastest growing cyber security crimes in the world. The Bank proactively devised a multi-layered safety approach to counter emerging security threats through extension of biometric verification services, undertaking re-carding activity with upgradation to chip and PIN capability, installation of anti-skimming devices and implementation of ‘Euro-Pay, Mastercard and Visa’ (EMV) compliance standards across the entire ATM network to ensure provision of maximum protection to the Bank’s customers.

Following through on its strategy to vigorously engage with the IT-Savvy and highly educated customer segment, Your Bank installed additional Interactive



CEO'S REVIEW



Teller Machines (ITMs) during the year under review. These ITM's, combining convenience of an ATM with the personal touch of banking services in a branch, engage virtual off-site tellers to assist customers in conducting financial transactions and meeting their dynamic needs, flexibly and seamlessly.

Furthermore, in order to shift over-the-counter (OTC) transactions towards digitized channels and facilitate personal banking, the Bank installed 'Point-of-Sale' (POS) machines at selective branches to facilitate accountholders in withdrawing cash, paying utility and telco bills through use of their Debit and Prepaid Cards.

The sustained concentration towards alternate delivery channels with aforementioned focus on the ATM network yielded positive results. Consequent to these initiatives, the digital service channel mix, in the overall transactions, mix improved from 54% in 2018 to 56% in 2019; thereby contributing in reducing the costlier counter transaction mix.

Bank's innovation strategy also encompasses forging strategic partnerships with leading technological platforms and partners to facilitate provision of the premier services to the customers while simultaneously playing a positive role in expanding the domestic technology ecosystem.

During the year under review, Your Bank collaborated with Avanza Premier Payment Services to revamp online transactions through payfast payment gateway; allowing customers to shop on Avanza Premier Payment Services' vast merchant base ranging from schools, billers, mutual funds and marketplaces vide their bank accounts.

Expanding strategic business alliances with ecommerce companies, large retailers, trading houses and major

eateries chains for its debit card holders; Your Bank partnered with Golootlo to offer wide array of discounts via MyABL Digital Banking App and UPI- PayPak co-badged Debit Cards. As a result, debit card spent increased by 29% and debit card transactions elevated by 24% on YoY basis.

Green Banking and environment protection

In compliance with the Green Banking Guidelines issued by the State Bank of Pakistan, Your Bank has established a dedicated Green Banking Office (GBO) to promote environmentally friendly practices. In this regard, Your Bank has formulated & implemented a Green Banking Policy to reinforce its commitment for environmental sustainability. The objective of this policy is to reduce the vulnerability of the Bank from the Environmental Risks and to reduce its carbon footprint on the environment. Your Bank is one of the leading Banks in the Industry, which has successfully implemented Environment Risk Management (EnvRM) discipline to identify, assess, mitigate and monitor environmental risks arising from operations of obligor's business. Besides, Your Bank is also actively pursuing the initiative of creating a sustainable paperless environment.

Your Bank continued to invest in energy saving solutions through convergence to renewable energy sources during the year under review. Apart from operating 58 branches vide solar energy, one bank-maintained warehouse was also converted to solar.

In view of promoting a paperless environment, Your Bank continued its focus on process automation during the year whereby, an "Asset Management System" was deployed with the objective of automating approvals to create paperless environment, avoiding excessive courier costs while

simultaneously attaining operational efficiencies.

Service Excellence Measures

Your Bank sustains focus on developing effective strategies for proactively responding to various dimensions influencing quality parameters, thereby driving excellence in service offerings for effectively differentiating Your Bank from the competition while ensuring 24/7 availability of its comprehensive services suite in an omni-channel environment, combining "brick-and-mortar" banking branches with mobile and online channels.

Striving to deliver superior, customer centric services and enhancing user experiences, Your Bank developed an electronic que management system (EQMS) live dashboard for effectively measuring and monitoring the real-time cash counter performance at Top-100 branches. Enabled with an auto update feature, the dashboard provides a vibrant display of branches' performance against pre-specified quality benchmarks; in turn enabling Your Bank to take necessary and timely measures for improvement, where required.

Your Bank has persistently worked towards the project of flagship branches, under which selected top performing branches were renovated, supplemented with additional facilities, together with up to date gadgets, equipment. Furthermore, customer service at these branches was augmented by placement and training of top-tier staff and Customer Support Officers to provide enhanced service quality and user experience for our valued customers.

Governance around monitoring and measurement was strengthened with mystery shopping as well as independent customer surveys in order to align internal service measures with



customer feedback. This has resulted in tangible improvements in service levels, branch upkeep and overall high satisfaction.

During the year 2019, Allied Phone Banking introduced Outbound Call Center with the purpose of connecting with our existing and potential customers in order to widen our customer base by lead generation and offering competitive bank's products.

Allied Phone Banking is working 24/7 to serve its customers and provide First Call Resolution (FCR). The organization-wide focus on visibility of customer complaints and quick complaint resolution has also improved the customer satisfaction.

The Fair Treatment to Customers (FTC) committee worked on various cross-functional initiatives to improve Conduct Assessment Framework (CAF) as per the SBP's guidelines. They were able to achieve an improvement in the Bank's CAF rating.

Risk Management, Compliance and Controls

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 Your Bank while achieving maximum shareholders value.

Although digitalization of the banking sector has brought in benefits of lower transaction costs, improved agility, increased flexibility, low latency and enhanced virtualization, it has also led to the evolution of emerging IT and cyber security risks. Staying ahead of the curve on these rising vulnerabilities, Your Bank

conducted various security assessment exercises including vulnerability assessments, penetration testings' and technical risk assessments together with compromise assessment activity as mandated by SBP. PCI DSS Certification was also achieved during the year under review; depicting a major security milestone along with compliance to swift customer security program being mandated by Swift International.

Assets Liability Management (ALM) & Liquidity Risk Management (LRM) modules of Oracle Financial Services Analytical Application (OFSA) for Enterprise Risk Management (ERM) have been successfully implemented to enable Your Bank to measure and meet risk-adjusted performance objectives, lower compliance and regulation costs and improve customer insights while cultivating a risk management culture across the bank.

Persisting in its endeavor to ensure optimum management of compliance risks; arising out of an evolving landscape and promulgation of new laws and standards, Your Bank places intense emphasis on adopting alert-based technology enabled solutions to optimize compliance functionality. During the year under review, Your Bank completed implementation of C-link, creation of additional private lists in C-link and its integration with core banking to conduct name screening against an enriched proscribed database with real time updates. The Bank wide implementation of this screening tool along with integrated mechanism at Bank's centralized account opening significantly enhanced effectiveness and efficiency of AML/ KYC related controls and enabled effective screening of Politically Exposed Persons and other High-risk entities with enhanced due diligence.

Your Bank took discrete measures to combat compliance requirement's

emanating from country's inclusion in grey list by FATF through timely upgradation of Financial Crime and Compliance Management (FCCM) software for improved transaction monitoring with structured workflow. Combating financing terrorism (CFT) desk has also been established in accordance with SBP AML/CFT Guidelines on Risk Based Approach (RBA).

The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and Monitoring. The system has enabled Your Bank towards effective management of Credit Risk, also reflected by one of the lowest infection ratios in the industry. During the year, the management has undertaken initiative for major upgrade in the system providing additional tools and information for the risk appraiser and monitoring teams.

Your Bank aims to continue the pace of initiatives in 2020 with further augmentation of bank-maintained warehouses for pledge financing and enhancements in robust risk management systems, through significant investments in technology and human resource development to maintain an effective risk management framework. Meanwhile, emphasis on further strengthening the Bank's Information Security Posture shall continue.

Customer Awareness Sessions

In continuance of Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management & strategies; interactive seminars for corporate, commercial & SME obligors on the topic "Transition from Family Owned Business Structure to Corporate Structure" were

CEO'S REVIEW



organized during 2019.

Information Technology

Keeping track with fast-paced, vigorous and virtually competitive market scenario, Your Bank continuously focusing on strengthening IT Infrastructure including systems, Networks, Applications and Data Centers according to the expectations of its customers supported by Big Data, Artificial Intelligence (AI) and Robotic Process Automation (RPA).

Existing Information Technology Systems are timely upgraded and new hardware/software solutions promptly acquired to prevent systems failure and obsolescence while simultaneously laying the foundation for supporting risk management initiatives, strengthen compliance culture and improve data analytics to drive business growth and achieve operational efficiencies.

Business continuity and disaster recovery remained a high priority to ensure availability of round the clock service. Following the practice of conducting annual mock exercise to monitor the security and robustness of the Disaster Recover (DR) site, Your Bank has successfully shifted and ran the critical business applications from Bank's DR Site for 1 week over 80 services/applications in one go to ensure banking systems availability for its customers in bare minimum time.

Investments in Human Capital

Role of Human Resource in digital transformation is twofold, it is not only responsible for its own transformation using automation but also involves empowering employees with a digital mindset to improve workforce processes and enhance productivity.

Human Capital management premised

on digitalizing Bank's operations through exploiting common access to technological solutions has led Your Bank to complete implementation of "Phase One" of Oracle based Human Resource Management System; thereby enabling automatic calibration of Human Resource functions and processes including benefits administration, payroll, recruiting, training, performance analysis and review into one package.

With the aim of creating a performance driven culture, the Bank empowered its employees by providing them with the means to perform to their fullest potential. Resultantly, Your Bank launched Allied Onboarding Journey (AOJ). Fully customized automated online program designed for newly hired employees, across all functions of the Bank. AOJ program provides a comprehensive onboarding journey mapped up to 12 weeks covering orientation about the Bank, inculcation of code of ethics, function/role specific regulatory requirements, digital transformation and desired culture fit behaviors.

Being a value driven organization, Your Bank believes in the concept of "best fit" and has undertaken various initiatives for employees' capacity building through its extensive training and development program. The human capital management strategically aimed at strengthening Your Bank's competitive advantage by enhancing skills and knowledge base of its employees coupled with professional & leadership development. The training and development activities for the year 2019 revolved around technological agility, productivity, ethics & compliance, design thinking, customer excellence and personal effectiveness. Your Bank achieved 96% employee coverage by imparting 1,396 trainings to 10,844 number of staff with 7.6 training man days per employee.

Organizational structure of Bank's functions was revamped, making them robust, smart and transformation enabler while augmenting functional role and achieving optimal alignment with operational activities of each group. Further, performance management matrix was redefined and scope of Key Performance Indicators (KPIs) was enhanced during the year. The revised matrix aimed at enhancing performance in ever changing industry dynamics, achieving customer satisfaction, service excellence and regulatory compliance, while rewarding performers. It simultaneously introduces paradigm shift and divert branch focus towards digital transactions.

Human Resource policy was reviewed, in view of State Bank of Pakistan's guidelines, to align annual performance appraisal scores with underlying risk adjustments in line with best international practices. Remuneration structure relating to Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) across the Bank was defined and implemented under revised Human Resource policy.

Your Bank encourages gender diversity and multi-cultural workforce, providing equal employment opportunities to female candidates across the Bank which has resulted in female ratio of 17.44% at end of the year 2019.

Outreach Expansion

In line with the SBP's objective of expanding Financial Inclusion, Your Bank has taken concrete measures through augmentation of e-banking and conventional banking services all across Pakistan. During the year under review, outreach was expanded to 1,395 branches including 1,278 conventional and 117 Islamic banking branches; thereby improving district-wide coverage of Your Bank's branch network to

128 districts across Pakistan at end December 2019. With the addition of 14 new rural branches, the total rural network expanded to 282 branches geared towards serving the un-banked and under-banked population of the country. Simultaneously 36 new urban branches were added, which aggregated to 1,113 branches at end December 2019.

Islamic network was further augmented with 50 windows added to the network at viable conventional banking branches; thereby bringing the total number of Islamic banking windows to 60 at end December 2019 and enabling Your Bank's Islamic Banking arm to further expand its low costs deposit base in this niche market, without investing in new physical branches.

ATM network increased to 1,515, inclusive of 1,186 on-site, 328 off-site ATMs and 1 Mobile ATM during the year. Your Bank also successfully maintained its ATM uptime at 97% during the year, well above the industry average.

Rewards and Accolades

Resilient risk management, high focus on compliance with domestic and international applicable regulatory requirements and high standards of corporate governance; Your Bank achieved tremendous success in 2019 which also translated into various awards and recognitions by prestigious institutions;

1. Best Bank of the Year – Large Banks by CFA.
2. Best Primary Dealer by State Bank of Pakistan.
3. Best Place to work in Financial Services – Pakistan Society of Human Resource Management
4. Top issuer of PayPak debit Cards by 1-Link.
5. Certificate of Merit Corporate Governance Disclosure by South Asian Federation of Accountants.
6. Certificate of Excellence 2019 by Management Association of Pakistan.
7. 2nd Position in Best Corporate Report 2018 by Institute of Chartered Accountants of Pakistan and Institute of Cost & Management Accountants of Pakistan.
8. Utility Deal of the Year from Triple-A Asia Infrastructure Awards 2019.
9. Most Innovative Islamic Bank Window by International Finance Awards 2018.

ABL Asset Management Company Limited

Allied Bank Limited wholly owned subsidiary, ABL Asset Management Company Limited (AMC) is a public unlisted company, incorporated in Pakistan as a limited liability company. ABL AMC has obtained licenses

from the Securities and Exchange Commission of Pakistan (SECP) to carry on Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005.

ABL AMC offers a portfolio of 15 products including investment solutions, mutual funds and investment advisory services to cater to specific investment needs of a wide array of customers.

ABL AMC's financial position at year end remained healthy and closed at Rs.2.8 billion, 22% higher on a YoY basis. Assets under management (AUM) increased by 25%, despite deteriorating key economic indicators, to close the year at Rs.55 billion; representing a market share of 7.8% and improving AMC's market position to 5th within the private fund category. The Special Managed Assets (SMA) hiked by 200% to close the year at Rs.5.9 billion.

VIS Credit Rating Company Limited (VIS) has reaffirmed the Management Quality Rating (MQR) of ABL AMC at 'AM2++' (AM-Two-Double Plus). The medium to long term rating of 'AM2++' exhibits very good management characteristics. Outlook on the assigned rating is 'Stable'.

The assigned rating derives strength from ABL AMC's strong sponsor profile, adequate control functions, one of the highest equities in the industry, continuous investment in technology and balanced board composition. Rating also takes into account, company's sound governance framework as reflected by professional management team, satisfactory board oversight along the adequate risk management and control framework.

Entity Ratings

Your Bank's sustainable and robust financial position, capable of absorbing economic cycles, one-off shocks and proficient enough to deliver stable results culminated into Pakistan Credit Rating Agency Limited (PACRA) maintaining the highest long term and short-term entity credit ratings of AAA (Triple A) and A1+ (A One Plus) respectively; reflecting very high credit quality of the organization.

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. 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, 2019, requirements.

International Rating

Moody's Investor Service maintained Your Bank's deposit rating at B3 during 2019, with outlook upgraded to stable, aligned with the stable outlook on the sovereign rating; indicating stable deposit – based funding profile, high liquidity buffer and good earnings generating capacity

Future Outlook

Country's GDP growth is projected to remain strangled in the short term with current growth projection of 3.5%, by the State Bank of Pakistan, for the FY 2019-20, expected to be revised even further downwards owing to sustaining downside risks in the form of supply shocks, hike in industry input prices and fiscal constraints regarding budgeted public spending.

Agriculture sector's performance continues to be impacted by persisting structural shortcomings and is expected to remain below par primarily on account of adverse supply side disruptions to cotton production; while other major kharif crops are expected to grow in line with the revised targets.

Contraction in Large Scale Manufacturing (LSM) is expected to persist in inward oriented industries, which continue to bear the brunt of rising input prices amidst sustained inflationary pressures and demand dampening regulatory measures, high cost of borrowings and declining real incomes, while export oriented and import competing industries are likely to witness a gradual recovery amidst impact realization of export incentives and trade protectionist measures.

The near-term outlook for services sector performance, inextricably linked to the commodity producing sectors, hence will remain affected by the aforementioned impediments to agriculture and industrial sector growth.

On the external front, marked contraction in imports bill has been the primary reason for a narrowing trade deficit balance while the exports have witnessed a muted growth. However, recent uplift in market sentiment on the back of an improving "ease of doing business" metric shall support corporatization drive, while a reducing Real Effective Exchange Rate (REER),

CEO'S REVIEW

signaling towards a stable USD / PKR parity, and impact realization of Governments adopted measures in incentivizing credit schemes for export oriented manufacturing entities shall improve market competitiveness while paving the way for a favorable outlook for exports growth.

Improving external position together with recent uptick in foreign capital inflows in the form of portfolio investments and bilateral agreements, on the back of an IMF program bode well for the country's FX position; IMF also terming external debt repayment ability as adequate in its latest review. However, downside risks emerging from slippages in twin deficits would continue to exert strain on country's gross financing needs thereby keeping FX position in check.

Federal Board of Revenue (FBR) posted an impressive Year on Year (YoY) growth of 18.4% in tax collection during the first half of FY 2019-20; however, the collection still fell short of the indicative target set by IMF by PKR 118 billion. Hence, it is of paramount importance that the Government of Pakistan's persists with its renewed resolve for improving documentation of economic activities while concurrently undertaking structural reforms in the taxation department, encompassing utilization of technological upgrades, for streamlining tax collection, reducing cost of compliance and creating the necessary fiscal space.

Going forward, it remains imperative that while capitalizing on improving Balance Of Payment dynamics, recovering FX reserves, falling external vulnerability risks as re-affirmed from Moody's upgrade of country's outlook from negative to stable and recent uplift in business confidence, the Government instills a sense of policy stability and follows through on envisaged structural and governance reforms to improve fiscal discipline and promotes FX earnings vide exports and Foreign Direct Investment; in turn laying the foundation for credibly reversing the trend of tightening macroeconomic adjustments and thereby stimulating economic growth.

As macro indicators begin to show improvement and key economic fundamentals driving SBP's tightening monetary policy stance, including inflation projections, achieve parity with expectations, SBP is likely to begin monetary policy transmission towards an adoptive stance, albeit in a gradual manner, while simultaneously anchoring markets inflation expectations.

Banking sector outlook is linked with these evolving macro-economic developments and emerging challenges. Despite the rate hike; resultant credit costs, expansion in currency in circulation, rising compliance costs amidst tougher regulatory environment

without considering ecosystem, 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 would continue to focus on operational excellence vide deployment and upgrading of technological tools and automated processes within the Bank. Targeted implementation of Business Process Management, Warehouse Management System, and Customer Relationship Management system are expected to optimize, automate and streamline business processes and enhance profitability in the long run.

Enhanced focus shall continue to tap into opportunities in the captive business available with Your Bank's vast corporate obligors base and by focusing on emerging corporate segment. Quality growth in priority sectors including SME would remain under focus, by expanding bank-maintained warehouse initiative, launching of shariah compliant business finance product and initiating SME financing activity under karandaz's cash-flow based lending project.

With gradual transition from a closed environment towards more open ended and agile platforms, information security shall remain a significant operational risk for financial institutions. Your Bank intends to implement network visibility and security analytics solution together with End point detection, response EDR and Trade Based money laundering solution in order to promptly detect and mitigate these emerging threats.

Planned implementation of "Integration Framework Studio" will offer a graphical development environment enabling "Wizard Based Development Technique" and "Web Services", while the intended implementation of Agile framework "AA Architecture" shall facilitate in developing new products with high degree of reusability and customization.

E-banking services suite enrichment shall persist with the launch of Open Banking Application Programming Interface Portal. This portal will help adopt an "Open Banking" approach to incubate value added services and features for online community together with benefiting corporate clients of Your Bank in having real time access to their financial information for better decision making and funds management by integrating their internal systems.

Your Bank continues to focus on enhancing e-banking proposition for attracting and retaining the technically proficient "millennial" customer segment. Hence, Your Bank intends to achieve commercial launch of branchless banking services together with further augmentation of e-banking network to include greater digital touch points, introduce ABL AMC booking and

redemption facility through Your Bank's e-banking platforms and drive digital transformation by implementing tech savvy procedures to improve services.

Additional headways into the branchless banking endeavor through planned launch of Home Remittance facility on myABL Wallet, within the ambit of "Branchless Banking Regulations" of the State Bank of Pakistan (SBP), shall keep Your Bank well positioned to take benefit of opportunities for generating fee-based income avenues while concurrently facilitating swift and cost-effective inflow of home remittances and improving financial inclusion through enhanced usage of e-banking platforms.

Emergence of new enabling technologies is transforming retail payment systems and allowing public to pay and receive money in real time. Your Bank maintaining its industry status of pioneering technological initiatives, intends to achieve commercial launch of Micro Payment Gateway; thereby simplifying the payment mechanism and offering swift retail payments with advanced Application Programming Interfaces (APIs) and directory services to the public.

Contributing to the SBP's objective of improving new customers accessibility for account opening, driving usage of digital financial services through increased number of account-to-account transactions across various networks and providing digital access to a range of quality financial services; Your Banks Asaan Mobile Account (AMA) scheme shall provide an integrated platform for swiftly and seamlessly opening a digital transaction account, via mobile phone, through a unified unstructured supplementary service data (USSD) code from anywhere at any time.

Your Bank intends to apply internet and big data technologies to drive its business transformation and development; in turn laying the basis for launch of "Payday Initiative" for self-service personal loans. This innovation will offer customers to select and apply instant personal loans through Your Bank's mobile banking application in just few taps; thereby providing customer convenience through ease of access, minimum documentation, user friendly online portal and instant approvals while concurrently enabling exploitation of credit expansion opportunities by Your Bank.

Your Bank seeks to build long-term business partnerships to strengthen banking relationships with financially capable enterprises proposing competitive solutions that contribute towards achievement of Bank's corporate objectives. A Memorandum of Understanding (MOU) was signed with Pakistan's largest online real estate portal Zameen.com, which shall enable Allied home financing offering to be



made live on Zameen.com portal along with placement of loan calculator on the respective website.

In an effort to promote e-payments Your Bank has signed a strategic agreement with National Institutional Facilitation Technologies (NIFT) to enable e-commerce through NIFT platform under the brand name “NIFT ePay”.

Mobile Banking Unit (MBU) pilot, which contains an ATM within and offers banking services of cash collection and cash payment while also operating as an ATM on wheels, continued to be well received and is being expanded to additional two major cities. Similarly, response to the launch of Pakistan’s first ever Automated Robotic Digital Lockers that can be operated on a 24/7 basis via self-service kiosks at the convenience of the valued customers has been encouraging and Your Bank plans to gradually expand this facility in other high-end niche markets.

Your Bank’s robust compliance framework has evolved to embrace legal and regulatory requirements as well as emerging industry best practices and is founded on the highest standards of corporate conduct and ethics. Persisting strategic focus is to automate documentation, review processes and use key Risk Indicators (KRIs) to identify, assess and monitor compliance risk. Your Bank continues to pursue identification and evaluation of artificial intelligence-based solution for enterprise wide compliance, transaction monitoring and sanction screening together with development of live risk matrix for managing bank wide Anti-Money Laundering (AML) and Combating the Financing of terrorism CFT risk.

The ongoing transformation agenda of Your Bank involves focusing on automated, technologically driven processes in order to improve efficiencies and enhance transparency. As a result, planned implementation of Audit Management system (eAudit), shall enable Your Bank to attain

a holistic, centralized, integrated, efficient, paperless and automated audit environment. The system shall be further evaluated with a view of automating the follow-up procedure of Board and Board Committee’s decisions with necessary enhancements to drive additional operational efficiencies.

In order to ensure swift and flexible monitoring of ATMs, mobile application (app) would be developed. While premised on taking a strategic, organized and systematic approach to employee training and development that aligns individual growth with business goals, launch of app driven learning facility shall further augment Your Bank’s employee learning platform.

Implementation of IFRS-9 shall result in development of a comprehensive forward-looking approach for incorporation of loss provision. However, its successful implementation in Pakistan shall remain largely dependent on alignment of existing laws and regulations, maturity of supporting software solutions and development of required skill set of human capital. Internally, Your Bank remains committed to work in a coordinated manner through its committee forum towards ensuring Bank’s preparedness for smooth implementation.

Your Bank administers its business subject to ongoing regulations and associated legal and compliance risks. As per provisions of PSX notice no PSX/N-92 dated January 28th, 2019, Your Bank successfully conducted Corporate Briefing Session during the year under review to enlighten shareholders and analysts with Bank’s strategic, operational and financial developments. Your Bank continues to meticulously evaluate and adopt requirements of Revised Listed Companies (Code of Corporate Governance) Regulations 2019 and E-Commerce Policy Framework 2019.

After marked success in the conventional banking business, Your Bank aims

to replicate success in the growing niche market for Islamic Banking. Digitalization would continue to be key driver for facilitating Islamic Banking Group in graduating to the emerging technological advancement era; thereby enabling improved service offering with a complete range of customer centric Shariah compliant services.

Acknowledgement

I would like to express my deepest appreciation to the Board of Directors for their round the clock leadership and guidance. I would also like to acknowledge that the skills, experience and commitment of our team members are the key to realizing our vision. Special praise is due towards our much-valued customers for placing their continuous faith in our products and services. Furthermore, I would extend my sincere appreciation to the State Bank of Pakistan, Securities and exchange commission and other regulatory bodies for their direction and ceaseless support.

Tahir Hassan Qureshi
Chief Executive Officer

Dated: February 07, 2020

GROUP REVIEWS

Corporate & Investment Banking

Corporate and Investment Banking Group (CIBG) continued to capitalize its strong position as one of the leading wholesale banking services provider in the industry. CIBG's strength lies in unmatched ability to understand business relationships and competency to provide structured financial solutions while ensuring comprehensive relationship coverage and consistent level of service excellence. CIBG offers a broad array of products and services covering all types of funding and trade facilities, cash management, remittance business and customized investment banking solutions.

CIBG also maintains a well-diversified capital markets portfolio with exposure in high quality stocks having a steady and resilient dividend stream.

Additionally, CIBG manages Your Bank's relationships with both overseas and local Financial Institutions and is also responsible for the overseas operations in Bahrain, Dubai and China. Furthermore, CIBG consistently synergizes with other business groups for maximizing cross sell opportunities.

Amidst macro-economic challenges, CIBG continued to deliver on its business objectives in line with the Bank's overall strategy of quality lending. Core business drivers remained; deepening of relationships with top tier corporates, expanding client base, enhancing relationship coverage and increased focus on non-funded and ancillary business income.

Corporate Banking (CB) aims to work on the basis of long term relationship with the primary objective of meeting all business requirements of our corporate and institutional customers while offering tailored and cost effective credit solutions with highly personalized services. During 2019, Corporate Banking's performing loan portfolio increased by Rs.39 billion or 10% as against December 2018. Simultaneously, momentum towards augmenting CIBG's trade finance portfolio was also maintained to maximize earnings for the Bank.

Emerging Corporate (EC) division within CIBG has remained focused on its core objective of providing value added financing solutions and advisory services to mid-tier clientele including growing commercial entities; while simultaneously enlightening them with better corporate practices. During the year, EC has remained instrumental



in increasing Bank's penetration into this segment and added several new bankable relationships to supplement Bank's overall portfolio growth and business generation. EC portfolio grew by impressive 55% during the year.

Investment Banking (IB) offers a wide range of investment banking services and solutions to corporate clients partnering to achieve their growth and strategic objectives. ABL's Investment Banking is building business on the back of strong corporate relationships; in-depth understanding of structured finance and local regulations; and rich past experience.

The Debt Syndication and Advisory Unit's forte is executing big ticket debt arrangement transactions 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 for Greenfield / Brownfield Investment Projects with appropriate risk management. The team also arranges funding on a syndicated basis for these Projects. During 2019, Investment Banking advised and financed multiple transactions covering diverse sectors including power generation and distribution, steel and telecommunication.

Investment Banking's pre-eminence in the local banking environment can be gauged from the numerous local and international awards received over the past years. During the outgoing year, ABL won the award for "Utility Deal of the Year - Highly Commended" from The Asset Triple A Asia Infrastructure Awards 2019.

The Capital Markets division, operated by highly experienced equity investment specialists, manages a well-diversified equity portfolio with enhanced focus on investment quality, diversification and stable dividend payout. Total Capital

Gain and Dividend Income amounted to Rs. 2,815 million during the year. Revaluation surplus as at December 31, 2019 registered at Rs. 9,686 million.

The Financial Institutions & International Division continued to enhance ABL's global institutional banking relationship base with leading and reputed financial institutions to support trade, treasury, and foreign exchange payments. In addition, our partnerships with various multi-lateral agencies and global banks continued to facilitate customers' growing and diversifying international banking requirements. Your Bank has more than 300 international correspondents located in 79 countries, providing global reach and acceptability.

The Bahrain branch and Dubai office remained instrumental in harnessing opportunities for business in the Gulf region. Our Representative Office in Beijing, People's Republic of China, continued to develop relationships with leading Chinese Banks to explore potential business opportunities for trade and investment flows between China and Pakistan. During the year under review, Memorandums of Understanding were signed with Bank of China and China Everbright Bank to formalize strategic partnerships with these banks and collaborate with them on RMB business, trade finance, treasury and corporate banking transactions.

Home Remittance Division (HRD), continued to enhance remittance inflows by strengthening relationships with existing correspondent partners and adding new-tie-ups globally. During 2019, new tie-up relationships were established with correspondent partners from UK, Ireland, Sweden and Japan. Contribution to income by HRD amounted to Rs. 444 million during the year.

Future Outlook

Going forward, CIBG aims to maintain its quality lending approach with primary focus on top tier and blue-chip corporate clientele, in mid-tier corporate segment, cross selling of financial institutions products while capitalizing upon established corporate relationships and exploring avenues for maximizing fee based and ancillary business income exploiting on its domestic and international network.

Treasury

Major global financial markets witnessed subdued volatility in 2019 amid sustained growth and a shift towards easing bias by G-7 central banks reflecting the underlying fragility of the global economic recovery. The easing impacts of announcement of "Phase One" of US-China Trade deal, fading fears of a no Brexit deal supplemented by lagged impact of broad-based accommodative monetary policy paved the way towards acceleration in global growth rates.

Federal Reserve acknowledged policy error of 2018 target rate hike, along with its spillover effect on world economy, resulting in series of rate cuts that brought the policy rate down to 1.75% from 2.5%. This, along with assurance of policy accommodation by other major central banks, provided much needed relief and dispelled the fears of another crisis similar to the one faced by Asian countries in 1997.

Pakistan economy faced significant headwinds for most part of 2019, mainly due to the twin deficits experienced in past years resulting in stagflation as the GDP growth slowed to under 4% while inflation touched double digits. In order to counter these pressures, SBP increased policy interest rate by 325bps and shifted towards market determined exchange rate system. These measures came in tandem with a new IMF program and with commitments to foster policies directed towards economic stabilization and sustainable economic growth. Towards the end of 2019, the economy began to show signs of stabilization, with improved outlook as acknowledged by international institutions resulting in improved credit ratings and resumption of foreign flows, however, the risks remain elevated.

Anticipating the impact of elevated twin deficits on interest rates and USD-PKR parity, ABL divested most of its long term bond portfolio and reduced the maturity profile of assets to benefit from upward movement of the yield curve.

This positioned ABL in an advantageous position to benefit from the upward movement of the yield curve. On the FX side ABL treasury's performance was noteworthy as timely position taking supplemented with excellent client servicing resulted in contribution of Rs. 2 billion to the bank's bottom line.

SBP's award of "Best Primary Dealer" status to Your Bank boasts for the Treasury Group's remarkable contribution towards development of Country's primary and secondary fixed income markets. ABL's FX interbank desk continued to manifest its status as one of the leading market maker in the spot and FX swap market while sales desk further strengthened its share in fixed income sales segment through competitive pricing and diverse offering of sovereign fixed income and money market opportunities.

Future Outlook

Going forward, in 2020 global economy is likely to continue its consolidation phase as challenges to maintain the pace of global growth remain high with Middle East and US-China trade tensions posing a potential risk. On the domestic front, inflation is expected to ease off in later half of the year before touching a multi-year high, owing to factors like rupee appreciation and ongoing fiscal consolidation. Although the stabilization measures have started bearing fruit, however cautious approach still seems appropriate for the economic managers to safeguard the nascent recovery. Treasury will continue to closely monitor the changing economic landscape particularly the change in direction and the pace of change in the economic indicators that will determine the portfolio strategy.

Commercial and Retail Banking

Commercial & Retail Banking Group (CRBG) has capitalized on its legacy of an enriched services suite, tailored to fulfill customers' diversified banking needs, complimented through e-channels and enhanced service quality, despite challenges emanating from the economic and operating environment. The Bank has achieved historic milestone of surpassing the deposit of 1,000 billion during 2019, complemented by impressive growth in CASA and Rack deposit mix from 82% to 83%. Resultantly increase in cost of deposit was restricted to 273 bps as against 487 bps rise in average Policy Rate. Moreover, 13% growth was witnessed in Current Account volume,

enabling 10% average deposit growth and is well positioned to exhibit further growth while remaining part of the "Trillion" Club.

Your Bank continued to expand its footprint; branch network was expanded by 50 new branches during the year to reach at 1,395 along with 10 new regions to support business expansion in new geographies. Remaining focused on boarding NTB relationships, CRBG has added 700,000 plus accounts to existing account base. In line with the objectives of National Financial Inclusion strategy of SBP, Your Bank continued to play its pivotal role. Services like Allied Youth Account and Allied Senior Citizen Account were further enriched during the year contributing towards financial inclusion of relatively un-banked, low income segments of the society and also adding to deposit base of the bank.

Being cognizant of significance of Small and Medium Enterprises in our economy, Your Bank has always supported this segment through provision of exceptional financial and non-financial services. In line with the Bank's strategic objective to create an enabling environment for SMEs; CRBG has continued its practice to arrange SME awareness sessions, road shows, seminars to engage various stakeholders and disseminate product knowledge of SBP schemes to SMEs. During the year multiple nationwide awareness seminars were conducted and attended by numerous representatives from SMEs, trade associations and business community. Moreover, in order to support women entrepreneurs and introduce financial and non-financial advisory services of Your Bank, CRBG held sessions with Women Chamber of Commerce and Industry in Faisalabad and Lahore.

Taking further the partnership with Karandaaz Pakistan (Non-Profit Organization funded by the Bill & Melinda Gates Foundation for Innovation Challenge Fund "Transforming SME Financing - Innovative Credit Scoring of SMEs"), Your Bank has successfully developed an innovative credit scoring model and has planned disbursement to the selected segment during 2020 which will not only support SMEs by augmenting their access to finance but will also add towards gradual quality asset growth of Your Bank, while remaining cognizant of enabling environment.

CRBG also continued to expand its novel initiative of financing through ABL

GROUP REVIEWS



Warehouses. This product supports various classes of obligors to avail financing on relaxed collateral securities and other terms.

CRBG continued with unique corporate social responsibility initiative of imparting financial literacy to our SME obligors through free of cost implementation of Enterprise Resource Planning (ERP) software. During the year ERP was successfully implemented at two SME obligors. CRBG is ambitious to remain instrumental in financial literacy, including implementation of ERP systems, of SMEs contributing towards the societies in which it operates.

CRBG adopts a realistic approach towards consumer portfolio and in addition to building relationships with new obligors, focuses on strengthening relationships with existing customers by offering cross sell consumer finance services. During the year, CRBG expanded its consumer finance services suite through launch of “Allied Home Finance”, a mortgage financing product, with unique embedded feature of Life Insurance of the obligor, which is currently not being offered by peer banks. The product also caters for low cost housing needs.

Aligned with the bank’s focus to play a significant role in development of innovative financing services for deployment of clean energy technologies and providing Green Banking, CRBG has developed new service product “Allied Solar System Finance” which is ready for launch in early 2020.

CRBG has enriched its agriculture financing services suite to encourage

the farming community in adopting best mechanical and irrigation practices to improve per-acre yields. “Allied Aabyari” & “Allied Farm Mechanization”, were developed during 2019. In continuation of its initiatives towards diversification, CRBG is evaluating to collaborate with Agriculture Universities to introduce courses on the Hydroponic Greenhouse Farming techniques and planning to finance the pilot projects under CSR. Efforts to launch web based Agri Advisory Services are also underway. CRBG has been actively creating awareness among the farming community through regular Farmers Financial Literacy Programs.

In line with the Bank’s vision to digitize processes, CRBG has entered into agreement with Punjab Land Record Authority for generation of computerized land record leading to efficient services with reduced lead-time.

Future Outlook

Going forward CRBG segment of Your Bank aims to focus on transformation towards digital platform by focusing on internal and external awareness about ABL’s e-banking services, financial inclusion by increasing outreach of our service offerings, augment fee-based avenues by directing efforts on services, channels and cross sell opportunities that have the highest potential to add to the bottom-line. Optimization of the network in light of the Bank’s long term strategic plan and gradual transformation towards digital era shall be further focused upon. Furthermore, CRBG aims to maintain and further build upon the momentum through capitalizing on customer segmentation; working closely with all support functions to maximize return by

achieving business targets.

Islamic Banking

Islamic finance has emerged as an effective tool for financing development worldwide, including in the non-Muslim countries. According to The Banker, top Islamic Financial Institutions rankings show overall asset growth in the sector in 2019, with regions such as Asia booming and others, such as Africa, holding plenty of unbanked potential.

ABL IBG started its journey during 2014 and by the end of 2019, it not only achieved its breakeven but also registered annual profit of Rs. 79 million, excluding the impact of IFRS-16 the profit amounted to Rs 196 million. The total assets and deposits have registered healthy growth of 54% and 40% respectively on YoY basis, i.e. Assets increased to Rs.42,107 million from Rs.27,304 million with “Nil” Non-performing loans, and deposits increased to Rs.34,389 million from Rs.24,633 million. In order to facilitate its customers, IBG expanded outreach by opening 50 more Islamic Banking Window (IBWs) at selected conventional branches and making the count to total 60 IBWs besides its network of 117 dedicated Islamic Banking Branches.

Total Advances and Investments as at December 31, 2019 reached at Rs.25,067 million, a growth of 46%. Strengthening the product suite, IBG developed and launched segment based Shariah Compliant service products for Consumer, Agriculture, Senior Citizen and Youth segments. IBG, following the initiative of SBP, also launched refinancing facility products Islamic Long Term Financing Facility



through murabaha and Istisna modes.

Allied Aitebar Islamic Banking, in 2019, won the award of “Most Innovative Islamic Bank Window – International Finance Awards 2018” by International Finance.

Seminars were held in Gujranwala and Bahawalpur Chamber of Commerce to enhance awareness about Islamic Banking. Ulemas, Islamic sharia scholars, obligors and other participants attended the sessions. Going forward, IBG is determined to focus towards enhancing market share while providing innovative and customer centric shariah compliant services to its valued customers.

During the year, enhancing the human resource capabilities remained the focal point for the IBG, therefore In-house training sessions were conducted to provide Islamic banking training to staff along with arranging training from reputable external training institutes.

Digitalization and automation in Islamic Banking Group has remained part and parcel of the Bank's overall strategy during the year. In order to keep pace with the rapid technological advancements in the competitive banking industry; Islamic Banking Group is meeting challenges of digital era with digitalization concept and availing every opportunity for its implementation within the Group.

Future Outlook

Coping with the challenges of strong industry competition, ABL Islamic Banking commits to offer a complete range of Shariah compliant customer centric services, where dedicated hard work with clarity would enable capturing the sizable share of this growing niche segment. Customer awareness sessions would be given significant importance to promote Islamic banking and to spread savoir-faire on services being offered.

Digital Banking

Banking industry is gradually being

transformed, wherein digital disruption, consistent innovation and dynamic products from Fintechs are continuously challenging the traditional banking industry to focus on augmenting customer experience through adopting latest technologies and excellence in services on both conventional and e-banking fronts. Attracting and retaining the technically proficient “millennial” customer segment is also an emerging challenge of digital age. As a forward-thinking Bank, DBG has responded to these market disruptions by expanding in-house capabilities and also has partnered with Fintechs for new digital offerings.

DBG is maintaining strategic focus on broad based digitalization to augment the service products suite by offering personalized and innovative solutions catering to the evolving needs of different customer segments.

In the transforming digital financial landscape and with a view to provide high-end cashless solution, DBG has launched Open Banking Application Program Interface (API) portal to enable its innovation ecosystem and collaborated with the following FinTechs:

- “EasyTickets” to provide online cashless booking of movie, bus and event tickets on myABL Digital Banking platform.
- “Golootlo” to offer discounts on a wide array of products and services at 12,500+ merchants nationwide through myABL Digital Banking App and UPI-PayPak Co-Badged Debit Cards.
- “1LINK” to provide bill payment aggregation services to pay bills conveniently through 1LINK member bank's channels.
- “Avanza Premier Payment Services (APPS)” to revamp online transactions through Payfast; an APPS' payment gateway enabling the ABL customers to shop on APPS' vast ecosystem of schools, billers, mutual funds, marketplaces and other entities vide bank

accounts.

In line with the SBP's objective of building a dynamic and inclusive financial sector under National Financial Inclusion Strategy, which aims to encourage people to have a bank account and ensure its digital presence, DBG has soft launched branchless banking to augment its e-banking suite.

myABL (Personal Internet Banking) complements individual users' experience over mobile apps for Apple iOS and Google Android and works seamlessly across wide array of devices. It offers a wide array of customer features, available 24/7 on internet and mobile. The numbers of registered myABL users has increased by 46% during 2019. Keeping pace with the ever-evolving needs of business and institutional customers, exclusively designed user friendly and device responsive interface; myABL Business Internet Banking (BIB) facility enables customers to execute wide range of banking transactions online from their respective workstation. Business entities can initiate multiple transactions on BIB including specialized trade finance transactions letter of credits, guarantees and export collections, term deposit issuance and encashment and perform general banking transactions [funds transfers, bill payments, tax (FBR) payments, bankers cheque printing] and bulk payment transactions.

Self-service banking (SSB) enables the customers to cater their banking needs while interfacing with diverse range of digital touch points including tablets, interactive tables, video conferencing and digital kiosks and provides an instant paperless user experience. SSB branch network is also being expanded gradually across selected locations.

Various discount campaigns were executed during the year with leading retailers including Daraz.pk, Serene Air, Metro Cash & Carry, Zenith, MeatOne etc. to encourage card-based transactions and promote cashless economy. Resultantly phenomenal

GROUP REVIEWS



growth of 29% was witnessed in debit card spent on YoY basis.

During the year, Your Bank has centralized all its cash management services under one payment hub wherein customized batch mode processing or API based integration is offered to customers. Consequently, DBG has onboarded 37 New To Bank cash management mandates during the year from government, educational, real estate and housing sectors.

Focusing on enriched customer experience and convenience, Your Bank remained the top issuer of PayPak Debit cards and ranked as N.o 1 transaction acquirer in terms of number and volume in the industry, while continuing to expand its ATM network providing 24/7 service to the customer with a leading position of 97% uptime during the year. Your Bank continues to supplement its ATM network with the extension of biometric verification services, installation of anti-skimming devices

and re-carding activity to achieve EMV compliance to ensure multilayered security approach to guard our valued customers against emerging security threats, and simultaneously achieving Compliance of PCI DSS standards.

Innovation Lab has worked closely with the Branch Transformation team to improve the customer experience for self-service equipment including Cash & Cheque Deposit Machine (CCDM), Interactive Teller Machine (ITM), Tablets, Digital Signage machines, and Self-Service Kiosks.

Future Outlook

Keeping in view the customer needs and desire from millennials, Digital Banking Group will further strengthen the products suites. DBG aims to adapt agile approach towards product development for faster implementation. Key initiatives are planned in 2020 such as commercial launch of Branchless Banking services, launch of home

remittance facility through branchless account, commercial launch of Micro Payment Gateway, enhancement of digital branch network with more digital touch points and drive transformation in the bank by augmenting e-services.

Information Technology

Technological advancements are consistently revolutionizing the banking landscape. Machine Learning, Artificial Intelligence, Big data and Robotics are transforming the traditional brick and mortar banking model. Responding to continuously evolving trends, Your Bank has made significant advancement in serving banking needs of its diversified customer base through state of the art technological infrastructure. The Bank is converging to ensure uninterrupted 24/7 customer service, using emerging technologies and by enhancing its digital footprint so that customers are delivered all “digital and networked banking services” on the go.

The Bank has positioned its Information Technology Infrastructure including systems, networks, applications and robust data centers supported by Big Data, Artificial Intelligence (AI) and Robotic Process Automation (RPA) to ensure seamless banking services beyond the expectations of its customers.

Big Data, Machine Learning & Deep Learning are creating disruption in entire financial landscape. Your Bank has implemented Oracle Big Data Appliance, a multi-purpose engineered solution for Hadoop workloads and data processing, in partnership with IBM and has started building its Data Lake. The data being extracted from multiple source systems is uploaded into Data Lake to support data driven business decisions based on meaningful insights





and machine learning models, and in turn, improve and personalize customer experiences.

Your Bank has implemented several use-cases on Robotic Process Automation Solution for improving operational efficiency, control and cost saving. Automation of these manual processes resulted in timely availability of services to the customers and reduction in resolution turn-around time consequently task automation has improved human resource management.

Additionally, ITG has adopted effective measures to gauge network efficiency resulting in astounding-over 97% ATM uptime and related network services. Furthermore, the Bank is planning to develop cross platform Android & iOS based mobile application, to enable real-time monitoring of ATM network operational status. The application shall drive following benefits:

- Field Force Optimization and Workload Management
- Real time visibility of ATM Cash



Status

- Improved Service Level Turn Around Time

In order to ensure business continuity and availability of critical services to the customers' in case of a disaster, ITG periodically conducts mock exercise to monitor the security and robustness of the marked disaster recovery site. Like-wise In 2019, ITG has successfully performed Head Office functions from marked disaster recovery sites for a week's time. During this period ITG successfully delivered more than 80 services and applications to the customers.

Future Outlook

Looking Forward to 2020, Information Technology Group aims to focus on augmentation in Core banking solution towards implementation of agile framework for digital era, graphic development environment enabling web services and wizard-based development techniques, adoption to Big data, Artificial Intelligence and Data Governance, business process

management and enhanced network visibility and security analytics.

In addition to above commitments, enabling learning environment and continuing job enrichment shall be ensured throughout the function.

Risk Management

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

Dedicated functions of Risk Management Group 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 augment 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 2019, RMG continued to hone 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

GROUP REVIEWS



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. The financing activity under the project to targeted segment is expected to be commenced shortly. 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.

- State Bank of Pakistan (SBP) issued detailed directions on implementation of International Financial Reporting Standard-9 (IFRS-9) vide BPRD Circular No. 04, dated October 24, 2019. The effective date for implementation of IFRS-9 is January 1, 2021 and the Banks are required to conduct parallel run and make necessary preparations for its implementation during 2020. Your Bank has already submitted a detailed quantitative and qualitative impact analysis report to SBP for adoption of IFRS-9 for the year ended 31st Dec 2017.

In order to ensure smooth transition towards the compliance of SBP’s instructions for implementation of IFRS 9, Project Steering Committee of management comprising senior members of Finance, Risk, IT and Business Groups was formed and monitored by Board Risk Management Committee. The main stakeholders are working in a coordinated manner through the Committee forum towards preparedness of the Bank for smooth implementation.

We believe that implementation of IFRS -9 in Pakistan requires a comprehensive

forward -looking approach by all the stakeholders and alignment of existing laws and regulations with IFRS 9 requirements.

- RMG successfully implemented BenchMatrix Solution for Operational and Compliance Risk Management. This system has enabled Your Bank to automate various functions pertaining to Operational and Compliance risk management as per best practices.
- The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and Monitoring. The system has enabled the Bank towards effective management of Credit Risk, also reflected by one of the lowest infection ratio in the industry. During the year, the management has undertaken initiative for major upgrade in the system providing additional tools and information for the risk assessor and monitoring teams.
- The project of Oracle Financial Services Analytical Application (OFSAA) for Enterprise Risk Management was completed during the year with the implementation of Assets Liability Management (ALM) & Liquidity Risk management Modules. With the successful completion of OFSAA for Basel, Market Risk, ALM and Liquidity Risk and Benchmatrix for Operational Risk Management, the wide spectrum of Enterprise Risk now stands automated in the Bank enabling effective monitoring of the underlying risks.
- In continuance of Bank’s distinctive initiative of engaging with the obligors to provide them

with latest insight on business management & strategies; three interactive seminars for corporate, commercial & SME obligors on the topic “Transition from Family Owned Business Structure to Corporate Structure” were organized during 2019.

- Your Bank also conducted various Security assessment exercises in 2019 on Information assets of the Bank. This includes Vulnerability Assessment (VA), Penetration Testing (PT) and Technical Risk Assessment (TRA) exercises. A Compromise Assessment activity as mandated by State Bank on all e-banking channels was also conducted as part of these assessment activities. PCI DSS Certification was also achieved in 2019 as a major security milestone along with compliance to Swift Customer Security Program (CSP) as mandated by Swift International. Various Information Security campaigns were conducted which include sending SMSs and Emails to the customers to educate them on security issues.

Your Bank continued to invest in energy saving solution through convergence to renewable energy sources during the year under review. Accordingly, one bank-maintained warehouse was also converted to solar energy. Moreover, paper-based approval process for fixed asset disposal was replaced by “Asset Management System”, to avoid excessive use of paper and in turn minimize courier cost.

Future Outlook

Risk Management aims to continue the pace of major initiatives in 2020 such as effective utilization of the implemented Modules of OFSAA



and Benchmark, process design assessments and Control Testing, re-validation and calibration of Obligor Risk Rating Models by external consultant, automation of workflows in Risk Assessment and Management System, information security awareness campaigns, implementation of IFRS-9, augmentation of Bank maintained warehouses for pledge financing.

Meanwhile, emphasis on further strengthening the Bank's Information Security Posture shall continue along with investments in technology and human resource development to maintain an effective risk management framework across the Bank.

Human Resource

Human Resource Group (HRG) has continued to play pivotal role in organizational development through strategic capacity building of all functions of the Bank, it remained focused on recruiting, training and retaining quality human capital. The Bank's culture was further strengthened with forward looking positivity thus paving way for conducive work environment.

Keeping pace with evolving digital age, HRG took the role of transformation enabler and revamped the Bank's

organizational structure, encompassing all functional groups. This was aimed to transform the organization into a robust, smart and agile by augmenting functional role and achieving optimal resource utilization in each function.

In order to address the increased regulatory regime, business expansion in new geographies was supported through carving ten (10) new business regions, alongside control structure was amplified by creating the same in Banking Services domain as well.

Your Bank believes in 'Pay for Performance' strategy and each year the Branch performance management matrix is evaluated and redefined. This year based on the business and market analysis, the scope of Key Performance Indicators were enhanced to cover the relationship management segment and to bring in the right mix of over the counter transactions and digital platform.

Human Resource policy was revamped to align annual performance appraisal scores with underlying risk adjustments in line with best international practices. Remuneration structure relating to Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) across the Bank was defined and implemented under revised HR policy.

Career growth opportunities were offered to employees at all hierarchal levels through merit-based elevations of Bank's internal resources to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective succession planning at junior management levels, 193 cadre change promotions were made along with 1,907 grade promotions during the year 2019 to provide adequate growth opportunities within the organization. Induction of the best available and tech savvy talent to support expanding branch network and bank's business strategy was carried on with recruitment of 1,866 new employees.

Human Resource Group supports gender diversity and equal employment opportunities were offered to females and candidates belonging to minority groups across the Bank, at present the female employees' ratio is 17.44%.

The in-house Psychometric Assessment Center 'CARE' continued to perform its function with vigor. A number of strategic initiatives were introduced, such as competency assessment for new Management Trainee Officers (MTOs), learnability curve assessment and personality profiling of existing MTOs and aptitude test for new Tellers.



GROUP REVIEWS

Moreover, psychometric assessment for posting of Regional Heads was also introduced to find the best fit for this critical middle management position. Psychometric Assessments was also made mandatory for promotions from Management Grade 7 (MG7) to MG6.

With the deployment of Robotic Process Automation in branch banking processes, the Manpower plan (MPP) required a harmonized approach. Thus, the 'Universal Banker' concept was implemented, aimed at improving service standards and rationalizing workload among branch employees.

This year while remaining abreast with industry dynamics, a unique program of Allied Leadership Talent Pipeline (ALTP) was introduced to ensure effective succession at the mid-level management. Under this program, Based on individual leadership potential, young leaders were categorized in three echelons: High potential successor, Intrinsic potential successor and Extrinsic potential successor. A comprehensive training cycle for a group of 83 employees, based on identified individual needs in each echelon was delivered to enhance their leadership skills and build their capacity for senior level assignments, in coming years. Focused learning interventions were executed under ALTP, through engaging in-house mentors, and external industry experts.

Training and Development of employees continued to remain primary focus of HR initiatives. This year with higher focus on regulatory compliance in various functions, training needs increased manifold and therefore modern technology solutions such as e-Learning, gamification modules, online assessments, webinars, online tutorials, bite-sized learning were

deployed to achieve the training milestones. HRG achieved 96% employee coverage by imparting training to 10,844 participants with 7.6 training man days per employee.

Being a responsible corporate entity, Allied Bank continued training initiatives in under- privileged and unbanked areas focusing on National Financial Inclusion Strategy. These trainings were conducted by the Bank's resources in Baluchistan, FATA, Gilgit/Baltistan, etc. The central Bank recognized our efforts for this national cause and designated Your Bank as a 'Lead Bank' for National Financial Literacy Program in 37 districts of Pakistan. So far, a total of 10,983 nationals across Pakistan have attended these sessions.

MTO Reconnect program was launched for existing MTOs, working across various functions in the Bank to provide platform for sharing insights, professional experience and journey within the Bank, thereby providing mature feedback for further improvement in bank's processes, policies and working environment. Allied Onboarding Journey (AOJ), a fully customized automated online program was introduced for newly hired employees. It encompasses vital information on Bank's functions and provides the new hire with comprehensive onboarding journey mapped up to 12 weeks covering orientation about the Bank, its mission and value statements, code of ethics, information on job specific regulatory requirements, vision on digital transformation and desired culture fit behaviors.

The Bank has won the prestigious award of 'Best Place to Work' under the category of 'Financial Services' for the Year 2019. This award is manifestation

and recognition of Allied Bank's unwavering professional resolve and progress towards inducting, retaining and nurturing the best human capital as well as successfully managing all functions of human resource management in line with the core values, mission and vision of the Bank under the guidance of its Board.

Future Outlook

As integral part of Bank's hierarchy HRG shall continue its concerted efforts towards providing and augmenting the right human capital. HRG shall focus on establishing world class Management Development Centers; equipped with video conference facility, collaboration and resource sharing of MDCs with other reputable institutions, leading Digital Transformation' training for middle management, shift toward e-recruitment, introduction of shared performance objectives program and career development plan aligning individual career objectives and organizational goals and improve female employee ratio.

Banking Services

Banking Services Group plays a pivotal role in business growth through effective and efficient support supplemented by strengthening control environment. It aims to ensure delivery of banking services with utmost customer satisfaction which in turn synergizes the New To Bank (NTB) relationship building along with deepening in the existing clientele. Opening and reviving of almost 1 million accounts during 2019 were the result of professional support extended during the year. Furthermore, healthy percentage of the total unclaimed deposits were re-activated and retained during the year.

In order to improve the service delivery timelines and support growing network, ten new controlling regions were formed during the year.

Automation and digitization remained the key objective of the Group during the year. Initiatives like utilization of Biometric Verification for Asaan Account opening, Biometric Authentication for Locker operation, introduction of Universal Banker concept (One-window operation) and installation of Interactive Digital Signage machines at over 750 branches reflect Bank's strong commitment towards high class customer service. By affirming its impression as a cross-selling and digital transformation agent, consistent efforts were made ensuing significant growth in digital transaction mix and cross sell segments.





Along with regular banking operations, Banking Services Group ensures dedicated support to the Compliance function to comply with the SBP guidelines and regulation, evident from the successful execution of Biometric verification exercise to strengthen AML/ KYC regime.

The Bank's Branch Banking Solution, namely T-24, was expanded to Bahrain Branch & Export Processing Zone Branch during the year.

In line with the Bank's strategy of capitalizing on the evolving technologies, Robotics Technology was deployed to automate issuance of Statement of Accounts on demand. Moreover, Intimation Letters to customers were replaced with SMS alerts for enhancing cost and time efficiency.

Outreach of centralized inward clearing was expanded to additional 107 branches (total reaching 555 branches) in order to strengthen control environment and improve process centralization. Digital reading of cheques was introduced to reduce

transaction Turn-Around-Time, SMS alert for transaction exceeding Rs. 300,000/- threshold was implemented and Call Back Confirmation was automated through recorded call. Straight Through Processing was implemented at ABL SWIFT along with integration of Image Management System for SWIFT transaction to supplement international correspondent banking. Automated Solution was implemented for screening of SWIFT messages for Foreign Remittances and trade transactions. Additionally, almost 40% agents were converted on Application Programming Interface, Cloud based platform to make the payment availability on practically real time basis. Direct debit mode was also implemented to eradicate risk of any overdraft in agent account.

Dedicated efforts were continued to be made during the year to facilitate Your Bank in achieving industry leading ATM uptime and top acquirer status. Banking Services Group has Digital Banking infrastructure which was augmented during the year with

expansion of existing fleet of full-service Mobile Banking Unit to three major cities of Islamabad, Karachi and Lahore. The Group remained instrumental in successful planning & testing of business continuity plan ensuring bank's preparedness to continue to provide banking services to its customers even under unusual circumstances.

Banking Services Group is fully committed to continue with the momentum of flow of fee-based income attributable directly to its service delivery, the Group resolves to outperform their standards, to bring about efficiency in customer service.

Future Outlook

Going forward BSG aims to focus on automation of processes to enhance customer experience along with system augmentation to strengthen control environment. In this context BSG



GROUP REVIEWS

shall focus on biometric verification facilitated customer transactions, extension of digital lockers and mobile banking facilities, data enrichment, augment home remittance transactions, digital signage at branches.

Special Assets Management

Fragile economic conditions, subdued business activity coupled with monetary measures, adopted by SBP to counter inflationary pressure, gave rise to impaired repayment capacity of businesses and obligors which, in-turn, deteriorated the industry's infection ratio.

Across the banking sector, the remedial assets management has gained increasing importance for preserving Bank's profitability. Special Asset Management Group of Your Bank, through its dedicated remedial team, continued its multipronged strategy for recovery against non-performing loans during the year, along with playing its contribution in the overall bottom-line. The function focusses more on negotiated settlements to avoid unnecessary cost on lengthy and complex litigation process.

The year 2019 proved another successful year for SAMG with recovery of over Rs. 1,290 million. Infection ratio (NPL/Gross advances) decreased to 3.2% as at December 31, 2019 compared to 3.5% in December 2018. Meanwhile, loan loss coverage (including general provision) decreased to 96% as at December 31, 2019 from 97% as at December 31, 2018.

Infection and coverage ratios are significantly better than the industry's infection and coverage ratio recorded at 8.2% and 84% respectively at period ended September 30, 2019.

SAMG has played an active role in recent incorporation of "Pakistan Corporate Restructuring Company Limited (PCRCL)", and is a key shareholder along-with nine other major banks. PCRCL has been setup to acquire, restructure and resolve non-performing assets of financial institutions thereby reorganizing and reviving the commercially or financially distressed companies.

In line with Your Bank's overall vision towards digitalization and paperless banking, SAMG has digitized its settlement approval, release of securities and Fraud Risk Management Unit (FRMU) approval process through Workflow Automation System (WAS).

FRMU has also implemented Visa Risk Manager Module for 24/7 monitoring of e-banking transactions on real time basis and foiled various fraudulent attempts by strengthening internal control design measures.

Future Outlook.

Going forward, SAMG is focusing on up-gradation of Litigation Management System (LMS), integration of NPL/Write off loans settlement with Risk Assessment & Management System (RAMS) and enhancements in Financial Crime & Compliance Management (FCCM) & FRACTALS (Fraud Detection Module for Branch Banking transactions) with new scenarios along with imparting professional trainings to staff for enhancement in professional expertise.

Compliance

Compliance Group (CG) aims to ensure strong compliance culture on entity wide basis through effective adoption of regulatory requirements in all policies and procedures of Your Bank, strengthening compliance review function, ensuring compliance of internal and external audit observations, enhancing stakeholder engagement and awareness, skill enhancement of compliance staff and ensuring technology driven controls for effective implementation of Anti Money Laundering and Combating the Finance of Terrorism (AML/CFT) framework within the bank.

CG performed its core responsibility of ensuring strong regulatory compliant environment bank wide, inculcating strong compliance culture and establishing robust compliance risk framework enabling the Bank to remain abreast with the continuously evolving domestic and international regulatory

requirements. CG maintained its focus to enhance compliance at all the levels of the Bank including the following key areas:

- Compliance risk management and monitoring;
- Entity and Process level controls to avoid Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF);
- Continuous and consistent adherence to Regulatory promulgations and frameworks;
- Maintenance and updation of bank-wide Policies and Procedure documents;
- Coordination with the regulator along with ensuring accurate and timely regulatory reporting;
- Enhanced & Effective Stakeholder Management & Organization wide awareness through Recurring & Relevant Training/ Education;
- Effective technology utilization and upgradation;
- Issues tracking and resolution identified during internal and external reviews and audits

During the year, Your Bank implemented Operational and Compliance Risk Management solution to augment technology supported controls. The Bank also completed Implementation of C-link, a name-screening solution, along with creation of additional private lists in C-link & its integration with Core banking System for enhanced due-diligence measures based on an enriched proscribed database with capability to update on real time basis. This tool has enabled Your Bank to effectively screen out Sanctioned Entities, Politically Exposed Persons, other High-risk entities and Over the Counter Home Remittance transactions.

During the year, Oracle's Financial Crime and Compliance Management



solution was upgraded and customer jurisdictions for Risk assessment were significantly enhanced from 12 to 21, which resulted in further broadening the scope of its coverage.

The Bank has redesigned e-KYC form to capture trade related business information of customers to ensure effective KYC/ CDD and strengthening review of AML/ CFT & PF measures.

During the year 2019, Your Bank developed Entity Risk Rating Mechanism for Terrorist Financing & Money Laundering and conducted two assessments in line with revised National Risk Assessment (NRA) report of Pakistan with respect to vulnerability risk, threat risk and determination of residual risk after accounting for mitigating controls. Your Bank is also in process of identification & selection of Trade Based Money Laundering solution.

Your Bank made continuous interaction across organization for creating strong Compliance culture through role-based training for Compliance especially awareness of KYC and AML aspects by conducting onsite & class room trainings of more than 1,668 participants covering branches, regional offices and Centralized Processing Unit.

Future Outlook

Going forward Compliance function of Your Bank aims to focus on, inculcating strong compliance culture through enhanced awareness by creating distant learning & role-based learning opportunities, automation of documentation review & approval process, using key risk indicators to identify, assess and monitor compliance risk, conducting compliance reviews of bank's material and high-risk areas to evaluate the adequacy of implemented compliance controls. Identification and evaluation of artificial intelligence-based solution for enterprise wide compliance, transaction monitoring and sanction screening along with implementation of trade-based money laundering framework shall be focused upon.

Service Standards & Quality

Service Quality is a strategic priority for Your Bank and is viewed as a key product offering to our valued customers. Customer service in banking is one of the most important tools to enhance its market share. It includes responding to customers' needs and addressing their complaints in a thorough and timely manner by

interacting with customers through face-to-face interactions, on telephone, and vide other communication mediums. Service Standards & Quality (SS&Q) Group is committed to nurture a service culture across the organization. The governance around monitoring and measurement was strengthened with mystery shopping and independent customer surveys in order to align internal service measures with customer feedback.

The Initiative of top 100 flagship branches was introduced to provide an impetus to service quality across the bank through availability of trained and dedicated human resources and creation of a pleasant ambiance for customers. Customer Support Officers are assigned at the greeting station near branch entrance areas to implement meet and greet concept. Provision of Electronic Queue Management system and feedback tablets has been installed to facilitate customers in conducting transactions conveniently and providing valuable feedback on the delivered banking services. Availability of Internet Banking Kiosks has also enabled better customers' facilitation towards self-service banking.

In order to further streamline and improve the delivery of support services to the branches and other offices of the Bank, the internal ticket resolution system has been revamped. It provides work categorization, standard turnaround times, and automatic escalation mechanism ensuring timely provision of internal support services. The Bank has arranged for video mystery shopping of Top 100 flagship branches through an external research partner. Mystery shopping allows Your bank to evaluate the level of customer experience from a third party's unbiased perspective. The exercise provides an objective view of the services experienced by customers at these branches. Prior to initiation of the activity, Service Quality personnel conducted training sessions for branch staff and provided guidance about customer services aspects to be evaluated during the mystery shopping. Branch Service Health parameters and Service Standards were further strengthened with enhanced scope to track delivery of services against the set performance benchmarks for front-desk and back-end functions of the Bank. With the objective to engage customers and nourish relationship with the customers on the mediums of their preference, the Bank maintains profiles on social media websites and actively interacts with the customers on a variety of topics. Customer engagement through timely attention and resolution of customer queries, total social media

followers has increased from 879,143 to 972,940. Facebook followers reached 966,382 from 872,392; Instagram followers touched 6,166 from 814 whereas and Twitter followers stretched to 6,392 from 5,937, comparing Year 2019 against Year 2018.

At ABL, we maintain customer trust by striving to protect their data and information, and delivering fair outcomes for them – and in rare cases of customer grievance, addressal of customer complaints in a timely manner. The Bank has a centralized Complaint Management Division in place to efficiently and effectively resolve customers' grievances and strengthen the 'customer-bank' relationship. With the aim to create awareness among customers about the Bank's complaint lodgment process and available mediums, information was disseminated through SMS, e-mails, corporate website, digital signages and ATMs as part of Your Bank's initiatives for Fair Treatment of Customers (FTC). Your Bank taking appropriate measures promptly achieved 99% resolution rate with average Turnaround Time (TAT) of 3.9 working days within the prescribed TAT, for resolution of customer complaints lodged during the year. Allied Phone Banking is striving 24/7 to serve its customers and ensure First Call Resolution (FCR). Allied Bank customers are welcomed to get in touch with Allied Phone Banking agents through telephone, email, webchat, social media and high-tech ABL Video Phone Banking. During the year under review, Outbound Call Centre was introduced to connect with existing and potential customers for lead generation and information on service offering related to cross sell and new products.

Future Outlook

Going forward Service Quality resolved to the following initiative in 2020 including installation of Electronic Queue Management System (EQMS) & feedback tablet in additional 100 branches, develop and monitor Service Quality Standards for branches and support units, upgrade Allied Phone Banking Web Chat Solutions, system improvement to augment complaint resolution and gradual transfer of customer services from branches to call center .

Additionally, service quality hankers to continue its conspicuous supporting role in customer convenience while ensuring high class service delivery.

KEY PERFORMANCE INDICATORS

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>Amidst multifarious challenges emanating from struggling domestic economy, changing business models, increasing regulatory compliance, cyber security threats, asset liability repricing lag and rising risk of credit losses; Your Bank has maintained its bequest of steady growth along with robust progression in financial position. Profit before taxation for the year ended December 31, 2019 grew by 15% and stood at Rs. 24,242 million. Your Bank's profitability was attributed to volumetric growth in average earning assets, asset duration management, healthy growth in CASA and Rack based deposits, noteworthy growth in non markup income including 32% increase in foreign exchange earnings capitalizing on favorable swap curve during the year.</p> <p>Super Tax, which was initially levied vide Finance Act, 2015 has continued and vide Finance Act 2019 was extended with retrospective effect translating in an additional charge of Rs. 835 million, for the tax year 2018, effective tax rate thereby rising to 42% and accordingly Profit after tax stood at Rs.14,113 million.</p> <p>ABL's Return on Equity (ROE) stood at 16% in 2019, which is in line with top 9 banks' average ROE of 16% while remaining well above the average industry ROE of 12% as at September 2019.</p> <p>Your Bank's EPS stood at Rs.12.3 per share as compared to Rs.11.25 per share in 2018.</p>	KPI shall remain relevant for future
Continuous growth in Statement of Financial Position primarily through Zero /low costs deposits	Deposits Mobilization	<p>Your Bank continued to focus on increasing its outreach including underbanked and unbanked segments of our economy. 50 new branches were opened during 2019, with total number of branches standing at 1,395 as at December 31, 2019. At the same time, focus on expanding e-banking channels for customers convenience was maintained, consequently ATM network was increased to 1,515 inclusive of 1,186 on-site, 328 off-site and 1 Mobile ATM as at December 31, 2019 with an addition of 127 ATM's during the year.</p> <p>Along with robust growth in outreach, sustained efforts towards deposit mobilization yielded encouraging results, as the total Deposits of Your Bank stood at Rs.1,049,043 million reflecting a prominent average deposits growth of 10% as against industry outstanding deposit growth of 10%; while remaining fully committed towards evolving compliance framework.</p> <p>Your Bank continued its focus on increasing zero cost deposits, with 13% growth in Non-remunerative current deposits which closed at Rs. 410,134 million. Resultantly, growth in CASA and Rack deposits mix improved to healthy 77% as at December 31, 2019 from 71% as at December 31, 2018.</p> <p>ABL's Lower than Industry's deposits growth on outstanding basis is mainly in line with ABL's strategic shift to lower reliance on costly corporate deposits. Mix of Current deposits and Total of CASA and Rack deposits grew by 2% and 5% respectively; resultantly mix of corporate deposits decreased to 23% as on December 31, 2019 as compared to 29% on December 31, 2018.</p> <p>Improved CASA mix has assisted Your Bank in curtailing cost of deposit, which grew by only 273bps as against 487 bps average rise in policy rate.</p>	KPI shall remain relevant for future

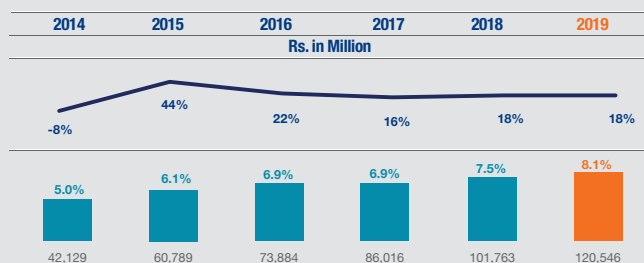
Long Term Objectives	Key Performance Indicators	Analysis	Significance Going Forward
Consistently augment Risk Management culture resulting in superior asset quality	Quality of Assets	<p>Robust risk management framework is in place that has enabled Your Bank to adequately contain any potential surge in associated risks while ensuring quality of assets.</p> <p>Your Bank's comprehensive Risk management platform, in addition to facilitating 11% growth in quality advances portfolio has remained instrumental in curtailing infection ratio to 3.2% in 2019 as compared to 3.5% in 2018.</p> <p>The industry's infection ratio stood at 8.2% as at September 30, 2019.</p> <p>The loan loss coverage stood at 96% as at December 31, 2019, well above industry's coverage ratio of 84% as at September 30, 2019.</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 exponential rise in cost of doing business resulting from currency devaluation, increasing compliance cost, inflationary pressures and investments in human capital; effective cost rationalization initiatives and implementation of automated solutions and sustained focus on centralization of processes has enabled Your Bank in optimizing costs while achieving operational efficiencies and manage intermediation cost at 2.7% of average deposits in 2019.</p> <p>This is well below the average intermediation cost of top 10 peer banks of 3.1% as at September 30, 2018.</p> <p>Cost to income ratio for the year ended December 31, 2019 significantly improved to 52% as compared to 54% during 2018 and industry's average of 57% as at September 2019.</p>	KPI shall remain relevant for future
Strengthen capital base to support business development	Capital Adequacy Status. Compliance with regulatory minimum capital requirements	<p>Your Bank in line with its business strategy as well as the minimum requirements of the State Bank of Pakistan (SBP) continued its focus on establishing a robust equity base.</p> <p>Your Bank's Total Equity grew by 7% to reach Rs. 115,351 million as at December 2019, whereas Tier 1 equity increased to Rs. 89,542 million</p> <p>Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) have stood at 17% 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% during 2019. This is well above the regulatory requirement of 12.5%.</p> <p>Banking sector CAR as at September 30, 2019 stood at 16.7%. 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	Your Bank has maintained the steady dividend stream during the year under review. Cash Dividend of Rs. 8.0 per share was declared in 2019 in line with 2018.	KPI shall remain relevant for future

STATEMENT OF FINANCIAL POSITION

Six Years HORIZONTAL & VERTICAL Performance Highlights

ASSETS

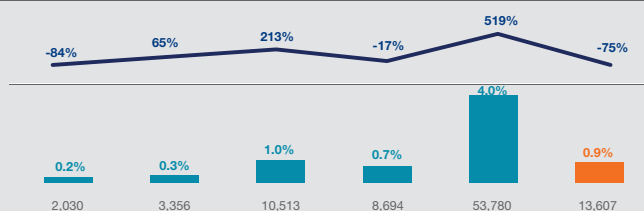
Cash & Balances with Treasury & Other Banks



CAGR for the last six years-annualized is 17.5%

18% YOY growth in balance is mainly due to expanded ATM's and remote branch network and fulfil regulatory reserve requirement in line with increase in deposit.

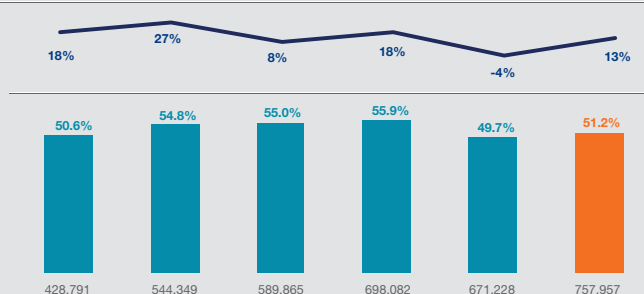
Lendings to Financial Institutions



CAGR for the last six years-annualized is 1.5%

75% YOY decline is mainly pertains to maturity of placement during the year 2019.

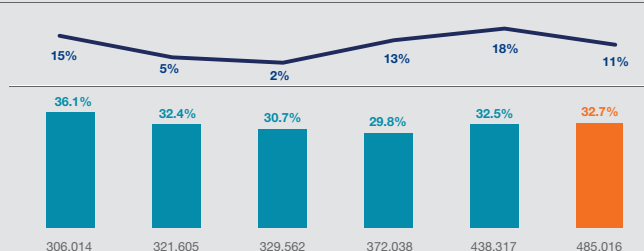
Investments - Net



CAGR for the last six years-annualized is 13%

Investments continue to take the major share of the total asset base. 13% YOY growth in investment portfolio is due to the higher yield on investments which is inlined with the overall industry growth of 16%.

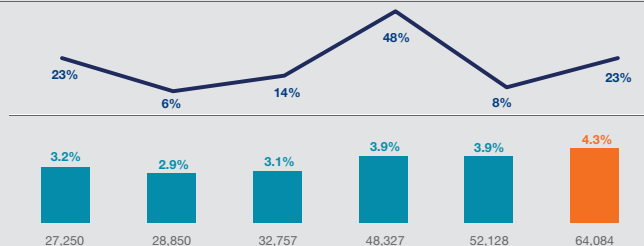
Advances - Net



CAGR for the last six years-annualized is 10.5%

Steady growth in advances over the last six years coupled with 11% YOY growth helped in improving Advances to Deposit Ratio (ADR) of 48% in 2019.

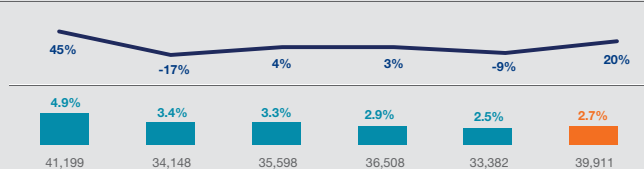
Fixed Assets (including Intangible Assets)



CAGR for the last six years-annualized is 19.4%

YOY growth of 23% is mainly due to capitalization of lease contracts as "Right of use assets" in pursuance to implementation of IFRS-16 "Leases"

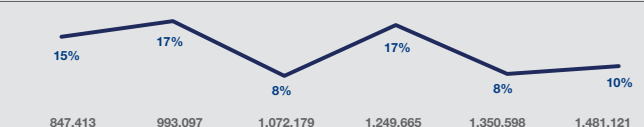
Other Assets



CAGR for the last six years-annualized is 5.9%

20% YOY growth is primarily due to increase in accrued markup which is in line with the increase in average benchmark rate by 487bps.

Total Assets



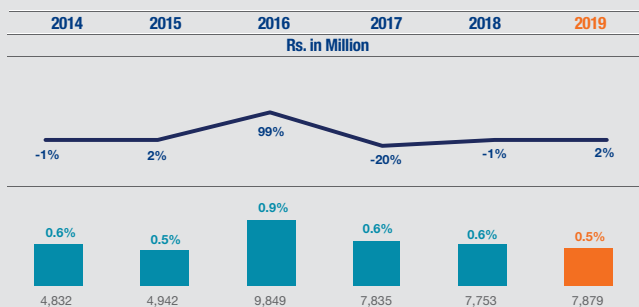
CAGR for the last six years-annualized is 12.3%

ABL managed to grow its asset base by 10% YOY surpassing the industry growth by over 5%.

Six Years HORIZONTAL & VERTICAL Performance Highlights

LIABILITIES

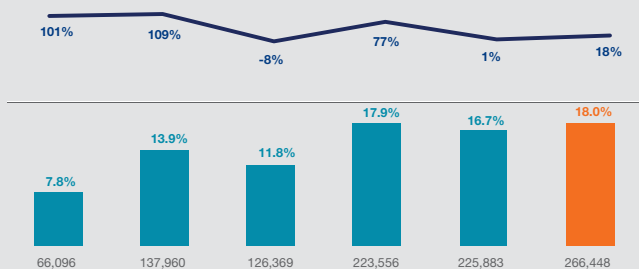
Bills Payable



CAGR for the last six years-annualized is 8.3%

2% YOY increase.

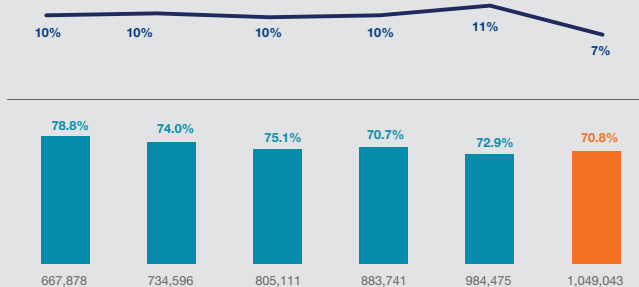
Borrowings



CAGR for the last six years-annualized is 41.7%

18% YOY growth is mainly due to increase in Repo Borrowings by Rs.14,910, call money borrowings by Rs.12,741 million, SBP (ERF/LTF) by Rs.12,409 million and other borrowing by Rs.507 million.

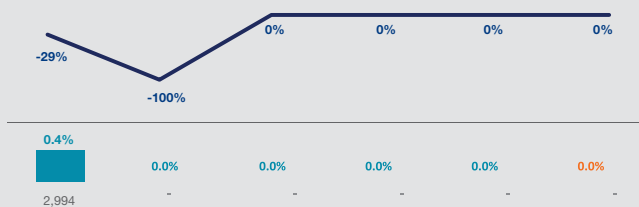
Deposits and other accounts



CAGR for the last six years-annualized is 9.5%

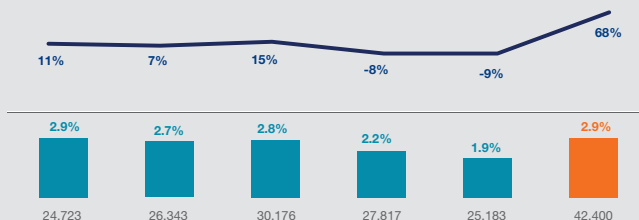
7% YOY steady growth in outstanding deposits in comparison to overall growth of 10% in industry deposits is mainly due to strategic shift to increase the mix of no/low cost deposits.

Sub-Ordinated Loans



Reflects robust capital base of the Bank which is not supported by additional Tier-1 capital.

Other Liabilities (Including Deferred Tax Liabilities)



CAGR for the last six years-annualized is 11.2%

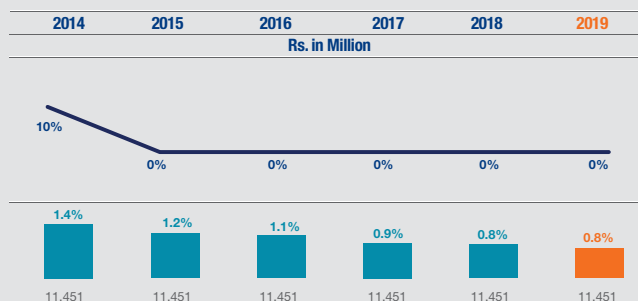
68% YOY increase is mainly due to recognition of present value of lease liability under IFRS 16.

STATEMENT OF FINANCIAL POSITION

Six Years HORIZONTAL & VERTICAL Performance Highlights

EQUITY

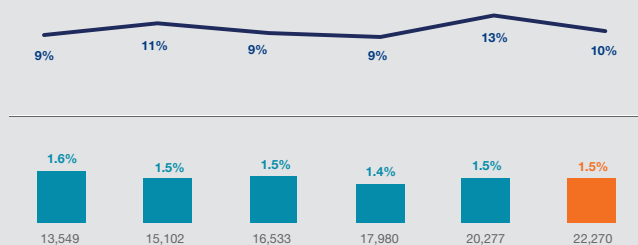
Share Capital



CAGR for the last six years-annualized is 1.6%

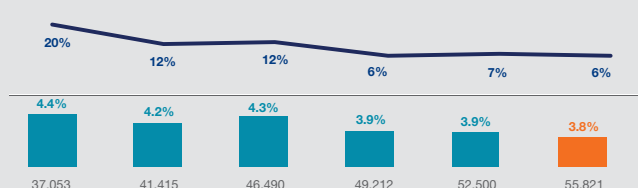
Fully compliant with the regulatory requirement.

Reserves



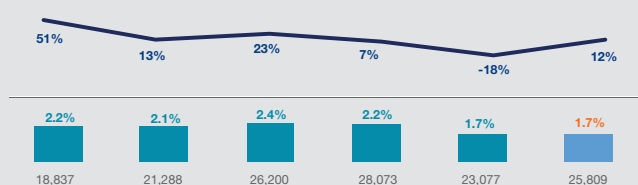
10% YOY growth is on account of exchange translation of net investment in foreign branches & statutory reserve transfer from un-appropriated profits.

Unappropriated Profits



6% YOY growth is on account of current year's profit after appropriations.

Surplus on revaluation of assets - net



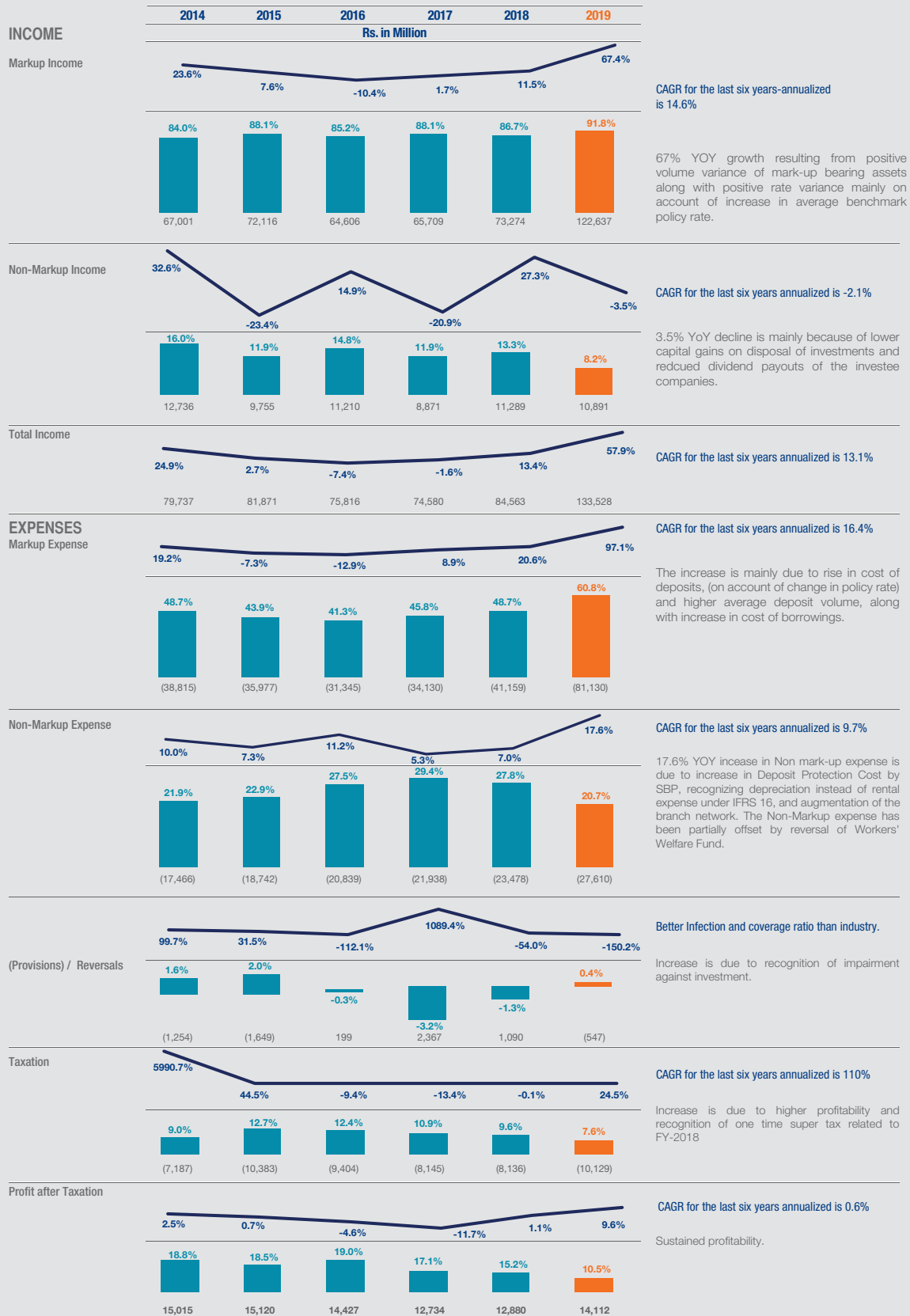
12% YOY growth is due to increase in revaluation of investment.

Total Liabilities & Equity 847,413 993,097 1,072,179 1,249,665 1,350,598 1,481,121

CAGR: Compound Average Growth Rate
YOY: Year on Year (2019 vs 2018)

PROFIT AND LOSS ACCOUNT

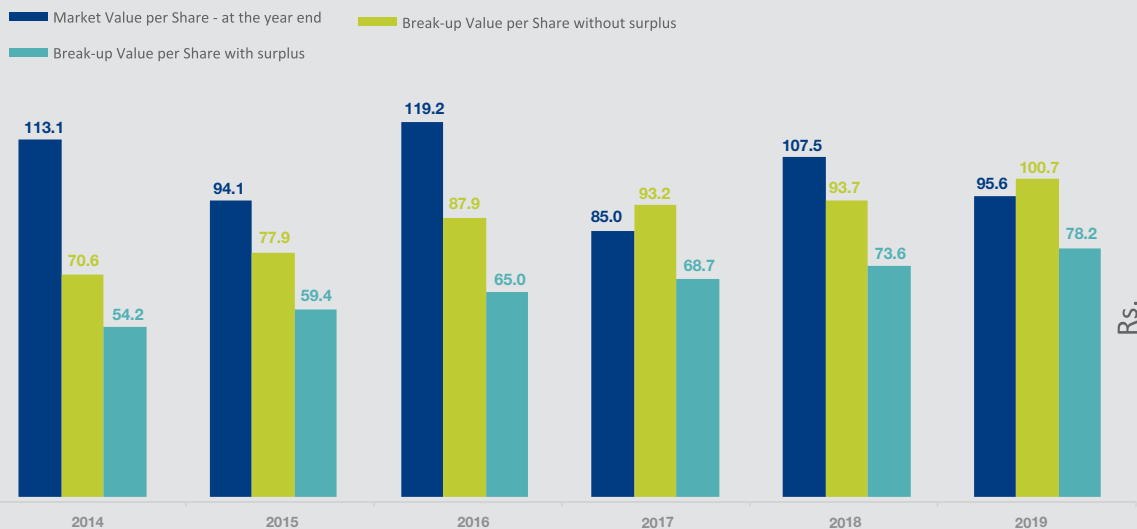
Six Years HORIZONTAL & VERTICAL Performance Highlights



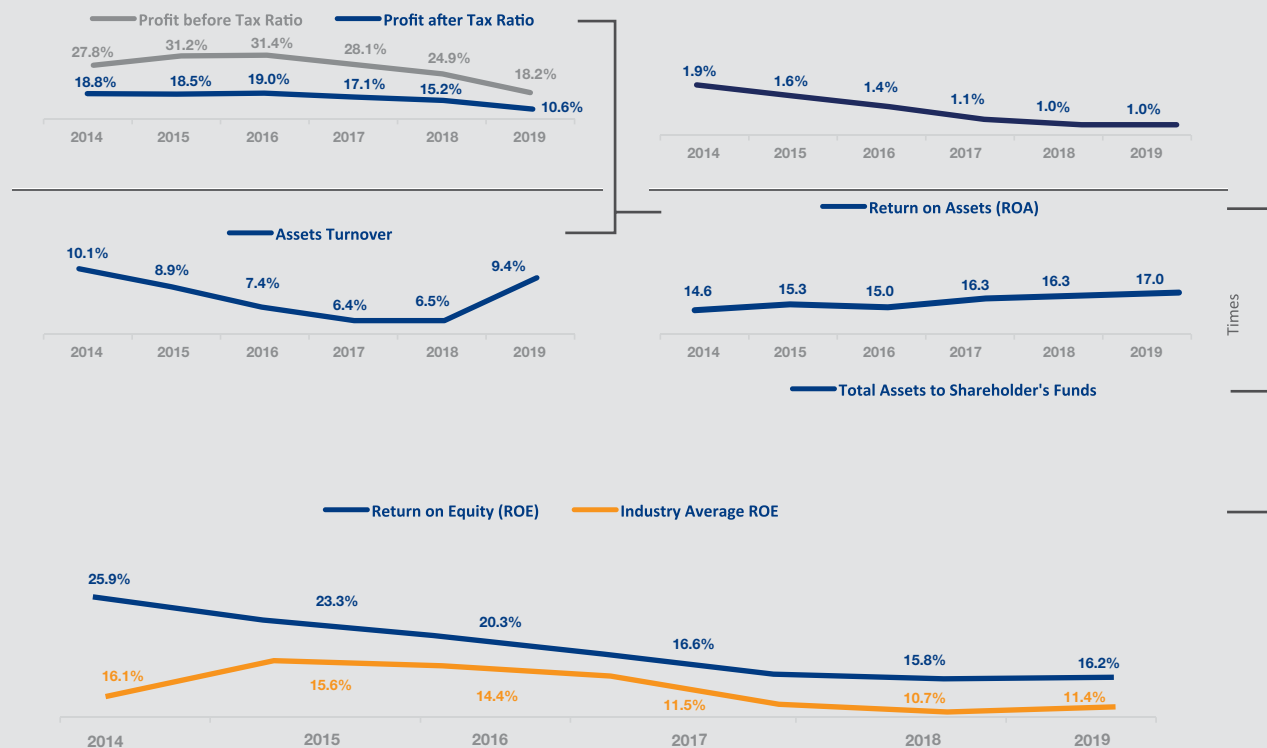
CAGR: Compound Average Growth Rate YOY: Year on Year (2019 vs 2018)

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 6%, which also reflected in improving value creation (market value less breakup value) of 22% for our shareholders in 2019. Growing "Total assets to shareholder's funds" coupled with ROA also contributed in achieving higher ROE from respective average ratio of the industry.

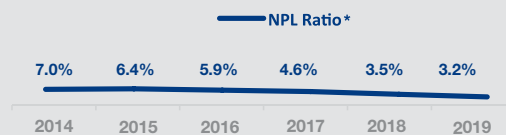
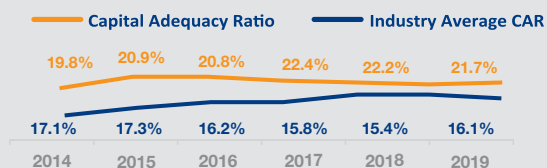


DUPONT ANALYSIS

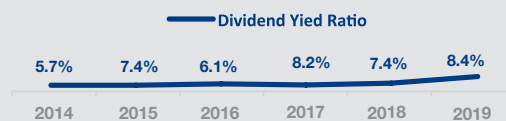
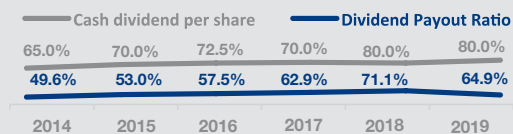
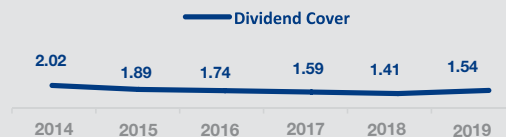
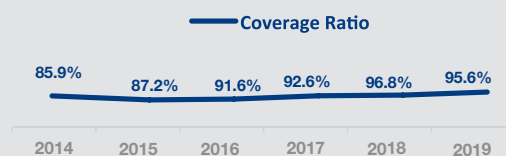


ROBUST BALANCE SHEET ENABLED AN ATTRACTIVE DIVIDEND PAYOUT

Our CET1 & Tier 1 and Capital Adequacy ratios of 16.98 % and 21.7% respectively, LOR of 167.84% and an NSFR of 143.13 % ,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. Our full-year dividend cover was 1.54 times exactly also approved by our board.



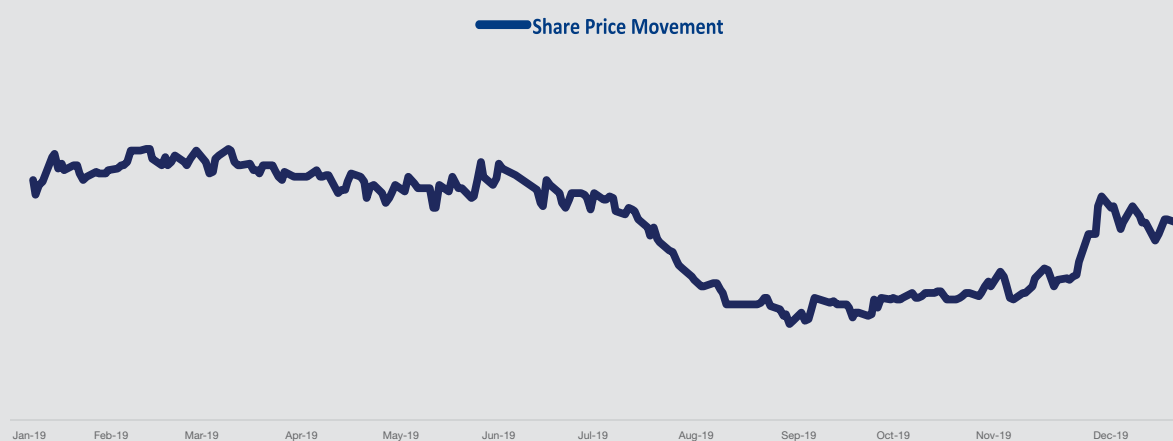
*



VALUE CREATION FOR SHAREHOLDERS

SHARE PRICE MOVEMENT AND SENSITIVITY ANALYSIS

	High	Low	Closing	Market Capitalization	
	Rs.			Capital (Million)	Value (Million)
December 31, 2019	101.9	95.0	95.6	11,450	109,462
September 30, 2019	87.5	85.2	86.8	11,450	99,352
June 30, 2019	106.0	101.0	105.0	11,450	120,248
March 31, 2019	108.9	107.5	108.0	11,450	123,706



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	52,012
Cost of services	(8,316)
Value added by banking services	43,696
Non - banking income	387
Reversals against non-performing assets	(547)
Total Value Added	43,536

Rs. In Million

Income from banking services	52,012
Cost of services	(8,316)
Value added by banking services	43,696
Non - banking income	387
Reversals against non-performing assets	(547)
Total Value Added	43,536

VALUE ALLOCATED

Employees	31.6%	13,458
Regulators	22.7%	10,129
Shareholders	20.6%	9,161
Expansion and Growth	25.1%	11,201
Society	0.1%	55

CASH FLOW

Rs. In Million

STATEMENT FOR THE YEAR 2019

CASH FLOW FROM OPERATING ACTIVITIES

Mark-up / return / interest and commission receipts	128,678
Mark-up / return / interest payments	(78,997)
Cash payments to employees, suppliers and others	(21,492)
	28,189

(Increase) / decrease in operating assets

Lendings to financial institutions	40,173
Held for trading securities	(19,862)
Advances	(46,449)
Other assets (excluding advance taxation)	(7,822)
	(33,960)

Increase / (decrease) in operating liabilities

Bills payable	126
Borrowings	40,745
Deposits	64,568
Other liabilities (excluding current taxation)	8,507
	113,946

Cash flow from operating activities before tax

Income tax paid	(9,229)
Net cash flow from operating activities	98,946

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in 'available-for-sale' securities	(67,525)
Net investments in 'held-to-maturity' securities	3,137
Dividend income received	1,826
Investments in operating fixed assets	(7,409)
Proceeds from sale of fixed assets	373
Effect of translation of net investment in foreign wholesale branch	582
Net cash used in investing activities	(69,017)

CASH FLOW FROM FINANCING ACTIVITIES

Dividends paid	(9,130)
Payment of lease liability against right of use assets	(1,837)
Net cash used in financing activities	(10,967)

Increase in cash and cash equivalents during the year 18,962

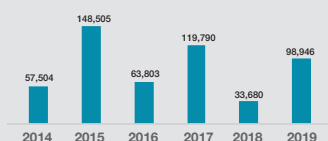
Cash and cash equivalents at beginning of the year 103,874

Effect of exchange rate changes on opening cash and cash equivalents (2,354)

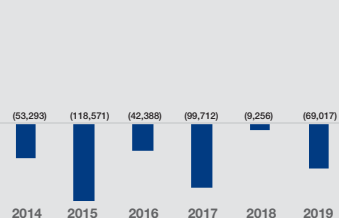
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (under direct method) 120,482

SIX YEARS CASH FLOW ANALYSIS

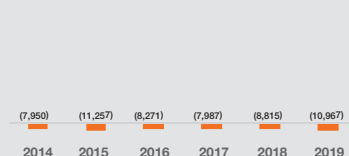
Cash Flow from Operating Activities



Cash Flow from Investing Activities




Cash Flow from Financing Activities





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"> • Video Mystery Shopping • Customer Access Points • Corporate website • SMS & Email Alerts • CSR activities • Customer Awareness Seminars • Road Shows • Promotional campaigns • Print and electronic media • Social Media 	<div>●</div> <div>●</div>	<div>●</div> <div>●</div> <div>●</div> <div>●</div>		<div>●</div> <div>●</div> <div>●</div> <div>●</div>	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.





















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"> Conducted video mystery shopping to assess service delivery standards and understand customers' experience and level of satisfaction when using banking services and service channels. Launched various innovative solutions to make banking more convenient and meet the needs of its clients. Details of which are presented in CEO and Group reviews. The Bank continues to expand its footprint, branch network added 50 new branches during the year to reach at 1,395, expanded ATM network to 1,515 (including On-site and Off-site ATMs), while providing Internet banking. Increased Gross Advances by Rs. 46,302 million and deposits by Rs. 64,568 million. The Bank partnered with Karandaaz (Non-Profit Organization) for Innovation Challenge Fund "Transforming SME Financing - Innovative Credit Scoring of SMEs" to promote access of finance primarily to collateral deficient entrepreneurs.
	Safeguarding deposits and investments while growing returns.	<ul style="list-style-type: none"> Your Bank paid Rs. 81,130 million, interest / profit to its depositors. Continued investment in technological infrastructure, including upgradation of T-24 core banking software, to improve data security and maintain customer privacy. Conducted regular mock tests of documented processes to ensure institutional readiness for Business Continuity Planning. Conducted Vulnerability Assessment, Penetration Testing and Technical Risk Assessments to ensure controlled environment for customer related information. Replacement of all existing Magnetic Stripe based Debit Cards with more secure EMV compliant chip-based cards to counter ever increasing cyber security threats SMS Alerts all digital banking transactions to customers.
	Timely communication of relevant information on products and services	<ul style="list-style-type: none"> Undertook marketing communications through various channels to extend outreach to customers and public at large. Your Bank arranged awareness seminars and road shows to engage customers and disseminate information regarding Banks' services portfolio. Launched Open Banking Application Program Interface (API) portal and partnered with Fintechs for new digital offerings for customers. In addition, myABL was continuously updated to cater the evolving digital needs of the Bank's customers.
	Upholding highest standards of service quality across the Bank.	<ul style="list-style-type: none"> Complaint Management Division efficiently and effectively resolved 99% of customers' complaints within a Turnaround Time of 3.87 Days on average. High ATM uptime further improved to 97%.

STAKEHOLDERS ENGAGEMENT

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
			Occasionally	Regularly	Periodically	Continuously	
 Shareholders / Institutional Investor	Sponsors Minority Shareholders Individual Investors Institutional Investors	<ul style="list-style-type: none"> Annual Report Interim Financial statements Corporate website Annual General Meeting Extra Ordinary General Meetings Analyst Briefings Coporate Breifing Sessions 	●	●	●●●	●	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.
 Regulators	State Bank of Pakistan (SBP) Federal Board of Revenue (FBR) Securities and Exchange Commission of Pakistan Pakistan Stock Exchange (PSX) Credit Rating Agencies Other Public Offices and Regulatory Bodies	<ul style="list-style-type: none"> Directives and circulars Financial statements Statutory examination Regulatory reporting Filing of income tax federal Excise and sales tax returns Filing of corporate return Interviews and meetings with representatives of regulators, Pakistan Banking Association, Business Council 	●	●●●●	●		Compliance with all legal and regulatory requirements, remain responsible tax payer, corporate governance practices, adherence to reporting requirements, risk management, sustainable business practices, timely withholding taxes and deposit, income tax, FED & sales tax payment including advance tax

Why do they Matter	How We Create Value for Stakeholders	Activities
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"> Generated a sustainable ROE and ROA at 16% and 1% respectively; Increased dividend yield ratio to 8.37%.
	Maintaining a strong balance sheet and safeguarding asset quality which contributes towards sustainable performance.	<ul style="list-style-type: none"> Financial position improved by 10% to Rs. 1,481,121 million; Your Bank's Equity base stood at the robust level of Rs. 115,351 million; NPLs reduced by Rs. 211 million causing infection ratio to fall by 0.12% and improving coverage ratio to 97%.
	Providing existing and potential shareholders with relevant and timely information.	<ul style="list-style-type: none"> Annual Audited Financial statements together with the Auditor's and Director's report were circulated to all shareholders along with the Notice of AGM. Analyst briefings and conference calls were conducted following announcements of quarterly financial statements. Your Bank organized Allied Corporate Briefing Program at PSX regional office for providing an overview of Your Bank's achievements for the nine-month ending on September 30, 2019. The program was attended by over 47 shareholders, investors and brokers. Major financial information disclosed under a separate section of "Investor Relations" on corporate website.
	Ensuring equitable treatment of all shareholders including minority shareholders to attend, contribute and vote at the General Meetings	<ul style="list-style-type: none"> All required support is being provided to minority shareholders for participation in election of Directors.
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"> Achieved the long-term rating of "AAA" and maintained short-term rating at "A1+" from PACRA.
	Ensuring regulator confidence in the Bank and reducing potential for reputational risk.	<ul style="list-style-type: none"> Continued to be the only Bank in industry to be rated on Corporate Governance and maintained a high corporate governance rating of "CGR-9+." Complied with all key aspects of Basel III requirements, with Capital Adequacy ratio (Tier 1 and Tier 2) of 21.7%, above the SBP requirements of 12.5%. Your Bank paid Rs 18,554 million in direct, indirect, staff taxes and Zakat contribution while fulfilling its responsibility towards the society.
	Providing timely and detailed regulatory updates and reporting disclosures	<ul style="list-style-type: none"> On-time submission of statutory returns and statutory payments. Adherence to PSX requirements for disclosure of key information.
	Record Management	<ul style="list-style-type: none"> The Bank has records management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operations, fiscal and legal requirements.

STAKEHOLDERS ENGAGEMENT

	Stakeholder Group	Methods of Engagement	Frequency of Engagement				Needs & Expectations
			Occasionally	Regularly	Periodically	Continuously	
 Employees	Permanent employees Contractual employees Outsourced personnel Employee union	<ul style="list-style-type: none"> • Formal meetings • Informal & Ad hoc meetings • Performance appraisals • Internal newsletter • Informational and Instructional Circulars • Training programs • Employee Satisfaction Surveys • Intranet / Employee Self Service Portal • Team Building Events • Annual Family Festival • Welfare events and activities • Disaster Recovery and Emergency Response Drills • Medical Benefits • Retirement Benefits 		    	   	  	Competitive remuneration, career development and advancement, effective performance management, equal opportunity along with safe, positive and inspiring work environment, work life balance, 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 Media	<ul style="list-style-type: none"> • Service channels • Corporate website • Donations and Sponsorships • Press releases, conferences and media campaigns • Public relation activities 		  		 	Social responsibility activities, employment opportunities, financial resilience, community development, ethical business practices.

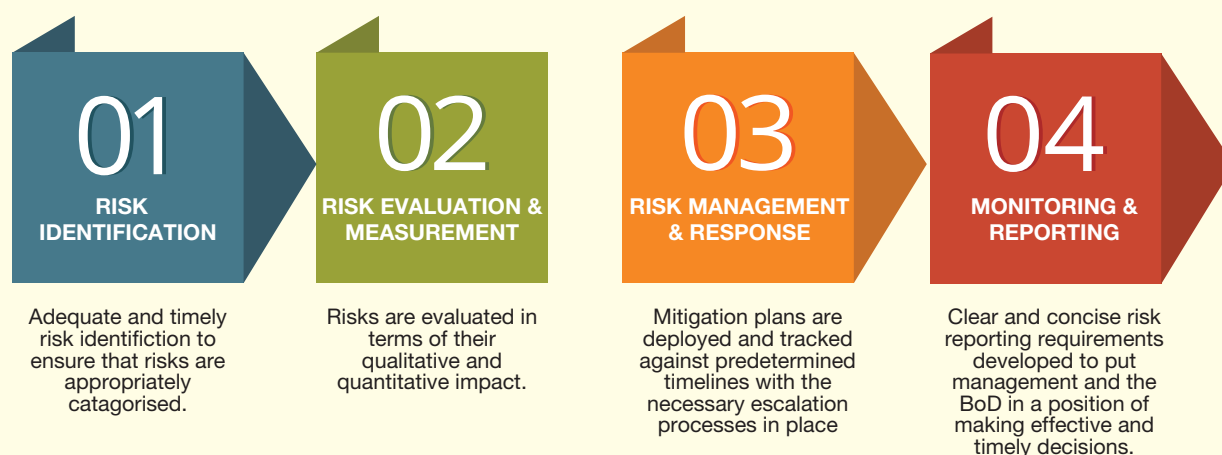
Why do they Matter	How We Create Value for Stakeholders	Activities
Skills, experience, and activities that our employees carry out drive the day to day operations of the bank. How our staff think and feel about work are directly connected with customer satisfaction levels.	Retaining “Employer of Choice” status by providing a safe, inspiring and challenging work environment.	<ul style="list-style-type: none"> Total workforce of 11,665 employees. Female representation increased to 17.44%.
	Inducting and retaining quality human resource in all functions of the Bank.	<ul style="list-style-type: none"> 1,866 recruitments for permanent and contractual positions.
	Offering competitive remuneration and rewarding performance. Motivating and inspiring our work force.	<ul style="list-style-type: none"> Rs. 13,458 million in terms of salaries, allowance and other benefits to employees Rewarded performance through 1,907 grade promotions.
	Skills training and development initiatives to align workforce with strategic objectives of the Bank.	<ul style="list-style-type: none"> Invested Rs 97 million on inhouse and external staff training & development programs. Training coverage of 96% employees during the year.
	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"> Employee survey conducted by external evaluator to assess and compare the work environment of the Bank with the industry. Your Bank was awarded with Best Place to Work – Financial Services 2019 by Pakistan Society of Human Resource Management (PSHRM) Other activities delineated in detailed CSR report
Working in tandem with global and local mandates which safeguard the environment and promote community empowerment.	<p>Community capacity building and empowerment.</p> <p>Social welfare of community.</p>	<ul style="list-style-type: none"> Your Bank plays a proactive role in contributing towards the society. Detailed CSR report is included in the Annual Report.

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 the Board and the 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"> - 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 Committee (RMC)". - Public sector advances are generally secured by sovereign guarantee or the equivalent from the Government of Pakistan (GoP). - 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. 	Financial Capital
	Counterparty credit risk on exposure to Private sector advances and Interbank limits.	<ul style="list-style-type: none"> - 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. - 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. - In respect of interbank borrowers, Your Bank maintains eligibility criteria that links exposure limits to counterparty credit ratings (minimum credit rating of 'A') - Concentration risk is monitored with obligor, group and sector exposure limits and risk profile benchmarks. - Automated 'Watch-List' categorization system facilitates to identify deterioration in quality of loans. - 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 - Specialized team comprising engineers and industry experts conducts technology assessments of obligors' plant & machinery and reviews the technical feasibility of projects and valuation reports. 	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"> - Oversight is kept through guidance of Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee – "Asset & Liability Committee (ALCO)". - Comprehensive structure is in place aimed at ensuring that Your Bank does not exceed its qualitative and quantitative tolerance for market risk. - Balanced approach towards risk taking in the market risk area while keeping exposures within the defined risk acceptance criteria. - Tools like Value at Risk methodologies, sensitivity measures, intraday exposure limits, notional limits and loss triggers are monitored at a detailed portfolio level. - Extensive stress testing is performed to capture and report the multi-dimensional aspects of market risk using automated solutions. 	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"> - Oversight kept through Board of Director's sub-committee "Board Risk Management Committee" as well as through management sub-committee of "Risk Management Committee (RMC)". - Board of Directors' approved Operational Risk Policy - Detailed documented procedures - Adequate system of internal controls designed to keep operational risk at appropriate levels - Business Continuity Policy and Plan driven towards ensuring provision of un-interrupted banking services in case of any unforeseen emergency and/or natural calamities. - Disaster recovery and evacuation plans were tested successfully during the year. - IT disaster recovery plans are tested on ongoing basis. - Insurance coverages are in place for theft and damage to physical assets. 	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"> - 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". - Recruitment, pre-employment screening, employer feedback/exit interviews. - Proactive staff engagement. - Strong staff development programs in place combining e-learning, in-house and external trainings programs - Insurance coverages are held for fraud and fidelity incidents. - Whistle blowing mechanism is in place 	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"> - Independent Compliance Group to ensure compliance with specific regulatory requirements. - Compliance Policies and procedures are in place 	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"> - Oversight kept through Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee - "Asset & Liability Committee (ALCO)". - ALCO oversees the activities of treasury, which operates in terms of an approved ALM policy. - Well-defined ALM triggers / limits, exposures against which are regularly monitored by ALCO. - 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. - Your Bank performs liquidity stress tests as part of its liquidity monitoring activities regularly. - 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. - Maintenance of appropriate marketable securities portfolio that can be realized in the event of liquidity stress. 	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"> Oversight kept through Board and its sub-committee "Board Risk Management Committee" (BRMC) as well as through management sub committees of "Risk Management Committee" and "Asset & Liability Committee (ALCO)". 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. The Internal Capital Adequacy Assessment Process (ICAAP) Framework is updated and reviewed annually. Policy of sufficient profit retention. Periodic extensive stress testing activity in line with SBP requirements. 	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"> Oversight kept through Board of Directors' and its sub- committee "Strategic Planning & Monitoring Committee" as well as through Management Committees namely "Management Committee" (MANCO), "Risk Management Committee" (RMC) and "Asset & Liability Committee" (ALCO). 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. The impact of events on the future direction of the business and forecast results is constantly monitored and quantified. 	Financial Capital
Technological Risk	Risk arising from non-availability of IT systems, and disruptions due to Cyber threats.	<ul style="list-style-type: none"> Oversight kept through Board of Director's sub committees "E-Vision Committee" as well as through "IT Steering Committee" (ITSC). IT planning is conducted as part of Your Bank's strategic and operational planning process. Systems audits, IT Security & Risk Assessments are performed for system before deploying into production environment. Significant ongoing investments in systems and processes to protect customer databases through robust information security (Info-sec) platform. Info-Sec's Security Operation Center utilizes Security Incident and Event Management (SIEM) solution to proactively monitor and respond to security threats. Countermeasures against cyber threats included regular penetration testing and vulnerability assessment. Continuous awareness programs for customers about cyber threats 	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"> Oversight kept through Board of Directors' sub committees "Board Risk Management Committee" as well as through "Management Committee (MANCO)". Formal customer grievance redressal policy, including policy and procedures on receiving customer complaints and resolution mechanism. Timely and efficient communications among all stakeholders. Policies and procedures in place for securing digital payments including protection of customers' data. 	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.

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 adopted corporate governance guidelines to assist in meeting its aforementioned governance responsibilities.

Key Governance Practices

- The Board of Directors comprises of an appropriate mix of Directors in terms of experience, competence and financial acumen.
- Five members of the Board of Directors are certified directors, whereas three directors are 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 and also Chaired by an independent Director.
- 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 VIS Credit Rating Company Limited., indicates high level of corporate governance; depicting a strong commitment towards governance framework by the Board and management of Your Bank.

Appointment and term of office

With a view to enable the Board to discharge its responsibilities effectively, the Directors are nominated and appointed through election, ensuring that the Members so elected possess required skillset, knowledge and experience and fulfill Fit & Proper Test (FPT) criteria regarding eligibility of a Director set by the State Bank of Pakistan.

The Directors of the Bank are elected by Shareholders of the Bank in a General Meeting for a three years' term, Casual Vacancy, if any occurred is filled by the Directors for the remaining term in accordance with the provisions of the Companies Act 2017 and SBP regulations. To facilitate minority shareholders to contest election of directors, the Bank provides them support as per regulatory requirements.

Review of overall performance of the Board

Your Bank has formalized an in-house 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 Committees.

An independent external evaluation is being carried out once in every three years to further augment the process with evaluation findings, thoroughly reviewed independently for continuous improvement and refinement. Accordingly an independent external evaluation was arranged in the year 2018.

Primary objectives of the Board of Directors, apart from carrying out its fiduciary duties as required under relevant regulations, includes providing strategic direction, financial oversight and guidance to the Management.

The Board of Directors assisted by five Committees, performed its duties diligently and effectively in the best interest of all stakeholders, 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 duties diligently and professionally while maintaining the Bank's focus on sustainable growth and momentum ahead.

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. The Committee recommends appointment of the external auditors and also coordinates 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 to facilitate BOD in establishing strong and effective system of internal controls based on & supported by strong ethical practices, culture, comprehensive policies, procedures, processes and technological systems; 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) include 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. In addition, it reviews compliance status of the bank including AML/CFT requirements, quarterly progress report on IFRS-9 implementation.

e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Member

Ms. 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.

BOARD COMMITTEES

Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar
Chairman

Abdul Aziz Khan
Member

Ms. 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 and disposal of fixed assets as per defined threshold. 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 and Real-Estate functions of the Bank.

Human Resource and Remuneration Committee

Constitution:

Abdul Aziz Khan
Chairman

Muhammad Waseem Mukhtar
Member

Dr. Muhammad Akram Sheikh
Member

Tahir Hassan Qureshi
(Permanent Invitee)

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 2019

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	4/4	x	x
Sheikh Mukhtar Ahmad	7/7	x	5/5	x	x	x
Muhammad Waseem Mukhtar	7/7	5/6	x	x	10/10	6/6
Abdul Aziz Khan	5/7	x	5/5	x	9/10	5/6
Dr. Muhammad Akram Sheikh	7/7	6/6	5/5	x	x	6/6
Nazrat Bashir	7/7	x	x	4/4	10/10	x
Zafar Iqbal	7/7	6/6	x	4/4	x	x
Tahir Hassan Qureshi (CEO)	7/7	x	4/5	4/4	9/10	x
Total Number of meetings held during 2019	7	6	5	4	10	6

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

The information related to directorship of the Board members in other companies is as disclosed in Board of Directors section of the report.

MANAGING CONFLICT OF INTEREST

Overview

The Board and the Management of Allied Bank Limited ("the Bank") are 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 the 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 the Bank's policies.
- Shall not bring or attempt to bring political or other pressure and influence directly or indirectly on the Bank.

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 the Bank, their profession and the nation. If they become aware of any irregularity that might affect the interests of the Bank, 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 the Bank'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.

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, planning, 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 its Charter 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 financial, technological and operational resources along with appropriate human resources having required skill-sets, expertise and trainings necessary to perform A&RRG's responsibilities independently, effectively and objectively.

The Chief A&RRG reports directly to the Audit Committee. A&RRG assists the Audit Committee and the Board of Directors in discharging 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, A&RRG, the Bank's senior management, and the external auditors. During the year 2019, six 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. That 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, going concern assumption, any changes in accounting policies and practices, compliance with applicable accounting standards, listing regulations and other statutory and regulatory requirements and related

party transactions.

- Review of 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 and status of compliance including regular updates on the rectification actions taken by the management.
- Monitoring of compliance status of observations highlighted in SBP's inspection reports.
- Review of analysis related to frauds, forgeries and dacoities incidents in the Bank; with specific focus on nature and reasons along with management action(s) thereof.
- Review and approval of risk based internal audit approach along with annual audit plan, 2020 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.
- Approval of Framework for assessment of efficacy of the Bank's Internal Controls over Financial Reporting (ICFR) by A&RRG.
- Review of periodic activity review reports of A&RRG. The Audit Committee also met 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;
 - Activity review report of ACOB for 2018
 - Charter of the Audit Committee
 - Internal Audit Policy
 - IBG External Shari'ah Audit Report and compliance status
 - Accounting, Disclosure and Related Party Transaction policy of the Bank, accounting policies for Islamic Banking and Bahrain Branch

Furthermore, the committee ensured the independence of the external auditor and efficient supervision of the internal control system by steering separate meetings with External auditors, Chief A&RRG and internal audit staff.

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 with 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 reviewed the requirements for the rotation of external auditors on completion of the five years term of the current auditors in 2019. The present Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants in pursuance of the Code of Corporate Governance become ineligible for re-appointment having completed a term of five years. However, State Bank of Pakistan and Securities Exchange Commission of Pakistan (SECP) has granted permission to the Bank to extend the term of M/s KPMG Taseer Hadi & Co, Chartered Accountants.

The Audit Committee recommended 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, 2020 for 6th term after obtaining approval of SBP and SECP, 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 including Compliance Group and A&RRG. 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 06 2020

STATEMENT ON INTERNAL CONTROL

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 & procedures further strengthened by a comprehensive Control Review and Testing Framework (CRTF), approved by the Board, outlines the 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), 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, external and regulatory audit compliance; control self-assessment, monitoring completeness and maintaining up to date inventory of the Bank's policies, procedures and controls.

Bank has implemented effective

document life cycle management mechanism necessitating timely review and updation of documentation to incorporate material regulatory requirements and enhance control environment. In order to further strengthen the control environment, the Bank has automated the compliance processes especially related to Anti Money Laundering (AML) & Countering Terrorism Financing to ensure compliance with local and international regulations. The management has also established Compliance Committee to strengthen oversight role on compliance environment.

Risk Management Group is entrusted for implementation of effective operational risk management framework. Risk control design assessment and control implementation self-assessment is carried out to evaluate operational controls both at design and implementation level. Incident and loss data are gathered for analysis and suggesting improvements in existing control structure. Further, Key Risk Indicators are defined in coordination with stakeholders for effective monitoring of potential risk.

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.

Furthermore, compliance status of all irregularities identified during various audits and inspections are reported to ACOB, while other significant compliance risk related matters are reported to the Board Risk Management Committee (BRMC) as per approved ToRs.

The Bank's Internal Control System is 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.

Bank has completed all the stages of Internal Control over Financial Reporting as specified by State Bank of Pakistan (SBP), which has granted exemption from the requirement of submission of Long Form Report by the External Auditors. As a result, the bank shall submit "Annual Assessment Report on Efficacy of Bank's ICFR" approved by ACOB.

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
Lahore.

Dated: February 07, 2020

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

1. The total number of directors are (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. Abdul Aziz Khan
Executive Director	Mr. Tahir Hassan Qureshi, CEO
Female Director	Ms. Nazrat Bashir

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies including Allied Bank Limited.
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 and mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board.
8. The Board 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) or Institute of Chartered Accountants of Pakistan (ICAP). Whereas three directors are exempted from such requirement on account of their experience and qualifications. Besides, a two days' study tour in April 2019 for four ABL Directors (three Independent and one Non-Executive Director) at Dubai was arranged to provide them with first-hand knowledge of latest international banking techniques and digital technology. The Directors visited Mashreq Bank, Emirates NBD, Citibank Dubai and JP Morgan Chase in this regard.

10. During the period under report the Board has approved appointment of Chief Financial Officer, and the Company Secretary including their remuneration and terms and conditions of employment and complied with relevant

requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed five (5) committees. The names and composition of the Committees along with details of the Committees members is disclosed separately in the Annual Report.
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 is disclosed separately in the Annual Report.
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Chairman of HR&RC is a non-executive director. The reason for appointing him as a Chairman was his acumen and vast administrative experience due to which the Board considered him as a most appropriate choice for this position. He is on the Board of Allied Bank Limited since 2004 and is the Chairman of Human Resources & Remuneration Committee of Allied Bank since June 28, 2011 and has the capacity to run affairs of HR&RC effectively.

Mohammad Naeem Mukhtar
Chairman

Place & Dated:
Lahore, February 07, 2020

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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Allied Bank Limited for the year ended 31 December 2019 in accordance with the requirements of regulation 36 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 2019.

Lahore
Date: March 03, 2020

KPMG Taseer Hadi & Co.
Chartered Accountants

REMUNERATION REPORT

Compensation Governance

Employee compensation plays an integral role in the successful delivery of Your Bank's strategic objectives. Attracting and retaining the capable employees is central to Your Bank's compensation strategy. The cornerstone is the concept of pay for performance within a sound risk management and governance framework and with due consideration of market factors and societal values. Bank regularly reviews and aligns human resource policies encompassing all aspects of the remuneration to the ever evolving internal and external dynamics.

The Human Resource and Remuneration Committee of the Board is entrusted with the overall governance of all areas of the Human Resource including remuneration.

The key features of the Bank's Human Resource Policy related to remuneration in line with the mission of the Bank, are as under:

- Maintain fair and competitive salary and benefit structure which is not only market comparable but also recognizes and rewards the individual performance suitably.
- Attract and retain the right skillset and competence in line with the Bank's strategic objective to become the leading Bank in digital age.
- Encouraging prudent decision making by incorporating related risks in the remuneration structure.
- Reflect regulatory guidance in compensation programs.
- Aims to be recognized as the best place to work.

Total Remuneration Structure

As part of the compensation strategy, the Bank employs a total compensation philosophy, which comprises fixed pay, variable compensation and benefits.

Element	Purpose
Fixed Pay	<ul style="list-style-type: none">• Attract and retain employees by paying market competitive pay for the role, skills and experience required.• This include base pay and allowances as part of monthly salary as per terms of employment.
Variable Compensation	<ul style="list-style-type: none">• Drive and reward performance based on annual financial and non-financial measures consistent with the medium to long-term strategy, stakeholder interests and adherence to the Bank's values.• Awards vary with performance achievement and the Bank has the discretion to assess the extent to which performance has been achieved.• Awards are in monetary terms. A portion of the annual incentive award may be deferred and vests over a period of three years. All deferred awards are subject to malus.• This include annual performance award, cash award on passing IBP diploma and any other reward for target achievement or extraordinary performance.
Benefits	<ul style="list-style-type: none">• Ensure market competitiveness and provide benefits in accordance with market practice.• This include but not limited to medical benefits, education assistance and post-employment benefits.

Bank employees are graded into 12 salary grades, from MG1 to MG12, with MG1 being the senior most and MG 12, being the junior most. The management of the Bank is further classified in the following four levels according to salary grades:

Management level	Salary Grades
Executive Management	MG1 to MG3
Senior Management	MG4 to MG6
Middle Management	MG7 to MG9
Junior Management	MG10 to MG12

The above categories may include, from time to time, Material Risk Takers (MRTs) and Material Risk Controllers (MRCs). The remuneration of employees categorized as such is based on risk-based pay structure which is referred to as 'risk-based employee's remuneration pool'. The remuneration of employees other than such categories have pay structure which is referred to as 'general employee's remuneration pool'.

Classification of Material Risk Takers (MRT) and Material Risk Controllers (MRC)

Material Risk Takers (MRTs) and Material Risk Controllers (MRCs) of the Bank are identified as functions and designations having appropriate level of authority and control within the bank either working as regular or contractual employees. No third-party employee is designated as either MRT or MRC. Functions are identified as MRTs or MRCs based on designations or functions involved in critical business decision making, i.e. Chief Executive Officer (CEO), direct reportees of CEO, members of critical management committees involved in business decision making and risk management. Further, relevant Group Heads and other senior level positions managing critical areas, and meeting the risk materiality and threshold criteria as approved by the Board are also designated as MRTs or MRCs respectively.

Remuneration of Material Risk Takers (MRT) and Material Risk Controllers (MRC)

Fixed pay of MRTs and MRCs is decided based on fixed pay determination criteria for overall bank's employees and includes same components. Variable remuneration (performance bonus) is based upon performance score calculated against defined key performance indicators and rating scores achieved by each individual. Furthermore, rating assigned to MRTs or MRCs through annual performance appraisal process against their managerial capabilities and personal traits is then clubbed together against predefined weightages to reach consolidated performance score which is used as basis for deciding variable remuneration which is adjusted against underlying risks specifically for MRTs. MRCs are identified as functions and designations having appropriate level of authority and control duly governed by approved organograms having clearly defined independent reporting lines from the function they oversee. Organizational hierarchy of the Bank ensures segregation of roles and independence among Business, Operational support as well as Risk management.

Basis of deferral of payment

Quantum of associated risk is considered while deciding deferred portion of variable remuneration of MRTs. Percentage as per following grid is withheld and deferred from variable remuneration of MRTs for a period of 3 years:

	High Risk	Medium Risk	Low Risk
CEO, Chiefs & Executive Management	25 %	20 %	15 %
Senior Management	20 %	15 %	12.5 %
Middle Management	15 %	12.5 %	10 %

Assessment of Risk Factors

Risk Matrices encompassing Key Risk Indicators (KRIs) are used for assessment of major types of risks undertaken by identified MRTs. Percentage of variable remuneration of identified MRTs which has been deferred is based on quantum of respective current and future risks undertaken, assessed using Risk Matrices based on data for the current year.

Remuneration Framework for Chairman of the Board, Non-Executives Directors and Shariah Board Members

Chairman of the Board and Non-executive Directors

The Bank's Remuneration Policy related to the remuneration of Chairman and other Directors is governed by the State Bank of Pakistan (SBP) Prudential Regulation as revised from time to time. The scale of remuneration to be paid to Chairman of the Board and Non-executive Directors for attending the Board or its committee meetings is determined keeping in view responsibilities, governance structure and expertise and is approved by the Shareholders on a pre or post facto basis in the General Meeting. The salient features of the Directors Remuneration Framework are as under;

- No director is involved in deciding his own remuneration.
- No fee is paid if any of the directors does not attend a meeting. Similarly, fee is not paid for consideration of the proposals considered through circulation.
- No consultancy or allied work is awarded to non-executive directors or to the firms, institutions, companies etc. in which they hold substantial interest.
- The administrative expenses pertaining to the office, staff and security allocated to the Chairman of the Board are determined rationally.
- Directors may be provided with certain facilities incidental to the performance of their role as Board members depending on the need and as approved by the Board and shareholders.

Shariah Board

Fixed remuneration is paid to Chairman Shariah Board as well as non-resident shariah board member in line with employment contracts including monthly salary, medical benefit and fuel reimbursement.

No variable remuneration (performance bonus) is paid to Chairman Shariah Board and non-resident shariah board member.

Resident Shariah Board members are paid fixed remuneration which includes monthly salary and allowances as per terms of contract and post-employment benefits. Variable remuneration (performance bonus) is paid on the basis of performance assessment carried out annually through performance appraisal process.

SHARIAH BOARD

Terms of Reference

The primary function of Shariah Board is to supervise and advise the management of the Bank on all shariah related matters, develop comprehensive Shariah compliance framework and is responsible for all Shariah related decision. The Shariah Board approves all Islamic Banking related policies, procedures, services and related agreements and contracts in conformity with the rules and principles of Shariah. The Shariah board is responsible to review Internal Shariah Audit review report, external Shariah Audit, SBP Shariah Inspection and Shariah compliance reviews and prescribes appropriate remedial measures. Shariah Board is also responsible for training and development of the staff members. Shariah Board meetings are held at-least quarterly it also meets with Board of Directors at-least on quarterly basis.

Process of appointment and nomination

The appointment of members of the Shariah Board is approved by the Board of Directors, of the Bank, upon recommendation of the Human Resource and Remuneration Committee. The appointment is subject to prior clearance of SBP and pursuant to Fit and Proper Criteria (FAPC) and regulation of SBP.

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 Mahmood Ahmad Member Shariah Board

He is serving as member Shariah Board of the Bank since August 17, 2015. He graduated as a Shariah scholar in Shahadatul-Almiah (Masters in Arabic and Islamic studies) from Wifaqu-ul-Almadaris Alarabia. He has also earned his Master's in Arabic from University of Punjab, Lahore (Takhassus-Fi-Alifta) in Islamic Fiqh and Fatawa from Jamia Darul-Uloom, Karachi. He has also completed his M Phil in Islamic Banking and is in the process of completing his Ph.D thesis on "Comparison between Conventional and Islamic Law of Contracts". He has experience of eight years as a Shariah consultant with Islamic Micro-Finance and other organizations. He is a Mufti and lecturer in 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 the Bank since September 03, 2018. He earned his Al-Aalamiyyah (a degree recognized by the HEC Pakistan as a Masters in Arabic & Islamiyyat) and specialization in Islamic Jurisprudence from Jamia Darul-Uloom, Karachi, which is one of the most reputed and prestigious religious institution in the country. Prior to joining the bank, he has worked as Shariah advisor for three years at First Elite Mudharabah and six years at First Punjab Mudharbah. He regularly delivers lectures on Islamic Economics and Finance at different forums and educational institutions.

None of the members of Shariah Board of the Bank are member of Shariah Board of any other financial institution.

No. of Meetings Attended: Four Shariah Board meetings were held in 2019 last year and all Shariah Board members have attended all the meetings.

REPORT OF SHARIAH BOARD

For the year ended December 31, 2019

In the name of Allah, the Beneficent, the Merciful

By the grace of Almighty Allah, the year under review was the 6th year of Islamic Banking Operations of Allied Bank Limited (ABL-IBG). The Board of Directors and Executive Management are solely responsible to ensure that the operations of ABL-IBG are conducted in compliance with Shariah principles at all times. The scope of this report is to cover the affairs of ABL-IBG, from Shariah perspective as described under Shariah Governance Framework of

State Bank of Pakistan. Shariah Board is pleased to submit a report on the overall Shariah compliance environment of ABL-IBG. Shariah Board asserts that it has performed its duties independently with courteous relationship among

the Shariah Board members and management of Bank. To form basis of our opinion as expressed in this report, Shariah compliance reviews, on test check basis, 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 Shariah audit and external Shariah 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 2019 are in conformity with the principles and guidelines of Shariah issued by Shariah Board (SB) and State Bank of Pakistan.

The Bank primarily used Ijarah, Diminishing Musharakah, Salam and Business Musharakah for its financing activities during the year. The bank under review period also maintained gradual shift from Trade based modes to Participative mode which is an encouraging development.

ABL-IBG has put a mechanism in place in the form of Internal Shariah Audit and Shariah Compliance reviews to ensure Shariah compliance in its overall operations that will keep its focus on continuous improvement for catering 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. 0.075 million and accordingly an amount of Rs. 0.06 million was granted to approved charitable institutions.

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

Shariah 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 Shariah compliance in all the new researches, conducting Islamic banking trainings, Shariah-compliance review of each class of transactions, relevant documentation and process flows. Moreover, SCD has conducted the review of branches to evaluate the Shariah knowledge of staff.

Review and Development:

ABL-IBG has completed yet another successful year. Upon achieving a branch network of 117 dedicated Islamic branches and 10 Islamic Banking windows, further expansion in outreach has been made through addition of 50 Windows at selected conventional branches during 2019. Similarly, significant growth in assets, Investments, liabilities, trade and other business avenues have been registered.

Asset Review: During the year, financing portfolio has increased by 82.16% to Rs. 12,615 million as compared to 6,925 million in last year, which mainly constitutes of Business Musharakah (53.52%), Diminishing

Musharakah (25.37%), Islamic Export Re-Finance- Business Musharakah (7.93%).

Besides, the investment portfolio has also risen by 21.50% to Rs. 12,452 million as compared to 10,249 million in last year, which mainly constituting Government Ijarah Sukuk, Corporate Sukuks and Bai-Muajjal with Government of Pakistan.

During the year, the SB approved new products including Allied Aitebar Business Finance, Islamic Financing Facility for Renewable Energy (IFRE) and Low Cost Housing for Special Segment (IHFS) on assets side and "Allied Aitebar Waseela e Hajj & Umrah Account" on Liability side.

Liability Review: The total deposits of ABL-IBG have increased by 39.61% during the year reaching to Rs. 34,389 million at December 31, 2019 as compared to Rs. 24,632 million as of last year.

Other Key Activities: SB also reviewed various policies and manuals during the year related to Tractor Finance, Istisna Finance, Home Musharakah Policy, Islamic Export Refinance Scheme, Forward Cover, Business Muaharakah Manual, Allied Aitebar Express Account, Allied Aitebar Institutions Account, Allied Aitebar Premium Account and Allied Aitebar Notice Period Certificates.

Profit Distribution Review: 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 Shariah audit of pool management has been conducted on quarterly basis, which has further improved the process of pool management, profit and loss distribution and strengthened the compliance of Shariah guidelines.

Shariah Board Meetings: Shariah Board had held four meetings during the year 2019 wherein multiple 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 the staff of the Islamic Banking Group and other staff involved in management of Islamic Banking operations and affairs. Management Development Center of ABL, arranged 27 training sessions and more than 1070 employees attended these sessions. Moreover, 54 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 was conducted by the Shariah Board. Moreover, the members of Shariah Board participated in SBP designed program which was aimed to provide exposure with respect to International trade and treasury operation & derivative management.

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/Shariah 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 Shariah 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 Shariah non-compliance risk.

We pray to almighty ALLAH to provide us guidance to adhere to the Shariah 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 07, 2020

شریعی بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2019

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

الحمد للہ الائٹڈ بینک اسلامک بینکنگ گروپ کے انتظامی معاملات کے حوالے سے ہونے والے ریویو کا یہ چھٹا سال ہے۔ بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ پر یہ ذمہ داری عائد ہوتی ہے کہ وہ الائٹڈ بینک لمیٹڈ کے اسلامک بینکنگ گروپ (IBG) میں ہونے والے تمام معاملات کی ہمہ وقت شرعی اصولوں کے مطابق انجام دہی کو یقینی بنائیں۔ یہ رپورٹ الائٹڈ بینک اسلامک بینکنگ گروپ میں ہونے والے معاملات کا شرعی طور پر احاطہ کرتی ہے جو اسٹیٹ بینک کے جاری کردہ شریعی گورننس فریم ورک میں بیان ہوئے ہیں۔

الائٹڈ بینک اسلامک بینکنگ گروپ میں شریعی کمپلائنس کے حوالے سے وضع کردہ مجموعی نظام کے بارے میں رپورٹ پیش کرتے ہوئے شریعی بورڈ کو خوشی محسوس ہو رہی ہے۔ شریعی بورڈ نے اپنی ذمہ داریوں کو بالکل آزادانہ طور پر ادا کیا ہے اور اس میں انہیں بینک مینجمنٹ کی مکمل معاونت حاصل رہی۔

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 متعلقہ دستاویزات اور ان کی انجام دہی کے طریقہ کار کا نمونوں کی بنیاد پر جائزہ لیا۔ اس کے علاوہ ہم نے الائٹڈ بینک اسلامک بینکنگ گروپ کے دوران سال کئے گئے انٹرنل اور ایکسٹرنل شریعی آڈٹ کی رپورٹس کا بھی جائزہ لیا۔

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

سال 2019ء کے دوران الائٹڈ بینک اسلامک بینکنگ گروپ میں کئے گئے کاروباری معاملات بالخصوص لین دین کے معاملات، ان سے متعلقہ 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 اجارہ، شرکت متناقصہ، سلم اور بزنس مشارک کو استعمال کیا۔ ریویو پیریڈ کے دوران بینک نے تجارتی سرمایہ کاری سے اشتراکی سرمایہ کاری کی طرف بتدریج منتقلی کا عمل بھی برقرار رکھا جو ایک خوش آئند عمل ہے۔

الائٹڈ بینک اسلامک بینکنگ گروپ نے تمام معاملات میں شریعی کمپلائنس کو 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 یہ صلاحیت ہے کہ کسی بھی قسم کی ناجائز ذرائع سے حاصل ہونے والی رقم (اگر بالفرض ہوں) کو آمدنی کا حصہ نہ بننے دیا جائے۔ بینک نے 0.075 ملین روپے صدقہ وصول کیا اور ان میں سے 0.06 ملین روپے منظور شدہ فلاحی اداروں کو صدقہ دیا۔

انٹرنل شریعی آڈٹ کا شعبہ الائٹڈ بینک اسلامک بینکنگ گروپ 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 کلیدی کردار ادا کرتا ہے۔ انٹرنل شریعی آڈٹ شعبہ اپنی رپورٹس ریزیڈنٹ شریعی بورڈ ممبر اور شریعی بورڈ کو پیش کرتا ہے تاکہ ان رپورٹس کی روشنی میں معاملات کا جائزہ لے کر ان کی اصلاح کے لئے مناسب احکامات جاری کر سکے۔

بینک کا شریعی کمپلائنس ڈیپارٹمنٹ مناسب وسائل کی موجودگی میں شریعی بورڈ کی زیر نگرانی کام کر رہا ہے۔ اس ڈیپارٹمنٹ کا بنیادی مقصد جدید تحقیقات میں شریعی کمپلائنس کے حوالے سے مدد فراہم کرنا، اسلامک

بینکنگ کی تربیت فراہم کرنا اور مختلف شعبوں میں ہونے والے تمام معاملات، ان سے متعلقہ دستاویزات 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 براؤنر کا دورہ بھی کیا۔

ریویو اینڈ ڈیپلنٹ:

الائٹڈ بینک اسلامک بینکنگ گروپ نے کامیابی کا ایک اور سال مکمل کر لیا ہے۔ اسلامک بینکنگ کی 117 براؤنر اور 10 ونڈوز کے ساتھ ساتھ سال 2019ء کے دوران منتخب کنونشنل براؤنر میں مزید 50 ونڈوز کا قیام عمل میں لایا گیا۔ اسی طرح اثاثوں، سرمایہ کاری، واجبات، تجارت اور دیگر کاروباری سرگرمیوں میں بھی خاطر خواہ اضافہ ہوا۔

اثاثوں کا جائزہ:

سال کے دوران تمویل کا مجموعی حجم گزشتہ سال کے 5, 9, 2, 6 ملین روپے کے مقابلے میں 82.16% کے اضافے کے بعد 12,615 ملین تک جا پہنچا ہے جو کہ پیشتر یعنی (53.52%) بزنس مشارک، (25.37%) شرکت متناقصہ، (7.93%) اسلامک ایکسپورٹ ری فنانس (بزنس مشارک) پر مشتمل ہے۔

دوسری جانب سرمایہ کاری کا مجموعی حجم بھی گزشتہ سال کے 10,249 ملین کے مقابلے میں 21.50% اضافے کے بعد 12,452 ملین ہو چکا ہے جس کا اکثر حصہ حکومتی اجارہ صکوک اور کارپوریٹ صکوک اور حکومت پاکستان کے ساتھ بیج موصل پر مشتمل ہے۔

اس سال شریعی بورڈ نے جن نئی پروڈکٹس کی منظوری دی ان میں ایسٹ سائیڈ پر الائٹڈ اعتبار بزنس فنانس، اسلامک فنانسنگ فیسیلیٹی فار رینوویاٹل انرجی (IFRE)، مخصوص

طبقہ کے لوگوں کے لئے کم خرچ ہاؤسنگ اسکیم (IHFS)، اور انٹیلیٹی سائیڈ پر لائیڈ اعتبار وسیلہ ج و عمرہ اکاؤنٹ شامل ہیں۔

واجبات کا جائزہ:

گزشتہ سال کے 24,632 ملین کے مقابلے میں IBG-ABL کے مجموعی ڈپازٹس %39.61 اضافے کے ساتھ اس سال 31 دسمبر 2019 میں 34,389 ملین روپے تک جا پہنچے ہیں۔

دیگر اہم سرگرمیاں:

شریہ بورڈ نے اس سال ٹریڈر فنانس، استھناغ فنانس، ہوم مشارکہ پالیسی، اسلامک ایکسپورٹ ری فنانس اسکیم، فارورڈ کور، بزنس مشارکہ مینول، لائیڈ اعتبار ایکسپریس اکاؤنٹ، لائیڈ اعتبار انسٹیٹیوشنز اکاؤنٹ، لائیڈ اعتبار پریمیم اکاؤنٹ اور لائیڈ اعتبار نوٹس پیئرڈ سٹریٹیکٹ سمیت مختلف پالیسیز اور مینولز کا ریویو کیا۔

تقسیم نفع کی پالیسی:

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

شریہ بورڈ میٹنگز:

سال 2019ء کے دوران شریہ بورڈ کی چار میٹنگز کا انعقاد کیا گیا جن میں مختلف موضوعات زیر بحث آئے اور بہت سے مسائل کا حل تجویز کیا گیا۔

اسٹاف ٹریننگ:

اسلامی بینکاری سے متعلق معلومات اور مہارتوں میں نکھار

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 سٹریٹیکٹ کورسز کے ذریعے اس میں مزید بہتری لانے کی ضرورت ہے۔ بالخصوص اسلامک بینکنگ کے شعبہ ”ٹریڈری آپریشنز“ کی مزید تربیت ہونی چاہئے۔ اس سے نہ صرف عمل کی صلاحیتوں میں اضافہ ہو گا بلکہ اس کے ساتھ ساتھ شرعی اصولوں کی خلاف ورزی جیسے ممکنہ خدشات کا بھی تذکرہ 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

(شریہ بورڈ ممبر)

مفتی محمد افتخاریک

(چیئرمین شریعہ بورڈ)

رپورٹ کی تاریخ: 07 فروری 2020ء

پیدا کرنے کے لئے اسلامی بینکاری کے نظریات کے ساتھ ساتھ اسلامک بینکاری کی پروڈکٹس کے بارے میں اسلامک بینکنگ گروپ اور اسلامک بینکنگ کی مینجمنٹ سے متعلق دیگر اسٹاف کو تربیت فراہم کی گئی۔ لائیڈ بینک کے مینجمنٹ ڈیپارٹمنٹ سنٹر نے 27 تربیتی نشستوں کا انعقاد کیا جن میں 1070 سے زائد ملازمین نے شرکت کی۔ اس کے علاوہ 54 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 مختلف تربیتی نشستوں کا انعقاد کیا گیا۔ اس کے علاوہ شریعہ بورڈ ممبرز نے سٹیٹ بینک کی جانب سے منعقدہ ایک پروگرام میں شرکت کی جس میں انہیں بین الاقوامی تجارت، ٹریڈری آپریشنز اور مشتقات کی مینجمنٹ کے حوالے سے تربیت فراہم کی گئی۔

تجاربہ/سفارشات:

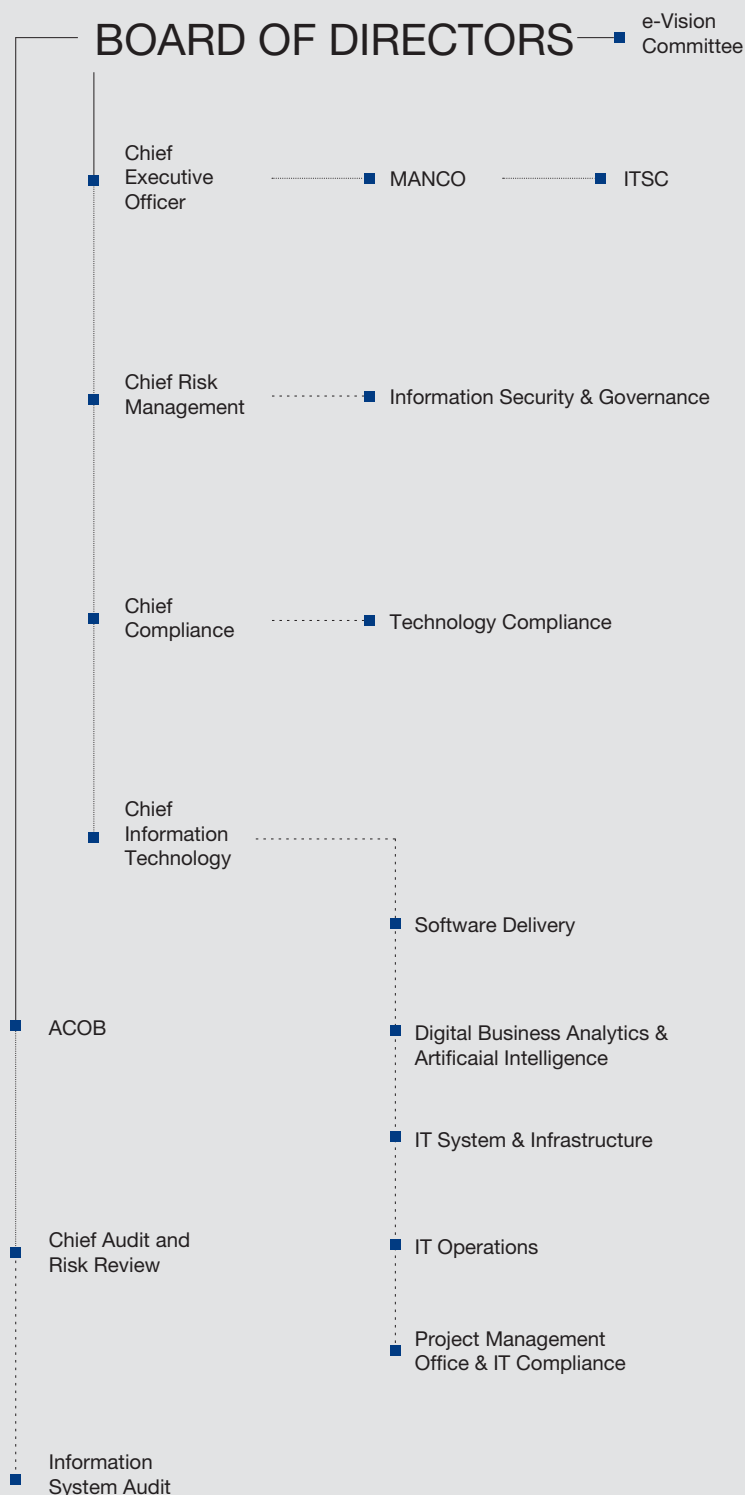
مندرجہ ذیل کچھ معاملات کے لئے مسلسل توجہ درکار ہے:

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

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 the Bank is regulated by the IT Governance Policy approved by the Board of Directors which 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:

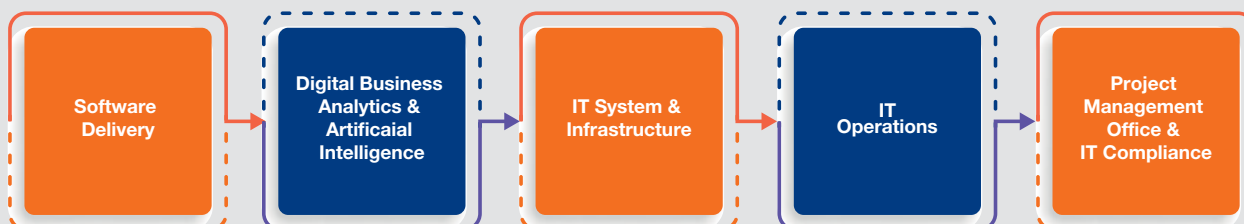
e-Vision Committee of Board supervises the IT Governance in Your Bank and provides strategic direction for adoption/upgrading of evolving technologies in order to provide new customer centric products and services and to improve internal control environment. The Committee reviews the strategic plan of 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, any 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 the 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 the 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 Board (ACOB), for handling and monitoring allegations, complaints and concerns raised by the whistleblower under the WBP.

Protection of Whistleblowers

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

Your Bank stands committed to protect Whistle blowers 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:

- A dedicated e-mail address for whistle blowing (whistle.blowing@abl.com) accessible by the Chairman ACOB.
- Whistle blowing forms available on the 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 2019: Eighteen (18).

INVESTOR GRIEVANCE

Your Bank has put in place comprehensive guidelines for investors and 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 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 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 (which is available on corporate website as well).

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 the 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 emissions, 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.

Bank's contributions towards these areas have been mentioned in Corporate Sustainability Report.

CORPORATE SUSTAINABILITY REPORT

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.

Your Bank echoes a commitment of making a positive impact on our society and works to sustain the trust of the customers and communities in which we operate.

OUR PHILOSOPHY OF CSR

The Bank has been meticulously observing globally recognized environmental and social practices through its approved CSR policy. The key CSR objectives of the policy have been aligned with the rolling strategic plan of the Bank and ensuring to adhere closely to the global sustainable development goals (SDGs).

Under this CSR Policy, Your 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, with an emphasized focus on achieving an equitable gender employment ratio.

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:

- **Deposit Protection – Rs. 937M**
- **1,515 Biometric & Anti-Skimming enabled ATM**
- **96.6% ATM Uptime**
- **99% Resolution against 35,023 Customer Complaints Received**
- **3.87 Days Average Turnaround Time**

- **Best Place to Work Award**
- **10% increase in female employees**
- **Education Assistance – 341 employees**
- **Trainings Facilitated – 11,000+**

- **Consumption of Fossil Fuel ↓ 13%**
- **Consumption of Paper ↓ 14%**
- **Solar Locations – 59**
- **Inverter Branches – 1,060**
- **3 Business Processes Automated**

- **Contribution to National Exchequer, Donations & Sponsorships – Rs. 83 million**
- **Taxes Paid – Rs. 18,554 million**
- **Zakat Submission – Rs. 398 million**



CUSTOMER RELATIONS

Business thrives for the constant support and commitment of its customers. The Bank in line with its vision “to become first choice Bank for the customers”, constantly aspires service excellence and enhanced user experiences of our valued customers. A goal as critical as such can only be achieved through persistent interactions, getting to know the customer and their needs while providing dynamic solutions to cater to their evolving needs.

Customers are at the core of the continuous technological transmutation which is geared towards reshaping

banking of the future.

Concentrating on technology driven 24/7 banking solutions, the expansion in Bank's ATM network was maintained during the year with an addition of 127 ATMs. In order to augment services and security all ATMs are equipped with biometric access facility to allow transactions without use of cards. All ATMs are equipped with anti-skimming devices to enhance security of transactions. Recognizing the impact of digitalization and understanding the banking needs of millennials, Your Bank has introduced its first Self-Service branch at Lahore University of Management Sciences (LUMS), which offers full-scale, rapid, secure

and hassle-free banking services with seamless customer experience. The self-service branch offers digital account opening through tablets, Interactive Teller Machine (ITM) where customers can do banking transactions through teller assistance over video conferencing facility and instant card issuance for account holders at the branch. Your Bank ensured 99%+ ATM uptime during the occasions of Eid-ul-Fitr and Eid-ul Adha holidays; processing around 2.2 million transactions involving Cash Withdrawals of approximately Rs. 25.2 billion. Your Bank installed Electronic Queue Management Systems in Top 100 Flagship branches with total cost Rs. 42.58 million, facilitating the customers

to conduct transactions conveniently. In continuation of ABL's journey towards digitalization, 75 Self Service Kiosks worth Rs. 19 million are installed in selected Branches.

In order to receive objective feedback on customer experience of services provided by the Bank, Your Bank arranged for video mystery shopping of Top 100 flagship branches through an external research company.

The Bank further strengthened customer relations through the following initiatives:

CUSTOMER AWARENESS AND FINANCIAL LITERACY SEMINARS

With the objective of providing non-financial services, Your Bank organized following seminars and programs to promote financial inclusion and credit expansion throughout the year:

- In line with SBP's vision to promote SME, 8 awareness seminars on Middle Market & SME Policy were organized in Gujranwala, Peshawar, Faisalabad, Sahiwal, Bahawalpur and Larkana. All the events were well-attended by the business communities of the respective territories.
- Focused interactive seminars on "Awareness Program on Islamic Banking" were arranged, one at Gujranwala and another at Bahawalpur with the objective of acquainting the business community as well as Ulemas, in particular, about the possible alternatives of banking solutions within their Shariah interpretation and thereby providing avenues of taking due advantage of it and play a key role in the country's economics.

The Bank's Human Resource Group in coordination with the SBP, arranged 496 National Financial Literacy Program (NFLP) sessions in the rural districts with



an aim of financial inclusion of unbanked segments of the society. These sessions, attended by 10,000+ citizens, enhanced the awareness levels, which was appreciated by all the participants. During the year, Your Bank ranked top amongst the participating Banks in Panjgur and selected districts of Karachi for highest account opening ratio; the efforts lauded by SBP

CUSTOMER PROTECTION AND QUALITY ASSURANCE

Your Bank is constantly aspiring to achieve excellence in services to earn customers loyalty. Your Bank spent Rs.937 million towards deposit protection insurance in order to comply with SBP initiative to provide protection to small depositors across the banking industry.



In this Digital era, customer information is more vulnerable than ever before. Cognizant to this fact, Your Bank continued

to safeguard Data and Information Technology assets including compliance of PCI DSS and Customer Security Program (CSP) by SWIFT.

Your Bank conducted assessment

exercises including Vulnerability Assessment (VA), Penetration Testing (PT) and Technical Risk Assessment (TRA); ensuring a controlled environment for customers' related information; augmented by re-issuance of EMV chip-based cards for secured POS transactions.

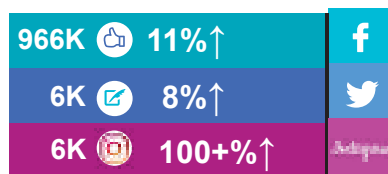


Information Security Awareness campaigns were shared with the valued customers vide emails and SMS respectively

to educate and enhance awareness of Bank's customers about latest cyber security threats. Phishing email simulations were also conducted on bank's staff to gauge the phishing index of the organization. Through Customer Relationship Management (CRM) system; Your Bank continued to improve the resolution rate and timelines to further strengthen the complaint handling mechanism.



With the objective to engage customers and nourish relationships, Your Bank maintains profiles on Facebook, Twitter & Instagram 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, Your Bank continued to endeavor towards financial inclusion in rural areas and providing quality financial services at grass root level. Your Bank has opened 2 branches in Baluchistan Province and 9 branches in Khyber Pakhtunkhwa (KPK); increasing the total number of rural branches to 278. Another 3 branches were opened in Un-Banked areas of Karora, Fateh Pur Kamal and Gadari. 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 continued supporting Prime Minister Youth Business Loan Scheme to eligible small borrowers under this segment.

DIGITAL INNOVATION

The Bank is continuously striving to deliver enhanced user experience through innovative digital banking products and services. The face of the banking industry has drastically changed in the last few years, wherein digital disruption, consistent innovation and dynamic products from Fintechs are continuously pushing the traditional banking industry to focus on augmenting customer experience through adopting latest technologies and excellence in services on both conventional and digital channels. As a forward-thinking advocate, Your Bank has responded to these market disruptions by expanding in-house capabilities and also have partnered with Fintechs for new digital offerings.



myABL Personal Internet Banking has remained the most convenient and widely used Online Banking channel for ABL customers during the year 2019. With improved customer experience and well-organized customer onboarding campaign, Bank succeeded in doubling the myABL userbase.



myABL Business Internet Banking (BIB) is the dedicated Digital Banking platform exclusively designed and developed for Business and Institutional Customers. This user-friendly and device-responsive facility continued to grow during 2019, enabling customers to execute wide range of online banking transactions from their workstation/offices.



The Bank has an 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.



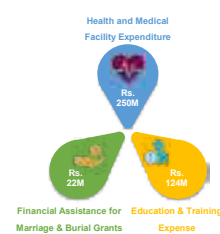
With an easy to use map-based interface, customers can find their nearest ATMs or Branches or they can search for a specific branch based on available facilities and can view Discount Offers available on Debit, Credit, Prepaid cards and Masterpass QR, which is a world renowned Mastercard product offering. The Bank 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 61 new clients the year for Cash Management Services.



Your Bank's unique initiative of facilitation of small obligors towards an Enterprise Resource Planning (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. During the year ERP was implemented for two obligors thus enhancing the total number to 4.

WORKPLACE

Building an engaged, healthy and inclusive team is a cornerstone to accomplish the business strategies of the Bank while meeting the ever-evolving external challenges in the 'digital era'. In recognition of its efforts towards nurturing the best human capital and creating an inclusive environment, Your Bank received the award of 'Best Place to Work' under the category of 'Financial Services' for the Year 2019 from Pakistan Society of Human Resource Management.



Your Bank is constantly working towards hiring the most dynamic and capable staff while simultaneously investing in relevant trainings to further enhance their talent and providing the best facilities and culture to thrive. Employees' engagement plays an important role in creating a great workplace culture which is vital for shaping the future of an organization. Accordingly, Rs.8 million was spent on





staff cricket tournaments held at Lahore, Karachi, Islamabad and Multan; which were well participated by staff and their family members who thoroughly enjoyed the festive environment.

EQUAL OPPORTUNITY EMPLOYER AND EMPLOYMENT OF SPECIAL PERSONS

Continuous focus was maintained towards increasing the diversity of Bank's human capital; reinforcing the inclusive culture of Your Bank. Your 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, encourages employment of special persons and currently 47 special persons are honorably earning their livelihood while contributing towards the growth of the Bank and society. Simultaneously 2034 - females, representing 17.44% of total permanent staff members, are diligently performing their duties. A special function was held to celebrate the International Women Day.

OCCUPATIONAL HEALTH AND SAFETY

Your Bank aims to provide safe and healthy environment to all employees at work.

During the year 2019, the Bank spent Rs.134 million under the approved medical expense policy to over 2,370 staff members.

Adhering to responsibility towards eligible ex-employees, during the year, from the platform of "Post-retirement Medical Fund", Your Bank contributed Rs.116 million towards the health of 666 ex-employees.

Your 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, 12 safety drills were conducted at major buildings in Lahore, Karachi, Islamabad, Faisalabad, Peshawar and Multan.

Your Bank prioritized to arrange emergency lights, fire and smoke detection equipment, alarm systems, portable fire extinguishers, periodic evacuation/safety drills and emergency exit doors and incurred Rs. 7 million during the year 2019 in order to augment staff safety at the workplace.

EDUCATION AND WELLBEING OF THE 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, Your Bank spent Rs. 97 million on trainings to 10,844 staff members and Rs.30 million towards employee's education.

During the year, Your Bank through its platform of "Staff Welfare Fund" spent Rs.22 million to assist 56 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, Your Bank sponsored its clerical, non-clerical and executive staff totaling 37 to perform Hajj by spending Rs.24 million.



BUSINESS ETHICS AND ANTI-CORRUPTION MEASURES

Your Bank nurtures a culture of excellence, good governance, transparency, integrity and accountability. Controls and Compliance being an integral function, Your Bank encourages high business ethics while promoting positive compliance culture. Your Bank is committed to the best industry practices for compliance with 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.

ENVIRONMENT

Your Bank plays a positive role in the development of a healthier environment to meet the social obligations and contribute towards more sustainable future growth. Your 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, Your Bank is taking genuine leaps forward in setting out a series of targets to assist in the transition to a low-carbon economy. During the year, Your Bank invested Rs. 204 million toward energy saving solutions through installation of solar panels and inverters. Your Bank's total solar locations stand at 59 while inverter-based locations increased to 1,060. Administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity and reduction in consumption on fossil fuel by 13%.

During the year, Your Bank continued its efforts to automate the existing manual processes; resultantly 3 processes were shifted towards paperless banking. As part of Green Banking efforts, the Bank arranged Training Need

Assessment (TNA) session on Green Banking by the experts from Frankfurt School of Finance & Management & GIZ, Germany. The workshop agenda included inherent risks in solar systems, key financial performance indicators, evaluating bankability, solar experiences and market outlook.

Your Bank, under the Clean & Green Pakistan Campaign, organized a tree plantation campaign with the slogan "Aek Bashar Do Shajar". Plants were selected on the basis of environmental benefits keeping in view the soil and characteristics of a particular area and over 16,000 saplings of local trees, native to climate, were planted on different locations.

COMMUNITY

Bank as a trusted member of the community is playing an active role in following CSR activities and community engagements:

EDUCATION

Education is the only way to create a civilized society and forms the basis of nation building. Your 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.

Recognizing the importance of information technology, Your Bank continued its policy to donate its used but working personal computers to educational institutions; especially targeting under privileged segments of the society. Your Bank donated a total of 40 computers to 4 educational institutions during 2019.

Community service is one of the main objectives under the CSR Plan of the

Bank and the education sector being an essential part of it has been a major beneficiary to whom the bank has been donating regularly. In pursuance of this objective, Your Bank contributed Rs. 30 million to The Lahore University of Management Sciences (LUMS) towards the development of Hostel.

Staff of Your Bank carried out a Corporate Social Responsibility activity at the Family Educational Services Foundation (FESF) – Deaf Reach School. This interactive session was concluded with the distribution of goody bags to every student and a donation from the Bank's staff to the FESF. FESF is a non-profit educational organization active in Pakistan since 1984, working to meet the need for the hearing impaired in Pakistan. The program's approach focused on education and skills training for deaf children and youth, development of teachers' and language interpreters' skills and job placements.

The Bank donated Rs.31 million and spent Rs.10 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, Your Bank contributed Rs.22 million in the shape of direct donations and sponsorships, towards six healthcare institutions thereby playing its role in easing the predicament of underprivileged patients.

Cognizant of the importance of Blood donation to save the life, Your Bank in cooperation with Shaikat Khanum Memorial Cancer Hospital, organized a voluntary blood donation camp at the Head Office for the Bank's employees, which was well participated by the Bank's staff.



GENERAL WELFARE

During the year, Your Bank spent Rs.22 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.

CONTRIBUTION TO NATIONAL EXCHEQUER

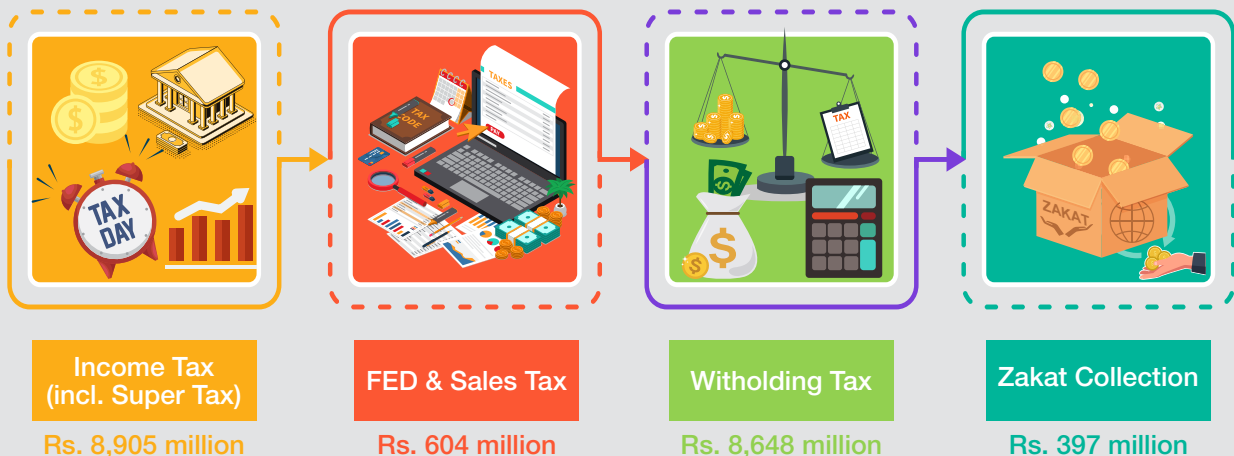
Your Bank is one of the leading institutions in its contribution towards the national exchequer. During the year, Your Bank paid Rs. 8,905 million as Income Tax (inclusive of Super Tax), deposited Rs. 8,648 million as withholding tax agent and contributed



Rs. 604 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, the Bank collected

Rs. 397 Million Zakat from 72,722 account holders and deposited to the national exchequer.

Contribution to national exchequer



Your Bank is one of the leading institutions in its contribution towards the national exchequer. During the year, Your Bank paid Rs. 8,905 million as Income Tax (inclusive of Super Tax), deposited Rs. 8,648 million as withholding tax agent and contributed Rs. 604 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, the Bank collected Rs. 397 Million Zakat from 72,722 account holders and deposited to the national exchequer.

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT GOALS



The bank has been making contributions to combat hunger in Pakistan with monthly provision of sacrificial meat for the poor feeding. In 2019, Rs. 4 million was spent on this activity.



Community services, especially for the health sector is one of the main objectives under the CSR Plan of the Bank.

- Indus Hospital and Liver Foundation Trust were the main beneficiaries to whom donation has been made.
- ABL has been regularly engaged in blood donation drives, a Blood Donation Drive was conducted at ABL.
- The Bank has also donated to LABARD and Tamir Welfare, which are dedicated to the well being of differently abled persons.



Education is the cornerstone to building the country's future and enabling a secure future to our children.

- In our drive to promote educational growth in this sector, the Bank donated Rs. 30 million for the construction of Hostel at Lahore University of Management Sciences.
- The Bank also financially assisted Government College of Science Lahore in the uplifting of their Laboratories and Classrooms.



The Bank places the utmost importance on gender equality in its work environment. There is continuous growth in number of female staff.

The Bank also contributed to Mashal Association, a welfare dedicated to the uplift of under privileged women & girls.



Renewable energy in Pakistan is a relatively underdeveloped sector. Reliance on fossil fuel has drastic effects on the climate. To reduce the effects, pursuance of clean energy sources is essential.

- During the year, one location has been switched to solar increasing the total number to 59, whereas 243 locations have been switched to inverter technology.



Your Bank is devoted to equitable development of the economy. Our business activity at its core is contributing to economy in form of a better workplace, generation employment, contribution to the national exchequer and financial services for economy.

- The Bank also focuses on enabling its employees to earn better in the current inflationary economy. There are 47 special persons serving respectfully in the Bank.
- The bank has also spent Rs. 30 million on the education of clerical and non-clerical staff.



The country's economy cannot achieve optimal growth without the development of the SME sector.

- In order to create a healthy competitive environment and foster innovation, the Bank has assisted in implementation of ERP solutions for 2 SME Obligors during 2019.
- Additionally, multiple awareness seminars have been conducted to involve further potential SMEs and increase the proportion of small scale business



Your Bank's Green Banking

Policy lays the foundation to promote environment friendly practices. Our objective is to manage environmental risks, socially adverse actions and reduce carbon footprint while espousing paperless environment.

- The Bank achieved reduction of 21% in paper consumption through process automation.
- The Bank further achieved 13% reduction in fossil fuel consumption through conversion to clean or efficient energy alternatives during the year.



Climate change has been

recognized the world over as an imminent threat to our lives and global mobilization is required to combat such threats.

- A tree plantation campaign was organized by the Bank under the Clean & Green Pakistan Campaign where a total of 16,942 saplings were planted. Main objectives of the plantation were to control soil erosion in waterlogged areas and rehabilitation of waste lands.



The Bank is ideally positioned to partner with relevant organizations in order to promote sustainable development of various sectors of the economy.

- The Bank has entered into a partnership with Karandaaz Pakistan which has been established to promote access to finance for micro, small and medium sized business. This approach further increases the Bank's involvement in financial inclusion of SMEs and their business growth.

UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2019

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 2019 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 forty two 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 2019 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	Provision against Loans and Advances	
	<p>Refer to note 9 and the accounting policies in notes 2.4.2 and 4.5 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 32.75% of its total assets as at 31 December 2019 and are stated at Rs. 485,016 million which is net of provision of Rs. 15,152 million 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"> 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"> Controls over correct classification of non-performing advances on time based criteria; 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; Controls over accurate computation and recording of provisions; and Controls over the governance and approval process related to provision. 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; 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;

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> 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.
2	Valuation of Investments	
	<p>Refer to note 8 and the accounting policies in notes 2.4.2, 2.4.3 and 4.4 to the unconsolidated financial statements.</p> <p>As at 31 December 2019, the Bank has investments classified as "Available-for-sale", "Held for trading", "Held to maturity" and "Investment in subsidiary" amounting to Rs. 757,957 million which in aggregate represent 51.17% 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"> Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of investments; Checking on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values; 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 assessment of the assumptions; and Considering the Bank's disclosures of investments, to the guidelines laid down by the State Bank of Pakistan regarding forms and disclosures.

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:

- 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: 03 March 2020
Lahore

Unconsolidated Statement of Financial Position

as at December 31, 2019

December 31, 2019	December 31, 2018		Note	December 31, 2019	December 31, 2018
US \$ in '000				Rupees in '000	
ASSETS					
774,593	640,555	Cash and balances with treasury banks	5	119,943,828	99,188,414
3,891	16,630	Balances with other banks	6	602,582	2,575,055
87,873	347,310	Lendings to financial institutions	7	13,606,921	53,780,195
4,894,858	4,334,767	Investments - net	8	757,956,993	671,228,285
3,132,214	2,830,636	Advances - net	9	485,015,881	438,317,184
401,134	325,343	Fixed assets	10	62,114,648	50,378,537
12,716	11,295	Intangible assets	11	1,969,051	1,749,054
-	-	Deferred tax assets		-	-
257,746	215,581	Other assets - net	12	39,911,348	33,382,185
9,565,025	8,722,117			1,481,121,252	1,350,598,909
LIABILITIES					
50,880	50,068	Bills payable	14	7,878,626	7,752,959
1,720,714	1,458,744	Borrowings	15	266,448,386	225,882,986
6,774,681	6,357,704	Deposits and other accounts	16	1,049,043,032	984,475,183
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
38,091	30,710	Deferred tax liabilities - net	17	5,898,310	4,755,428
235,729	131,920	Other liabilities	18	36,502,065	20,427,520
8,820,095	8,029,146			1,365,770,419	1,243,294,076
744,930	692,971	NET ASSETS		115,350,833	107,304,833
REPRESENTED BY					
73,948	73,948	Share capital	19	11,450,739	11,450,739
143,820	130,945	Reserves		22,270,225	20,276,515
166,671	149,032	Surplus on revaluation of assets - net of tax	20	25,808,658	23,077,174
360,491	339,046	Unappropriated profit		55,821,211	52,500,405
744,930	692,971			115,350,833	107,304,833

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Unconsolidated Profit and Loss Account

for the year ended December 31, 2019

December 31, 2019	December 31, 2018	Note	December 31, 2019	December 31, 2018
US \$ in '000			Rupees in '000	
791,988	473,202	Mark-up / return / interest earned	122,637,434	73,274,161
523,934	265,802	Mark-up / return / interest expensed	81,129,964	41,158,720
268,054	207,400	Net mark-up / interest income	41,507,470	32,115,441
NON MARK-UP / INTEREST INCOME				
32,886	28,160	Fee and commission income	5,092,354	4,360,541
11,787	18,021	Dividend income	1,825,206	2,790,528
12,866	9,714	Foreign exchange income	1,992,194	1,504,189
-	-	Income from derivatives	-	-
10,196	15,381	Gain on securities - net	1,578,881	2,381,713
2,600	1,630	Other income	402,545	252,469
70,335	72,906	Total non-markup / interest income	10,891,180	11,289,440
338,389	280,306	Total income	52,398,650	43,404,881
NON MARK-UP / INTEREST EXPENSES				
182,015	158,344	Operating expenses	28,184,528	24,519,149
(4,968)	(7,252)	Workers welfare fund - net	(769,220)	(1,122,970)
1,260	529	Other charges	195,045	81,963
178,307	151,621	Total non-markup / interest expenses	27,610,353	23,478,142
160,082	128,685	Profit before provisions	24,788,297	19,926,739
3,531	(7,038)	Provisions / (reversals) and write offs - net	546,658	(1,089,688)
-	-	Extra-ordinary / unusual items	-	-
156,551	135,723	PROFIT BEFORE TAXATION	24,241,639	21,016,427
65,411	52,542	Taxation	10,128,728	8,135,909
91,140	83,181	PROFIT AFTER TAXATION	14,112,911	12,880,518
In US \$			In Rupees	
0.08	0.07	Basic and diluted earnings per share	12.32	11.25

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2019

December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
US \$ in '000			Rupees in '000	
91,140	83,181	Profit after taxation for the year	14,112,911	12,880,518
		Other comprehensive income		
		<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
3,761	6,512	Effect of translation of net investment in foreign branches	582,419	1,008,347
		Movement in surplus / (deficit) on revaluation of		
14,487	(34,276)	investments - net of tax	2,243,212	(5,307,574)
18,248	(27,764)		2,825,631	(4,299,227)
		<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
		Re-measurement (loss) / gain on defined benefit		
(3,246)	2,935	obligations - net of tax	(502,598)	454,522
		Movement in deficit on revaluation of		
-	(881)	fixed assets - net of tax	-	(136,403)
		Movement in surplus on revaluation of		
4,977	3,638	non-banking assets - net of tax	770,648	563,393
1,731	5,692		268,050	881,512
111,119	61,109	Total comprehensive income	17,206,592	9,462,803

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Unconsolidated Cash Flow Statement

for the year ended December 31, 2019

December 31, 2019	December 31, 2018		Note	December 31, 2019	December 31, 2018
US \$ in '000				Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES					
156,552	135,723	Profit before taxation		24,241,639	21,016,427
(11,787)	(18,021)	Less: Dividend income		(1,825,206)	(2,790,528)
144,765	117,702			22,416,433	18,225,899
Adjustments:					
21,443	20,074	Depreciation		3,320,430	3,108,403
10,398	-	Depreciation on right of use assets		1,610,134	-
6,333	-	Interest expense on lease liability		980,709	-
1,579	2,590	Amortization		244,545	401,074
4,471	(6,065)	Net provision / (reversals) and write offs	31	692,374	(939,121)
(37)	-	Unrealized gain on revaluation of 'held-for-trading' securities		(5,767)	-
(4,968)	(7,252)	Reversal against workers' welfare fund - net		(769,220)	(1,122,970)
(1,733)	(225)	Gain on sale of fixed assets		(268,304)	(34,903)
(208)	-	(Gain) / loss on sale of non-banking assets / other assets		(32,266)	27
37,278	9,122			5,772,635	1,412,510
182,043	126,824			28,189,068	19,638,409
(Increase) / decrease in operating assets					
259,437	(291,198)	Lendings to financial institutions		40,173,274	(45,091,280)
(128,271)	160,326	Held-for-trading securities		(19,862,396)	24,826,109
(299,963)	(423,005)	Advances		(46,448,602)	(65,501,244)
(50,513)	26,919	Other assets (excluding advance taxation)		(7,821,787)	4,168,416
(219,310)	(526,958)			(33,959,511)	(81,597,999)
Increase / (decrease) in operating liabilities					
812	(533)	Bills payable		125,667	(82,508)
263,129	14,129	Borrowings		40,744,817	2,187,802
416,977	650,539	Deposits and other accounts		64,567,849	100,734,474
54,939	3,814	Other liabilities (excluding current taxation)		8,507,210	590,535
735,857	667,949			113,945,543	103,430,303
698,590	267,815			108,175,100	41,470,713
(59,599)	(50,315)	Income tax paid		(9,228,776)	(7,791,213)
638,991	217,500	Net cash flow generated from operating activities		98,946,324	33,679,500
CASH FLOW FROM INVESTING ACTIVITIES					
(436,075)	(417,567)	Net investments in 'available-for-sale' securities		(67,525,173)	(64,659,309)
20,256	377,214	Net realizations from 'held-to-maturity' securities		3,136,581	58,410,682
11,790	18,403	Dividend received		1,825,661	2,849,652
(47,846)	(44,636)	Investments in fixed assets and intangible assets		(7,408,881)	(6,911,838)
2,406	300	Proceeds from sale of fixed assets		372,579	46,490
3,761	6,512	Effect of translation of net investment in foreign branches		582,419	1,008,347
(445,708)	(59,774)	Net cash flow used in investing activities		(69,016,814)	(9,255,976)
CASH FLOW FROM FINANCING ACTIVITIES					
(11,862)	-	Payment of lease liability against right of use assets		(1,836,761)	-
(58,964)	(56,927)	Dividend paid		(9,130,391)	(8,815,003)
(70,826)	(56,927)	Net cash flow used in financing activities		(10,967,152)	(8,815,003)
(15,205)	(28,270)	Effect of exchange rate changes on opening cash and cash equivalents		(2,354,435)	(4,377,475)
107,252	72,529	Increase in cash and cash equivalents during the year		16,607,923	11,231,046
670,816	583,082	Cash and cash equivalents at beginning of the year		103,874,280	90,288,799
778,068	655,611	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	34	120,482,203	101,519,845

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Tahir Hassan Qureshi
President and Chief Executive

Zafar Iqbal
Director

Dr. Muhammad Akram Sheikh
Director

Mohammad Naeem Mukhtar
Chairman

Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2019

	Share capital	Capital reserve Exchange translation reserve	Statutory reserve	Revenue reserve General reserve	Surplus on revaluation of			Un-appropriated profit	Total
					Investments	Fixed assets	Non-banking assets		
Rupees in '000									
Balance as at January 01, 2018	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
Other Comprehensive Income - net of tax									
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	-	-	-	-	-	-	563,393	-	563,393
Remeasurement 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)	563,393	454,522	(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 un-appropriated 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	-	-	-	-	-	-	(1,157)	1,157	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(1,873)	1,873	-
Transactions with owners recognized directly in equity									
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)
Balance as at December 31, 2018	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
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	14,112,911	14,112,911
Other Comprehensive Income - net of tax									
Surplus on revaluation of investments - net of tax	-	-	-	-	2,243,212	-	-	-	2,243,212
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	770,648	-	770,648
Remeasurement loss on defined benefit obligation - net of tax	-	-	-	-	-	-	-	(502,598)	(502,598)
Effect of translation of net investment in foreign branches	-	582,419	-	-	-	-	-	-	582,419
	-	582,419	-	-	2,243,212	-	770,648	(502,598)	3,093,681
Transfer to statutory reserve	-	-	1,411,291	-	-	-	-	(1,411,291)	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(106,684)	-	106,684	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(9,729)	-	9,729	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(2,224)	2,224	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(163,739)	163,739	-
Transactions with owners recognized directly in equity									
Final cash dividend for the year ended									
December 31, 2018 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(9,160,592)	(9,160,592)
Balance as at December 31, 2019	11,450,739	1,821,720	20,442,505	6,000	7,428,981	15,638,996	2,740,681	55,821,211	115,350,833

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Tahir Hassan Qureshi
President and Chief Executive

Zafar Iqbal
Director

Dr. Muhammad Akram Sheikh
Director

Mohammad Naeem Mukhtar
Chairman

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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 1,393 (2018: 1,343) branches in Pakistan including 117 (2018: 117) Islamic banking branches, 1 branch (2018: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2018: 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. 154.8476 per US Dollar has been used for 2019 and 2018, 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 Letter 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, 2019

2.1.3 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.

2.1.4 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

The Bank has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 "Leases' from January 01, 2019. The impact of the adoption of these standards and the new accounting policies are explained in note 4.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 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.

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, 2020:

- 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 01, 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 standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after January 01, 2021 vide SBP BPRD circular no. 4 dated October 23, 2019. 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, a new 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. According to SBP circular referred to above, the Banks/DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended December 31, 2019.
- 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 01, 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.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform.

- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs.

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'.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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 36.

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 4.4);
- Certain operating fixed assets (Note 4.6);
- Staff retirement and other benefits (Note 4.8);
- Non-banking assets acquired in satisfaction of claims (Note 4.9); and
- Derivative financial instruments (Note 4.16.2).

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 change explained in note 4.1. Significant accounting policies are enumerated as follows:

4.1 Change in accounting policy

IFRS 16 'Leases'

The Bank applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Bank now assesses whether a contract is or contains a lease based on the definition of a lease, as per IFRS 16.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

As a Lessee

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Previously, the Bank classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 01 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Bank has applied this approach to all other leases.

The Bank used practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Bank excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight when determining the lease term.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Impact on financial statements

The impact on transition is summarised below:

	January 01, 2019	December 31, 2019
	Rupees in '000	
Right-of-use assets presented in property and equipment	8,774,405	8,020,323
Lease liabilities	8,479,326	8,555,677
Decrease in other assets	295,080	-

The impact of IFRS 16 on profit or loss for the year refer is summarized below:

Right-of-use assets:	Rupees in '000
Balance as at January 01, 2019	8,774,405
Depreciation charge for the period	(1,610,134)
Addition to right-of-use assets	856,276
Derecognition of right-of-use assets	(224)
	8,020,323
Lease liabilities:	Rupees in '000
Balance as at January 01, 2019	8,479,326
Interest on lease liabilities	980,709
Addition to lease liabilities	852,494
Derecognition of lease liabilities	(860)
Payment of lease liabilities	(1,755,992)
	8,555,677

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 01 January 2019.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

Lease liabilities:	Rupees in '000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	6,018,458
Discounted using the incremental borrowing rate at 01 January 2019	(773,390)
Extension options reasonably certain to be exercised	3,234,257
Lease liabilities recognised at 01 January 2019	8,479,325

IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

The Bank has adopted IFRS 15 on January 01, 2019 retrospectively in accordance with IAS 8 without practical expedient. The timing or amount of the Bank's income from contract with customers was not impacted by IFRS 15. The application of IFRS 15 has no impact on the financial position and/or financial performance of the Bank. Accordingly, there was no adjustment in retained earnings on application of IFRS 15 as at January 01, 2019.

4.2 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.

4.3 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.

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 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 / Mudaraba, 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

4.4 Investments

4.4.1 The Bank at the time of purchase classifies its investment portfolio as mentioned in note 2.4.1.

4.4.2 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.

4.4.3 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, 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 are made in accordance with the requirements of Prudential Regulations issued by SBP.

4.4.4 Investments in subsidiaries are stated at cost less impairment

4.5 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, 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 financings 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.

4.6 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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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.

4.7 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 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'.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

4.8 Staff retirement and other benefits

4.8.1 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 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. 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.

4.8.2 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.

4.9 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

4.10 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'.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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.

4.16 Financial instruments

4.16.1 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.

4.16.2 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.

4.17 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.

4.18 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 / 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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.

4.19 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. Islamic Banking

Islamic banking provides shariah compliant services to customers including loans, deposits and other transactions.

e. Others

Others includes functions which cannot be classified in any of the above segments.

4.20 Geographical Segment Reporting

Geographically the Bank operates in Pakistan, Middle East and China.

4.21 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, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			

5 CASH AND BALANCES WITH TREASURY BANKS

In hand			
Local currency		13,645,304	15,271,580
Foreign currencies		1,008,793	1,008,439
		14,654,097	16,280,019
Remittances in transit			
		1,528,644	591,133
With State Bank of Pakistan (SBP) in			
Local currency current accounts	5.1	51,250,399	38,599,518
Foreign currency current account	5.2	91,812	81,311
Foreign currency deposit accounts (non-remunerative)	5.1	5,515,729	4,722,714
Foreign currency deposit accounts (remunerative)	5.3	16,509,764	14,128,800
		73,367,704	57,532,343
With National Bank of Pakistan in			
Local currency current accounts		30,059,400	24,610,744
Prize Bonds			
		333,983	174,175
		119,943,828	99,188,414

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 0.7% to 1.51% (2018: 0.56% to 1.35%) per annum.

	Note	December 31, 2019	December 31, 2018
Rupees in '000			

6 BALANCES WITH OTHER BANKS

In Pakistan			
In deposit accounts		-	2,000,000
Outside Pakistan			
In current accounts	6.1	300,295	268,512
In deposit accounts	6.1	302,287	306,543
		602,582	2,575,055

6.1 These are nostro balances placed with other banks.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	

7 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	5,500,000
Repurchase agreement lendings (Reverse Repo)	7.1 & 7.7	2,052,491	44,455,680
Musharaka lendings	7.2	1,000,000	2,500,000
Bai muajjal receivable from:			
– State Bank of Pakistan	7.3	2,704,142	-
– other financial institutions	7.4	7,850,288	1,024,515
Certificates of investment	7.5	70,000	70,000
Letters of placement		-	300,000
		13,676,921	53,850,195
Less: Provision held against lendings to financial institutions	7.5 & 7.8	(70,000)	(70,000)
Lendings to financial institutions – net of provision		13,606,921	53,780,195

7.1 These are short-term local currency lendings to financial institutions against government securities as shown in note 7.7 below. These carry mark-up at the rate of 13.45% to 13.50% (2018: 10.10% to 10.40%) per annum, maturing on various dates, latest by January 20, 2020.

7.2 These represent local currency lendings by Islamic banking business under Musharaka agreement at expected profit of 12.15% (2018: 9.50% to 9.70%) per annum, maturing on various dates, latest by February 6, 2020.

7.3 This represent local currency lending by Islamic banking business under Bai Muajjal agreement with the State Bank of Pakistan at expected profit of 10.53% (2018: Nil) per annum, maturing on February 07, 2020.

7.4 This represent local currency lending by Islamic banking business under Bai Muajjal agreement with various Islamic banks at expected profit of 12.15% to 12.60% (2018: 9.80%) per annum, maturing on various dates, latest by January 17, 2020.

7.5 This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2018: Rs. 70 million).

	December 31, 2019	December 31, 2018
	Rupees in '000	

7.6 Particulars of lending

In local currency	13,676,921	53,850,195
In foreign currencies	-	-
	13,676,921	53,850,195

	December 31, 2019			December 31, 2018		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					

7.7 Securities held as collateral against lending to financial institutions

Market Treasury Bills	-	-	-	33,500,000	-	33,500,000
Pakistan Investment Bonds	2,200,000	-	2,200,000	11,000,000	-	11,000,000
	2,200,000	-	2,200,000	44,500,000	-	44,500,000

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019		December 31, 2018	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
7.8 Category of classification				
Domestic				
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, 2019				December 31, 2018			
	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:								
	Held-for-trading securities								
	Federal Government Securities	19,862,396	-	5,767	19,868,163	-	-	-	-
		19,862,396	-	5,767	19,868,163	-	-	-	-
	Available-for-sale securities								
	Federal Government Securities*	677,300,056	(15,961)	1,689,073	678,973,168	610,683,028	(21,248)	(1,608,458)	609,053,322
	Shares	24,349,646	(3,202,822)	9,686,372	30,833,196	25,390,405	(2,266,130)	9,572,003	32,696,278
	Non Government Debt Securities	13,633,213	(21,071)	(37,667)	13,574,475	11,732,046	(21,071)	(47,874)	11,663,101
	Foreign Securities	1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
	Open Ended Mutual Funds	63,834	-	91,424	155,258	63,834	-	62,436	126,270
	8.4	716,384,441	(3,239,854)	11,429,202	724,573,789	648,907,005	(2,308,449)	7,978,107	654,576,663
	Held-to-maturity securities								
	Federal Government Securities	13,015,041	-	-	13,015,041	16,151,622	-	-	16,151,622
	Non Government Debt Securities	344,260	(344,260)	-	-	346,090	(346,090)	-	-
	8.5	13,359,301	(344,260)	-	13,015,041	16,497,712	(346,090)	-	16,151,622
	Subsidiaries	500,000	-	-	500,000	500,000	-	-	500,000
	Total Investments	750,106,138	(3,584,114)	11,434,969	757,956,993	665,904,717	(2,654,539)	7,978,107	671,228,285

8.2 Investments by segments:									
Federal Government Securities:									
Market Treasury Bills		542,565,953	-	176,506	542,742,459	543,454,942	-	(21,792)	543,433,150
Pakistan Investment Bonds		154,349,214	-	784,365	155,133,579	64,695,276	-	(1,397,373)	63,297,903
GOP Ijarah Sukuks		876,511	-	(8,765)	867,746	3,350,848	-	(16,997)	3,333,851
GOP Sukuks (US\$)		3,869,387	(15,961)	59,871	3,913,297	9,756,796	(21,248)	(191,642)	9,543,906
Foreign Currency Bonds (US\$)		6,215,907	-	682,863	6,898,770	5,576,788	-	19,346	5,596,134
GOP Ijarah Sukuks - Bai Muajjal Placement		2,300,521	-	-	2,300,521	-	-	-	-
		710,177,493	(15,961)	1,694,840	711,856,372	628,834,650	(21,248)	(1,608,458)	625,204,944
Shares:									
Listed Companies		21,940,832	(3,168,936)	9,686,372	28,458,268	22,646,719	(2,103,351)	9,572,003	30,115,371
Unlisted Companies		2,408,814	(33,886)	-	2,374,928	2,743,686	(162,779)	-	2,580,907
Units of open-ended mutual funds		63,834	-	91,424	155,258	63,834	-	62,436	126,270
		24,413,480	(3,202,822)	9,777,796	30,988,454	25,454,239	(2,266,130)	9,634,439	32,822,548
Non Government Debt Securities									
Listed		5,417,804	(103,498)	(37,667)	5,276,639	3,139,909	(105,329)	(47,874)	2,986,706
Unlisted		8,559,669	(261,833)	-	8,297,836	8,938,227	(261,832)	-	8,676,395
		13,977,473	(365,331)	(37,667)	13,574,475	12,078,136	(367,161)	(47,874)	11,663,101
Foreign Securities									
Equity securities		1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Subsidiaries									
ABL - Asset Management Company		500,000	-	-	500,000	500,000	-	-	500,000
Total Investments		750,106,138	(3,584,114)	11,434,969	757,956,993	665,904,717	(2,654,539)	7,978,107	671,228,285

* Provision for diminution against federal government securities represents expected credit loss provisioning under IFRS 9 on portfolio pertaining to overseas branch.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

8.2.1 Investments given as collateral

Market Treasury Bills	145,442,739	158,411,120
Pakistan Investment Bonds	48,417,010	10,077,521
GOP Foreign Currency Sukuks (US\$)	2,957,611	4,451,600
GOP Foreign Currency Bonds (US\$)	-	710,569
Total Investments given as collateral	196,817,360	173,650,810

8.3 Provision for diminution in value of investments

8.3.1 Opening balance	2,654,539	2,705,403
Exchange adjustments	3,163	1,556

Charge / reversals

Charge for the year	1,118,302	112,795
Reversals for the year	(139,161)	(3,776)
	979,141	109,019
Reversal on disposals	(52,729)	(161,439)
Closing Balance	3,584,114	2,654,539

	December 31, 2019		December 31, 2018	
	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	365,331	365,331	367,161	367,161
	365,331	365,331	367,161	367,161

Overseas

Not past due but impaired*	3,869,387	15,961	9,756,796	21,248
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	4,234,718	381,292	10,123,957	388,409

* 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, 2019.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Cost	
	Rupees in '000	

8.4 Quality of Available for Sale Securities

Federal Government Securities – Government guaranteed

Market Treasury Bills	524,797,544	543,454,941
Pakistan Investment Bonds	141,540,707	48,543,655
GOP Sukuks (US\$)	3,869,387	9,756,796
Foreign Currency Bonds (US\$)	6,215,907	5,576,788
GOP Ijarah Sukuks	876,511	3,350,848
	<u>677,300,056</u>	<u>610,683,028</u>

Shares

Listed Companies

Power Generation and Distribution	8,159,528	8,991,081
Oil & Gas Exploration Companies	5,093,606	5,093,607
Fertilizer	3,827,631	3,701,965
Commercial Banks	2,900,903	2,900,903
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	89,322
Close-end Mutual Funds	51,603	51,603
Investment Banks	50,000	50,000
Cement	638	638
	<u>21,940,831</u>	<u>22,646,719</u>

	December 31, 2019		December 31, 2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

Unlisted Companies

Security General Insurance Ltd.	1,075,653	2,527,369	1,075,653	1,830,648
Habib Allied Holding Ltd.	1,035,922	1,241,538	1,035,922	1,241,939
Nishat Hotels And Properties Ltd.	566,982	1,025,523	944,970	816,078
Atlas Power Limited	355,000	1,070,210	355,000	849,650
Pakistan Mortgage Refinance Co. Ltd.	200,000	202,984	200,000	200,459
1 Link Private Limited	50,000	-	50,000	-
Central Depository Company	40,300	61,068	40,300	58,408
ISE Towers REIT Management Company Limited	30,346	43,979	30,346	42,765
First Women Bank Limited	21,200	72,287	21,200	72,287
LSE Financial Services Limited	8,440	19,155	8,440	18,318
SME Bank Limited	5,250	-	5,250	-
Arabian Sea Country Club Ltd.	5,000	351	5,000	351
Eastern Capital Limited	5,000	-	5,000	-
SWIFT	1,770	6,431	1,770	6,777
National Institutional Facilitation Technologies Private Limited	1,527	51,641	1,527	59,076
Pakistan Agricultural Storage and Services Corporation	1,000	295,078	1,000	242,002
Pakistan Corporate Restructuring Company	43,117	43,117	-	-
	<u>3,446,507</u>	<u>6,660,731</u>	<u>3,781,378</u>	<u>5,438,758</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
Non Government Debt Securities		
Listed		
– AAA	1,497,900	383,308
– AA+, AA, AA–	2,716,405	2,618,458
– A+, A, A–	500,000	32,813
	4,714,305	3,034,579
Unlisted		
– AAA	3,250,000	3,750,000
– AA+, AA, AA–	4,209,436	3,080,965
– A+, A, A–	1,438,401	1,845,431
– Unrated	21,071	21,071
	8,918,908	8,697,467
Open Ended Mutual Funds		
HBL Growth Fund – Class B Segment	38,834	38,834
Allied Finergy Fund	25,000	25,000
	63,834	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	10,714,521	16,151,622
GOP Ijarah Sukuks - Bai Muajjal Placement	2,300,521	-
	13,015,042	16,151,622
Non Government Debt Securities		
Listed		
– Unrated	103,499	105,329
Unlisted		
– Unrated	240,761	240,761

8.5.1 The market value of Pakistan Investment Bonds classified as held-to-maturity as at December 31, 2019 amounted to Rs. 10,848.5 million (December 31, 2018: Rs. 15,579.4 million).

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Subsidiary Asset Management Company
	Rupees in '000

8.6 Details regarding subsidiary company:

Country of incorporation	Pakistan
Percentage holding	100%
Assets	2,793,765
Liabilities	433,044
Revenue	783,478
Profit after taxation	375,852
Total comprehensive income	375,743

	Note	Performing December 31, 2019	Performing December 31, 2018	Non Performing December 31, 2019	Non Performing December 31, 2018	Total December 31, 2019	Total December 31, 2018
		Rupees in '000					

9 ADVANCES

Loans, cash credits, running finances, etc.	9.1	467,845,262	428,894,557	14,450,873	14,569,294	482,296,135	443,463,851
Islamic financing and related assets	A-II. 3	12,615,228	6,925,320	-	-	12,615,228	6,925,320
Bills discounted and purchased		3,853,892	1,982,031	1,403,045	1,495,347	5,256,937	3,477,378
Advances – gross	9.2	484,314,382	437,801,908	15,853,918	16,064,641	500,168,300	453,866,549
Provision against advances							
Specific	9.3 & 9.4	-	-	(15,112,624)	(15,533,497)	(15,112,624)	(15,533,497)
General	9.4	(39,795)	(15,868)	-	-	(39,795)	(15,868)
		(39,795)	(15,868)	(15,112,624)	(15,533,497)	(15,152,419)	(15,549,365)
Advances – net of provision		484,274,587	437,786,040	741,294	531,144	485,015,881	438,317,184

	December 31, 2019				December 31, 2018			
	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	606,329	1,331,279	85,114	2,022,722	631,223	1,504,537	116,221	2,251,981
Residual value	50,138	510,411	147,989	708,538	42,542	460,880	188,280	691,702
Minimum lease payments	656,467	1,841,690	233,103	2,731,260	673,765	1,965,417	304,501	2,943,683
Financial charges for future periods	(108,826)	(206,316)	(19,224)	(334,366)	(66,148)	(133,067)	(130,661)	(329,876)
Present value of minimum lease payments	547,641	1,635,374	213,879	2,396,894	607,617	1,832,350	173,840	2,613,807

	December 31, 2019	December 31, 2018
	Rupees in '000	

9.2 Particulars of advances (Gross)

9.2.1 In local currency	484,420,108	443,642,116
In foreign currencies	15,748,192	10,224,433
	500,168,300	453,866,549

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

9.3 Advances include Rs. 15,853.918 million (2018: Rs. 16,064.641 million) which have been placed under non-performing status as detailed below:

	December 30, 2019		December 31, 2018	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision
Rupees in '000				
Category of Classification				
Domestic				
Other Assets Especially Mentioned	35,436	449	38,425	2,231
Substandard	809,938	202,107	436,938	109,035
Doubtful	196,952	98,476	334,094	167,047
Loss	14,811,592	14,811,592	15,255,184	15,255,184
	15,853,918	15,112,624	16,064,641	15,533,497

Note	December 31, 2019			December 31, 2018		
	Specific	General	Total	Specific	General	Total
Rupees in '000						

9.4 Particulars of provision against advances

Opening balance	15,533,497	15,868	15,549,365	16,702,236	11,701	16,713,937
Exchange adjustments	-	(896)	(896)	-	-	-
Charge for the year	589,752	24,823	614,575	500,412	4,167	504,579
Reversals	(1,008,707)	-	(1,008,707)	(1,637,415)	-	(1,637,415)
	(418,955)	24,823	(394,132)	(1,137,003)	4,167	(1,132,836)
Amounts written off	(1,918)	-	(1,918)	(31,736)	-	(31,736)
Closing balance	15,112,624	39,795	15,152,419	15,533,497	15,868	15,549,365
9.4.1 In local currency	14,748,991	16,820	14,765,811	15,207,403	15,717	15,223,120
In foreign currencies	363,633	22,975	386,608	326,094	151	326,245
	15,112,624	39,795	15,152,419	15,533,497	15,868	15,549,365

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. 311.2 million (2018: Rs. 29.2 million).

Note	December 31, 2019	December 31, 2018
Rupees in '000		

9.6 Particulars of write-offs

9.6.1 Against provisions	1,918	31,736
Directly charged to Profit and Loss account	-	-
	1,918	31,736
9.6.2 Write-offs of Rs. 500,000 and above – Domestic	9.7	1,918
Write-offs of below Rs. 500,000	-	-
	1,918	31,736

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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, 2019 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, 2019	December 31, 2018
Rupees in '000			
10 FIXED ASSETS			
Capital work-in-progress	10.1	2,991,144	2,338,494
Property and equipment	10.2	51,103,181	48,040,043
Right-of-Use Assets	4.1	8,020,323	-
		<u>62,114,648</u>	<u>50,378,537</u>

10.1 CAPITAL WORK-IN-PROGRESS

Civil works	2,219,464	1,855,180
Equipment	6,546	-
Advances to suppliers	765,134	483,314
	<u>2,991,144</u>	<u>2,338,494</u>

December 31, 2019									
	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

At January 1, 2019									
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)
Net book value	17,564,604	10,962,212	6,779,980	4,329,381	893,830	5,420,865	518,630	1,570,541	48,040,043
Year ended December 2019									
Opening net book value	17,564,604	10,962,212	6,779,980	4,329,381	893,830	5,420,865	518,630	1,570,541	48,040,043
Additions	1,547,674	354,505	795,815	296,857	223,379	1,870,492	427,830	810,629	6,327,181
Disposals cost	-	-	-	(89,780)	(14,449)	(140,182)	(346,079)	(553)	(591,043)
Disposals accumulated depreciation	-	-	-	16,432	12,855	127,550	326,274	553	483,664
Disposals	-	-	-	(73,348)	(1,594)	(12,632)	(19,805)	-	(107,379)
Depreciation charge	-	-	(361,282)	(221,432)	(194,807)	(1,597,130)	(218,320)	(563,571)	(3,156,542)
Exchange rate adjustments	-	-	-	-	-	(122)	-	-	(122)
Closing net book value	19,112,278	11,316,717	7,214,513	4,331,458	920,808	5,681,473	708,335	1,817,599	51,103,181
At December 31, 2019									
Cost / Revalued amount	19,112,278	11,316,717	7,916,459	4,765,246	2,138,103	15,276,891	1,236,909	4,886,954	66,649,557
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,217,295)	(9,595,418)	(528,574)	(3,069,355)	(15,546,376)
Net book value	19,112,278	11,316,717	7,214,513	4,331,458	920,808	5,681,473	708,335	1,817,599	51,103,181
Rate of depreciation (percentage)	-	-	5%	5%	10%	14.28% -50%	20%	20%	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	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								
At January 1, 2018									
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
Year ended December 2018									
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)
Closing net book value	17,564,604	10,962,212	6,779,980	4,329,381	893,830	5,420,865	518,630	1,570,541	48,040,043
At December 31, 2018									
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)
Net book value	17,564,604	10,962,212	6,779,980	4,329,381	893,830	5,420,865	518,630	1,570,541	48,040,043
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 {Sadrudhin 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)	16,670,183
- Building	8,393,866

- 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, 2019	December 31, 2018
		Rupees in '000	
10.5 Incremental depreciation charged during the year transferred to unappropriated profit	20.1	164,129	172,713
10.6 Restriction / discrepancy in the title of property having a net book value of		63,370	57,694
10.7 The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		510,781	342,011
Electrical, office and computer equipments		5,317,286	4,497,694
Vehicles		108,035	327,935
Leasehold Improvements		1,738,160	1,342,260

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
10.8	The carrying amount of property and equipment that have retired from active use	283,457	349,670
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	644,315
	Intangible Assets	11.2	1,324,736
		1,969,051	1,749,054
11.1	Capital work in progress		
	Softwares	617,519	180,132
	Advances for softwares to suppliers	26,796	156,944
		644,315	337,076
		December 31, 2019	
		Computer software	Others
		Rupees in '000	
		Total	
11.2	Intangible Assets		
	At January 1, 2019		
	Cost	3,141,857	-
	Accumulated amortisation and impairment	(1,729,879)	-
	Net book value	1,411,978	-
	Year ended December 2019		
	Opening net book value	1,411,978	-
	Additions:		
	Directly purchased	157,303	-
	Disposals cost	(735)	-
	Disposals accumulated depreciation	735	-
		-	-
	Amortisation charge	(244,545)	-
	Closing net book value	1,324,736	-
	At December 31, 2019		
	Cost	3,298,425	-
	Accumulated amortisation and impairment	(1,973,689)	-
	Net book value	1,324,736	-
	Rate of amortisation (percentage)	5% to 14.28%	5% to 14.28%
	Useful life	7 to 20 Years	7 to 20 Years

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2018		
	Computer software	Others	Total
	Rupees in '000		
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
		December 31, 2019	December 31, 2018
		Rupees in '000	

11.3 The cost of fully amortized assets that are still in use:

Intangible assets – software	323,406	306,326
------------------------------	---------	---------

11.4 During 2019, the Bank conducted a review of useful life of its intangible assets, which resulted in change in estimate of expected usage of certain softwares. The softwares, which management had previously intended to use for 7 years, are now expected to remain in usage for 20 years from the date of purchase. As a result, the expected useful life of the softwares increased and their estimated residual value decreased. The effect of these changes on actual and expected amortization expense, included in 'Operating expenses', was as follows.

	2019	2020	2021	2022	2023
	Rupees in '000				
Decrease in annual amortization expense	(188,617)	(45,731)	(23,808)	(21,867)	(14,135)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
12 OTHER ASSETS			
Income / Mark-up accrued in local currency – net of provision		20,573,788	11,777,626
Income / Mark-up accrued in foreign currency – net of provision		245,676	293,994
Advances, deposits, advance rent and other prepayments		888,144	883,302
Advance taxation (payments less provisions)		3,817,847	4,626,194
Non-banking assets acquired in satisfaction of claims	12.1	1,609,193	1,947,348
Mark to market gain on forward foreign exchange contracts		-	2,698,766
Acceptances		5,182,716	4,183,083
Due from the employees' retirement benefit schemes			
Benevolent fund	36.4	-	115,915
Pension fund	36.4	4,440,411	4,560,065
Fraud and forgeries		524,357	502,115
Stationery and stamps in hand		286,343	190,398
Overdue FBN / FBD		97,601	72,441
Home Remittance Cell agent receivable		93,978	111,098
Receivable from SBP – customers encashments		6,033	12,572
Charges receivable		32,329	23,043
Suspense Account		1,387	7,898
Others		96,535	3,572
		37,896,338	32,009,430
Less: Provision held against other assets	12.2	(862,460)	(787,203)
Other assets (net of provision)		37,033,878	31,222,227
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		2,877,470	2,159,958
Other assets – net		39,911,348	33,382,185
12.1 Market value of non-banking assets acquired in satisfaction of claims		4,486,663	4,107,306

Full-scope revaluation was carried out at December 31, 2019 through two independent valuers approved by Pakistan Banks' Association (A-1 Warda Engineering Services & Sadruddin Associates Private 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, 2019	December 31, 2018
Rupees in '000		
12.1.1 Non banking assets acquired in satisfaction of claims		
Opening balance	4,107,306	3,584,030
Additions	361,584	52,482
Revaluation	884,674	600,425
Disposals / Transfers	(847,050)	(109,969)
Depreciation	(19,851)	(19,662)
Closing balance	4,486,663	4,107,306

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	

12.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds		879,316	3,542
Less:			
Cost		(847,050)	(3,629)
Impairment / Depreciation		-	60
		(847,050)	(3,569)
(loss) / Gain		32,266	(27)

12.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments		120,584	209,506
Provision against fraud and forgeries		524,357	507,977
Overdue Foreign Bills Negotiated / Discounted		24,295	24,295
Charges receivable		32,327	23,043
Suspense account		6,453	-
Others		154,444	22,382
		862,460	787,203

12.2.1 Movement in provision held against other assets

Opening balance		787,203	747,062
Charge for the year		213,529	96,695
Reversals		(112,865)	(12,000)
Written off / adjusted		(25,407)	(44,554)
Closing balance		862,460	787,203

13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2019 and December 31, 2018.

14 BILLS PAYABLE

In Pakistan		7,878,626	7,752,959
-------------	--	-----------	-----------

15 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	15.1 & 15.8	170,120,570	157,248,800
Under export refinance scheme	15.2	22,523,266	17,913,692
Under long term financing facility	15.3	21,426,590	13,894,674
Under financing scheme for renewable energy	15.4	426,031	158,952
		214,496,457	189,216,118

Repurchase agreement borrowings from Financial Institutions	15.5 & 15.8	26,585,287	14,559,563
---	-------------	------------	------------

Unsecured

Call borrowings	15.6	24,602,435	11,861,797
Trading liability		-	9,987,849
Overdrawn nostro accounts		64,207	243,624
Musharaka borrowing	15.7	700,000	-
Other borrowings		-	14,035
		25,366,642	22,107,305
		266,448,386	225,882,986

15.1 This represents local currency borrowing from the SBP against government securities, carrying mark-up at the rate of 13.31% (2018: 10.21%) per annum, maturing on January 03, 2020.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 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% (2018 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 1.50%, 2.50% and 3.00% (2018: 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 under Category I and for a maximum period of 10 years under Category II and III. The borrowing carries mark-up at the rate of 3% for Category I, 4% for Category II and 3% for Category III.
- 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 13% to 13.20% (2018: 10% to 10.21%) per annum for local currency borrowings, and at the rate of 2.45% to 2.65% (2018: 3.37% to 3.99%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by January 31, 2020.
- 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 12.25% to 12.50% (2018: 8.10% to 10.10%) per annum for local currency borrowings, and at the rate of 2.40% to 3% (2018: 2.35% to 4.27%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by April 13, 2020.
- 15.7** This represents unsecured local currency borrowing by Islamic banking business under Musharaka agreement at profit of 8% (2018: Nil) per annum, maturing on January 02, 2020.
- 15.8** Note 8.2.1 includes the carrying amount of investments given as collateral.

	December 31, 2019	December 31, 2018
	Rupees in '000	
15.9 Particulars of borrowings with respect to currencies		
In local currency	245,915,573	211,201,481
In foreign currencies	20,532,813	14,681,505
	266,448,386	225,882,986

	December 31, 2019			December 31, 2018		
	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	327,547,304	20,719,488	348,266,792	292,438,272	18,841,868	311,280,140
Savings deposits	403,489,789	21,019,875	424,509,664	365,456,206	24,707,235	390,163,441
Term deposits	107,203,269	63,293,352	170,496,621	120,847,788	50,092,266	170,940,054
Others	19,207,173	30,890	19,238,063	31,335,721	32,615	31,368,336
	857,447,535	105,063,605	962,511,140	810,077,987	93,673,984	903,751,971
Financial Institutions						
Current deposits	39,711,458	41,039	39,752,497	20,552,284	27,949	20,580,233
Savings deposits	33,722,513	-	33,722,513	54,634,073	-	54,634,073
Term deposits	10,011,200	40,261	10,051,461	4,950,750	52,735	5,003,485
Others	3,005,421	-	3,005,421	505,421	-	505,421
	86,450,592	81,300	86,531,892	80,642,528	80,684	80,723,212
	943,898,127	105,144,905	1,049,043,032	890,720,515	93,754,668	984,475,183

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

16.1 Composition of deposits

Individuals	457,188,412	384,786,399
Private Sector	270,915,027	287,469,596
Government (Federal and Provincial)	125,409,058	117,892,648
Public Sector Entities	108,998,643	113,603,058
Non-Banking Financial Institutions	77,158,043	72,932,722
Banking Companies	9,373,849	7,790,760
	<u>1,049,043,032</u>	<u>984,475,183</u>

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 628,087 million (December 31, 2018: 585,901 million).

16.3 Net outstanding value against prepaid cards is Rs. 128.403 million as at reporting date (December 31, 2018: 140.858 million).

	December 31, 2019			
	At January 1, 2019	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2019
	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	46,313	68,871	-	115,184
– Post retirement medical benefits	42,980	-	-	42,980
– Workers welfare fund	790,207	(269,227)	-	520,980
	<u>952,376</u>	<u>(200,356)</u>	<u>-</u>	<u>752,020</u>
Taxable Temporary Differences on				
– Surplus on revaluation of fixed assets	(1,154,147)	62,682	-	(1,091,465)
– Surplus on revaluation of investments	(2,792,338)	-	(1,207,883)	(4,000,221)
– Surplus on revaluation on non banking assets	(23,962)	-	(112,827)	(136,789)
– Actuarial gains	(338,631)	-	270,629	(68,002)
– Accelerated tax depreciation / amortization	(1,385,520)	44,873	-	(1,340,647)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	<u>(5,707,804)</u>	<u>107,555</u>	<u>(1,050,081)</u>	<u>(6,650,330)</u>
	<u>(4,755,428)</u>	<u>(92,801)</u>	<u>(1,050,081)</u>	<u>(5,898,310)</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	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			
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
	1,345,971	(393,595)	-	952,376
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)
	(8,287,775)	(35,037)	2,615,008	(5,707,804)
	(6,941,804)	(428,632)	2,615,008	(4,755,428)
	Note	December 31, 2019	December 31, 2018	
		Rupees in '000		

18 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		4,323,269	2,366,943
Mark-up / return / interest payable in foreign currencies		519,548	343,307
Accrued expenses		1,544,570	1,032,259
Retention money payable		342,559	306,416
Unearned commission and income on bills discounted		115,745	123,294
Acceptances		5,182,716	4,183,083
Unclaimed dividends		330,514	291,816
Dividend payable		23,558	32,055
Branch adjustment account		41,140	280,134
Unrealized loss on forward foreign exchange contracts		2,714,153	-
Provision for:			
Gratuity	36.4	606,906	444,655
Employees' medical benefits	36.4	1,365,237	1,332,925
Employees' compensated absences	36.4	668,547	606,216
Early retirement		337,527	-
Payable to defined contribution plan		84,946	3,306
Provision against off-balance sheet obligations	18.1	313,043	306,342
Security deposits against lease		712,112	693,151
ATM / Point of Sale settlement account		1,243,494	932,311
Charity fund balance		15	3
Home Remittance Cell overdraft		490,972	701,908
With-holding tax payable		2,345,071	688,375
Sundry deposits		2,451,078	2,427,652
Workers welfare fund payable	29	1,488,514	2,257,734
Present value of lease liability		8,555,677	-
Others		701,154	1,073,635
		36,502,065	20,427,520

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

18.1 Provision against off-balance sheet obligations

Opening balance	306,342	306,342
Charge for the year	6,701	-
Reversals	-	-
Net reversal	6,701	-
Closing balance	313,043	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, 2019	December 31, 2018		December 31, 2019	December 31, 2018
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, 2019	December 31, 2018		December 31, 2019	December 31, 2018
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 972,510,410 (84.93%) [2018: 967,911,610 (84.53%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
Surplus arising on revaluation of:			
– fixed assets	20.1	15,638,996	15,755,409
– non-banking assets acquired in satisfaction of claims	20.2	2,740,681	2,135,996
– available-for-sale securities	8.1	7,428,981	5,185,769
Surplus on revaluation of assets – net of tax		<u>25,808,658</u>	<u>23,077,174</u>
20.1 Surplus on revaluation of fixed assets			
Surplus as at January 1, 2019		16,909,555	17,213,064
Surplus on revaluation during the year		-	37,226
Surplus related to transfer / adjustments		(14,966)	(168,022)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(106,684)	(112,263)
Related deferred tax liability		(57,445)	(60,450)
	10.5	(164,129)	(172,713)
Surplus on revaluation as at December 31, 2019		16,730,460	16,909,555
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2019		(1,154,146)	(1,208,989)
Deferred tax liability on revaluation surplus		5,237	(5,607)
Deferred tax on incremental depreciation transferred to profit and loss account		57,445	60,450
		(1,091,464)	(1,154,146)
		<u>15,638,996</u>	<u>15,755,409</u>
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus as at January 1, 2019		2,159,958	1,601,421
Surplus on revaluation during the year		884,673	599,769
Surplus realised on disposal /transfer		(163,739)	(39,099)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(2,224)	(1,157)
Related deferred tax liability		(1,198)	(976)
		(3,422)	(2,133)
Surplus on revaluation as at December 31, 2019		2,877,470	2,159,958
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2019		(23,962)	(25,789)
Deferred tax liability on revaluation surplus		(114,025)	(5,412)
Deferred tax on surplus on disposal/transfer		-	6,263
Deferred tax on incremental depreciation transferred to profit and loss account		1,198	976
		(136,789)	(23,962)
		<u>2,740,681</u>	<u>2,135,996</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
21 CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	32,308,285	28,018,148
Commitments	21.2	423,987,452	342,770,483
Other contingent liabilities	21.3	8,923,603	8,738,009
		<u>465,219,340</u>	<u>379,526,640</u>
21.1 Guarantees			
Financial guarantees		4,594,077	4,434,872
Performance guarantees		5,508,570	6,656,657
Other guarantees		22,205,638	16,926,619
		<u>32,308,285</u>	<u>28,018,148</u>
21.2 Commitments			
Documentary credits and short term trade related transactions:			
letters of credit		60,392,362	68,457,757
Commitments in respect of:			
forward foreign exchange contracts	21.2.1	358,881,918	207,509,971
forward government securities transactions	21.2.2	513,938	57,768,858
operating leases		-	6,018,458
Commitments for acquisition of:			
fixed assets		4,199,234	2,895,671
intangible assets		-	119,768
		<u>423,987,452</u>	<u>342,770,483</u>
21.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		220,381,401	137,056,586
Sale		138,500,517	70,453,385
		<u>358,881,918</u>	<u>207,509,971</u>
21.2.2 Commitments in respect of forward government securities transactions			
Purchase		464,217	57,768,858
Sale		49,721	-
		<u>513,938</u>	<u>57,768,858</u>
21.3 Other contingent liabilities			
21.3.1 Claims against the Bank not acknowledged as debt		<u>8,923,603</u>	<u>8,738,009</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

- 21.3.2** The income tax assessments of the Bank have been finalized upto and including tax year 2019 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2019, income tax authorities made certain add backs with aggregate tax impact of Rs.25,455 million (2018: 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.25,455 million (2018: 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 2018 and created an arbitrary demand of Rs. 1,700 million (2018: 1,536 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. 1,700 million (2018: 1,536 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. 963 million (2018: 900 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. 963 million (2018: 900 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. Subsequently, the earlier CP was disposed of vide order dated January 15, 2019 with a direction to the Appellate Board to first decide the stay application of the Bank and till then, the Foreign Exchange Regulation Department has been restrained from taking any coercive action against the Bank. 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.

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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 43.

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
23 MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		49,549,601	29,696,524
Investments		64,070,753	37,204,167
Lendings to financial institutions		8,639,234	6,185,232
Balances with banks		377,846	188,238
		122,637,434	73,274,161
24 MARK-UP / RETURN / INTEREST EXPENSED			
On:			
Deposits		58,822,780	30,129,853
Borrowings		15,225,536	9,524,346
Cost of foreign currency swaps against foreign currency deposits		6,100,939	1,504,521
Interest expense on lease liability		980,709	-
		81,129,964	41,158,720
25 FEE AND COMMISSION INCOME			
On:			
Card related fees (debit and credit cards)		1,644,627	1,328,622
Branch banking customer fees		1,376,300	1,228,557
Commission on remittances including home remittances		691,815	590,077
Investment banking fees		578,270	524,226
Commission on trade		346,940	362,470
Commission on cash management		153,897	120,102
Commission on guarantees		134,569	103,085
Commission on bancassurance		119,076	78,936
Credit related fees		42,775	20,270
Consumer finance related fees		4,085	4,196
		5,092,354	4,360,541
26 GAIN ON SECURITIES			
Realised – net	26.1	1,573,114	2,381,713
Unrealised – held for trading	8.1	5,767	-
		1,578,881	2,381,713
26.1 Realised gain / (loss) on:			
Federal government securities		583,191	1,775,998
Shares		990,608	606,868
Non Government debt securities		(685)	(1,153)
		1,573,114	2,381,713

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
27 OTHER INCOME			
Recovery of written off mark-up and charges		12,198	172,074
Gain on sale of fixed assets – net		268,304	34,903
Other assets disposal		79,258	34,463
Rent on property		7,135	5,582
Fee for attending Board meetings		3,384	2,845
Gain on disposal of islamic financing and related assets - net		-	2,629
Gain / (loss) on sale of non-banking assets	27.1	32,266	(27)
		402,545	252,469

27.1 This includes gain on sale of two non-banking assets amounting to Rs. 18 million and Rs. 14.266 million respectively (2018: loss of Rs. 0.027 million).

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
28 OPERATING EXPENSES			
Total compensation expense	28.1	13,458,144	12,261,402
Property expense:			
Depreciation	28.2	3,880,133	2,068,320
Rent and taxes	28.2	294,992	1,736,688
Utilities cost		1,225,114	996,508
Security (including guards)		888,206	717,501
Repair and maintenance (including janitorial charges)		735,836	558,166
Insurance		69,922	64,293
		7,094,203	6,141,476
Information technology expenses:			
Network charges		689,087	631,926
Depreciation		668,223	541,863
Amortization		244,545	401,074
Software maintenance		546,047	353,806
Hardware maintenance		346,507	297,826
Others		9,232	8,521
		2,503,641	2,235,016
Other operating expenses:			
Marketing, advertisement and publicity		730,917	642,873
Insurance	28.3	1,148,296	567,053
Outsourced service costs	35.1	625,208	534,151
Cash in Transit service charge		521,405	415,560
Stationery and printing		463,995	333,162
Travelling and conveyance		232,428	178,971
Legal and professional charges		118,999	140,230
Postage and courier charges		204,440	126,877
Depreciation		218,320	125,659
Donations	28.5	55,253	113,238
NIFT clearing charges		123,966	106,097
Communication		89,261	87,952
Directors fees and allowances		30,260	18,182
Fees and allowances to Shariah Board		6,059	6,991
Training and development		96,671	101,430
Auditors Remuneration	28.4	19,633	17,727
Others		443,429	365,102
		5,128,540	3,881,255
		28,184,528	24,519,149

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
28.1 Total compensation expense		
Salaries	8,733,678	8,031,521
Fees And Allowances etc.	1,476,956	1,440,423
Bonus and Awards		
Variable	979,147	570,583
Fixed	568,546	526,326
Charge For Defined Benefit Plan	455,260	768,712
Contribution To Defined Contribution Plan	318,753	310,235
Conveyance expense	289,602	199,580
Medical expense	189,264	113,576
Insurance	86,675	80,194
Education Subsidy	29,793	30,200
Hajj Expenses	24,494	23,531
Staff Uniform	12,219	13,175
Executive Club Membership	5,291	11,335
Verification Charges Educational Documents	3,821	1,282
Recruitment Charges	4,631	2,275
Others	2,048	1,218
Sub-Total	13,180,178	12,124,166
Voluntary Retirement Scheme	277,966	137,236
Grand Total	13,458,144	12,261,402

28.1.1 The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Forty eight (48) employees (2018: 53) of the Bank opted for retirement under this scheme.

28.2 Adoption of IFRS 16 'Leases' resulted in increase in depreciation expense of Rs. 1,610.1 million and decrease of rent and registration charges of Rs. 1,869.4 million.

28.3 Includes Deposit protection cost of Rs. 937.4 million (December 31, 2018: 410.6 million).

	December 31, 2019	December 31, 2018
	Rupees in '000	
28.4 Auditors' remuneration		
Audit fee	6,110	6,110
Fee for other statutory certifications	5,859	4,752
Annual audit overseas business unit*	2,341	2,150
Half year review	2,535	2,535
Special certifications and miscellaneous services	605	-
Sales tax	631	628
Out-of-pocket expenses	1,552	1,552
	19,633	17,727

*This includes audit fee amounting to Bahraini Dinar 5,500 (2018: 5,500) and Chinese Yuan 3,000 relating to Wholesale Bahrain Branch and China Representative Office respectively.

28.5 None of the directors, executives and their spouses had any interest in the donees, except Mr. Mohammad Naeem Mukhtar (Chairman/ Non-Executive Sponsor 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, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
Acumen Fund Pakistan		-	10,000
Anjuman Himayat-i-Islam	28.5.1	4,454	5,065
Bakhtawar Amin Memorial Trust Hospital		-	1,000
Government College of Science, Lahore		599	-
Chaman (Center for Mentally Challenged Children)		-	1,000
Lahore Businessmen Association For Rehabilitation Of The Disabled		5,000	-
Children Hospital Faisalabad		-	1,730
Diamer - Bhasha and Mohmand Dam Fund		-	14,283
Fountain House Mental Health Association		-	500
Liver Foundation Trust		1,000	1,000
Namal Education Foundation		-	30,000
National Management Foundation (LUMS)		30,000	30,000
Mashal Association		200	-
Punjab Food Authority		-	337
RAAST Welfare Society		1,000	1,000
Rising Sun Institution for Special Children		-	200
Shaukat Khanum Memorial Trust		-	1,000
Sundas Foundation		-	1,000
Tamir Welfare Organization		3,000	2,500
Tehzeeb Social Welfare Organization		-	250
The Indus Hospital		10,000	10,000
University of Turbat		-	2,373
		55,253	113,238

28.5.1 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.

WWF provision from 2014 to 2019 has been maintained conservatively based on tax advisor's opinion in view of provincial levy of WWF by the provinces with effect from 2014, including levy by Sindh which is under litigation.

Punjab Government has promulgated Punjab Workers Welfare Fund Act 2019 (PWWF) with effect from December 13, 2019, therefore, WWF provision related to Punjab and pertaining to the period from 2014 till the date of promulgation of PWWF is reversed from the provision maintained for WWF from 2014 to 2019.

	December 31, 2019	December 31, 2018
	Rupees in '000	
Penalties imposed by State Bank of Pakistan	120,914	38,143
Education cess	54,187	23,267
Depreciation – non-banking assets	19,851	19,662
Other assets written off	93	891
	195,045	81,963

30 OTHER CHARGES

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
31 PROVISIONS AND WRITE OFFS – NET			
Provision for diminution in the value of investments	8.3.1	979,141	109,019
Reversal against loans and advances	9.4	(394,132)	(1,132,836)
Provision against other assets	12.2.1	100,664	84,696
Provision against off balance sheet obligations		6,701	-
Bad debts written off directly		-	-
		692,374	(939,121)
Recovery of written off bad debts		(145,716)	(150,567)
		546,658	(1,089,688)
		December 31, 2019	December 31, 2018
		Rupees in '000	

32 TAXATION

Current – for the year including super tax	9,201,094	7,707,277
– for prior year	834,833	-
	10,035,927	7,707,277
Deferred – current	92,801	428,632
	10,128,728	8,135,909

32.1 Relationship between tax expense and accounting profit

Accounting profit for the year	24,241,639	21,016,427
Tax on income @ 35% (2018: 35%)	8,484,574	7,355,749
Super Tax @ 4%	964,348	790,490
Prior year Super Tax @ 4%	834,833	-
Others	(155,027)	(10,330)
Tax charge for the year	10,128,728	8,135,909

33 EARNINGS PER SHARE – BASIC AND DILUTED

Profit after taxation	14,112,911	12,880,518
	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	12.32	11.25

There is no dilution effect on basic earnings per share.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	119,943,828	99,188,414
Balances with other banks	6	602,582	2,575,055
Overdrawn nostro accounts	15	(64,207)	(243,624)
		<u>120,482,203</u>	<u>101,519,845</u>

Numbers

35 STAFF STRENGTH			
Permanent		11,207	10,930
Temporary / on contractual basis / trainee		458	276
Bank's own staff strength at the end of the year		<u>11,665</u>	<u>11,206</u>
Average number of employees		<u>11,436</u>	<u>11,141</u>

35.1 In addition to the above, 501 (2018: 376) 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, 7 (2018: 8) employees were posted abroad. The rest were working domestically.

36 DEFINED BENEFIT PLANS

36.1 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 provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

36.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme / plans are:

	December 31, 2019	December 31, 2018
Numbers		
– Pension fund	632	922
– Gratuity fund	11,245	10,674
– Benevolent fund	-	76
– Post retirement medical benefits	11,183	10,623
– Employees' compensated absences	11,183	10,623
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
– Pension fund	2,330	2,236
– Post retirement medical benefits	1,610	1,610

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

36.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2019 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2019	December 31, 2018
Withdrawal rate			
Pension fund		Low	Low
Gratuity fund		Moderate	High
Benevolent fund		-	High
Post retirement medical benefits		High	High
Employees' compensated absences		High	High
Mortality rate			
		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
Discount rate			
	Yield on investments in Government Bonds	11.25%	13.25%
Expected rate of return on plan assets			
Pension fund	Yield on investments in Government Bonds	11.25%	13.25%
Gratuity fund	Yield on investments in Government Bonds	11.25%	13.25%
Benevolent fund	Yield on investments in Government Bonds	-	13.25%
Expected rate of salary increase			
	Rate of salary increase	9.25%	11.25%

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.

36.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

		December 31, 2019					December 31, 2018				
	Note	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	36.6	1,661,826	3,351,328	-	1,365,237	668,547	1,585,703	2,827,757	9,206	1,332,925	606,216
Fair value of plan's / scheme's assets	36.7	(6,102,237)	(2,744,422)	-	-	-	(6,145,768)	(2,383,102)	(241,036)	-	-
Net (asset) / liability		(4,440,411)	606,906	-	1,365,237	668,547	(4,560,065)	444,655	(231,830)	1,332,925	606,216
Benefit of the surplus not available to											
the Bank		-	-	-	-	-	-	-	115,915	-	-
Net (asset) / liability		(4,440,411)	606,906	-	1,365,237	668,547	(4,560,065)	444,655	(115,915)	1,332,925	606,216

36.5 Movement in (receivable from) / payable to defined benefit plans

		December 31, 2019					December 31, 2018				
	Note	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		(4,560,065)	444,655	(115,915)	1,332,925	606,216	(3,692,032)	511,919	(112,061)	1,240,250	570,128
(Reversal) / charge for the year	36.9	(466,025)	462,416	(28,157)	192,559	185,679	(121,245)	390,919	(18,490)	144,612	244,446
Other comprehensive (income) / losses		727,746	90,737	-	(44,640)	-	(746,788)	(72,143)	14,636	105,031	-
Contribution to the fund / benefits paid		(142,067)	(390,902)	144,072	(115,607)	(123,348)	-	(386,040)	-	(156,968)	(208,358)
Closing balance		(4,440,411)	606,906	-	1,365,237	668,547	(4,560,065)	444,655	(115,915)	1,332,925	606,216

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

36.6 Movement in defined benefit obligations

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	1,585,703	2,827,757	9,206	1,332,925	606,216
Current service cost	-	400,530	-	21,879	38,186
Interest cost	178,867	357,867	-	168,954	72,152
Benefits paid	(471,523)	(253,741)	(9,206)	(115,607)	(123,348)
VRS / settlement loss	147,596	2,970	-	1,726	15,391
Re-measurement loss / (gain)	221,183	15,945	-	(44,640)	59,950
Closing balance	1,661,826	3,351,328	-	1,365,237	668,547

	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 / (gain)	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

36.7 Movement in fair value of plan assets

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,145,768	2,383,102	241,036	-	-
Expected return on plan assets	792,488	298,951	-	-	-
Bank's contribution	142,067	390,902	-	-	-
Benefits paid	(471,523)	(253,741)	(241,036)	-	-
Re-measurement loss	(506,563)	(74,792)	-	-	-
Closing balance	6,102,237	2,744,422	-	-	-

	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	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

36.8 Composition of plan assets

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Equity securities	4,880,641	738,956	-	-	-
Cash and cash equivalents	1,221,596	2,005,466	-	-	-
	6,102,237	2,744,422	-	-	-

36.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,649,848	582,681	-	-	-
Term deposit receipts	1,047,174	1,895,966	-	-	-
Bank balances with ABL	174,422	109,500	-	-	-
	3,871,444	2,588,147	-	-	-

	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	-	-
Cash and cash equivalents	812,045	1,728,074	211,240	-	-
	6,145,768	2,383,102	241,036	-	-

36.8.2 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	-	-

36.8.3 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.

36.9 Charge for defined benefit plan

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Current service cost	-	400,530	-	21,879	38,186
Interest cost	-	-	-	168,954	72,152
Net interest	(613,621)	58,916	-	-	-
VRS loss / (gain)	147,596	2,970	-	1,726	15,391
Re-measurement loss recognised	-	-	-	-	59,950
	(466,025)	462,416	-	192,559	185,679

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	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)	42,233	(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	6,952	7,672	-	(3,450)	17,215
Re-measurement loss recognised	-	-	-	-	137,850
	(121,245)	390,919	(18,490)	144,612	244,446

36.10 Re-measurements recognized in other comprehensive income

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations -					
Experience adjustments	(221,183)	(15,945)	-	44,640	-
Re-measurement gain / (loss) on assets	(506,563)	(74,792)	-	-	-
Re-measurement gain / (loss) in OCI	(727,746)	(90,737)	-	44,640	-

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations -	364,271	(73,576)	(2,632)	(105,031)	-
Experience adjustments					
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, 2019				December 31, 2018
	Rupees in '000				

36.11 Actual return / (loss) on plan assets

- Pension fund	285,925	835,514
- Gratuity fund	224,159	299,061
- Benevolent fund	-	10,919

36.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2019	2018	2017	2016	2015
	Rupees in '000				
Present value of defined benefit obligation	1,661,826	1,585,703	1,979,453	2,001,618	1,971,233
Fair value of plan assets	(6,102,237)	(6,145,768)	(5,671,485)	(6,616,345)	(5,770,403)
	(4,440,411)	(4,560,065)	(3,692,032)	(4,614,727)	(3,799,170)
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	(221,183)	364,271	(94,595)	(172,722)	(152,852)
Re-measurement gain / (loss) on assets	(506,563)	382,517	(1,191,876)	660,173	(854,480)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

Gratuity fund					
	2019	2018	2017	2016	2015
Rupees in '000					
Present value of defined benefit obligation	3,351,328	2,827,757	2,531,300	2,285,523	2,043,833
Fair value of plan assets	(2,744,422)	(2,383,102)	(2,019,381)	(2,030,232)	(1,482,378)
	606,906	444,655	511,919	255,291	561,455
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	(15,945)	(73,576)	(20,492)	36,036	(167,783)
Re-measurement gain / (loss) on assets	(74,792)	145,719	(230,025)	26,301	(168,935)
Benevolent fund					
	2019	2018	2017	2016	2015
Rupees in '000					
Present value of defined benefit obligation	-	9,206	8,036	8,776	12,355
Fair value of plan assets	-	(278,393)	(232,158)	(221,007)	(205,166)
	-	(269,187)	(224,122)	(212,231)	(192,811)
Experience adjustments on plan obligations / assets					
Re-measurement (loss) / gain on obligation	-	(2,632)	(1,111)	931	(4,376)
Re-measurement (gain) / loss on assets	-	(8,150)	(3,976)	1,136	(10,841)
Post retirement medical					
	2019	2018	2017	2016	2015
Rupees in '000					
Present value of defined benefit obligation	1,365,237	1,332,925	1,240,250	1,298,380	1,217,945
Fair value of plan assets	-	-	-	-	-
	1,365,237	1,332,925	1,240,250	1,298,380	1,217,945
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	44,640	(105,031)	62,068	(97,990)	(243,936)
Employees' compensated absences					
	2019	2018	2017	2016	2015
Rupees in '000					
Present value of defined benefit obligation	668,547	606,216	570,128	698,964	761,498
Fair value of plan assets	-	-	-	-	-
	668,547	606,216	570,128	698,964	761,498
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	(59,950)	(137,850)	71,640	11,662	(45,712)

36.13 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 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, 2020 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	(499,546)	401,961	-	127,086	108,310

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

36.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1Year Mortality age set back	1Year Mortality age set forward
Rupees in '000								
Pension fund	1,613,770	1,715,331	1,661,826	1,661,826	1,661,894	1,661,765	1,662,587	1,661,069
Gratuity fund	3,146,615	3,582,223	3,600,668	3,127,017	3,351,328	3,351,328	3,350,060	3,352,591
Benevolent fund	-	-	-	-	-	-	-	-
Post retirement medical	1,272,317	1,470,835	1,399,106	1,330,036	1,405,845	1,329,438	1,360,812	1,369,967
Leave compensated absences	625,368	717,204	717,674	624,241	660,538	676,907	666,953	670,135

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, 2019					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					

36.15 Maturity Profile

The weighted average duration of the obligation (in years)	3.06	6.5	-	5.40	5.40
--	------	-----	---	------	------

36.16 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.

36.17 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.

37 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,089 (2018: 10,158) employees where contributions are made by the Bank and employees at 8.33% per annum (2018: 8.33% per annum) of the basic salary every month.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

December 31, 2019						
	Directors					
	Chairman	Non-Executives	Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
Rupees in '000						

38.1 Total compensation expense

Fees and allowances etc.	-	27,400	-	-	-	-
Managerial remuneration	-	-	-	-	-	-
- Fixed (including Eid bonus)	-	-	2,842	14,200	96,537	186,385
- Total Variable	-	-	-	22,000	114,000	84,501
of which						
a. Cash Bonus / awards	-	-	-	22,000	114,000	84,501
b. Bonus and awards in Shares	-	-	-	-	-	-
Charge for defined benefit plans	-	-	294	1,590	19,303	35,936
Contribution to defined contribution plan	-	-	219	1,183	8,042	15,526
Rent and house maintenance	-	-	1,574	8,520	57,922	107,860
Utilities	-	-	525	2,840	19,307	35,965
Medical	-	-	525	2,840	20,335	35,965
Conveyance	-	-	813	3,000	50,475	58,203
Others	-	-	284	349	12,805	41,375
Total	-	27,400	7,076	56,522	398,726	601,716
Number of persons	1	6	3	1	18	75

December 31, 2018						
	Directors					
	Chairman	Non-Executives	Members Shariah Board	President / CEO	Key Management Personnel	
Rupees in '000						
Fees and allowances etc.	-	16,500	-	-	-	-
Managerial remuneration	-	-	-	-	-	-
- Fixed (including Eid bonus)	-	-	3,107	12,900	90,933	
- Total Variable	-	-	-	20,000	110,100	
of which						
a. Cash Bonus / awards	-	-	-	20,000	110,100	
b. Bonus and awards in Shares	-	-	-	-	-	
Charge for defined benefit plans	-	-	309	1,399	19,796	
Contribution to defined contribution plan	-	-	237	1,075	7,575	
Rent and house maintenance	-	-	1,708	7,740	54,560	
Utilities	-	-	569	2,580	18,187	
Medical	-	-	569	2,687	18,390	
Conveyance	-	-	1,095	3,000	50,677	
Others	-	-	420	374	8,935	
Total	-	16,500	8,014	51,755	379,153	
Number of persons	1	6	4	1	17	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Sr. No.		Name of Director	December 31, 2019						
			Board Committees					Strategic Planning and Monitoring Committee	Total Amount Paid
			Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision		
Rupees in '000									
1	Mohammad Naeem Mukhtar	-	-	-	-	-	-	-	
2	Sheikh Mukhtar Ahmad	-	-	-	-	-	-	-	
3	Muhammad Waseem Mukhtar	1,750	1,150	1,400	-	-	2,400	6,700	
4	Abdul Aziz Khan	1,250	-	1,150	1,150	-	2,150	5,700	
5	Dr. Muhammad Akram Sheikh	1,750	1,400	1,400	1,150	-	-	5,700	
6	Zafar Iqbal	1,750	1,400	-	-	1,000	-	4,150	
7	Nazrat Bashir	1,750	-	-	-	1,000	2,400	5,150	
		8,250	3,950	3,950	2,300	2,000	6,950	27,400	

Sr. No.		Name of Director	December 31, 2018						
			Board Committees					Strategic Planning and Monitoring Committee	Total Amount Paid
			Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision		
Rupees in '000									
1	Mohammad Naeem Mukhtar	-	-	-	-	-	-	-	
2	Sheikh Mukhtar Ahmad	-	-	-	-	-	-	-	
3	Muhammad Waseem Mukhtar	1,050	300	750	450	-	1,650	4,200	
4	Abdul Aziz Khan	1,050	-	750	600	-	1,500	3,900	
5	Dr. Muhammad Akram Sheikh	1,050	750	150	300	600	-	2,850	
6	Zafar Iqbal	1,050	750	-	-	150	-	1,950	
7	Nazrat Bashir	450	-	-	-	150	300	900	
8	Mubashir A. Akhtar	600	450	-	-	450	1,200	2,700	
		5,250	2,250	1,650	1,350	1,350	4,650	16,500	

38.3 Remuneration paid to Shariah Board Members

Items	December 31, 2019			December 31, 2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
Rupees in '000						
Salaries and allowances	3,979	1,162	1,355	3,672	2,979	1,053
Total Number of Persons	1	1	1	1	1	1

38.4 Deferred cash bonus / remuneration for MRTs for the year 2019 is Rs. 15,828,450.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

39 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, 2019							Fair Value			
	Carrying 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	-	-	28,613,526	-	-	-	28,613,526	28,458,268	155,258	-	28,613,526
Federal Government Securities	-	19,868,163	678,973,168	-	-	-	698,841,331	-	698,841,331	-	698,841,331
Non Government Debt Securities	-	-	4,176,639	-	-	-	4,176,639	-	4,176,639	-	4,176,639
Financial assets – not measured at fair value											
Cash and balances with treasury banks	-	-	-	-	119,943,828	-	119,943,828	-	-	-	-
Balances with other banks	-	-	-	-	602,582	-	602,582	-	-	-	-
Lendings	-	-	-	13,606,921	-	-	13,606,921	-	-	-	-
Advances	-	-	-	485,015,881	-	-	485,015,881	-	-	-	-
Other assets	-	-	-	-	35,112,658	-	35,112,658	-	-	-	-
Investments (HTM, unlisted ordinary shares, Term finance certificate, sukus, subsidiaries)	13,015,041	-	13,310,456	-	-	-	26,325,497	-	-	-	-
	13,015,041	19,868,163	725,073,789	498,622,802	155,659,068	-	1,412,238,863	28,458,268	703,173,228	-	731,631,496
Financial liabilities – measured at fair value											
Trading Liability	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities – not measured at fair value											
Bills payable	-	-	-	-	-	7,878,626	7,878,626	-	-	-	-
Borrowings	-	-	-	-	-	266,448,386	266,448,386	-	-	-	-
Deposits and other accounts	-	-	-	-	-	1,049,043,032	1,049,043,032	-	-	-	-
Other liabilities	-	-	-	-	-	36,147,882	36,147,882	-	-	-	-
	-	-	-	-	-	1,359,517,926	1,359,517,926	-	-	-	-
Off-balance sheet financial instruments – measured at fair value											
Forward foreign exchange contracts	-	-	-	-	358,881,918	-	358,881,918	-	358,881,918	-	358,881,918
Forward government securities transactions	-	-	-	-	513,938	-	513,938	-	513,938	-	513,938
	-	-	-	-	359,395,856	-	359,395,856	-	359,395,856	-	359,395,856

On-Balance sheet Financial Instruments	December 31, 2018							Fair Value			
	Carrying 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	-	-	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	-	-	-	-
Lending to Financial Institutions	-	-	-	53,780,195	-	-	53,780,195	-	-	-	-
Advances	-	-	-	438,317,184	-	-	438,317,184	-	-	-	-
Other asset	-	-	-	-	28,988,381	-	28,988,381	-	-	-	-
Investments (HTM, unlisted ordinary shares, Term finance certificate, sukus, subsidiaries)	16,151,622	-	12,794,995	-	-	-	28,946,617	-	-	-	-
	16,151,622	-	655,076,664	492,097,379	130,751,850	-	1,294,077,515	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
Forward government securities transactions	-	-	-	-	57,768,858	-	57,768,858	-	57,768,858	-	57,768,858
	-	-	-	-	265,278,829	-	265,278,829	-	265,278,829	-	265,278,829

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Rupees in '000								
39.1 Fair value of non-financial assets								
Fixed assets	-	41,974,966	-	41,974,966	-	39,636,178	-	39,636,178
Non-banking assets	-	4,486,663	-	4,486,663	-	4,107,306	-	4,107,306

39.2 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.

40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	December 31, 2019					
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Other	Total
Rupees in '000						
Profit & Loss						
Net mark-up/return/profit	45,813,790	(54,926,966)	49,983,718	1,203,117	(566,190)	41,507,469
Inter segment revenue - net	(45,178,102)	95,831,440	(47,548,684)	-	(3,104,654)	-
Non mark-up / return / interest income	4,419,600	3,339,124	2,611,642	161,154	359,661	10,891,181
Total Income	5,055,288	44,243,598	5,046,676	1,364,271	(3,311,183)	52,398,650
Segment direct expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(9,737,713)	(27,610,353)
Total expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(9,737,713)	(27,610,353)
Provisions	(1,292,941)	(205,842)	-	(12)	952,137	(546,658)
Profit before tax	3,179,831	28,147,797	4,931,916	78,854	(12,096,759)	24,241,639
		-			-	
Balance Sheet						
Cash & Bank balances	59,821	51,303,207	61,984,899	2,045,240	5,153,243	120,546,410
Investments	47,128,653	-	697,876,038	12,452,302	500,000	757,956,993
Net inter segment Lending	(413,717,279)	972,381,940	(557,387,800)	161,300	(1,438,161)	-
Lendings to financial institutions	4,753,821	-	2,052,492	11,554,430	(4,753,822)	13,606,921
Advances - performing	437,660,414	25,631,709	-	12,615,228	8,407,030	484,314,381
Advances - non-performing	511,117	461,688	-	-	14,881,113	15,853,918
Provision against advances	(127,779)	(205,889)	-	(20)	(14,818,730)	(15,152,418)
Advances - net	438,043,752	25,887,508	-	12,615,208	8,469,413	485,015,881
Others	7,072,635	8,706,936	7,215,579	2,752,910	78,246,987	103,995,047
Total Assets	83,341,403	1,058,279,591	211,741,208	41,581,390	86,177,660	1,481,121,252
Borrowings	63,149,483	2,415,660	203,936,638	1,700,000	(4,753,395)	266,448,386
Deposits & other accounts	-	1,012,571,004	-	34,389,411	2,082,617	1,049,043,032
Others	2,413,361	16,402,958	1,917,549	2,143,144	27,401,989	50,279,001
Total liabilities	65,562,844	1,031,389,622	205,854,187	38,232,555	24,731,211	1,365,770,419
Equity/Reserves	17,778,559	26,889,969	5,887,021	3,348,835	61,446,449	115,350,833
Total Equity & liabilities	83,341,403	1,058,279,591	211,741,208	41,581,390	86,177,660	1,481,121,252
Contingencies & Commitments	78,732,154	12,055,398	359,395,856	1,907,886	13,128,046	465,219,340

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	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 / (reversal)	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	(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	3,524,515	(3,610,409)	53,780,195
Advances - performing	394,258,308	28,081,086	-	6,925,320	23,966,763	453,231,477
Advances - non-performing	415,941	183,631	-	-	-	599,572
Provision against advances	(116,635)	(103,416)	-	(8)	(15,293,806)	(15,513,865)
Advances - net	394,557,614	28,161,301	-	6,925,312	8,672,957	438,317,184
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	28,203,820	115,711,532	1,350,598,909
Borrowings	42,470,266	3,912,691	183,088,196	-	(3,588,167)	225,882,986
Deposits & other accounts	-	957,686,063	-	24,632,633	2,156,487	984,475,183
Others	2,326,844	12,328,943	(3,680,842)	319,683	21,641,279	32,935,907
Total liabilities	44,797,110	973,927,697	179,407,354	24,952,316	20,209,599	1,243,294,076
Equity/Reserves	9,970,560	-	(1,419,164)	3,251,504	95,501,933	107,304,833
Total Equity & liabilities	54,767,670	973,927,697	177,988,190	28,203,820	115,711,532	1,350,598,909
Contingencies & Commitments	83,808,051	12,033,029	265,278,829	582,318	17,824,413	379,526,640

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

40.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2019			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Profit & Loss				
Net mark-up/return/profit	41,133,593	373,877	-	41,507,470
Inter segment revenue – net	(134,330)	134,330	-	-
Non mark-up / return / interest income	10,722,859	168,321	-	10,891,180
Total Income	51,722,122	676,528	-	52,398,650
Segment direct expenses	(27,484,843)	(91,819)	(33,691)	(27,610,353)
Total expenses	(27,484,843)	(91,819)	(33,691)	(27,610,353)
Provisions	528,487	18,171	-	546,658
Profit before tax	23,708,792	566,538	(33,691)	24,241,639
Balance Sheet				
Cash & Bank balances	120,521,423	24,987	-	120,546,410
Investments	753,181,351	4,775,642	-	757,956,993
Net inter segment lendings	-	4,748,676	-	4,748,676
Lendings to financial institutions	8,858,245	-	-	8,858,245
Advances – performing	469,626,834	14,687,548	-	484,314,382
Advances - non-performing	15,853,918	-	-	15,853,918
Provision against advances	(15,152,419)	-	-	(15,152,419)
Advances - net	470,328,333	14,687,548	-	485,015,881
Others	103,773,102	221,945	-	103,995,047
Total Assets	1,456,662,454	24,458,798	-	1,481,121,252
Borrowings	241,166,918	20,532,792	-	261,699,710
Subordinated debt	-	-	-	-
Deposits & other accounts	1,048,500,756	542,276	-	1,049,043,032
Net inter segment borrowing	4,748,676	-	-	4,748,676
Others	50,185,782	93,219	-	50,279,001
Total liabilities	1,344,602,132	21,168,287	-	1,365,770,419
Equity	112,060,322	3,290,511	-	115,350,833
Total Equity & liabilities	1,456,662,454	24,458,798	-	1,481,121,252
Contingencies and commitments	464,677,824	541,516	-	465,219,340

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2018			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Profit & Loss				
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
Balance Sheet				
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	50,171,088	-	-	50,171,088
Advances – performing	451,843,009	1,388,468	-	453,231,477
Advances - non-performing	599,572	-	-	599,572
Provision against advances	(15,513,865)	-	-	(15,513,865)
Advances - net	436,928,716	1,388,468	-	438,317,184
Others	85,384,347	125,429	-	85,509,776
Total Assets	1,335,200,009	15,398,900	-	1,350,598,909
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	32,910,962	24,945	-	32,935,907
Total liabilities	1,230,145,184	13,148,892	-	1,243,294,076
Equity	105,054,825	2,250,008	-	107,304,833
Total Equity & liabilities	1,335,200,009	15,398,900	-	1,350,598,909
Contingencies and commitments	379,041,027	485,613	-	379,526,640

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

41 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.

	December 31, 2019						December 31, 2018									
	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																
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	-	-	-	500,000	351	-	25,000	-	-	-	500,000	351	-	-	-	
Investment made during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer in / (out) – net	-	-	-	-	(351)	-	-	-	-	-	-	-	-	25,000	-	
Closing balance	-	-	-	500,000	-	-	25,000	-	-	-	500,000	351	-	25,000	-	
	-	-	-	500,000	-	-	25,000	-	-	-	500,000	351	-	25,000	-	
Provision for diminution in value of investments	-	-	-	-	-	-	-	-	-	-	-	4,649	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Advances																
Opening balance	-	8,704	264,404	-	-	-	593	-	17,029	252,674	-	-	-	(57)	-	
Addition during the year	-	25,719	97,754	-	-	-	9,129	-	13,304	112,248	-	-	-	8,011	-	
Repaid during the year	-	(29,659)	(165,274)	-	-	-	(9,147)	-	(21,629)	(102,179)	-	-	-	(7,361)	-	
Transfer in / (out) – net	-	-	-	-	-	-	-	-	-	1,661	-	-	-	-	-	
Closing balance	-	4,764	196,884	-	-	-	575	-	8,704	264,404	-	-	-	593	-	
	-	4,764	196,884	-	-	-	575	-	8,704	264,404	-	-	-	593	-	
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019						December 31, 2018							
	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													
Other Assets														
Interest / mark-up accrued	-	7,860	69,367	-	-	-	-	-	13,143	66,580	-	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	-	3,705,491	-	-	-	-	-	-	4,204,441
Other receivable	-	-	-	7,348	-	-	-	-	-	-	1,824	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt														
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts														
Opening 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
Received during the year	8,594,379	1,824,926	524,039	970,413	7,718,711	-	247,373,312	9,623,398	99,342	622,197	1,006,553	8,614,444	-	226,189,869
Withdrawn during the year	(8,593,314)	(1,492,156)	(559,794)	(958,301)	(7,677,777)	-	(248,754,026)	(9,622,816)	(337,996)	(616,342)	(1,033,090)	(8,617,739)	-	(217,149,184)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	369	2,643	-	(14)	-	9,339
Closing balance	2,849	357,194	34,632	24,228	123,315	-	16,915,806	1,784	24,424	70,387	12,116	82,381	-	18,296,520
Other Liabilities														
Interest / mark-up payable	-	-	-	-	599	-	116,987	-	2,506	625	1,570	757	-	651,581
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies and Commitments														
Other contingencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

41.1 RELATED PARTY TRANSACTIONS

	December 31, 2019							December 31, 2018						
	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													
Income														
Mark-up / return / interest earned	-	422	18,179	-	-	-	-	-	513	13,475	-	-	-	-
Fee and commission income	1	21	97	7,857	16	-	667	2	10	101	9,458	83	-	423
Dividend income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net gain / (loss) on sale of securities	-	-	14	-	-	-	465	-	-	-	-	-	-	(262)
Rental income	-	-	-	7,135	-	-	-	-	-	-	5,581	-	-	-
Other income	-	-	-	5,905	-	-	-	-	-	-	-	-	-	-
Expense														
Mark-up / return / interest paid	-	14,749	559	4,607	5,108	-	884,506	-	2,506	625	1,570	757	-	651,581
Directors meeting fee	-	27,400	-	-	-	-	-	-	16,500	-	-	-	-	-
Remuneration	-	53,749	371,381	-	-	-	-	-	49,281	351,782	-	-	-	-
Other expenses**	-	-	-	-	31,211	-	-	-	-	-	-	32,006	-	-
Rent expense**	-	-	-	-	14,191	-	-	-	-	-	-	11,896	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	-	-	60,868	-	-	-	-	-	-	546,795
Insurance premium paid	-	167	879	-	-	-	-	-	99	244	-	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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, 2019; certain movable assets having cumulative net book value of Rs. 36,000 were disposed off for Rs. 269,000 to the Key Management Personnel of the Bank.

	December 31, 2019	December 31, 2018
	Rupees in '000	
42 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	80,480,270	75,040,687
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	80,480,270	75,040,687
Eligible Tier 2 Capital	22,351,157	21,171,279
Total Eligible Capital (Tier 1 + Tier 2)	102,831,427	96,211,966
Risk Weighted Assets (RWAs):		
Credit Risk	345,902,918	317,173,241
Market Risk	44,703,919	38,020,880
Operational Risk	83,485,603	77,614,260
Total	474,092,440	432,808,381
Common Equity Tier 1 Capital Adequacy ratio	16.98%	17.34%
Tier 1 Capital Adequacy Ratio	16.98%	17.34%
Total Capital Adequacy Ratio	21.69%	22.23%

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 12.50% on standalone as well as on consolidated basis till December 31, 2019. A phase in arrangement was put in place whereby the banks were required to maintain the following ratios on an ongoing basis, which has been completed as on December 31, 2019.

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

* Consisting of CET1 only.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 21.69% of its total risk weighted assets as at December 31, 2019, respectively. The Bank has complied with all externally imposed capital requirements as at year end. 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, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	80,480,270	75,040,687
Total Exposures	1,798,987,646	1,633,878,538
Leverage Ratio	4.47%	4.59%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	460,376,621	397,968,465
Total Net Cash Outflow	274,294,059	262,615,154
Liquidity Coverage Ratio	167.84%	151.54%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,007,506,800	913,354,244
Total Required Stable Funding	703,906,177	491,398,752
Net Stable Funding Ratio	143.13%	185.87%

42.1 The link to the full disclosure is available at <https://www.abl.com/investor-relations/>

43 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.

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal and Enterprise Risk which inter alia includes Risk Architecture, Reputational Risk, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of the Bank's assets and liabilities.

Categories of Risk

Credit Risk	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.
Market Risk	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).
Liquidity Risk	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.
Operational Risk	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.
Reputational Risk	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.
Information Security & Governance Risk	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.
Strategic Risk	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, 2019

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.

43.1 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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.

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees in '000						

43.1.1 Lendings to financial institutions

Credit risk by public / private sector

Public/ Government	2,704,142	-	-	-	-	-
Private	10,972,779	53,850,195	70,000	70,000	70,000	70,000
	13,676,921	53,850,195	70,000	70,000	70,000	70,000

	Gross Investments		Non-performing Investments		Provision held	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees in '000						

43.1.2 Investment in debt securities

Credit risk by industry sector

Basic metals (iron, steel)	500,000	500,000	-	-	-	-
Financial	5,631,006	6,081,881	-	-	-	-
Hotel, restaurant & clubs	470,000	248,085	-	-	-	-
Power, gas, water & sanitary	5,411,136	4,881,010	-	-	-	-
Chemicals	1,600,000	-	-	-	-	-
Sugar	10,487	10,487	10,487	10,487	10,487	10,487
Textile – Spinning	51,345	51,345	51,345	51,345	51,345	51,345
Textile – Weaving	200,000	200,000	200,000	200,000	200,000	200,000
Government	710,177,493	626,834,650	3,869,387	9,756,796	15,961	21,248
Others	103,498	105,329	103,498	105,329	103,498	105,329
	724,154,965	638,912,787	4,234,717	10,123,957	381,291	388,409

Credit risk by public / private sector

Public/ Government	713,427,493	630,584,650	3,869,387	9,756,796	15,961	21,248
Private	10,727,472	8,328,137	365,330	367,161	365,330	367,161
	724,154,965	638,912,787	4,234,717	10,123,957	381,291	388,409

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	Gross advances		Non-performing advances		Provision held	
	December 31,2019	December 31,2018	December 31,2019	December 31,2018	December 31,2019	December 31,2018
	Rupees in '000					

43.1.3 Advances

Credit risk by industry sector

Agriculture, Forestry and Hunting	79,583,981	78,511,776	654,964	624,049	511,318	596,596
Basic metals (iron, steel)	5,243,108	7,220,441	413,828	151,863	214,278	151,863
Cement / clay & ceramics	19,359,961	16,781,544	74,089	74,089	74,089	74,089
Chemical & pharmaceutical	25,230,941	23,965,746	372,744	376,479	372,744	376,479
Construction	6,701,913	6,958,964	190,283	120,529	176,038	120,529
Education	130,146	124,885	123	123	123	123
Financial	31,875,767	22,710,967	56,154	72,454	56,154	72,454
Footwear & leather garments	2,823,053	2,212,093	111,740	116,953	106,841	108,133
Furniture & sports goods	1,978,284	1,118,853	265,984	265,990	265,984	265,990
Grains, food & beverages	10,952,503	12,750,666	1,853,302	1,917,020	1,853,302	1,766,367
Health & social welfare	27,029	52,122	2,688	3,478	2,688	3,478
Hotel, restaurant & clubs	1,000,000	1,000,000	7,564	7,664	7,564	7,664
Individuals	10,060,120	10,034,356	368,240	361,566	337,085	361,501
Machinery & equipment	5,790,537	4,200,452	1,097,134	1,157,834	1,097,134	1,157,834
Manufacture of transport equipment	2,176,982	844,246	139,822	140,522	139,822	140,522
Paper & paper boards	7,046,681	5,632,472	208,574	210,574	208,574	210,574
Petroleum products	3,934,730	13,291,165	176,351	13,228	94,073	13,228
Power, gas, water & sanitary	156,149,658	140,719,800	637,015	637,015	637,015	637,015
Printing, publishing & allied	206,458	1,121,462	10,056	10,056	10,056	10,056
Real estate, renting, and business activities	8,331,917	5,485,741	-	-	-	-
Rubber & plastic	288,680	295,588	230,563	233,068	230,563	233,068
Sugar	6,897,513	7,365,203	51,066	51,066	51,066	51,066
Textile –Manufacture of made up & ready made garments	30,431,729	25,684,060	3,002,600	3,003,575	3,002,601	3,003,575
Textile – Finishing	15,189,368	16,456,503	2,872,372	2,884,586	2,872,372	2,884,586
Textile – Spinning	18,024,943	18,618,930	1,261,119	1,141,751	1,157,244	1,141,751
Textile – Weaving	3,210,115	1,664,289	38,482	38,632	38,482	38,632
Transport, storage & communication	16,154,933	12,439,987	126,459	428,077	46,546	127,149
Wholesale & retail trade	9,199,116	9,220,564	967,415	977,027	885,681	948,802
Others	22,168,134	7,385,384	663,187	1,045,374	663,187	1,030,374
	500,168,300	453,868,259	15,853,918	16,064,642	15,112,624	15,533,498

Credit risk by public / private sector

Public/ Government	204,243,892	177,970,051	134,430	135,181	134,430	135,181
Private	295,924,408	275,898,208	15,719,488	15,929,461	14,978,194	15,398,317
	500,168,300	453,868,259	15,853,918	16,064,642	15,112,624	15,533,498

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
43.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry and Hunting	517,460	1,748,522
Basic metals (iron, steel)	2,865,799	2,298,302
Cement/clay & ceramics	3,578,271	2,491,703
Chemical & pharmaceutical	2,844,113	1,168,652
Construction	3,942,101	3,532,782
Education	61,193	55,461
Financial	367,806,904	272,292,661
Footwear & leather garments	341,512	248,281
Furniture & sports goods	112,737	25,375
Grains, food and beverages	1,055,823	58,426
Health & social welfare	337,057	1,993,444
Hotel, restaurant & clubs	960	960
Individuals	7,391,727	11,027,620
Machinery & equipment	16,099,059	38,708,740
Manufacture of transport equipment	188,471	87,725
Paper & paper boards	626,468	275,184
Petroleum products	23,298,418	17,777,157
Power, gas, water & sanitary	12,693,725	9,569,562
Printing, publishing & allied	67,631	136,729
Real estate, renting and business activities	-	6,018,458
Rubber & plastic	35,037	106,775
Sugar	59,430	26,740
Textile - Manufacture of madeup & ready made garments	227,892	275,109
Textile - Finishing	4,891,277	1,589,863
Textile - Spinning	1,368,295	56,195
Textile - Weaving	1,618,571	65,702
Transport, storage & communication	3,015,015	5,315,605
Wholesale & retail trade	342,676	957,570
Others	9,831,718	1,617,337
	465,219,340	379,526,640
Credit risk by public / private sector		
Public/ Government	63,282,369	89,704,889
Private	401,936,971	289,821,751
	465,219,340	379,526,640

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

43.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 222,105.62 million (December 31, 2018: Rs. 220,201.42 million) are as following:

	December 31, 2019	December 31, 2018
	Rupees in '000	
Funded	191,393,656	184,180,778
Non Funded	30,711,963	36,020,642
Total Exposure	222,105,619	220,201,420

The sanctioned limits against these top 10 exposures aggregated to Rs. 265,900.73 million (December 31, 2018: Rs. 255,278.34 million).

43.1.6 Advances – Province/Region-wise Disbursement & Utilization

During the year ended December 31, 2019							
Province/Region	Disbursements			Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	Rupees in '000						

Province/Region							
Punjab	691,256,822	683,293,584	4,672,048	3,172,039	3,810	104,071	11,270
Sindh	1,110,838,731	74,993,563	1,034,704,724	35,148	9,290	1,075,242	20,764
KPK including FATA	1,621,529	243,216	-	1,378,313	-	-	-
Balochistan	618,127	-	-	-	618,127	-	-
Islamabad	16,733,824	-	-	-	-	16,733,824	-
AJK including Gilgit-Baltistan	881,289	-	-	-	-	-	881,289
Total	1,821,950,322	758,530,363	1,039,376,772	4,585,500	631,227	17,913,137	913,323

During the year ended December 31, 2018							
Province/Region	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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

43.2 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.

43.2.1 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, 2019

	December 31, 2019			December 31, 2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '00						
43.2.2 Balance sheet split by trading and banking books						
Cash and balances with treasury banks	119,943,828	-	119,943,828	99,188,414	-	99,188,414
Balances with other banks	602,582	-	602,582	2,575,055	-	2,575,055
Lendings to financial institutions	13,606,921	-	13,606,921	53,780,195	-	53,780,195
Investments	721,486,859	36,470,134	757,956,993	655,534,517	15,693,768	671,228,285
Advances	485,015,881	-	485,015,881	438,317,184	-	438,317,184
Fixed assets	62,114,648	-	62,114,648	50,378,537	-	50,378,537
Intangible assets	1,969,051	-	1,969,051	1,749,054	-	1,749,054
Deferred tax assets	-	-	-	-	-	-
Other assets	39,911,348	-	39,911,348	33,382,185	-	33,382,185
	1,444,651,118	36,470,134	1,481,121,252	1,334,905,141	15,693,768	1,350,598,909

43.2.3 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 it's NOSTRO and Cash Reserve balances.

	December 31, 2019				December 31, 2018			
	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	1,422,889,052	1,227,520,873	(80,271,378)	115,096,801	1,299,889,605	1,125,939,797	(66,414,629)	107,535,179
United States Dollar	56,981,096	130,223,325	73,575,765	333,536	50,030,348	109,211,476	58,937,581	(243,547)
Great Britain Pound Sterling	892,579	4,561,262	3,611,463	(57,220)	283,035	5,309,004	5,026,143	174
Japanese Yen	14,613	1,110	(22,808)	(9,305)	4,317	975	(2,521)	821
Euro	310,246	3,435,978	3,105,506	(20,226)	326,332	2,826,096	2,502,163	2,399
Other currencies	33,666	27,871	1,452	7,247	65,272	6,728	(48,737)	9,807
	58,232,200	138,249,546	80,271,378	254,032	50,709,304	117,354,279	66,414,629	(230,346)
	1,481,121,252	1,365,770,419	-	115,350,833	1,350,598,909	1,243,294,076	-	107,304,833

	December 31, 2019		December 31, 2018	
	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	-	1,651,213	-	(1,497,249)
– Other comprehensive income	-	-	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

43.2.4 Equity position Risk

Equity risk is the potential for incurring losses due to adverse changes in stock prices. The Bank 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, 2019		December 31, 2018	
	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	(517,535,673)	(539,564,082)	(606,660,345)	(510,047,451)

43.2.5 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 behavioural 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, 2019		December 31, 2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 1%				
– Profit and loss account	-	(153,019)	-	-
– Other comprehensive income	(2,014,326)	-	(1,284,209)	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

43.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective Yield/ Interest rate	Total	December 31, 2019										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	Above 10 years			
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks		119,943,828	16,509,764	-	-	-	-	-	-	-	-	-	-	103,434,064
Balances with other banks		602,582	-	-	-	-	-	-	-	-	-	-	-	602,582
Lending to financial institutions	10.70%	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-	-	-	-
Investments	11.97%	757,956,993	273,486,166	299,087,158	11,271,561	55,989,298	58,286,547	9,452,969	10,765,765	7,091,383	-	-	-	32,526,146
Advances	11.54%	485,015,881	199,689,195	133,195,835	95,709,661	24,414,511	548,136	1,168,105	5,108,162	18,140,328	4,778,872	-	-	2,263,076
Other assets		35,112,658	-	-	-	-	-	-	-	-	-	-	-	35,112,658
		1,412,238,863	499,587,904	435,987,135	106,981,222	80,403,809	58,834,683	10,621,074	15,873,927	25,231,711	4,778,872	-	-	173,938,526
Liabilities														
Bills payable		7,878,626	-	-	-	-	-	-	-	-	-	-	-	7,878,626
Borrowings	9.48%	266,448,386	220,053,947	17,002,396	7,539,422	140,611	400,733	199,152	3,137,791	17,974,334	-	-	-	-
Deposits and other accounts	6.24%	1,049,043,032	125,035,940	235,893,774	312,174,543	42,431,719	14,219,030	1,965,574	1,734,959	370,974	-	-	-	315,216,519
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		36,147,882	-	-	-	-	-	-	-	-	-	-	-	36,147,882
		1,359,517,926	345,089,887	252,896,170	319,713,965	42,572,330	14,619,763	2,164,726	4,872,750	18,345,308	-	-	-	359,243,027
On-balance sheet gap		52,720,937	154,498,017	183,090,965	(212,732,743)	37,831,479	44,214,920	8,456,348	11,001,177	6,886,403	4,778,872	-	-	(185,304,501)
Off-balance sheet financial instruments														
Documentary credits and short-term trade-related transactions		92,700,647	10,620,023	19,877,017	37,388,266	10,648,056	12,520,902	577,593	196,028	-	872,762	-	-	-
Commitments in respect of purchase of:														
- forward foreign exchange contracts		220,381,401	71,170,538	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-	-	-
- forward government securities transactions		464,217	464,217	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-
		220,845,618	71,634,755	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-	-	-
Commitments in respect of purchase of:														
- forward foreign exchange contracts		138,500,517	46,693,645	38,926,182	52,880,690	-	-	-	-	-	-	-	-	-
- forward government securities transactions		49,721	49,721	-	-	-	-	-	-	-	-	-	-	-
- derivatives		-	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending		-	-	-	-	-	-	-	-	-	-	-	-	-
		138,550,238	46,743,366	38,926,182	52,880,690	-	-	-	-	-	-	-	-	-
Other commitments		38,311,885	16,914,205	5,340,939	8,850,528	7,206,213	-	-	-	-	-	-	-	-
Off-balance sheet gap		213,307,912	52,425,617	45,409,465	79,057,570	22,247,975	12,520,902	577,593	196,028	-	872,762	-	-	-
Total Yield/Interest Risk Sensitivity Gap		266,028,849	206,923,634	228,500,430	(133,675,173)	60,079,454	56,735,822	9,033,941	11,197,205	6,886,403	5,651,634	(185,304,501)	-	-
Cumulative Yield/Interest Risk Sensitivity Gap		266,028,849	206,923,634	435,424,064	301,748,891	361,828,345	418,564,167	427,598,108	438,795,313	445,681,716	451,333,350	-	-	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

Effective Yield/ Interest rate	Total	December 31, 2018										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	Above 10 Years		
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
		99,188,414	14,128,800	-	-	-	-	-	-	-	-	85,059,614
		2,575,055	-	-	-	-	-	-	-	-	-	2,575,055
7.95%		53,780,195	2,787,100	-	-	-	-	-	-	-	-	-
7.94%		671,228,285	324,040,190	19,584,532	31,803,113	893,744	5,816,244	7,291,693	16,569,201	-	-	34,360,240
7.35%		438,317,184	237,269,509	96,023,436	35,017,394	1,246,393	3,497,541	7,318,886	11,972,215	4,824,548	-	285,953
		28,988,381	-	-	-	-	-	-	-	-	-	28,988,381
		1,294,077,514	336,852,532	564,096,799	115,607,968	66,820,507	2,140,137	9,313,785	14,610,579	28,541,416	4,824,548	151,269,243
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	11,564,754	-	-
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	80,108	262,974,151
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		19,841,044	-	-	-	-	-	-	-	-	-	19,841,044
		1,237,952,172	294,999,247	257,385,405	305,670,287	53,568,228	19,681,016	1,466,801	2,433,362	12,099,564	80,108	290,568,154
		56,125,342	41,853,285	306,711,394	(190,062,319)	13,252,279	(17,540,879)	7,846,984	12,177,217	16,441,852	4,744,440	(139,298,911)
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	-
Documentary credits and short-term trade-related transactions												
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 purchase 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	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	136,512,865	360,463,848	(141,346,848)	37,273,598	3,467,493	9,740,426	13,870,173	18,134,649	5,918,295	(139,298,911)
Cumulative Yield/Interest Risk Sensitivity Gap												
		304,735,588	136,512,865	496,976,713	355,629,865	392,903,463	396,370,956	406,111,382	419,981,555	438,116,204	444,034,499	-

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

Reconciliation to total assets	December 31, 2019	December 31, 2018	Reconciliation to total liabilities	December 31, 2019	December 31, 2018
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	1,481,121,252	1,350,598,909	Balance as per balance sheet	1,365,770,419	1,243,294,076
Less: Non financial assets			Less: Non financial liabilities		
Fixed assets	64,083,699	52,127,591	Deferred tax liabilities	5,898,310	4,755,428
Other assets	4,798,690	4,393,804	Other liabilities	354,183	586,476
	68,882,389	56,521,395		6,252,493	5,341,904
Total financial assets	1,412,238,863	1,294,077,514	Total financial liabilities	1,359,517,926	1,237,952,172

43.3 Operational Risk

The Bank, like all financial institutions, is exposed to different 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 a BoD approved BCP policy and 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.

43.4 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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

43.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2019										
	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 2 years	Over 3 to 5 years
Rupees in '000											
Assets											
Cash and balances with treasury banks	119,943,828	119,943,828	-	-	-	-	-	-	-	-	-
Balances with other banks	602,582	602,582	-	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	-	3,425,999	5,065,760	1,411,020	3,704,142	-	-	-	-	-
Investments – net	757,896,993	32,526,146	178,403,209	-	79,249,756	139,546,347	91,671,218	867,746	55,989,298	10,175,613	13,925,985
Advances – net	485,015,881	79,624,296	547,774	1,187,531	13,862,657	7,893,474	16,933,799	36,596,571	53,828,814	47,305,243	60,437,040
Fixed assets	62,114,648	17,185	103,109	120,294	292,141	532,729	532,729	1,598,188	1,598,188	3,352,692	3,033,557
Intangible assets	1,969,051	756	4,535	5,291	12,850	23,432	23,432	70,295	70,295	281,180	562,361
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	39,911,348	596,785	3,580,707	4,177,492	10,145,337	4,005,541	2,554,371	3,964,817	1,404,106	642,806	2,762,041
	1,481,121,252	233,311,578	186,065,333	10,556,368	104,973,761	155,707,665	111,715,549	43,097,617	112,890,701	89,128,894	80,720,984
Liabilities											
Bills payable	7,878,626	7,878,626	-	-	-	-	-	-	-	-	-
Borrowings	266,446,386	2,071	198,180,537	1,284,249	15,167,424	5,174,127	11,828,269	12,959,088	6,219	400,733	3,137,791
Deposits and other accounts	1,049,043,032	868,660,834	12,905,548	9,854,157	20,993,265	25,220,982	30,861,262	46,929,469	9,073,189	716,644	1,965,574
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,896,310	38,451	230,705	269,156	653,666	581,039	328,947	75,154	362,993	491,239	218,208
Other liabilities	36,502,065	551,860	3,311,162	3,863,023	9,381,627	2,007,265	975,964	1,479,030	1,096,849	2,016,077	2,633,810
	1,365,770,419	877,031,842	214,627,952	15,270,585	46,195,982	32,983,413	43,994,442	61,442,771	10,539,250	3,624,693	7,724,768
Net assets	115,350,833	(643,720,264)	(28,562,619)	(4,714,217)	58,777,779	122,724,252	67,721,107	(18,345,154)	102,351,451	107,204,051	59,273,856
											151,629,206
Share capital	11,450,739										
Reserves	22,270,225										
Unappropriated profit	55,821,211										
Surplus on revaluation of assets net of tax	25,808,658										
	115,350,833										

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

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	Upto 1 year	Upto 2 years	Upto 3 years	Over 3 to 5 years	Over 5 years
Rupees in '000													
Assets													
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	53,780,195	-	48,468,580	500,000	2,024,515	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	6,135,369	1,135,813	7,051,206	8,471,835	25,542,242
Advances - net	438,317,184	70,461,195	2,033,096	194,526	13,015,494	6,728,176	10,881,528	30,015,383	101,842,831	58,047,337	46,888,309	50,431,751	31,299,888
Fixed assets	50,378,537	13,826	82,959	96,785	235,050	428,620	428,621	1,285,861	1,285,862	2,777,178	2,750,793	2,137,177	37,569,944
Intangible assets	1,749,054	671	4,029	4,700	11,414	20,814	20,814	62,441	62,441	249,765	249,765	499,530	500,229
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	1,378,006	586,758	586,758	2,792,176	4,290,836
	1,350,598,909	206,945,737	273,084,669	3,220,363	29,245,029	329,259,331	17,011,435	52,430,187	110,704,509	62,796,851	57,536,831	64,272,469	99,203,139
Liabilities													
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	11,564,753
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	23,771,946	2,193,097	825,194	876,633	614,919
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	166,219	176,080	197,040	146,666	2,001,968
Other liabilities	20,427,520	364,185	2,185,108	2,549,293	6,183,946	7,181,160	685,178	1,015,410	883,536	1,044,424	773,156	895,342	2,231,318
	1,243,294,076	817,811,077	171,715,548	20,029,427	43,239,756	44,198,678	27,138,940	54,573,063	24,821,741	3,695,897	2,436,997	3,475,370	16,412,958
Net assets	107,304,833	(610,865,340)	101,369,121	(16,809,064)	(13,994,127)	285,060,653	(10,127,505)	(2,142,876)	85,882,768	59,100,954	55,099,834	60,797,099	82,790,181
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, 2019

43.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

December 31, 2019										
	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										
Assets										
Cash and balances with treasury banks	119,943,828	33,818,371	10,456,036	6,768,479	4,526,963	2,496,978	2,774,287	-	-	59,102,714
Balances with other banks	602,582	602,582	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-
Investments – net	757,956,993	259,295,601	231,219,565	867,746	55,989,298	67,547,808	18,476,599	13,925,985	108,719,391	1,915,000
Advances – net	485,015,881	25,890,266	27,701,487	39,002,766	142,911,817	67,716,835	69,217,337	80,848,632	26,990,835	4,735,906
Fixed assets	62,114,648	532,729	1,065,458	1,598,188	3,196,376	3,352,692	3,306,222	3,033,557	3,885,367	42,144,059
Intangible assets	1,969,051	23,432	46,864	70,295	140,590	281,180	281,180	562,361	563,149	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets – net	39,911,348	18,500,321	6,559,912	3,964,817	2,598,321	642,806	640,952	2,762,041	4,242,178	-
	1,481,121,252	348,566,081	280,753,464	52,272,291	209,363,365	142,038,299	94,696,577	101,132,576	144,400,920	107,897,679
Liabilities										
Bills payable	7,878,626	7,878,626	-	-	-	-	-	-	-	-
Borrowings	266,448,386	214,634,281	17,002,396	12,959,088	140,611	400,733	199,152	3,137,791	17,974,334	-
Deposits and other accounts	1,049,043,032	125,035,940	149,008,992	96,457,612	64,513,767	36,301,078	41,501,940	1,734,959	370,974	534,117,770
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,898,310	1,191,978	909,986	75,154	425,064	491,239	231,376	218,208	746,915	1,608,390
Other liabilities	36,502,065	17,107,672	2,983,229	1,479,030	2,157,967	2,016,077	1,539,754	2,633,810	6,584,526	-
	1,365,770,419	365,848,497	169,904,603	110,970,884	67,237,409	39,209,127	43,472,222	7,724,768	25,676,749	535,726,160
Net assets	115,350,833	(17,282,416)	110,848,861	(58,698,593)	142,125,956	102,829,172	51,224,355	93,407,808	118,724,171	(427,828,481)
Share capital	11,450,739									
Reserves	22,270,225									
Unappropriated profit	55,821,211									
Surplus on revaluation										
of assets net of tax	25,808,658									
	115,350,833									

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										
Assets										
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	53,780,195	50,993,095	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	438,317,184	22,695,395	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	-
	1,350,598,909	344,353,570	360,852,359	60,142,769	163,262,700	90,849,366	84,808,042	81,688,996	74,066,598	90,574,509
Liabilities										
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	20,427,520	11,282,532	1,403,338	1,015,410	1,782,000	1,044,424	773,156	895,342	2,231,318	-
	1,243,294,076	309,507,850	203,378,792	101,088,254	72,221,078	37,350,610	36,684,882	3,475,370	14,611,548	464,975,692
Net assets	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									

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2019

43.5 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.

44 NON ADJUSTING EVENT AFTER THE REPORTING DATE

- 44.1** The Board of Directors of the Bank in its meeting held on February 7, 2020 has proposed a final cash dividend in respect of 2019 of Rs. 2.00 per share (2018: cash dividend Rs. 2.00 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, 2019 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2020.

45 GENERAL

- 45.1** 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.
- 45.2** 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.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 7, 2020 by the Board of Directors of the Bank.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 1, 2019 TO DECEMBER 31, 2019)

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	RAJIA RICE, H.No. 1809/99, Hindu Mohallah, Shahdadkot	RAMESH KUMAR	43206-8363288-9	MEHRAJ GOPI KIRISHAN	4,996	-	3,978	8,974	-	-	1,110	1,110
2	RANA TEXTILE MILLS, Rafthan Mills Road, near Rafthan Mills, Samana Pul, Faisalabad.	RANA ZAHID TOUSIF RANA ARIF TAUSEEF RANA ASIF TAUSEEF MRS.LUBNAZAHID MRS.RIZWANA ARIF RANA USMAN ZAHID RANA ATIF TAUSEEF	33100-0672286-7 33100-0708556-3 33100-0672190-5 33102-1723365-2 33100-0670508-4 33100-0672287-1 33100-0695537-3	RANA TOUSIF ALI KHAN RANA TAUSEEF ALI KHAN W/O RANA ZAHID TAUSEEF RANA ARIF TAUSEEF ZAHID TAUSEEF RANA TAUSEEF ALI KHAN	37,314	-	28,311	65,625	-	-	25,519	25,519
3	RIZWAN STEEL FURNANCE, Dewan Road, Opposite Station, Eminabad, Gujranwala.	MALIK NOMAN SAJID MUHAMMAD RIZWAN SAJID	34101-2638290-9 34101-2638295-7	MUHAMMAD NAZIR MUHAMMAD NAZIR	13,498	-	5,410	18,908	-	-	4,308	4,308
4	ZAGHAM & CO., Ghatah Mandi, Qila Dider Singh	HASSAN ARIF HASSNAIN ARIF	34101-1774125-3 34101-2316897-3	MUHAMMAD ARIF MUHAMMAD ARIF	4,999	-	1,562	6,561	-	-	0,530	0,530
5	NISAR AHMAD & BROTHERS (PVT) LTD., Vehari Road, Haselpur, Multan	HAJI NISAR AHMAD MUSHTAQ AHMAD MUHAMMAD AJMAL MUHAMMAD RAFI RAZA	31203-4612123-3 31203-6414142-9 31203-1698939-3 31203-1313546-7	MUHAMMAD SHAFI MUHAMMAD SHAFI ABDUL GHAFOR NISAR AHMAD	0,287	-	2,477	2,764	-	-	1,994	1,994
6	WASEEM CONSTRUCTION & PROPERTY DEVEL- OPERS, 543-D, Shah Rukhan-e-Alam Colony, Multan	MUREED ABBAS ALIAS GHULAM MUSTAFA	36302-4593265-9	RANA FAZ BAKHSH	2,988	-	2,162	5,160	-	-	1,178	1,178
7	ASKARI ENTERPRISES, 16/60, 1st Floor, Rafia Plaza, Street Near JS Bank, Rawalpindi	MAJ (Rtd) IMTIAZ ALI	37405-0301030-9	GUL MUHAMMAD	3,327	-	2,601	5,928	-	-	2,601	2,601
8	QAISER ABBAS Aqil Shah, Tehsil Shahpur, Distt: Sargodha	QAISER ABBAS	39404-0983040-5	GHULAM JILANI	3,500	-	1,178	4,678	-	-	0,950	0,950
9	FRIENDS ENTERPRISES, C-92, Steel Town, Gulshan-e-Hadeed, Ph-II, Karachi	BASHIR AHMED CHUAHDHRY	42501-1432103-9	ABDUL HAMEED	4,988	-	3,400	8,388	-	-	0,650	0,650
10	SURRYA TEXTILE (PVT) LTD, 4th Floor, Namco Centre, Campbell Street New Chaili, Karachi.	MUHAMMAD RAFI MUHAMMAD TARIQ RAFI MUHAMMAD ARIF RAFI MUHAMMAD ANJUM RAFI MUHAMMAD ABDULLA RAFI	35202-3244950-5 42301-0838522-7 35202-1504108-3 35202-2434949-9 35200-1416576-7	MUHAMMAD ISMAIL MUHAMMAD RAFI MUHAMMAD RAFI MUHAMMAD RAFI MUHAMMAD RAFI	18,016	-	12,294	30,310	-	-	7,324	7,324
11	ALI TRIDERS Office No.25, Regal Plaza, Jinnah Road, Quetta	LIAQAT ALI	54400-4039117-5	CH. ABDUL HAMEED	2,278	-	1,911	4,189	-	-	1,911	1,911
12	FAQEER TRADERS Dad Road Daharki	ALLAH DINO	45101-0054843-1	HAJI KHETOOR MEHAR	1,788	-	4,361	6,149	-	-	4,247	4,247
13	KAMRAN RAZA House No.32, Hijaz Apartment Manik Jee Street, Post Office Soldier Bazar, Karachi.	KAMRAN RAZA	42201-0393207-9	ANWAR ALI	0,293	-	2,933	3,226	-	-	2,051	2,051
14	MIRZA ASHIQ HUSSAIN Bunglow No. 26 & 27 GMB Colony Qasimabad, Hyderabad	MIRZA ASHIQ HUSSAIN	41303-7883647-5	MIRZA QAMBAR ALI BAIG	2,600	-	2,215	4,815	-	-	1,352	1,352
15	ASRAR ALAM SHAIKH B-8, Phase-VI, Darakhshan Vilas DHA, Karachi	ASRAR ALAM SHAIKH	42301-4519983-7	ABDUL AZIZ	9,899	-	6,456	16,355	-	-	6,355	6,355

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.		4	5	6	OTHER	TOTAL			
1	2	3						7	8	10	11	12
16	USMAN DAL MILLS Chak No.47/NB, near New Satellite Town, Sargodha	KHUSHI MUHAMMAD ABID NAEEM	38403-8259911-3 38403-1003145-3	SAKHI MUHAMMAD KHUSHI MUHAMMAD	3,467	-	-	3,432	6,899	-	1,911	1,911
17	MIAN TRADER Agency Chowk, Faleh Garh, Sialkot	IMRAN ASLAMI	34603-9690226-5	MUHAMMAD ASLAM CH	2,555	-	-	0,924	3,479	-	0,729	0,729
18	REHMAN WOOLEN INDUSTRIES (PVT) LTD., Plot No.107, Phase III, Industrial Estate, Gadoon Amazai, Distt: Swabi	MIAN MUHAMMAD IJAZ MIAN MUHAMMAD NAWAZ	35202-0523905-7 35202-1866065-7	ABDUL GHANI ABDUL GHANI	1,918	-	-	33,036	34,954	1,918	33,036	34,954
19	AL AZAM CORPORATION Grain Market, Opp Haq Cotton, Shop No.27, Haroon Abad	MUHAMMAD NADDEEM MUHAMMAD IMRAN	31104-0988167-1 31104-1676357-1	KARAM ELAHI MUHAMMAD AZAM	0,145	-	-	0,878	1,023	-	0,573	0,573
20	SAMPHY PHARMA Sut No.B-6, M.A Plaza, Al-Falah Street Behind Amin Hotel G-1 Road Peshawar	ANJUM ALI SHOAIB UL HASAN ABDUL WAHEED	17301-8517754-7 17301-1315226-7 17301-7342948-7	MUHAMMAD BASHIR GHAYAS UD DIN ABDUL SAMAD KHAN	1,596	-	-	0,967	2,563	-	0,563	0,563
21	AFGHAN ENGINEERING WORKS Plot No. 907, Faleh Garh Auto Bhan Road, Lalitabad, Hyderabad	HUMA TASNEM	41303-9166136-0	W/O TASNEM AHMED	1,500	-	-	0,900	2,400	-	0,624	0,624
22	SHAHID TRADERS No.07 Ikran Colony, Kot Fard Rd, Sargodha	SHAHID KHAN	38403-2049842-1	MANZOOR KHAN	4,100	-	-	2,126	6,226	-	1,226	1,226
23	CHIMERA (PVT) LIMITED 32-1/A, Lawrence Road, Lahore	TAHIR SALEEM ANWAR KHAN AMIR SALEEM ANWAR KHAN NASIR SALEEM ANWAR KHAN	35202-2713059-9 35202-3418643-7 35200-6304912-5	MUHAMMAD ANWAR KHAN MUHAMMAD ANWAR KHAN MUHAMMAD ANWAR KHAN	311,224	-	-	225,679	536,903	-	158,902	158,902
24	TARIQ SANITARY 143- Railway Road, Faisalabad	TARIQ SHAHZAD	33100-2330673-7	HAJI KHAIR DIN	9,999	-	-	6,469	16,468	-	3,988	3,988
25	FAISAL ZULFIQAR TRADERS Chak No.154/116-L, Morish Wala, Man Channu.	ZULFIQAR ALI	36104-0430224-5	NOOR DIN	1,797	-	-	1,537	3,334	-	0,894	0,894
26	NAYA SAWERA ZARI SERVICE Noor Pur Road, Head Rajkan	TARIQ MEHMOOD	31202-0202485-5	MUSHTAQ AHMAD	1,200	-	-	0,962	2,162	-	0,501	0,501
27	ASHIQ & SONS TRADERS 1787/10, Mohallah Iqbal Nagar Near Raees TB, Hospital Road, Multan.	SULEMAN RAZA MASOOD ASHIQ	36302-1410957-7 36302-2923110-1	ASHIQ ALI	7,146	-	-	2,963	10,109	-	2,110	2,110
28	BURNI GLASS WORKS A-11, SITE, Hyderabad	ABDUL KARIM	41304-9044307-7	ABDUL RASHEED	2,076	-	-	1,914	3,990	-	1,914	1,914
29	ASAD & CO. COTTON SUPPLIERS, Chak No.160 WB, High Way Road, Tarsi Malis,	MUHAMMAD AYOUB MUHAMMAD IJAZ MEHMOOD AHMAD MUHAMMAD RIAZ FIKZ AHMAD	36101-2873800-1 36602-6496435-5 36101-0601233-9 36602-2932746-7 36602-3366719-1	MUHAMMAD KHAN MUHAMMAD KHAN MUHAMMAD KHAN MUHAMMAD JAMAL MUHAMMAD JAMAL	5,100	-	-	2,459	7,559	-	0,509	0,509
30	MIPA RICE MILLS (PVT) LTD., Near Munir Abad, Bahawalpur Road, Multan.	MUHAMMAD ASGHAR IMTIYAZ FATIMA	36302-0286622-9 36302-0854756-0	BARKAT ALI MUHAMMAD ASGHAR	93,140	-	-	41,595	134,735	-	36,595	36,595
					557,724	-	-	407,080	964,804	1,918	306,135	306,053

ISLAMIC BANKING BUSINESS

The Bank is operating 117 (2018: 117) Islamic Banking Branches and 60 (2018: 10) Islamic Banking Windows at the end of the year.

Statement of Financial Position

As at December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,985,765	2,111,510
Balances with other banks		59,475	2,046,081
Due from financial institutions	1	11,554,430	3,524,515
Investments	2	12,452,302	10,249,093
Islamic financing and related assets - net	3	12,615,208	6,925,342
Fixed assets		2,041,413	1,139,785
Intangible assets		764	893
Due from Head Office	4	161,300	799,045
Other assets		710,733	501,078
Total Assets		41,581,390	27,297,342
LIABILITIES			
Bills payable		164,687	146,954
Due to financial institutions		1,700,000	-
Deposits and other accounts	5	34,389,411	24,632,632
Due to Head Office	4	-	-
Subordinated debt		-	-
Other liabilities		1,978,457	172,759
		38,232,555	24,952,345
NET ASSETS		3,348,835	2,344,997
REPRESENTED BY			
Islamic Banking Fund		4,100,000	3,200,000
Reserves		(305)	(305)
Surplus/ (Deficit) on revaluation of assets		76,488	51,504
Accumulated Losses	7	(827,348)	(906,202)
		3,348,835	2,344,997
CONTINGENCIES AND COMMITMENTS	8		

Profit and Loss Account

For the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
Profit / return earned	9	2,960,335	1,257,179
Profit / return expensed	10	1,757,218	601,330
Net Profit / return		1,203,117	655,849
OTHER INCOME			
Fee and commission income		158,643	74,463
Dividend income		-	-
Foreign exchange (loss) / gain		5,002	3,302
Income / (loss) from derivatives		-	-
Loss on securities		(4,974)	(1,347)
Other Income		2,483	2,925
Total other income		161,154	79,343
TOTAL INCOME		1,364,271	735,192
OTHER EXPENSES			
Operating expenses		1,285,405	1,083,994
Workers welfare fund		-	-
Other charges		-	-
Total other expenses		1,285,405	1,083,994
PROFIT/ (LOSS) BEFORE PROVISIONS		78,866	(348,802)
Provisions and write offs - net		12	8
PROFIT/ (LOSS) BEFORE TAXATION		78,854	(348,810)
Taxation		-	-
PROFIT/ (LOSS) AFTER TAXATION		78,854	(348,810)

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

For the year ended December 31, 2019

	December 31, 2019			December 31, 2018		
	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	7,850,288	-	7,850,288	1,024,515	-	1,024,515
Bai Muajjal Receivable from						
State Bank of Pakistan	2,704,142	-	2,704,142	-	-	-
Musharaka Lending	1,000,000	-	1,000,000	2,500,000	-	2,500,000
	11,554,430	-	11,554,430	3,524,515	-	3,524,515

	December 31, 2019				December 31, 2018			
	Cost/Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost/Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Rupees in '000								

2 INVESTMENTS BY SEGMENTS

Federal Government Securities:

- Ijarah Sukuks	876,500	-	(8,765)	867,735	3,350,837	-	(16,997)	3,333,840
- Other Federal Securities	2,300,521	-	-	2,300,521	-	-	-	-
	3,177,021	-	(8,765)	3,168,256	3,350,837	-	(16,997)	3,333,840

Non Government Debt Securities

- Listed	2,222,735	-	15,910	2,238,645	172,579	-	(842)	171,737
- Unlisted	7,045,401	-	-	7,045,401	6,743,516	-	-	6,743,516
	9,268,136	-	15,910	9,284,046	6,916,095	-	(842)	6,915,253
Total Investments	12,445,157	-	7,145	12,452,302	10,266,932	-	(17,839)	10,249,093

Note	December 31, 2019	December 31, 2018
Rupees in '000		

3 ISLAMIC FINANCING AND RELATED ASSETS

Ijarah	3.1	294,553	268,514
Istisna		504,728	-
Murabaha	3.2.1	114,409	73,116
Islamic Export Re-finance - Business Musharakah		1,000,000	-
Diminishing Musharaka		3,200,020	2,628,167
Finance against Dishonored Bills		309,737	-
Salam		-	20,643
Business Musharakah - Financings		6,752,116	3,626,407
Staff Ijarah		348,929	272,629
Staff - Diminishing Musharakah		90,736	35,874
Gross Islamic financing and related assets		12,615,228	6,925,350
Less: provision against Islamic financings			
- Specific		-	-
- General		20	8
		20	8
Islamic financing and related assets - net of provision		12,615,208	6,925,342

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

For the year ended December 31, 2019

December 31, 2019							
Cost			Accumulated Depreciation			Book Value as at 31 Dec 2019	
As at Jan 01, 2019	Additions / (deletions)	As at Dec 31, 2019	As at Jan 01, 2019	Charge for the year	As at Dec 31, 2019		

Rupees in '000

3.1 Ijarah

Vehicles	331,241	97,842	429,083	82,182	68,691	150,873	278,210
Equipment	22,230	-	22,230	2,775	3,112	5,887	16,343
Total	353,471	97,842	451,313	84,957	71,803	156,760	294,553

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

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
Total	1,798,603	(1,445,132)	353,471	160,909	(75,952)	84,957	268,514

December 31, 2019					December 31, 2018			
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	5,952	222,937	1,124	230,013	7,722	178,212	-	185,934

Note	December 31, 2019	December 31, 2018
------	-------------------	-------------------

Rupees in '000

3.2 Murabaha

Murabaha financing	3.2.2	102,282	74,796
Inventory for Murabaha		-	-
Advances for Murabaha		13,664	-
		115,946	74,796

3.2.1 Murabaha receivable - gross	3.2	115,946	74,796
Less: Deferred murabaha income	3.2.4	(1,537)	(1,680)
Profit receivable shown in other assets		-	-
Murabaha financings		114,409	73,116

3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance	74,796	18,687
Sales during the year	140,959	135,644
Adjusted during the year	(113,473)	(79,535)
Closing balance	102,282	74,796

3.2.3 Murabaha sale price	140,959	135,644
Murabaha purchase price	(134,855)	(131,154)
	6,104	4,490

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

For the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

3.2.4 Deferred murabaha income

Opening balance	1,680	50
Arising during the year	6,104	3,464
Less: Recognised during the year	(6,247)	(1,834)
Closing balance	1,537	1,680

4 DUE FROM/ (DUE TO) HEAD OFFICE

Pak Account Daily settlement with Head Office	161,300	799,045
---	---------	---------

	December 31, 2019			December 31, 2018		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					

5 DEPOSITS

Customers

Current deposits	5,584,908	430,610	6,015,518	4,220,655	404,381	4,625,036
Savings deposits	11,707,652	46,487	11,754,139	9,331,462	31,623	9,363,085
Term deposits	1,518,756	-	1,518,756	1,237,301	-	1,237,301
Others	2,089,570	-	2,089,570	2,667,097	-	2,667,097
	20,900,886	477,097	21,377,983	17,456,515	436,004	17,892,519

Financial Institutions

Current deposits	5,057	-	5,057	3,822	-	3,822
Savings deposits	8,196,371	-	8,196,371	6,736,291	-	6,736,291
Term deposits	4,810,000	-	4,810,000	-	-	-
Others	-	-	-	-	-	-
	13,011,428	-	13,011,428	6,740,113	-	6,740,113
	33,912,314	477,097	34,389,411	24,196,628	436,004	24,632,632

	December 31, 2019	December 31, 2018
	Rupees in '000	

5.1 Composition of deposits

- Individuals	8,929,921	6,893,387
- Government	3,954,561	4,713,978
- Public Sector Entities	2,438	100
- Banking Companies	3,645,353	1,518,173
- Non-Banking Financial Institutions	9,366,078	5,221,940
- Private Sector	8,491,060	6,285,054
	34,389,411	24,632,632

5.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 15,833 million.

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

For the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

6 CHARITY FUND

Opening Balance	3	2
Additions during the period:		
Received from customers on account of delayed payment	64	933
Dividend purification amount	-	-
Other Non-Shariah compliant income	-	46
Profit on charity saving account	5	9
Others	3	-
	72	988
Payments / utilization during the period:		
Education	60	500
Health	-	485
	60	985
Closing Balance	12	3

6.1 During the year charity exceeding Rs 0.5 million and charity to related party is Nil. (2018: Nil)

7 ISLAMIC BANKING BUSINESS UNAPPROPRIATED PROFIT

Opening Balance	(906,202)	(557,392)
Add: Islamic Banking profit / (loss) for the period	78,854	(348,810)
Less: Taxation	-	-
Less: Reserves	-	-
Less: Transferred / Remitted to Head Office	-	-
Closing Balance	(827,348)	(906,202)

8 CONTINGENCIES AND COMMITMENTS

-Guarantees	200,370	96,846
-Commitments	1,660,217	485,472
-Other contingent liabilities	47,299	-
	1,907,886	582,318

9 PROFIT/RETURN EARNED OF FINANCING, INVESTMENTS AND PLACEMENT

Profit earned on:		
Investments	1,819,319	689,782
Financings	938,926	382,297
Placements	202,090	185,100
	2,960,335	1,257,179

10 PROFIT ON DEPOSITS AND OTHER DUES EXPENSED

Deposits and other accounts	1,336,705	297,719
Profit paid on Musharaka borrowings	228,213	46,739
Other expenses (IFRS-16)	154,017	-
Due to Financial Institutions	7,364	256,159
Cost of foreign currency swap on foreign currency deposits	28,268	-
Profit paid on Mudaraba borrowings	1,574	-
Other profit expenses	1,077	713
	1,757,218	601,330

ISLAMIC BANKING BUSINESS

Notes to the Annexure II

For the year ended December 31, 2019

11 POOL MANAGEMENT

Allied Bank Limited – Islamic Banking operating in general and specific pools for deposits and inter-bank funds accepted / acquired under Mudaraba, Musharakah and Wakala modes.

- 1- General Pool for Local Currency Depositors (Mudaraba)
- 2- General Pool for FCY (USD, GBP and EURO) depositors (Mudaraba)
- 3- Specific Pools (Mudaraba)
- 4- Treasury related FI Pools (Mudaraba / Musharakah / Wakala)
- 5- Islamic Export Refinance Pool (Musharakah)

1- General Pool for Local Currency Depositors (Mudaraba)

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- General pool for Foreign Currency (USD, GBP and EURO) depositors (Mudaraba)

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 (Mudaraba)

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 calculated as direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. Specific pool deposits are invested in assets yielding relatively higher rate of return, as relative high risk investments are involved in these pools, hence bearing relative more risk than the general pool depositors.

4- Treasury related FI Pools (Mudaraba/Musharka/Wakala)

Treasury Pools are created, to manage liquidity, on the basis of Musharaka / Mudaraba / Wakala modes, wherein ABL-IBG and Financial Institutions share actual return earned by the pool according to pre-defined profit sharing ratio.

5- Islamic Export Refinance Pool (Musharakah)

Islamic Export Refinance Pool is created with SBP, to manage export refinance customers, on the basis of Musharakah, wherein ABL-IBG and State Bank of Pakistan 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. As per the Bank's policy, relatively low risk / secured financing and placement transactions and assets are allocated to general depositors pool of PKR, USD, GBP. and Euro. The general pools are usually exposed to general credit risk, asset ownership risk and profit rate risk of the underlying assets involved in pool.

Following are the considerations attached with risk & reward of Mudaraba based pools:

- Period, return, safety, security and liquidity of investment
- Risk annexed to investments / financings
- Change in deposit base due to early withdrawals of deposits
- SBP rules, guidelines
- Sharia Non compliance risk

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.

Details of Disposal of Fixed Assets to Related Party

For the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
11.1 Avenues / sectors where Mudaraba based deposits have been deployed		
Production & Transmission of Energy	4,164,902	2,971,679
Manufacturing	736,066	748,676
Chemicals & Allied Products	2,498,502	50,918
Petroleum and Gas	845,275	1,812,676
Leather / Leather products	2,349	3,061
Financial Institutions	768,812	429,185
Agriculture & Food Products	19,064	22,839
Transportation & Logistics	90,303	28,647
Auto & Allied Products	152,807	13,588
Cotton Processing	-	20,643
Metal products - Steel Foundries	484,328	499,996
Cement	1,000,000	-
Textile - Knitting	850,000	-
Retail Chain	500,000	-
Communication	24,626	-
Others	478,194	323,442
Total Gross Financing & Related Assets	12,615,228	6,925,350
GOP Ijarah Sukuk	3,168,257	3,333,840
Power/Energy Generation	5,411,046	4,880,168
Financial Institutions	1,287,000	1,287,000
Chemicals	1,616,000	-
Hotel Business	470,000	248,085
Steel Processing	500,000	500,000
Total Investments & Placements	12,452,303	10,249,093
Total Invested Funds	25,067,531	17,174,443

11.2 Profit / (loss) distribution to general 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	11.70%	50% : 50%	727,426	6.61%	25.11%	182,662
Foreign Currency Pool - EUR	Monthly	5.24%	1% : 99%	143	0.001	0.95%	1.36
Foreign Currency Pool - GBP	Monthly	5.24%	1% : 99%	74	0.001	0.93%	0.69
Foreign Currency Pool - USD	Monthly	5.24%	1% : 99%	1990	0.001	0.07%	17.93

Details of Disposal of Fixed Assets to Related Party

For the year ended December 31, 2019

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 and Computer Equipments	162	162	-	24	As Per Bank Policy	Ahmed Faheem Khan
	85	85	-	8	As Per Bank Policy	Tahir Hassan Qureshi
	473	473	-	47	As Per Bank Policy	Owais Shahid
	170	170	-	17	As Per Bank Policy	Aizid Gill
	205	205	-	21	As Per Bank Policy	Imran Maqsood
	65	65	-	6	As Per Bank Policy	Saira Shahid Hussain
	85	85	-	9	As Per Bank Policy	Muhammad Raffat
	85	85	-	9	As Per Bank Policy	Sohail Aziz
	125	125	-	12	As Per Bank Policy	Mujahid Ali
	178	146	32	41	As Per Bank Policy	Muhammad Farhanullah Khan
	164	164	-	16	As Per Bank Policy	Shahid Aamir
	420	416	4	42	As Per Bank Policy	Muhammad Idrees
	171	171	-	17	As Per Bank Policy	Muhammad Mohsin
	2,388	2,352	36	269		

*They are Key Management Personnel of the Bank during the year ended December 31, 2019.



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2019

Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2019

On behalf of the Board of Directors, 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:

	2019	2018	Growth
	Rs. In Million		
Profit after tax for the year	14,489	13,032	11%
Accumulated profits brought forward	53,985	50,546	7%
Effect of re-measurement of defined benefit plans-net of tax	(503)	454	(211)%
Transferred from surplus on revaluation of fixed assets – net of tax	116	112	4%
Transferred from surplus on revaluation of non-banking assets – net of tax	166	3	5433%
Profit available for appropriation	68,253	64,147	6%
Final cash dividend for the year ended December 31, 2018 at Rs. 2 per share (2018: Year ended December 31, 2017 at Rs. 1.75 per share)	(2,290)	(2,004)	14%
First Interim cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2018: Year ended December 31, 2018 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	0%
Second Interim cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2018: Year ended December 31, 2018 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	0%
Third Interim cash dividend for the year ended December 31, 2019 at Rs. 2.00 per share (2018: Year ended December 31, 2018 at Rs. 2.00 per ordinary share)	(2,290)	(2,290)	0%
Transfer to statutory reserves	(1,411)	(1,288)	10%
Accumulated profits carried forward	57,682	53,985	7%
Earnings Per Share (EPS) (Rs.)	12.65	11.38	11%

Pattern of shareholding

Pattern of shareholding as at December 31, 2019 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

Lahore
Dated: February 07, 2020

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 2019 and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 2019, 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 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	Provision against Loans and Advances	
	<p>Refer to note 9 and the accounting policies in notes 2.4.2 and 4.5 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 32.7% of its total assets as at 31 December 2019 and are stated at Rs. 485,052 million which is net of provision of Rs. 15,152 million 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"> 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"> Controls over correct classification of non-performing advances on time based criteria; 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; Controls over accurate computation and recording of provisions; and Controls over the governance and approval process related to provision. 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; 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;

Independent Auditor's Report

To the members of Allied Bank Limited

Report on the Audit of the Consolidated Financial Statements

S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> 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.
2	Valuation of Investments	
	<p>Refer to note 8 and the accounting policies in notes 2.4.2, 2.4.3 and 4.4 to the consolidated financial statements.</p> <p>As at 31 December 2019, the Group has investments classified as "Available-for-sale", "Held for trading", "Held to maturity" amounting to Rs. 759,654 million which in aggregate represent 51.21% 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"> Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of investments; Checking on a sample basis, the valuation of investments to supporting documents, externally quoted market prices and break-up values; 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 assessment of the assumptions; and Considering the Group's disclosures of investments, to the guidelines laid down by the State Bank of Pakistan regarding forms and disclosures.

Information Other than the Consolidated 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 the 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 scepticism 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.

Independent Auditor's Report

To the members of Allied Bank Limited

Report on the Audit of the Consolidated Financial Statements

- 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 Group'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 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.
- e) 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.
- f) 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 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 consolidated 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.

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: 03 March 2020
Lahore

Consolidated Statement of Financial Position

as at December 31, 2019

December 31, 2019	December 31, 2018		Note	December 31, 2019	December 31, 2018
US \$ in '000				Rupees in '000	
ASSETS					
774,537	640,485	Cash and balances with treasury banks	5	119,935,126	99,177,561
3,891	16,630	Balances with other banks	6	602,582	2,575,055
87,873	347,310	Lendings to financial institutions	7	13,606,921	53,780,195
4,905,820	4,343,544	Investments - net	8	759,654,427	672,587,309
3,132,445	2,830,888	Advances - net	9	485,051,568	438,356,170
401,944	325,480	Fixed assets	10	62,240,062	50,399,773
12,760	11,341	Intangible assets	11	1,975,898	1,756,127
-	-	Deferred tax assets		-	-
260,365	217,963	Other assets - net	12	40,316,857	33,751,113
9,579,635	8,733,641			1,483,383,441	1,352,383,303
LIABILITIES					
50,880	50,068	Bills payable	14	7,878,626	7,752,959
1,720,714	1,458,744	Borrowings	15	266,448,386	225,882,986
6,774,524	6,357,626	Deposits and other accounts	16	1,049,018,804	984,463,067
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Sub-ordinated debt		-	-
38,182	30,684	Deferred tax liabilities - net	17	5,912,375	4,751,359
238,388	133,958	Other liabilities	18	36,913,696	20,743,121
8,822,688	8,031,080			1,366,171,887	1,243,593,492
756,947	702,561	NET ASSETS		117,211,554	108,789,811
REPRESENTED BY					
73,948	73,948	Share capital	19	11,450,739	11,450,739
143,820	130,945	Reserves		22,270,225	20,276,515
166,671	149,032	Surplus on revaluation of assets - net of tax	20	25,808,658	23,077,174
372,508	348,636	Unappropriated profit		57,681,932	53,985,383
756,947	702,561			117,211,554	108,789,811

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Consolidated Profit and Loss Account

for the year ended December 31, 2019

December 31, 2019	December 31, 2018	Note	December 31, 2019	December 31, 2018
US \$ in '000			Rupees in '000	
791,995	473,210	Mark-up / return / interest earned	122,638,580	73,275,474
523,954	265,792	Mark-up / return / interest expensed	81,132,992	41,157,150
268,041	207,418	Net mark-up / interest income	41,505,588	32,118,324
NON MARK-UP / INTEREST INCOME				
36,831	32,169	Fee and commission income	5,703,136	4,981,220
12,289	18,266	Dividend income	1,902,872	2,828,478
12,866	9,714	Foreign exchange income	1,992,194	1,504,189
-	-	Income from derivatives	-	-
11,389	14,978	Gain on securities - net	1,763,512	2,319,341
2,554	1,594	Other income	395,412	246,888
75,929	76,721	Total non-markup / interest income	11,757,126	11,880,116
343,970	284,139	Total income	53,262,714	43,998,440
NON MARK-UP / INTEREST EXPENSES				
184,657	160,748	Operating expenses	28,593,691	24,891,410
(5,002)	(7,221)	Workers welfare fund - net	(774,603)	(1,118,156)
1,260	529	Other charges	195,045	81,963
180,915	154,056	Total non-markup / interest expenses	28,014,133	23,855,217
163,055	130,083	Profit before provisions	25,248,581	20,143,223
3,531	(7,038)	Provisions / (reversals) and write offs - net	546,658	(1,089,688)
-	-	Extra-ordinary / unusual items	-	-
159,524	137,121	PROFIT BEFORE TAXATION	24,701,923	21,232,911
65,956	52,963	Taxation	10,213,160	8,201,094
93,568	84,158	PROFIT AFTER TAXATION	14,488,763	13,031,817
In US \$			In Rupees	
0.08	0.07	Basic and diluted earnings per share	12.65	11.38

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2019

December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
US \$ in '000			Rupees in '000	
93,568	84,158	Profit after taxation for the year	14,488,763	13,031,817
		Other comprehensive income		
		<i>Items that may be reclassified to profit and loss account in subsequent periods:</i>		
3,761	6,512	Effect of translation of net investment in foreign branches	582,419	1,008,347
14,487	(34,276)	Movement in deficit on revaluation of investments - net of tax	2,243,212	(5,307,574)
18,248	(27,764)		2,825,631	(4,299,227)
		<i>Items that will not be reclassified to profit and loss account in subsequent periods:</i>		
(3,246)	2,935	Re-measurement (loss) / gain on defined benefit obligations - net of tax	(502,707)	454,522
-	(881)	Movement in surplus / (deficit) on revaluation of fixed assets - net of tax	-	(136,403)
4,977	3,638	Movement in surplus on revaluation of non-banking assets - net of tax	770,648	563,393
1,731	5,692		267,941	881,512
113,547	62,086	Total comprehensive income	17,582,335	9,614,102

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Consolidated Cash Flow Statement

for the year ended December 31, 2019

December 31, 2019	December 31, 2018	Note	December 31, 2019	December 31, 2018
US \$ in '000			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
159,524	137,121	Profit before taxation	24,701,923	21,232,911
(12,289)	(18,266)	Less: Dividend income	(1,902,872)	(2,828,478)
147,235	118,855		22,799,051	18,404,433
Adjustments:				
20,556	20,118	Depreciation	3,183,010	3,115,251
10,447	-	Depreciation on right of use assets	1,617,769	-
6,383	-	Interest expense on lease liability	988,344	-
1,593	2,609	Amortization	246,646	404,071
4,471	(6,065)	Net provision / (reversals) and write offs31	692,374	(939,121)
1,230	403	Unrealized gain on revaluation of 'held-for-trading' securities	190,398	62,372
(5,002)	(7,221)	Reversal against workers' welfare fund - net	(774,603)	(1,118,156)
(1,733)	(225)	Gain on sale of fixed assets	(268,306)	(34,903)
(208)	(35)	(Gain) / loss on sale of non-banking assets / other assets	(32,266)	(5,485)
37,737	9,584		5,843,366	1,484,029
184,972	128,439		28,642,417	19,888,462
(Increase) / decrease in operating assets				
259,437	(291,198)	Lendings to financial institutions	40,173,274	(45,091,280)
(129,264)	160,326	Held-for-trading securities	(20,016,175)	24,826,109
(300,084)	(422,971)	Advances	(46,467,284)	(65,496,094)
(50,856)	26,958	Other assets (excluding advance taxation)	(7,874,969)	4,174,455
(220,767)	(526,885)		(34,185,154)	(81,586,810)
Increase / (decrease) in operating liabilities				
812	(533)	Bills payable	125,667	(82,508)
263,129	14,129	Borrowings	40,744,817	2,187,802
416,820	650,524	Deposits and other accounts	64,543,621	100,732,013
54,052	3,756	Other liabilities (excluding current taxation)	8,369,824	581,670
734,813	667,876		113,783,929	103,418,977
699,018	269,430		108,241,192	41,720,629
(60,123)	(50,787)	Income tax paid	(9,309,899)	(7,864,272)
638,895	218,643	Net cash flow generated from operating activities	98,931,293	33,856,357
CASH FLOW FROM INVESTING ACTIVITIES				
(436,075)	(417,567)	Net investments in 'available-for-sale' securities	(67,525,173)	(64,659,309)
20,256	377,214	Net realizations from 'held-to-maturity' securities	3,136,581	58,410,682
12,292	18,403	Dividend received	1,903,327	2,849,652
(48,176)	(45,847)	Investments in fixed assets and intangible assets	(7,459,934)	(7,099,357)
2,406	300	Proceeds from sale of fixed assets	372,634	46,526
3,761	6,512	Effect of translation of net investment in foreign branches	582,419	1,008,347
(445,536)	(60,985)	Net cash flow used in investing activities	(68,990,146)	(9,443,459)
CASH FLOW FROM FINANCING ACTIVITIES				
(12,001)	-	Payment of lease liability against right of use assets	(1,858,363)	-
(58,964)	(56,927)	Dividend paid	(9,130,391)	(8,815,003)
(70,965)	(56,927)	Net cash flow used in financing activities	(10,988,754)	(8,815,003)
(15,205)	(28,270)	Effect of exchange rate changes on opening cash and cash equivalents	(2,354,435)	(4,377,475)
107,189	72,461	Increase in cash and cash equivalents during the year	16,597,958	11,220,420
670,824	583,080	Cash and cash equivalents at beginning of the year	103,875,543	90,288,572
778,013	655,541	CASH AND CASH EQUIVALENTS AT END OF THE YEAR34	120,473,501	101,508,992

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Tahir Hassan Qureshi
President and Chief Executive

Zafar Iqbal
Director

Dr. Muhammad Akram Sheikh
Director

Mohammad Naeem Mukhtar
Chairman

Consolidated Statement of Changes in Equity

for the year ended December 31, 2019

	Share capital	Capital reserve	Statutory reserve	Revenue reserve	Surplus on revaluation of			Un-appropriated profit	Total
		Exchange translation reserve		General reserve	Investments	Fixed assets	Non-banking assets		
Rupees in '000									
Balance as at January 01, 2018	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
Other Comprehensive Income - net of tax									
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	-	-	-	-	-	-	563,393	-	563,393
Remeasurement 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)	563,393	454,522	(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 un-appropriated 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	-	-	-	-	-	-	(1,157)	1,157	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(1,873)	1,873	-
Transactions with owners recognized directly in equity									
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)
Balance as at December 31, 2018	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
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	14,488,763	14,488,763
Other Comprehensive Income - net of tax									
Surplus on revaluation of investments - net of tax	-	-	-	-	2,243,212	-	-	-	2,243,212
Surplus on revaluation of non-banking assets - net of tax	-	-	-	-	-	-	770,648	-	770,648
Remeasurement loss on defined benefit obligation - net of tax	-	-	-	-	-	-	-	(502,707)	(502,707)
Effect of translation of net investment in foreign branches	-	582,419	-	-	-	-	-	-	582,419
	-	582,419	-	-	2,243,212	-	770,648	(502,707)	3,093,572
Transfer to statutory reserve	-	-	1,411,291	-	-	-	-	(1,411,291)	-
Transferred from surplus in respect of incremental depreciation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	(106,684)	-	106,684	-
Surplus realised on disposal of revalued fixed assets - net of tax	-	-	-	-	-	(9,729)	-	9,729	-
Transferred from surplus in respect of incremental depreciation of non-banking assets to unappropriated profit - net of tax	-	-	-	-	-	-	(2,224)	2,224	-
Surplus realised on disposal of revalued non-banking assets - net of tax	-	-	-	-	-	-	(163,739)	163,739	-
Transactions with owners recognized directly in equity									
Final cash dividend for the year ended									
December 31, 2018 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
First interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Second interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
Third interim cash dividend for the year ended									
December 31, 2019 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	-	-	-	(9,160,592)	(9,160,592)
Balance as at December 31, 2019	11,450,739	1,821,720	20,442,505	6,000	7,428,981	15,638,996	2,740,681	57,681,932	117,211,554

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Mehmud ul Hassan
Chief Financial Officer

Tahir Hassan Qureshi
President and Chief Executive

Zafar Iqbal
Director

Dr. Muhammad Akram Sheikh
Director

Mohammad Naeem Mukhtar
Chairman

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

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 1,393 (2018: 1,343) branches in Pakistan including 117 (2018: 117) Islamic banking branches, 1 branch (2018: 1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2018: 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 12 October 2007 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). The Company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry on 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"), and S.R.O. 1233 (I) / 2019. The Company received certificate of commencement of business on 31 December 2007. 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. 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 2019.

- 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
- ABL Special Saving Fund	Launched on September 19, 2019
- ABL Monthly Payout Fund	To be launched
- ABL Islamic Cash Fund	To be launched

2 BASIS OF PRESENTATION

- a) These consolidated financial statements consists of holding company and its subsidiary company for the year ended December 31, 2019

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Group operates and functional currency of the Group, 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. 154.8476 per US Dollar has been used for 2019 and 2018, 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 Letter 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 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.

2.1.4 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 Group.

2.2 STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE EFFECTIVE IN THE CURRENT YEAR

The Group has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 16 "Leases" from January 01, 2019. The impact of the adoption of these standards and the new accounting policies are explained in note 4.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2019 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these 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, 2020:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

- 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 01, 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 standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- IFRS 9 ‘Financial Instruments’ and amendment – Prepayment Features with Negative Compensation – for Banks and DFIs, the effective date of the standard has been extended to annual periods beginning on or after January 01, 2021 vide SBP BPRD Circular No. 4 dated October 23, 2019. 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, a new 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. According to SBP circular referred to above, the Banks/DFIs are required to have a parallel run of IFRS 9 from January 01, 2020 and are also required to prepare pro-forma financial statements which includes the impact of IFRS 9 from the year ended December 31, 2019.
- 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 01, 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.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB’s recommendations set out in its July 2014 report ‘Reforming Major Interest Rate Benchmarks’ (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after 1 July 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated – i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term ‘regulatory deferral account balance’ has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs.

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 Bank evaluates its intention and ability to hold such investments to maturity.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

- 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.

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 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 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 36.

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 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:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

- Investments (Note 4.4);
- Certain operating fixed assets (Note 4.6);
- Staff retirement and other benefits (Note 4.8);
- Non-banking assets acquired in satisfaction of claims (Note 4.9); and
- Derivative financial instruments (Note 4.16.2).

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 change explained in note 4.1. Significant accounting policies are enumerated as follows:

4.1 Changes in Accounting Policy

IFRS 16 'Leases'

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 01 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as per IFRS 16.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 01 January 2019.

As a Lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 01 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group has applied this approach to all other leases.

The Group used practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application and used hindsight when determining the lease term.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

Impact on financial statements

The impact on transition is summarised below:-

	January 01, 2019	December 31, 2019
	Rupees in '000'	
Right-of-use assets presented in property and equipment	8,858,011	8,087,208
Lease liabilities	8,562,932	8,625,315
Decrease in other assets	295,080	-
Deferred tax assets	-	799

The impact of IFRS 16 on profit or loss for the year refer is summarized below:

Right-of-use assets:

Rupees in '000

Balance as at January 01, 2019	8,858,011
Depreciation charge for the period	(1,626,855)
Addition to right-of-use assets	856,276
Derecognition of right-of-use assets	(224)
	<u>8,087,208</u>

Lease liabilities:

Rupees in '000

Balance as at January 01, 2019	8,562,931
Interest on lease liabilities	988,344
Addition to lease liabilities	852,494
Derecognition of lease liabilities	(860)
Payment of lease liabilities	(1,777,594)
	<u>8,625,315</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 01 January 2019.

	Rupees in '000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	6,040,047
Discounted using the incremental borrowing rate at 01 January 2019	(774,432)
Extension options reasonably certain to be exercised	3,297,316
Lease liabilities recognised at 01 January 2019	<u>8,562,931</u>

IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

The Group has adopted IFRS 15 on January 01, 2019 retrospectively in accordance with IAS 8 without practical expedient. The timing or amount of the Group's income from contract with customers was not impacted by IFRS 15. The application of IFRS 15 has no impact on the financial position and/or financial performance of the Group. Accordingly, there was no adjustment in retained earnings on application of IFRS 15 as at January 01, 2019.

4.2 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

4.3 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 / Mudaraba, 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.

4.4 Investments

4.4.1 The Group at the time of purchase classifies its investment portfolio as mentioned in note 2.4.1.

4.4.2 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.

4.4.3 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.

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 are made in accordance with the requirements of Prudential Regulations issued by SBP.

4.5 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

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 financings 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.

4.6 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.

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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

4.7 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'.

4.8 Staff retirement and other benefits

4.8.1 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.

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) 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

4.8.2 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.

4.9 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.

4.10 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'.

4.11 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.

4.12 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.

4.13 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

4.14 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.

4.15 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.

4.16 Financial instruments

4.16.1 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.

4.16.2 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.

4.17 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.

4.18 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

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.

4.19 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 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. Islamic Banking

Islamic banking provides shariah compliant services to customers including loans, deposits and other transactions.

e. Others

Others includes functions which cannot be classified in any of the above segments.

4.20 Geographical Segment Reporting

Geographically the Group operates in Pakistan, Middle East and China.

4.21 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, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
5 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		13,636,602	15,260,727
Foreign currencies		1,008,793	1,008,439
		14,645,395	16,269,166
Remittances in transit		1,528,644	591,133
With State Bank of Pakistan (SBP) in			
Local currency current accounts	5.1	51,250,399	38,599,518
Foreign currency current account	5.2	91,812	81,311
Foreign currency deposit accounts (non-remunerative)	5.1	5,515,729	4,722,714
Foreign currency deposit accounts (remunerative)	5.3	16,509,764	14,128,800
		73,367,704	57,532,343
With National Bank of Pakistan in			
Local currency current accounts		30,059,400	24,610,744
Prize Bonds		333,983	174,175
		119,935,126	99,177,561

- 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 0.7% to 1.51% (2018: 0.56% to 1.35%) per annum.

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
6 BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts		-	2,000,000
Outside Pakistan			
In current accounts	6.1	300,295	268,512
In deposit accounts	6.1	302,287	306,543
		602,582	2,575,055

- 6.1** These are nostro balances placed with other banks.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	

7 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	5,500,000
Repurchase agreement lendings (Reverse Repo)	7.1 & 7.7	2,052,491	44,455,680
Musharaka lendings	7.2	1,000,000	2,500,000
Bai muajjal receivable from:			
– State Bank of Pakistan	7.3	2,704,142	-
– other financial institutions	7.4	7,850,288	1,024,515
Certificates of investment	7.5	70,000	70,000
Letters of placement		-	300,000
		13,676,921	53,850,195
Less: Provision held against lendings to financial institutions	7.5 & 7.8	(70,000)	(70,000)
Lendings to financial institutions – net of provision		13,606,921	53,780,195

7.1 These are short-term local currency lendings to financial institutions against government securities as shown in note 7.7 below. These carry mark-up at the rate of 13.45% to 13.50% (2018: 10.10% to 10.40%) per annum, maturing on various dates, latest by January 20, 2020.

7.2 These represent local currency lendings by Islamic banking business under Musharaka agreement at expected profit of 12.15% (2018: 9.50% to 9.70%) per annum, maturing on various dates, latest by February 6, 2020.

7.3 This represent local currency lending by Islamic banking business under Bai Muajjal agreement with the State Bank of Pakistan at expected profit of 10.53% (2018: Nil) per annum, maturing on February 07, 2020.

7.4 This represent local currency lending by Islamic banking business under Bai Muajjal agreement with various Islamic banks at expected profit of 12.15% to 12.60% (2018: 9.80%) per annum, maturing on various dates, latest by January 17, 2020.

7.5 This represents local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2018: Rs. 70 million).

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	

7.6 Particulars of lending

In local currency	13,676,921	53,850,195
In foreign currencies	-	-
	13,676,921	53,850,195

	December 31, 2019			December 31, 2018		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	Rupees in '000					

7.7 Securities held as collateral against lending to financial institutions

Market Treasury Bills	-	-	-	33,500,000	-	33,500,000
Pakistan Investment Bonds	2,200,000	-	2,200,000	11,000,000	-	11,000,000
	2,200,000	-	2,200,000	44,500,000	-	44,500,000

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019		December 31, 2018	
	Classified Lending	Provision Held	Classified Lending	Provision Held
Rupees in '000				
7.8 Category of classification				
Domestic				
Other Assets Especially Mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	70,000	70,000	70,000	70,000
	70,000	70,000	70,000	70,000

Note	December 31, 2019				December 31, 2018			
	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:

Held-for-trading securities								
Federal Government Securities	19,862,396	-	5,767	19,868,163	-	-	-	-
Open Ended Mutual Funds/Pension Funds	2,061,722	-	135,712	2,197,434	1,912,351	-	(53,328)	1,859,023
	21,924,118	-	141,479	22,065,597	1,912,351	-	(53,328)	1,859,023
Available-for-sale securities								
Federal Government Securities*	677,300,056	(15,961)	1,689,073	678,973,168	610,683,028	(21,248)	(1,608,457)	609,053,323
Shares	24,349,646	(3,202,822)	9,686,372	30,833,196	25,390,404	(2,266,130)	9,572,004	32,696,278
Non Government Debt Securities	13,633,213	(21,071)	(37,667)	13,574,475	11,732,046	(21,071)	(47,874)	11,663,101
Foreign Securities	1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Open Ended Mutual Funds	63,834	-	91,424	155,258	63,834	-	62,436	126,270
8.4	716,384,441	(3,239,854)	11,429,202	724,573,789	648,907,004	(2,308,449)	7,978,109	654,576,664
Held-to-maturity securities								
Federal Government Securities	13,015,041	-	-	13,015,041	16,151,622	-	-	16,151,622
Non Government Debt Securities	344,260	(344,260)	-	-	346,090	(346,090)	-	-
8.5	13,359,301	(344,260)	-	13,015,041	16,497,712	(346,090)	-	16,151,622
Total Investments	751,667,860	(3,584,114)	11,570,681	759,654,427	667,317,067	(2,654,539)	7,924,781	672,587,309

8.2 Investments by segments:

Federal Government Securities:								
Market Treasury Bills	542,565,953	-	176,506	542,742,459	543,454,941	-	(21,790)	543,433,151
Pakistan Investment Bonds	154,349,214	-	784,365	155,133,579	64,695,276	-	(1,397,373)	63,297,903
GOP Ijarah Sukuks	876,511	-	(8,765)	867,746	3,350,848	-	(16,997)	3,333,851
GOP Sukuks (US\$)	3,869,387	(15,961)	59,871	3,913,297	9,756,796	(21,248)	(191,642)	9,543,906
Foreign Currency Bonds (US\$)	6,215,907	-	682,863	6,898,770	5,576,788	-	19,346	5,596,134
GOP Ijarah Sukuks - Bai Muajjal Placement	2,300,521	-	-	2,300,521	-	-	-	-
	710,177,493	(15,961)	1,694,840	711,856,372	626,834,649	(21,248)	(1,608,456)	625,204,945
Shares:								
Listed Companies	21,940,832	(3,168,936)	9,686,372	28,458,268	22,646,719	(2,103,351)	9,572,003	30,115,371
Unlisted Companies	2,408,814	(33,886)	-	2,374,928	2,743,686	(162,779)	-	2,580,907
Units of open-ended mutual funds	2,125,556	-	227,136	2,352,692	1,976,185	-	9,108	1,985,293
	26,475,202	(3,202,822)	9,913,508	33,185,888	27,366,590	(2,266,130)	9,581,111	34,681,571
Non Government Debt Securities								
Listed	5,417,804	(103,498)	(37,667)	5,276,639	3,139,909	(105,329)	(47,874)	2,986,706
Unlisted	8,559,669	(261,833)	-	8,297,836	8,938,227	(261,832)	-	8,676,395
	13,977,473	(365,331)	(37,667)	13,574,475	12,078,136	(367,161)	(47,874)	11,663,101
Foreign Securities								
Equity securities	1,037,692	-	-	1,037,692	1,037,692	-	-	1,037,692
Total Investments	751,667,860	(3,584,114)	11,570,681	759,654,427	667,317,067	(2,654,539)	7,924,781	672,587,309

*Provision for diminution against federal government securities represents expected credit loss provisioning under IFRS 9 on portfolio pertaining to overseas branch.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			

8.2.1 Investments given as collateral

Market Treasury Bills		145,442,739	158,411,120
Pakistan Investment Bonds		48,417,010	10,077,521
GOP Foreign Currency Sukuks (US\$)		2,957,611	4,451,600
GOP Foreign Currency Bonds (US\$)		-	710,569
Total Investments given as collateral		196,817,360	173,650,810

8.3 Provision for diminution in value of investments

8.3.1 Opening balance		2,654,539	2,705,403
Exchange adjustments		3,163	1,556
Charge / reversals			
Charge for the year		1,118,302	112,795
Reversals for the year		(139,161)	(3,776)
		979,141	109,019
Reversal on disposals		(52,729)	(161,439)
Closing Balance		3,584,114	2,654,539

	December 31, 2019		December 31, 2018	
	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	365,331	365,331	367,161	367,161
	365,331	365,331	367,161	367,161

Overseas

Not past due but impaired*	3,869,387	15,961	9,756,796	21,248
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	4,234,718	381,292	10,123,957	388,409

* 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, 2019.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	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	524,797,544	543,454,941
Pakistan Investment Bonds	141,540,707	48,543,655
GOP Sukuks (US\$)	3,869,387	9,756,796
Foreign Currency Bonds (US\$)	6,215,907	5,576,788
GOP Ijarah Sukuks	876,511	3,350,848
	<u>677,300,056</u>	<u>610,683,028</u>

Shares

Listed Companies

Power Generation and Distribution	8,159,528	8,991,081
Oil & Gas Exploration Companies	5,093,606	5,093,607
Fertilizer	3,827,631	3,701,965
Commercial Banks	2,900,903	2,900,903
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	89,322
Close-end Mutual Funds	51,603	51,603
Investment Banks	50,000	50,000
Cement	638	638
	<u>21,940,831</u>	<u>22,646,719</u>

	December 31, 2019		December 31, 2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			

Unlisted Companies

Security General Insurance Ltd.	1,075,653	2,527,369	1,075,653	1,830,648
Habib Allied Holding Ltd.	1,035,922	1,241,538	1,035,922	1,241,939
Nishat Hotels And Properties Ltd.	566,982	1,025,523	944,970	816,078
Atlas Power Limited	355,000	1,070,210	355,000	849,650
Pakistan Mortgage Refinance Co. Ltd.	200,000	202,984	200,000	200,459
1 Link Private Limited	50,000	-	50,000	-
Central Depository Company	40,300	61,068	40,300	58,408
ISE Towers REIT Management Company Limited	30,346	43,979	30,346	42,765
First Women Bank Limited	21,200	72,287	21,200	72,287
LSE Financial Services Limited	8,440	19,155	8,440	18,318
SME Bank Limited	5,250	-	5,250	-
Arabian Sea Country Club Ltd.	5,000	351	5,000	351
Eastern Capital Limited	5,000	-	5,000	-
SWIFT	1,770	6,431	1,770	6,777
National Institutional for Facilitation Technologies Private Limited	1,527	51,641	1,527	59,076
Pakistan Agricultural Storage and Services Corporation	1,000	295,078	1,000	242,002
Pakistan Corporate Restructuring Company	43,117	43,117	-	-
	<u>3,446,507</u>	<u>6,660,731</u>	<u>3,781,378</u>	<u>5,438,758</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Cost	
	Rupees in '000	
Non Government Debt Securities		
<i>Listed</i>		
– AAA	1,497,900	383,308
– AA+, AA, AA–	2,716,405	2,618,458
– A+, A, A–	500,000	32,813
	<u>4,714,305</u>	<u>3,034,579</u>
<i>Unlisted</i>		
– AAA	3,250,000	3,750,000
– AA+, AA, AA–	4,209,436	3,080,965
– A+, A, A–	1,438,401	1,845,431
– Unrated	21,071	21,071
	<u>8,918,908</u>	<u>8,697,467</u>
Open Ended Mutual Funds		
HBL Growth Fund – Class B Segment	38,834	38,834
Allied Finergy Fund	25,000	25,000
	<u>63,834</u>	<u>63,834</u>
Foreign Securities		
<i>Equity Securities – Unlisted</i>		
Habib Allied Holding Limited	1,035,922	1,035,922
SWIFT	1,770	1,770
	<u>1,037,692</u>	<u>1,037,692</u>

8.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities – Government guaranteed

Pakistan Investment Bonds	10,714,521	16,151,622
GOP Ijarah Sukuks - Bai Muajjal Placement	2,300,521	-
	<u>13,015,042</u>	<u>16,151,622</u>

Non Government Debt Securities

<i>Listed</i>		
– Unrated	103,499	105,329
<i>Unlisted</i>		
– Unrated	240,761	240,761

8.5.1 The market value of Pakistan Investment Bonds classified as held-to-maturity as at December 31, 2019 amounted to Rs. 10,848.5 million (December 31, 2018: Rs. 15,579.4 million).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

Subsidiary Asset Management Company

8.6 Details regarding subsidiary company:

Country of incorporation	Pakistan
Percentage holding	100%
Assets	2,793,765
Liabilities	433,044
Revenue	783,478
Profit after taxation	375,852
Total comprehensive income	375,743

Note	Performing		Non Performing		Total	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018

Rupees in '000

9 ADVANCES

Loans, cash credits, running finances, etc.	9.1	467,880,949	428,933,543	14,450,873	14,569,294	482,331,822	443,502,837
Islamic financing and related assets	A-II. 3	12,615,228	6,925,320	-	-	12,615,228	6,925,320
Bills discounted and purchased		3,853,892	1,982,031	1,403,045	1,495,347	5,256,937	3,477,378
Advances – gross	9.2	484,350,069	437,840,894	15,853,918	16,064,641	500,203,987	453,905,535
Provision against advances							
Specific	9.3 & 9.4	-	-	(15,112,624)	(15,533,497)	(15,112,624)	(15,533,497)
General	9.4	(39,795)	(15,868)	-	-	(39,795)	(15,868)
		(39,795)	(15,868)	(15,112,624)	(15,533,497)	(15,152,419)	(15,549,365)
Advances – net of provision		484,310,274	437,825,026	741,294	531,144	485,051,568	438,356,170

	December 31, 2019				December 31, 2018			
	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	606,329	1,331,279	85,114	2,022,722	631,223	1,504,537	116,221	2,251,981
Residual value	50,138	510,411	147,989	708,538	42,542	460,880	188,280	691,702
Minimum lease payments	656,467	1,841,690	233,103	2,731,260	673,765	1,965,417	304,501	2,943,683
Financial charges for future periods	(108,826)	(206,316)	(19,224)	(334,366)	(66,148)	(133,067)	(130,661)	(329,876)
Present value of minimum lease payments	547,641	1,635,374	213,879	2,396,894	607,617	1,832,350	173,840	2,613,807

December 31, 2019 December 31, 2018

Rupees in '000

9.2 Particulars of advances (Gross)

9.2.1 In local currency	484,455,795	443,682,812
In foreign currencies	15,748,192	10,224,433
	500,203,987	453,905,535

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

9.3 Advances include Rs. 15,853.918 million (2018: Rs. 16,064.641 million) which have been placed under non-performing status as detailed below:

	December 31, 2019		December 31, 2018	
	Non Performing Loans	Specific Provision	Non Performing Loans	Specific Provision
Rupees in '000				
<i>Category of Classification</i>				
<i>Domestic</i>				
Other Assets Especially Mentioned	35,436	449	38,425	2,231
Substandard	809,938	202,107	436,938	109,035
Doubtful	196,952	98,476	334,094	167,047
Loss	14,811,592	14,811,592	15,255,184	15,255,184
	15,853,918	15,112,624	16,064,641	15,533,497

9.4 Particulars of provision against advances

Note	December 31, 2019			December 31, 2018		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	15,533,497	15,868	15,549,365	16,702,236	11,701	16,713,937
Exchange adjustments	-	(896)	(896)	-	-	-
Charge for the year	589,752	24,823	614,575	500,412	4,167	504,579
Reversals	(1,008,707)	-	(1,008,707)	(1,637,415)	-	(1,637,415)
	(418,955)	24,823	(394,132)	(1,137,003)	4,167	(1,132,836)
Amounts written off	(1,918)	-	(1,918)	(31,736)	-	(31,736)
Closing balance	15,112,624	39,795	15,152,419	15,533,497	15,868	15,549,365
9.4.1 In local currency	14,748,991	16,820	14,765,811	15,207,403	15,717	15,223,120
In foreign currencies	363,633	22,975	386,608	326,094	151	326,245
	15,112,624	39,795	15,152,419	15,533,497	15,868	15,549,365

9.4.2 No benefit of forced sale value of the collaterals held by the Group 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. 311.2 million (2018: Rs. 29.2 million).

	Note	December 31, 2019	December 31, 2018
Rupees in '000			

9.6 Particulars of write-offs

9.6.1 Against provisions		1,918	31,736
Directly charged to Profit and Loss account		-	-
		1,918	31,736
9.6.2 Write-offs of Rs. 500,000 and above – Domestic	9.7	1,918	31,736
Write-offs of below Rs. 500,000		-	-
		1,918	31,736

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

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, 2019 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, 2019	December 31, 2018
Rupees in '000			
10 FIXED ASSETS			
Capital work-in-progress	10.1	2,991,144	2,338,494
Property and equipment	10.2	51,161,710	48,061,279
Right-of-Use Assets	4.1	8,087,208	-
		62,240,062	50,399,773

10.1 CAPITAL WORK-IN-PROGRESS

Civil works	2,219,464	1,855,180
Equipment	6,546	-
Advances to suppliers	765,134	483,314
	2,991,144	2,338,494

December 31, 2019									
	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

At January 1, 2019									
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)
Net book value	17,564,604	10,962,212	6,779,980	4,329,381	898,283	5,437,043	519,235	1,570,541	48,061,279
Year ended December 2019									
Opening net book value	17,564,604	10,962,212	6,779,980	4,329,381	898,283	5,437,043	519,235	1,570,541	48,061,279
Additions	1,547,674	354,505	795,815	296,857	223,501	1,916,366	431,013	810,629	6,376,360
Disposals cost	-	-	-	(89,780)	(14,449)	(140,257)	(346,079)	(553)	(591,118)
Disposals accumulated depreciation	-	-	-	16,432	12,855	127,573	326,274	553	483,687
Disposals	-	-	-	(73,348)	(1,594)	(12,684)	(19,805)	-	(107,431)
Depreciation charge	-	-	(361,282)	(221,432)	(195,452)	(1,607,980)	(218,659)	(563,571)	(3,168,376)
Exchange rate adjustments	-	-	-	-	-	(122)	-	-	(122)
Closing net book value	19,112,278	11,316,717	7,214,513	4,331,458	924,738	5,732,623	711,784	1,817,599	51,161,710
At December 31, 2019									
Cost / Revalued amount	19,112,278	11,316,717	7,916,459	4,765,246	2,146,982	15,370,694	1,243,077	4,886,954	66,758,407
Accumulated depreciation	-	-	(701,946)	(433,788)	(1,222,244)	(9,638,071)	(531,293)	(3,069,355)	(15,596,697)
Net book value	19,112,278	11,316,717	7,214,513	4,331,458	924,738	5,732,623	711,784	1,817,599	51,161,710
Rate of depreciation (percentage)	-	-	5%	5%	10%	10% -50%	20%	20%	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	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)
	Rupees in '000							

10.2 Property and Equipment

At January 1, 2018									
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)
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
Year ended December 2018									
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)
Closing net book value	17,564,604	10,962,212	6,779,980	4,329,381	898,283	5,437,043	519,235	1,570,541	48,061,279
At December 31, 2018									
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)
Net book value	17,564,604	10,962,212	6,779,980	4,329,381	898,283	5,437,043	519,235	1,570,541	48,061,279
Rate of depreciation (percentage)	-	-	5%	5%	10%	10% -50%	20%	20%	-

10.3 Bank arranged for valuation of all Land and Buildings as at December 31, 2017 from four independent valuers {Sadrulddin 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)	16,670,183
- Building	8,393,866

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, 2019	December 31, 2018
		Rupees in '000	
10.5 Incremental depreciation charged during the year transferred to unappropriated profit	20.1	164,129	172,713
10.6 Restriction / discrepancy in the title of property having a net book value of		63,370	57,694
10.7 The cost of fully depreciated assets that are still in use:			
Furniture and fixtures		510,781	342,011
Electrical, office and computer equipments		5,317,286	4,497,694
Vehicles		108,035	327,935
Leasehold Improvements		1,738,160	1,342,260

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
10.8	The carrying amount of property and equipment that have retired from active use	283,457	349,670

11 INTANGIBLE ASSETS

Capital work in progress	11.1	650,104	340,990
Intangible Assets	11.2	1,325,794	1,415,137
		1,975,898	1,756,127

11.1 Capital work in progress

Softwares		623,308	184,046
Advances for softwares to suppliers		26,796	156,944
		650,104	340,990

	December 31, 2019		
	Computer software	Others	Total
	Rupees in '000		

11.2 Intangible Assets

At January 1, 2019

Cost	3,168,039	-	3,168,039
Accumulated amortisation and impairment	(1,752,902)	-	(1,752,902)
Net book value	1,415,137	-	1,415,137

Year ended December 2019

Opening net book value	1,415,137	-	1,415,137
Additions:			
directly purchased	157,303	-	157,303
Disposals cost	(735)	-	(735)
Disposals accumulated depreciation	735	-	735
	-	-	-
Amortisation charge	(246,646)	-	(246,646)
Closing net book value	1,325,794	-	1,325,794

At December 31, 2019

Cost	3,324,607	-	3,324,607
Accumulated amortisation and impairment	(1,998,813)	-	(1,998,813)
Net book value	1,325,794	-	1,325,794
Rate of amortisation (percentage)	5% to 33.33%		5% to 33.33%
Useful life	3 to 20 Years		3 to 20 Years

for the year ended December 31, 2019

11.3	The cost of fully amortized assets that are still in use: Intangible assets – software	347,206	330,126
11.4	During 2019, the Group conducted a review of useful life of its intangible assets, which resulted in change in estimate of expected usage of certain softwares. The softwares, which management had previously intended to use for 7 years, are now expected to remain in usage for 20 years from the date of purchase. As a result, the expected useful life of the softwares increased and their estimated residual value decreased. The effect of these changes on actual and expected amortization expense, included in 'Operating expenses', was as follows.		

236 ■ Annual Report 2019

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
12 OTHER ASSETS			
Income / Mark-up accrued in local currency – net of provision		20,573,788	11,777,626
Income / Mark-up accrued in foreign currency – net of provision		245,676	293,994
Advances, deposits, advance rent and other prepayments		1,293,653	1,254,352
Advance taxation (payments less provisions)		3,817,847	4,624,072
Non-banking assets acquired in satisfaction of claims	12.1	1,609,193	1,947,348
Mark to market gain on forward foreign exchange contracts		-	2,698,766
Acceptances		5,182,716	4,183,083
Due from the employees' retirement benefit schemes			
Benevolent fund	36.4	-	115,915
Pension fund	36.4	4,440,411	4,560,065
Fraud and forgeries		524,357	510,013
Stationery and stamps in hand		286,343	190,398
Overdue FBN / FBD		97,601	72,441
Home Remittance Cell agent receivable		93,978	111,098
Receivable from SBP - customers encashments		6,033	12,572
Charges receivable		32,329	23,043
Suspense Account		1,387	-
Others		96,535	3,572
		38,301,847	32,378,358
Less: Provision held against other assets	12.2	(862,460)	(787,203)
Other assets (net of provision)		37,439,387	31,591,155
Surplus on revaluation of non-banking assets acquired			
in satisfaction of claims		2,877,470	2,159,958
Other assets – net		40,316,857	33,751,113
12.1 Market value of non-banking assets acquired in satisfaction of claims		4,486,663	4,107,306

Full-scope revaluation was carried out at December 31, 2019 through two independent valuers approved by Pakistan Banks' Association (A-1 Warda Engineering Services & Sadruddin Associates Private 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, 2019	December 31, 2018
	Rupees in '000	
12.1.1 Non banking assets acquired in satisfaction of claims		
Opening balance	4,107,306	3,584,030
Additions	361,584	52,482
Revaluation	884,674	600,425
Disposals / Transfers	(847,050)	(109,969)
Depreciation	(19,851)	(19,662)
Closing balance	4,486,663	4,107,306

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	

12.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

Disposal proceeds		879,316	3,542
Less:			
Cost		(847,050)	(3,629)
Impairment / Depreciation		-	60
		(847,050)	(3,569)
Gain / (loss)		32,266	(27)

12.2 Provision held against other assets

Advances, deposits, advance rent and other prepayments		120,584	209,506
Provision against fraud and forgeries		524,357	507,977
Overdue Foreign Bills Negotiated / Discounted		24,295	24,295
Charges receivable		32,327	23,043
Suspense account		6,453	-
Others		154,444	22,382
		862,460	787,203

12.2.1 Movement in provision held against other assets

Opening balance		787,203	747,062
Charge for the year		213,529	96,695
Reversals		(112,865)	(12,000)
Written off / adjusted		(25,407)	(44,554)
Closing balance		862,460	787,203

13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2019 and December 31, 2018.

14 BILLS PAYABLE

In Pakistan		7,878,626	7,752,959
-------------	--	-----------	-----------

15 BORROWINGS

Secured

Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	15.1 & 15.8	170,120,570	157,248,800
Under export refinance scheme	15.2	22,523,266	17,913,692
Under long term financing facility	15.3	21,426,590	13,894,674
Under financing scheme for renewable energy	15.4	426,031	158,952
		214,496,457	189,216,118
Repurchase agreement borrowings from Financial Institutions	15.5 & 15.8	26,585,287	14,559,563

Unsecured

Call borrowings	15.6	24,602,435	11,861,797
Trading liability		-	9,987,849
Overdrawn nostro accounts		64,207	243,624
Musharaka borrowing	15.7	700,000	-
Other borrowings		-	14,035
		25,366,642	22,107,305
		266,448,386	225,882,986

15.1 This represents local currency borrowing from the SBP against government securities, carrying mark-up at the rate of 13.31% (2018: 10.21%) per annum, maturing on January 03, 2020.

Notes to the Consolidated Financial Statements

for the year ended December 31, 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% (2018 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 1.50%, 2.50% and 3.00% (2018: 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 under Category I and for a maximum period of 10 years under Category II and III. The borrowing carries mark-up at the rate of 3% for Category I, 4% for Category II and 3% for Category III.
- 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 13% to 13.20% (2018: 10% to 10.21%) per annum for local currency borrowings, and at the rate of 2.45% to 2.65% (2018: 3.37% to 3.99%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by January 31, 2020.
- 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 12.25% to 12.50% (2018: 8.10% to 10.10%) per annum for local currency borrowings, and at the rate of 2.40% to 3% (2018: 2.35% to 4.27%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by April 13, 2020.
- 15.7** This represents unsecured local currency borrowing by Islamic banking business under Musharaka agreement at profit of 8% (2018: Nil) per annum, maturing on January 02, 2020.
- 15.8** Note 8.2.1 includes the carrying amount of investments given as collateral.

Note	December 31, 2019	December 31, 2018
	Rupees in '000	

15.9 Particulars of borrowings with respect to currencies

In local currency	245,915,573	211,201,481
In foreign currencies	20,532,813	14,681,505
	<u>266,448,386</u>	<u>225,882,986</u>

December 31, 2019			December 31, 2018		
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	327,523,076	20,719,488	348,242,564	292,438,272	18,841,868	311,280,140
Savings deposits	403,505,248	21,019,875	424,525,123	365,456,206	24,707,235	390,163,441
Term deposits	107,203,269	63,293,352	170,496,621	120,847,788	50,092,266	170,940,054
Others	19,207,173	30,890	19,238,063	31,335,721	32,615	31,368,336
	<u>857,438,766</u>	<u>105,063,605</u>	<u>962,502,371</u>	<u>810,077,987</u>	<u>93,673,984</u>	<u>903,751,971</u>

Financial Institutions

Current deposits	39,711,458	41,039	39,752,497	20,552,284	27,949	20,580,233
Savings deposits	33,707,054	-	33,707,054	54,621,957	-	54,621,957
Term deposits	10,011,200	40,261	10,051,461	4,950,750	52,735	5,003,485
Others	3,005,421	-	3,005,421	505,421	-	505,421
	<u>86,435,133</u>	<u>81,300</u>	<u>86,516,433</u>	<u>80,630,412</u>	<u>80,684</u>	<u>80,711,096</u>
	<u>943,873,899</u>	<u>105,144,905</u>	<u>1,049,018,804</u>	<u>890,708,399</u>	<u>93,754,668</u>	<u>984,463,067</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

16.1 Composition of deposits

Individuals	457,188,412	384,786,399
Private Sector	270,915,027	287,469,596
Government (Federal and Provincial)	125,409,058	117,892,648
Public Sector Entities	108,998,643	113,603,058
Non-Banking Financial Institutions	77,133,815	72,920,606
Banking Companies	9,373,849	7,790,760
	<u>1,049,018,804</u>	<u>984,463,067</u>

16.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 628,087 million (December 31, 2018: 585,901 million).

16.3 Net outstanding value against prepaid cards is Rs. 128.403 million as at reporting date (December 31, 2018: 140.858 million).

	December 31, 2019			
	At January 1, 2019	Recognised in profit and loss account	Recognised in other comprehensive Income	At December 31, 2019
	Rupees in '000			

17 DEFERRED TAX LIABILITIES

Deductible Temporary Differences on				
Provision against:				
– Investments	19,093	-	-	19,093
– Other assets	38,959	4,080	-	43,039
– Off balance sheet obligations	14,824	-	-	14,824
– Advances	46,313	68,871	-	115,184
– Post retirement medical benefits	42,980	-	-	42,980
– Workers welfare fund	790,207	(269,227)	-	520,980
	<u>952,376</u>	<u>(196,276)</u>	<u>-</u>	<u>756,100</u>
Taxable Temporary Differences on				
– Surplus on revaluation of fixed assets	(1,154,147)	62,682	-	(1,091,465)
– Surplus on revaluation of investments	(2,787,505)	(19,657)	(1,207,883)	(4,015,045)
– Surplus on revaluation on non banking assets	(23,962)	-	(112,827)	(136,789)
– Actuarial gains	(338,631)	-	270,629	(68,002)
– Accelerated tax depreciation / amortization	(1,386,284)	41,517	-	(1,344,767)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	799	-	(12,407)
	<u>(5,703,735)</u>	<u>85,341</u>	<u>(1,050,081)</u>	<u>(6,668,475)</u>
	<u>(4,751,359)</u>	<u>(110,935)</u>	<u>(1,050,081)</u>	<u>(5,912,375)</u>

for the year ended December 31, 2019

	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			
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
	1,345,971	(393,595)	-	952,376
Taxable Temporary Differences on				
– Surplus on revaluation of fixed assets	(1,208,989)	54,842	-	(1,154,147)
– Surplus on revaluation of investments	(5,648,427)	2,998	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	(1,296,878)	(89,406)	-	(1,386,284)
– Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)
	(8,287,177)	(31,566)	2,615,008	(5,703,735)
	(6,941,206)	(425,161)	2,615,008	(4,751,359)
		Note	December 31, 2019	December 31, 2018
				Rupees in '000

18 OTHER LIABILITIES

Mark-up / return / interest payable in local currency		4,323,269	2,366,946
Mark-up / return / interest payable in foreign currencies		519,548	343,307
Accrued expenses		1,640,767	1,101,822
Retention money payable		342,559	306,416
Unearned commission and income on bills discounted		115,745	123,294
Acceptances		5,182,716	4,183,083
Unclaimed dividends		330,514	291,816
Dividend payable		23,558	32,055
Branch adjustment account		41,140	280,134
Unrealized loss on forward foreign exchange contracts		2,714,153	-
Provision for:			
Gratuity	36.4	620,977	444,655
Employees' medical benefits	36.4	1,365,237	1,332,925
Employees' compensated absences	36.4	668,547	606,216
Early retirement		337,527	-
Payable to defined contribution plan		84,946	3,306
Provision against off-balance sheet obligations	18.1	313,043	306,342
Security deposits against lease		712,112	693,151
ATM / Point of Sale settlement account		1,243,494	932,311
Charity fund balance		15	-
Home Remittance Cell overdraft		490,972	701,908
With-holding tax payable		2,348,629	690,598
Sundry deposits		2,451,078	2,427,652
Workers welfare fund payable	29	1,522,454	2,297,057
Present value of lease liability		8,625,316	-
Others		895,380	1,278,127
		36,913,696	20,743,121

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	

18.1 Provision against off-balance sheet obligations

Opening balance	306,342	306,342
Charge for the year	6,701	-
Reversals	-	-
Net reversal	6,701	-
Closing balance	313,043	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, 2019	December 31, 2018		December 31, 2019	December 31, 2018
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, 2019	December 31, 2018		December 31, 2019	December 31, 2018
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 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.	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 972,510,410 (84.93%) [2018: 967,911,610 (84.53%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
Surplus arising on revaluation of:			
– fixed assets	20.1	15,638,996	15,755,409
– non-banking assets acquired in satisfaction of claims	20.2	2,740,681	2,135,996
– available-for-sale securities	8.1	7,428,981	5,185,769
Surplus on revaluation of assets – net of tax		25,808,658	23,077,174
20.1 Surplus on revaluation of fixed assets			
Surplus as at January 1, 2019		16,909,555	17,213,064
Surplus on revaluation during the year		-	37,226
Surplus related to transfer / adjustments		(14,966)	(168,022)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(106,684)	(112,263)
Related deferred tax liability		(57,445)	(60,450)
	10.5	(164,129)	(172,713)
Surplus on revaluation as at December 31, 2019		16,730,460	16,909,555
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2019		(1,154,146)	(1,208,989)
Deferred tax liability on revaluation surplus		5,237	(5,607)
Deferred tax on incremental depreciation transferred to profit and loss account		57,445	60,450
		(1,091,464)	(1,154,146)
		15,638,996	15,755,409
20.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus as at January 1, 2019		2,159,958	1,601,421
Surplus on revaluation during the year		884,673	599,769
Surplus realised on disposal /transfer		(163,739)	(39,099)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year – net of deferred tax		(2,224)	(1,157)
Related deferred tax liability		(1,198)	(976)
		(3,422)	(2,133)
Surplus on revaluation as at December 31, 2019		2,877,470	2,159,958
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2019		(23,962)	(25,789)
Deferred tax liability on revaluation surplus		(114,025)	(5,412)
Deferred tax on surplus on disposal/transfer		-	6,263
Deferred tax on incremental depreciation transferred to profit and loss account		1,198	976
		(136,789)	(23,962)
		2,740,681	2,135,996

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
21 CONTINGENCIES AND COMMITMENTS			
Guarantees	21.1	32,308,285	28,018,148
Commitments	21.2	424,029,683	342,834,074
Other contingent liabilities	21.3	8,923,603	8,738,009
		<u>465,261,571</u>	<u>379,590,231</u>
21.1 Guarantees			
Financial guarantees		4,594,077	4,434,872
Performance guarantees		5,508,570	6,656,657
Other guarantees		22,205,638	16,926,619
		<u>32,308,285</u>	<u>28,018,148</u>
21.2 Commitments			
Documentary credits and short term trade related transactions:			
letters of credit		60,392,362	68,457,757
Commitments in respect of:			
forward foreign exchange contracts	21.2.1	358,881,918	207,509,971
forward government securities transactions	21.2.2	513,938	57,768,858
operating leases		-	6,018,458
Commitments for acquisition of:			
fixed assets		4,199,234	2,895,671
intangible assets		-	119,768
Other Commitments		42,231	63,591
		<u>424,029,683</u>	<u>342,834,074</u>
21.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		220,381,401	137,056,586
Sale		138,500,517	70,453,385
		<u>358,881,918</u>	<u>207,509,971</u>
21.2.2 Commitments in respect of forward government securities transactions			
Purchase		464,217	57,768,858
Sale		49,721	-
		<u>513,938</u>	<u>57,768,858</u>
21.3 Other contingent liabilities			
21.3.1 Claims against the Bank not acknowledged as debt		8,923,603	8,738,009

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

21.3.2 The income tax assessments of the Group have been finalized up to and including tax year 2019 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.25,467 million (December 31, 2018: Rs.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.25,467 million (December 31, 2018: Rs.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 2018 and created an arbitrary demand of Rs.1,720 million (December 31, 2018: Rs.1,556 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.1,720 million (December 31, 2018: Rs.1,556 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.963 million (December 31, 2018: Rs.900 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.963 million (December 31, 2018: Rs.900 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. Subsequently, the earlier CP was disposed of vide order dated January 15, 2019 with a direction to the Appellate Board to first decide the stay application of the Bank and till then, the Foreign Exchange Regulation Department has been restrained from taking any coercive action against the Bank. 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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

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.

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 43.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
23	MARK-UP / RETURN / INTEREST EARNED		
On:			
Loans and advances		49,550,748	29,697,818
Investments		64,070,753	37,204,167
Lendings to financial institutions		8,639,234	6,185,232
Balances with banks		377,845	188,257
		<u>122,638,580</u>	<u>73,275,474</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
On:			
Deposits		58,818,173	30,128,283
Borrowings		15,225,536	9,524,346
Cost of foreign currency swaps against foreign currency deposits		6,100,939	1,504,521
Interest expense on lease liability		988,344	-
		<u>81,132,992</u>	<u>41,157,150</u>
25	FEE AND COMMISSION INCOME		
Card related fees (debit and credit cards)		1,637,042	1,328,552
Branch banking customer fees		1,994,939	1,849,638
Commission on remittances including home remittances		691,815	590,077
Investment banking fees		578,270	524,226
Commission on trade		346,940	362,470
Commission on cash management		153,625	119,770
Commission on guarantees		134,569	103,085
Commission on bancassurance		119,076	78,936
Credit related fees		42,775	20,270
Consumer finance related fees		4,085	4,196
		<u>5,703,136</u>	<u>4,981,220</u>
26	GAIN ON SECURITIES		
Realised – net	26.1	1,622,033	2,372,668
Unrealised – held for trading	8.1	141,479	(53,327)
		<u>1,763,512</u>	<u>2,319,341</u>
26.1	Realised gain / (loss) on:		
Federal government securities		583,191	1,775,998
Shares		990,608	606,868
Non Government debt securities		(685)	(1,153)
Open Ended Mutual Funds		48,919	(9,045)
		<u>1,622,033</u>	<u>2,372,668</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
27 OTHER INCOME			
Recovery of written off mark-up and charges		12,198	172,074
Gain on sale of fixed assets - net		268,306	34,903
Other assets disposal		79,258	34,464
Rent on property		-	-
Fee for attending Board meetings		3,384	2,845
Gain on disposal of islamic financing and related assets		-	2,629
Gain / (loss) on sale of non-banking assets	27.1	32,266	(27)
		395,412	246,888

27.1 This includes gain on sale of two non-banking assets amounting to Rs. 18 million and Rs. 14.266 million respectively (2018: loss of Rs. 0.027 million).

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
28 OPERATING EXPENSES			
Total compensation expense	28.1	13,749,364	12,502,989
Property expense:			
Depreciation	28.2	3,906,601	2,068,320
Rent and taxes	28.2	288,321	1,755,132
Utilities cost		1,231,431	1,012,681
Security (including guards)		888,206	717,501
Repair and maintenance (including janitorial charges)		751,678	564,580
Insurance		73,833	68,064
		7,140,070	6,186,278
Information technology expenses:			
Network charges		689,087	631,926
Depreciation		668,223	548,711
Amortization		246,646	404,071
Software maintenance		546,047	353,806
Hardware maintenance		346,507	297,826
Others		9,234	8,521
		2,505,744	2,244,861
Other operating expenses:			
Marketing, advertisement and publicity		746,592	654,441
Insurance	28.3	1,148,296	567,053
Outsourced service costs	35.1	625,208	534,151
Cash in Transit service charge		521,405	415,560
Stationery and printing		466,341	334,409
Travelling and conveyance		234,157	193,607
Legal and professional charges		119,572	141,709
Postage and courier charges		218,094	126,877
Depreciation		218,320	125,659
Donations	28.5	55,253	113,238
NIFT clearing charges		123,966	106,097
Communication		89,261	87,952
Directors fees and allowances		32,860	29,736
Fees and allowances to Shariah Board		6,059	6,991
Training and development		96,671	101,430
Auditors Remuneration	28.4	21,360	19,611
Others		475,098	398,761
		5,198,513	3,957,282
		28,593,691	24,891,410

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
28.1 Total compensation expense		
Salaries	9,014,086	8,273,108
Fees And Allowances etc.	1,476,956	1,440,423
Bonus and Awards		
Variable	979,147	570,583
Fixed	568,546	526,326
Charge For Defined Benefit Plan	455,260	768,712
Contribution To Defined Contribution Plan	318,753	310,235
Conveyance expense	300,414	199,580
Medical expense	189,264	113,576
Insurance	86,675	80,194
Education Subsidy	29,793	30,200
Hajj Expenses	24,494	23,531
Staff Uniform	12,219	13,175
Executive Club Membership	5,291	11,335
Verification Charges Educational Documents	3,821	1,282
Recruitment Charges	4,631	2,275
Others	2,048	1,218
Sub-Total	13,471,398	12,365,753
Voluntary Retirement Scheme	277,966	137,236
Grand Total	13,749,364	12,502,989

28.1.1 The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Forty eight (48) employees (2018: 53) of the Bank opted for retirement under this scheme.

28.2 Adoption of IFRS 16 'Leases' resulted in increase in depreciation expense of Rs. 1,610.1 million and decrease of rent and registration charges of Rs. 1,869.4 million.

28.3 Includes Deposit protection cost of Rs. 937.4 million (December 31, 2018: 410.6 million).

	December 31, 2019	December 31, 2018
	Rupees in '000	
28.4 Auditors' remuneration		
Audit fee	6,450	6,450
Fee for other statutory certifications	5,859	4,752
Annual audit overseas business unit*	2,341	2,150
Half year review	2,620	2,620
Special certifications and miscellaneous services	1,787	1,359
Sales tax	631	628
Out-of-pocket expenses	1,672	1,652
	21,360	19,611

*This includes audit fee amounting to Bahraini Dinar 5,500 (2018: 5,500) relating to Wholesale Bahrain Branch.

28.5 None of the directors, executives and their spouses had any interest in the donees, except Mr. Mohammad Naeem Mukhtar (Chairman/ Non-Executive Sponsor Director) is director in National Management Foundation (LUMS). Further, spouse of a key management personnel also holds key position in RAAST Welfare Society.

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
Acumen Fund Pakistan		-	10,000
Anjuman Himayat-i-Islam	28.5.1	4,454	5,065
Bakhtawar Amin Memorial Trust Hospital		-	1,000
Government College of Science, Lahore		599	-
Chaman (Center for Mentally Challenged Children)		-	1,000
Lahore Businessmen Association For Rehabilitation Of The Disabled		5,000	-
Children Hospital Faisalabad		-	1,730
Diamer - Bhasha and Mohmand Dam Fund		-	14,283
Fountain House Mental Health Association		-	500
Liver Foundation Trust		1,000	1,000
Namal Education Foundation		-	30,000
National Management Foundation (LUMS)		30,000	30,000
Mashal Association		200	-
Punjab Food Authority		-	337
RAAST Welfare Society		1,000	1,000
Rising Sun Institution for Special Children		-	200
Shaukat Khanum Memorial Trust		-	1,000
Sundas Foundation		-	1,000
Tamir Welfare Organization		3,000	2,500
Tehzeeb Social Welfare Organization		-	250
The Indus Hospital		10,000	10,000
University of Turbat		-	2,373
		55,253	113,238

28.5.1 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.

WWF provision from 2014 to 2019 has been maintained conservatively based on tax advisor's opinion in view of provincial levy of WWF by the provinces with effect from 2014, including levy by Sindh which is under litigation.

Punjab Government has promulgated Punjab Workers Welfare Fund Act 2019 (PWWF) with effect from December 13, 2019, therefore, WWF provision related to Punjab and pertaining to the period from 2014 till the date of promulgation of PWWF is reversed from the provision maintained for WWF from 2014 to 2019.

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
30 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		120,914	38,143
Education cess		54,187	23,267
Depreciation - non-banking assets		19,851	19,662
Other assets written off		93	891
		195,045	81,963

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
31 PROVISIONS AND WRITE OFFS – NET			
Provision for diminution in the value of investments	8.3.1	979,141	109,019
Reversal against loans and advances	9.4	(394,132)	(1,132,836)
Provision / (reversal) against other assets	12.2.1	100,664	84,696
Provision against off balance sheet obligations		6,701	-
Bad debts written off directly		-	-
		692,374	(939,121)
Recovery of written off bad debts		(145,716)	(150,567)
		546,658	(1,089,688)
32 TAXATION			
Current – for the year including super tax		9,267,347	7,780,029
– for prior year		834,833	(4,096)
		10,102,180	7,775,933
Deferred – current		110,980	425,161
		10,213,160	8,201,094
32.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		24,701,923	21,232,911
Tax on income @ 35% (2018: 35%)		8,645,673	7,431,519
Super Tax @ 4%		964,348	790,490
Prior year Super Tax @ 4%		834,833	-
Others		(231,694)	(20,915)
Tax charge for the year		10,213,160	8,201,094
33 EARNINGS PER SHARE – BASIC AND DILUTED			
Profit after taxation		14,488,763	13,031,817
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		12.65	11.38

There is no dilution effect on basic earnings per share.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
34 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	5	119,935,126	99,177,561
Balances with other banks	6	602,582	2,575,055
Overdrawn nostro accounts	15	(64,207)	(243,624)
		120,473,501	101,508,992

		Numbers	
35 STAFF STRENGTH			
Permanent		11,389	11,122
Temporary / on contractual basis / trainee		458	276
Bank's own staff strength at the end of the year		11,847	11,398
Average number of employees		11,623	11,141

35.1 In addition to the above, 501 (2018: 376) 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, 7 (2018: 8) employees were posted abroad. The rest were working domestically.

36 DEFINED BENEFIT PLANS

36.1 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 provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

36.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme / plans are:

	December 31, 2019	December 31, 2018
	Numbers	
– Pension fund	632	922
– Gratuity fund	11,427	10,674
– Benevolent fund	-	76
– Post retirement medical benefits	11,183	10,623
– Employees' compensated absences	11,183	10,815

In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:

– Pension fund	2,330	2,236
– Post retirement medical benefits	1,610	1,610

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

36.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2019 based on the Projected Unit Credit Method, using the following significant assumptions:

Sources of estimation		December 31, 2019	December 31, 2018
Withdrawal rate			
Pension fund		Low	Low
Gratuity fund		Moderate	High
Benevolent fund			High
Post retirement medical benefits		High	High
Employees' compensated absences		High	High
Mortality rate			
		Adjusted SLIC 2001–2005	Adjusted SLIC 2001–2005
Discount rate	Yield on investments in Government Bonds	11.25%	13.25%
Expected rate of return on plan assets			
Pension fund	Yield on investments in Government Bonds	11.25%	13.25%
Gratuity fund	Yield on investments in Government Bonds	11.25%	13.25%
Benevolent fund	Yield on investments in Government Bonds		13.25%
Expected rate of salary increase	Rate of salary increase	9.25%	11.25%

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.

36.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits

Note	December 31, 2019						December 31, 2018				
	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	36.6	1,661,826	3,365,399	-	1,365,237	668,548	1,585,703	2,827,757	9,206	1,332,925	606,880
Fair value of plan's / scheme's assets	36.7	(6,102,237)	(2,744,422)	-	-	-	(6,145,768)	(2,383,102)	(241,036)	-	-
Net (asset) / liability		(4,440,411)	620,977	-	1,365,237	668,548	(4,560,065)	444,655	(231,830)	1,332,925	606,880
Benefit of the surplus not available to the Bank		-	-	-	-	-	-	-	115,915	-	-
Net (asset) / liability		(4,440,411)	620,977	-	1,365,237	668,548	(4,560,065)	444,655	(115,915)	1,332,925	606,880

36.5 Movement in (receivable from) / payable to defined benefit plans

Note	December 31, 2019						December 31, 2018				
	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		(4,560,065)	444,655	(115,915)	1,332,925	606,880	(3,692,032)	511,919	(112,061)	1,240,250	571,757
(Reversal) / charge for the year	36.9	(466,025)	476,334	(28,157)	192,559	185,016	(121,245)	390,919	(18,490)	144,612	244,446
Other comprehensive (income) / losses		727,746	90,890	-	(44,640)	-	(746,788)	(72,143)	14,636	105,031	-
Contribution to the fund / benefits paid		(142,067)	(390,902)	144,072	(115,607)	(123,348)	-	(386,040)	-	(156,968)	(209,323)
Closing balance		(4,440,411)	620,977	-	1,365,237	668,548	(4,560,065)	444,655	(115,915)	1,332,925	606,880

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

36.6 Movement in defined benefit obligations

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	1,585,703	2,827,757	9,206	1,332,925	606,880
Current service cost	-	414,448	-	21,879	37,523
Interest cost	178,867	357,867	-	168,954	72,152
Benefits paid	(471,523)	(253,741)	(9,206)	(115,607)	(123,348)
VRS / settlement loss / (gain)	147,596	2,970	-	1,726	15,391
Re-measurement loss / (gain)	221,183	16,098	-	(44,640)	59,950
Closing balance	1,661,826	3,365,399	-	1,365,237	668,548

	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 / (gain)	6,952	7,672	-	(3,450)	17,215
Re-measurement loss / (gain)	(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

36.7 Movement in fair value of plan assets

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	6,145,768	2,383,102	241,036	-	-
Expected return on plan assets	792,488	298,951	-	-	-
Bank's contribution	142,067	390,902	-	-	-
Benefits paid	(471,523)	(253,741)	(241,036)	-	-
Re-measurement gain / (loss)	(506,563)	(74,792)	-	-	-
Closing balance	6,102,237	2,744,422	-	-	-

	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	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

36.8 Composition of plan assets

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	4,880,641	738,956	-	-	-
Cash and cash equivalents	1,221,596	2,005,466	-	-	-
	6,102,237	2,744,422	-	-	-

36.8.1 Fair value of Bank's financial instruments included in plan assets

Shares of ABL	2,649,848	582,681	-	-	-
Term deposit receipts	1,047,174	1,895,966	-	-	-
Bank balances with ABL	174,422	109,500	-	-	-
	3,871,444	2,588,147	-	-	-

	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	-	-

36.8.2 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	-	-

36.8.3 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.

36.9 Charge for defined benefit plan

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	-	414,448	-	21,879	37,523
Interest cost	-	-	-	168,954	72,152
Net interest	(613,621)	58,916	-	-	-
VRS loss / (gain)	147,596	2,970	-	1,726	15,391
Re-measurement loss recognised	-	-	-	-	59,950
	(466,025)	476,334	-	192,559	185,016

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	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)	42,233	(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)	390,919	(18,490)	144,612	244,446

36.10 Re-measurements recognized in other comprehensive income

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations					
- Experience adjustments	(221,183)	(16,098)	-	44,640	-
Re-measurement gain / (loss) on assets	(506,563)	(74,792)	-	-	-
Re-measurement gain / (loss) in OCI	(727,746)	(90,890)	-	44,640	-

	December 31, 2018				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Re-measurement gain / (loss) on obligations	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, 2019	December 31, 2018
	Rupees in '000	

36.11 Actual return / (loss) on plan assets

- Pension fund	285,925	835,514
- Gratuity fund	224,159	299,061
- Benevolent fund	-	10,919

36.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2019	2018	2017	2016	2015
	Rupees in '000				
Present value of defined benefit obligation	1,661,826	1,585,703	1,979,453	2,001,618	1,971,233
Fair value of plan assets	(6,102,237)	(6,145,768)	(5,671,485)	(6,616,345)	(5,770,403)
	(4,440,411)	(4,560,065)	(3,692,032)	(4,614,727)	(3,799,170)
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	(221,183)	364,271	(94,595)	(172,722)	(152,852)
Re-measurement gain / (loss) on assets	(506,563)	382,517	(1,191,876)	660,173	(854,480)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

36.12 Five year data of defined benefit plan and experience adjustments

	2019	2018	Gratuity fund		
			2017	2016	2015
	Rupees in '000				
Present value of defined benefit obligation	3,365,399	2,827,757	2,531,300	2,285,523	2,043,833
Fair value of plan assets	(2,744,422)	(2,383,102)	(2,019,381)	(2,030,232)	(1,482,378)
	620,977	444,655	511,919	255,291	561,455
Experience adjustments on plan obligations / assets					
Re-measurement gain / (loss) on obligation	(16,098)	(73,576)	(20,492)	36,036	(167,783)
Re-measurement gain / (loss) on assets	(74,792)	145,719	(230,025)	26,301	(168,935)
	2019	2018	Benevolent fund		
			2017	2016	2015
	Rupees in '000				
Present value of defined benefit obligation	-	9,206	8,036	8,776	12,355
Fair value of plan assets	-	(278,393)	(232,158)	(221,007)	(205,166)
	-	(269,187)	(224,122)	(212,231)	(192,811)
Experience adjustments on plan obligations / assets					
Re-measurement (loss) / gain on obligation	-	(2,632)	(1,111)	931	(4,376)
Re-measurement (gain) / loss on assets	-	(8,150)	(3,976)	1,136	(10,841)
	2019	2018	Post retirement medical		
			2017	2016	2015
	Rupees in '000				
Present value of defined benefit obligation	1,365,237	1,332,925	1,240,250	1,298,380	1,217,945
Fair value of plan assets	-	-	-	-	-
	1,365,237	1,332,925	1,240,250	1,298,380	1,217,945
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	44,640	(105,031)	62,068	(97,990)	(243,936)
	2019	2018	Employees' compensated absences		
			2017	2016	2015
	Rupees in '000				
Present value of defined benefit obligation	668,548	606,880	570,128	698,964	761,498
Fair value of plan assets	-	-	-	-	-
	668,548	606,880	570,128	698,964	761,498
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	(59,950)	(137,850)	71,640	11,662	(45,712)

36.13 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 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, 2020 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	(499,546)	407,227	-	127,086	108,310

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

36.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1Year Mortality age set back	1Year Mortality age set forward
Rupees in '000								
Pension fund	1,613,770	1,715,331	1,661,826	1,661,826	1,661,894	1,661,765	1,662,587	1,661,069
Gratuity fund	3,159,317	3,597,914	3,616,359	3,139,696	3,351,328	3,351,328	3,350,060	3,352,591
Benevolent fund	-	-	-	-	-	-	-	-
Post retirement medical	1,272,317	1,470,835	1,399,106	1,330,036	1,405,845	1,329,438	1,360,812	1,369,967
Leave compensated absences	625,368	717,204	717,674	624,241	660,538	676,907	666,953	670,135

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, 2019					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					

36.15 Maturity Profile

The weighted average duration of the obligation (in years)	3.06	6.5	-	5.40	5.40
--	------	-----	---	------	------

36.16 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.

36.17 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.

37 DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 10,089 (2018: 10,158) employees where contributions are made by the Bank and employees at 8.33% per annum (2018: 8.33% per annum) of the basic salary every month.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

		December 31, 2019					
		Directors		Members Shariah Board	President / CEO	Key Man- agement Personnel	Other Material Risk Takers / Controllers
		Chairman	Non-Execu- tives				
Rupees in '000							
38.1	Total compensation expense						
	Fees and allowances etc.	-	30,000	-	-		-
	Managerial remuneration	-	-	-	-	-	-
	- Fixed (including Eid bonus)	-	-	2,842	14,200	112,947	186,385
	- Total Variable	-	-	-	22,000	121,500	84,501
	of which						
	a. Cash Bonus / awards	-	-	-	22,000	121,500	84,501
	b. Bonus and awards in Shares	-	-	-	-	-	-
	Charge for defined benefit plans	-	-	294	1,590	20,448	35,936
	Contribution to defined						
	contribution plan	-	-	219	1,183	8,922	15,526
	Rent and house maintenance	-	-	1,574	8,520	57,922	107,860
	Utilities	-	-	525	2,840	19,307	35,965
	Medical	-	-	525	2,840	20,335	35,965
	Conveyance	-	-	813	3,000	50,990	58,203
	Others	-	-	284	349	12,805	41,375
	Total	-	30,000	7,076	56,522	425,176	601,716
	Number of persons	1	8	3	1	19	75

	December 31, 2018				
	Directors		Members Shariah Board	President / CEO	Key Man- agement Personnel
	Chairman	Non-Execu- tives			
	Rupees in '000				
Fees and allowances etc.	-	18,700	-	-	-
Managerial remuneration					
- Fixed	-	-	3,107	12,900	106,023
- Total Variable	-	-	-	20,000	117,600
of which					
a. Cash Bonus / awards	-	-	-	20,000	117,600
b. Bonus and awards in Shares	-	-	-	-	-
Charge for defined benefit plans	-	-	309	1,399	20,088
Contribution to defined contribution plan	-	-	237	1,075	8,375
Rent and house maintenance	-	-	1,708	7,740	54,560
Utilities	-	-	569	2,580	18,187
Medical	-	-	569	2,687	18,390
Conveyance	-	-	1,095	3,000	51,218
Others	-	-	420	374	8,935
Total	-	18,700	8,014	51,755	403,376
Number of persons	1	8	4	1	18

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

Name of Director	December 31, 2019						
	Board Committees						
	Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	Total Amount Paid
	Rupees in '000						
Mohammad Naeem Mukhtar	-	-	-	-	-	-	-
Sheikh Mukhtar Ahmad	-	-	-	-	-	-	-
Muhammad Waseem Mukhtar	1,750	1,150	1,400	-	-	2,400	6,700
Abdul Aziz Khan	1,250	-	1,150	1,150	-	2,150	5,700
Dr. Muhammad Akram Sheikh	1,750	1,400	1,400	1,150	-	-	5,700
Zafar Iqbal	1,750	1,400	-	-	1,000	-	4,150
Nazrat Bashir	1,750	-	-	-	1,000	2,400	5,150
Kamran Shahzad	1,300	-	-	-	-	-	1,300
Pervaiz Iqbal	1,300	-	-	-	-	-	1,300
Total Amount Paid	10,850	3,950	3,950	2,300	2,000	6,950	30,000

Name of Director	December 31, 2018						
	Board Committees						
	Board Meetings	Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	Total Amount Paid
	Rupees in '000						
Mohammad Naeem Mukhtar	-	-	-	-	-	-	-
Sheikh Mukhtar Ahmad	-	-	-	-	-	-	-
Muhammad Waseem Mukhtar	1,050	300	750	450	-	1,650	4,200
Abdul Aziz Khan	1,050	-	750	600	-	1,500	3,900
Dr. Muhammad Akram Sheikh	1,050	750	150	300	600	-	2,850
Zafar Iqbal	1,050	750	-	-	150	-	1,950
Nazrat Bashir	450	-	-	-	150	300	900
Mubashir A. Akhtar	600	450	-	-	450	1,200	2,700
Kamran Shahzad	1,100	-	-	-	-	-	1,100
Pervaiz Iqbal	1,100	-	-	-	-	-	1,100
Total Amount Paid	7,450	2,250	1,650	1,350	1,350	4,650	18,700

38.3 Remuneration paid to Shariah Board Members

Items	December 31, 2019			December 31, 2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	Rupees in '000					
Salaries and allowances	3,979	1,162	1,355	3,672	2,979	1,053
Total Number of Persons	1	1	1	1	1	1

38.4 Deferred cash bonus / remuneration for MRTs for the year 2019 is Rs. 15,828,450

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

39 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, 2019									
	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
Rupees in '000										
Financial assets – measured at fair value										
Investments										
Shares / Open Ended Mutual Funds	-	2,197,434	28,613,526	-	-	-	30,810,960	28,458,268	2,352,692	-
Federal Government Securities	-	19,868,163	678,973,168	-	-	-	698,841,331	-	698,841,331	-
Non Government Debt Securities	-	-	4,176,639	-	-	-	4,176,639	-	4,176,639	-
Financial assets – not measured at fair value										
Cash and balances with treasury banks	-	-	-	-	119,935,126	-	119,935,126	-	-	-
Balances with other banks	-	-	-	-	602,582	-	602,582	-	-	-
Lendings	-	-	-	13,606,921	-	-	13,606,921	-	-	-
Advances	-	-	-	485,051,568	-	-	485,051,568	-	-	-
Other assets	-	-	-	-	34,250,198	-	34,250,198	-	-	-
Investments (HTM, unlisted ordinary shares, Term finance certificate, sukuks, subsidiaries)	13,015,041	-	12,810,456	-	-	-	25,825,497	-	-	-
	13,015,041	22,065,597	724,573,789	498,658,489	154,787,906	-	1,413,100,822	28,458,268	705,370,662	-
Financial liabilities – measured at fair value										
Trading Liability	-	-	-	-	-	-	-	-	-	-
Financial liabilities – not measured at fair value										
Bills payable	-	-	-	-	-	7,878,626	7,878,626	-	-	-
Borrowings	-	-	-	-	-	266,448,386	266,448,386	-	-	-
Deposits and other accounts	-	-	-	-	-	1,049,018,804	1,049,018,804	-	-	-
Other liabilities	-	-	-	-	-	36,559,513	36,559,513	-	-	-
	-	-	-	-	-	1,359,905,329	1,359,905,329	-	-	-
Off-balance sheet financial instruments - measured at fair value										
Forward foreign exchange contracts	-	-	-	-	358,881,918	-	358,881,918	-	358,881,918	-
Forward government securities transactions	-	-	-	-	513,938	-	513,938	-	513,938	-
	-	-	-	-	359,395,856	-	359,395,856	-	359,395,856	-
December 31, 2018										
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
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	-
Federal Government Securities	-	-	609,053,323	-	-	-	609,053,323	-	609,053,323	-
Non Government Debt Securities	-	-	2,986,706	-	-	-	2,986,706	-	2,986,706	-
Financial assets – not measured at fair value										
Cash and balances with treasury banks	-	-	-	-	99,177,561	-	99,177,561	-	-	-
Balances with other banks	-	-	-	-	2,575,055	-	2,575,055	-	-	-
Lending	-	-	-	53,780,195	-	-	53,780,195	-	-	-
Advances	-	-	-	438,356,170	-	-	438,356,170	-	-	-
Other asset	-	-	-	-	28,199,057	-	28,199,057	-	-	-
Investments (HTM, unlisted ordinary shares, Term finance certificate, sukuks, subsidiaries)	16,151,622	-	12,294,994	-	-	-	28,446,616	-	-	-
	16,151,622	1,859,024	654,576,663	492,136,365	129,951,673	-	1,294,675,347	30,115,370	614,025,323	-
Financial liabilities – measured at fair value										
Trading Liability	-	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	-	-	-	-	-	20,156,645	20,156,645	-	-	-
	-	9,987,849	-	-	-	1,238,255,657	1,248,243,506	-	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	-
Forward government securities transactions	-	-	-	-	57,768,858	-	57,768,858	-	57,768,858	-
	-	-	-	-	265,278,829	-	265,278,829	-	265,278,829	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Rupees in '000								
39.1 Fair value of non-financial assets								
Fixed assets	-	41,974,966	-	41,974,966	-	39,636,178	-	39,636,178
Non-banking assets	-	4,486,663	-	4,486,663	-	4,107,306	-	4,107,306

39.2 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.

40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	December 31, 2019						
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Others	Total
Rupees in '000							
Profit & Loss							
Net mark-up/return/profit	45,813,790	(54,926,966)	49,983,718	1,203,117	(1,882)	(566,190)	41,505,587
Inter segment revenue - net	(45,178,102)	95,831,440	(47,548,684)	-	-	(3,104,654)	-
Non mark-up/ return/ interest income	4,419,600	3,339,124	2,611,642	161,154	778,874	359,661	11,670,055
Total Income	5,055,288	44,243,598	5,046,676	1,364,271	776,992	(3,311,183)	53,175,642
Segment direct expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(316,708)	(9,737,713)	(27,927,061)
Total expenses	(582,516)	(15,889,959)	(114,760)	(1,285,405)	(316,708)	(9,737,713)	(27,927,061)
Provisions	(1,262,930)	(235,843)	-	(12)	-	952,127	(546,658)
Profit before tax	3,209,842	28,117,796	4,931,916	78,854	460,284	(12,096,769)	24,701,923
Balance Sheet							
Cash & Bank balances	59,821	51,303,207	61,984,899	2,045,240	15,525	5,129,016	120,537,708
Investments	47,263,032	-	697,876,038	12,452,302	2,197,434	(134,379)	759,654,427
Net inter segment lending	(413,851,658)	972,381,940	(557,387,799)	161,300	-	(1,303,783)	-
Lendings to financial institutions	4,753,821	-	2,052,492	11,554,430	-	(4,753,822)	13,606,921
Advances - performing	437,660,414	25,631,709	-	12,615,228	35,688	8,407,030	484,350,069
Advances - non-performing	511,117	461,688	-	-	-	14,881,113	15,853,918
Provision against advances	(127,779)	(205,889)	-	(20)	-	(14,818,731)	(15,152,419)
Advances - net	438,043,752	25,887,508	-	12,615,208	35,688	8,469,412	485,051,568
Others	7,072,635	8,706,936	7,215,579	2,752,910	545,118	78,239,639	104,532,817
Total Assets	83,341,403	1,058,279,591	211,741,209	41,581,390	2,793,765	85,646,083	1,483,383,441
Borrowings	63,149,483	2,415,660	203,936,638	1,700,000	-	(4,753,395)	266,448,386
Deposits & other accounts	-	1,012,571,004	-	34,389,411	-	2,058,389	1,049,018,804
Others	2,413,361	16,402,958	1,917,550	2,143,144	433,045	27,394,639	50,704,697
Total liabilities	65,562,844	1,031,389,622	205,854,188	38,232,555	433,045	24,699,633	1,366,171,887
Equity / Reserves	17,778,559	26,889,969	5,887,021	3,348,835	2,360,720	60,946,450	117,211,554
Total Equity and Liabilities	83,341,403	1,058,279,591	211,741,209	41,581,390	2,793,765	85,646,083	1,483,383,441
Contingencies and Commitments	78,732,154	12,055,398	359,395,856	1,907,886	42,231	13,128,046	465,261,571

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2018						
	Corporate & Investment Banking	Commercial and Retail Banking	Trading & Sale (Treasury)	Islamic Banking	Asset Management	Others	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	504,736	260,391	11,794,176
Total Income	5,099,828	31,779,359	7,860,671	735,192	507,619	(2,085,206)	43,897,463
Segment direct expenses	(525,101)	(13,782,024)	(108,445)	(1,083,994)	(291,136)	(7,963,540)	(23,754,240)
Total expenses	(525,101)	(13,782,024)	(108,445)	(1,083,994)	(291,136)	(7,963,540)	(23,754,240)
Provisions	(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	(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	-	(3,615,893)	53,780,195
Advances - performing	394,258,308	28,081,086	-	6,927,030	38,985	23,965,054	453,270,463
Advances - non-performing	415,941	183,631	-	-	-	-	599,572
Provision against advances	(116,635)	(103,416)	-	(8)	-	(15,293,806)	(15,513,865)
Advances - net	394,557,614	28,161,301	-	6,927,022	38,985	8,671,248	438,356,170
Others	4,772,402	7,977,518	2,236,843	1,641,756	406,822	68,871,672	85,907,013
Total Assets	54,767,670	973,927,697	177,988,190	28,211,014	2,306,094	115,182,638	1,352,383,303
Borrowings	42,470,266	3,912,691	183,088,196	-	-	(3,588,167)	225,882,986
Deposits & other accounts	-	957,686,063	-	24,632,633	-	2,144,371	984,463,067
Others	2,326,844	12,328,943	(3,680,842)	326,877	321,117	21,624,500	33,247,439
Total liabilities	44,797,110	973,927,697	179,407,354	24,959,510	321,117	20,180,704	1,243,593,492
Equity / Reserves	9,970,560	-	(1,419,164)	3,251,504	1,984,977	95,001,934	108,789,811
Total Equity and Liabilities	54,767,670	973,927,697	177,988,190	28,211,014	2,306,094	115,182,638	1,352,383,303
Contingencies and Commitments	83,806,271	12,033,028	265,278,829	582,318	65,371	17,824,414	379,590,231

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

40.2 GEOGRAPHICAL SEGMENT ANALYSIS

	December 31, 2019			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Profit & Loss				
Net mark-up/return/profit	41,131,711	373,877	-	41,505,588
Inter segment revenue – net	(134,330)	134,330	-	-
Non mark-up / return / interest income	11,609,702	168,321	-	11,778,023
Total Income	52,607,083	676,528	-	53,283,611
Segment direct expenses	(27,909,520)	(91,819)	(33,691)	(28,035,030)
Total expenses	(27,909,520)	(91,819)	(33,691)	(28,035,030)
Provisions	528,487	18,171	-	546,658
Profit before tax	24,169,076	566,538	(33,691)	24,701,923
Balance Sheet				
Cash & Bank balances	120,512,721	24,987	-	120,537,708
Investments	754,878,785	4,775,642	-	759,654,427
Net inter segment lendings	-	4,748,676	-	4,748,676
Lendings to financial institutions	8,858,245	-	-	8,858,245
Advances – performing	469,662,521	14,687,548	-	484,350,069
Advances - non-performing	15,853,918	-	-	15,853,918
Provision against advances	(15,152,419)	-	-	(15,152,419)
Advances - net	470,364,020	14,687,548	-	485,051,568
Others	104,310,872	221,945	-	104,532,817
Total Assets	1,458,924,643	24,458,798	-	1,483,383,441
Borrowings	241,166,918	20,532,792	-	261,699,710
Subordinated debt	-	-	-	-
Deposits & other accounts	1,048,476,528	542,276	-	1,049,018,804
Net inter segment borrowing	4,748,676	-	-	4,748,676
Others	50,611,478	93,219	-	50,704,697
Total liabilities	1,345,003,600	21,168,287	-	1,366,171,887
Equity / Reserves	113,921,043	3,290,511	-	117,211,554
Total Equity & liabilities	1,458,924,643	24,458,798	-	1,483,383,441
Contingencies and commitments	464,720,055	541,516	-	465,261,571

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2018			
	Domestic Operations	Middle East	China	Total
	Rupees in '000			
Profit & Loss				
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
Balance Sheet				
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	53,780,195	-	-	53,780,195
Advances – performing	451,950,423	1,388,468	-	453,338,891
Advances - non-performing	531,144	-	-	531,144
Provision against advances	(15,513,865)	-	-	(15,513,865)
Advances - net	436,967,702	1,388,468	-	438,356,170
Others	85,781,584	125,429	-	85,907,013
Total Assets	1,340,594,812	15,398,900	-	1,355,993,712
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	33,222,494	24,945	-	33,247,439
Total liabilities	1,234,055,009	13,148,892	-	1,247,203,901
Equity / Reserves	106,539,803	2,250,008	-	108,789,811
Total Equity & liabilities	1,340,594,812	15,398,900	-	1,355,993,712
Contingencies and commitments	379,104,618	485,613	-	379,590,231

for the year ended December 31, 2019

RELATED PARTY TRANSACTIONS

The Group has related party relationships with its parent, 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 Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019						December 31, 2018					
	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											
Other Assets												
Interest / mark-up accrued	-	7,860	69,367	-	-	-	-	13,143	66,580	-	-	-
Receivable from staff retirement fund	-	-	-	-	-	3,705,491	-	-	-	-	-	4,204,441
Other receivable	-	-	-	-	-	365,707	-	-	-	-	-	330,776
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt												
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-
Issued / Purchased during the year	-	-	-	-	-	-	-	-	-	-	-	-
Redemption / Sold during the year	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts												
Opening balance	1,784	24,424	70,387	82,381	-	18,296,520	1,202	262,709	61,889	85,680	-	9,246,496
Received during the year	8,594,379	1,824,926	524,039	7,718,711	-	247,373,312	9,623,388	99,342	622,197	8,614,444	-	226,189,869
Withdrawn during the year	(8,593,314)	(1,492,156)	(559,794)	(7,677,777)	-	(248,754,026)	(9,622,816)	(337,966)	(616,342)	(8,617,739)	-	(217,149,184)
Transfer in / (out) - net	-	-	-	-	-	-	-	369	2,643	(14)	-	9,339
Closing balance	2,849	357,194	34,632	123,315	-	16,915,806	1,784	24,424	70,387	82,381	-	18,296,520
Other Liabilities												
Interest / mark-up payable	-	-	-	599	-	116,987	-	2,506	625	757	-	651,581
Payable to staff retirement fund	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Contingencies and Commitments												
Other contingencies	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

41.1 RELATED PARTY TRANSACTIONS

December 31, 2019							December 31, 2018				
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											
Income											
Mark-up / return / interest earned	-	422	18,179	-	-	-	-	513	13,475	-	-
Sales Commission	-	-	-	-	22,444	-	-	-	-	-	26,827
Fee and commission income	1	21	97	16	492,090	2	10	101	83	-	483,477
Dividend income	-	-	-	-	-	-	-	-	-	-	-
Net gain / (loss) on sale of securities	-	-	14	-	465	-	-	-	-	-	(262)
Rental Income	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	2,237
Expense											
Mark-up / return / interest paid	-	14,749	559	5,108	-	-	2,506	625	757	-	651,581
Directors meeting fee	-	30,000	-	-	-	-	18,700	-	-	-	-
Remuneration	-	78,174	371,381	-	-	-	73,504	351,782	-	-	-
Other expenses**	-	-	-	31,211	-	-	-	-	32,006	-	-
Rent expense***	-	-	-	28,658	-	-	-	-	26,363	-	-
Charge in respect of staff retirement benefit funds	-	-	-	-	74,123	-	-	-	-	-	551,657
Insurance premium paid	-	167	879	-	-	-	99	244	-	-	-
Insurance claims settled	-	-	-	-	-	-	-	-	-	-	-

Shares held by the holding company, outstanding at the end of year are included in note 19 to these consolidated 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, 2019, certain movable assets having cumulative net book value of Rs. 36,000 were disposed off for Rs. 269,000 to the Key Management Personnel of the Bank.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
42 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	82,135,834	75,372,381
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	82,135,834	75,372,381
Eligible Tier 2 Capital	22,351,157	20,564,931
Total Eligible Capital (Tier 1 + Tier 2)	104,486,991	95,937,312
Risk Weighted Assets (RWAs):		
Credit Risk	345,197,859	315,518,950
Market Risk	49,574,917	40,673,396
Operational Risk	84,845,040	78,800,062
Total	479,617,816	434,992,408
Common Equity Tier 1 Capital Adequacy ratio	17.13%	17.33%
Tier 1 Capital Adequacy Ratio	17.13%	17.33%
Total Capital Adequacy Ratio	21.79%	22.05%

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 12.50% on standalone as well as on consolidated basis till December 31, 2019. A phase in arrangement was put in place whereby the banks were required to maintain the following ratios on an ongoing basis, which has been completed as on December 31, 2019.

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

* Consisting of CET1 only.

The paid up capital and Consolidated CAR of the Bank stands at Rs. 11.451 billion and 21.79% of its total risk weighted assets as at December 31, 2019, respectively. The Bank has complied with all externally imposed capital requirements as at year end. 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, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	82,135,834	75,372,381
Total Exposures	1,801,242,634	1,634,600,480
Leverage Ratio	4.56%	4.61%

43 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.

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal and Enterprise Risk which inter alia includes Risk Architecture, Reputational Risk, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of the Bank's assets and liabilities.

Categories of Risk

Credit Risk	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.
Market Risk	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).
Liquidity Risk	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.
Operational Risk	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.
Reputational Risk	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.
Information Security & Governance Risk	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.
Strategic Risk	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.
- 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

- The Risk Management Group is head 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.

43.1 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.

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, 2019

43.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees in '000						
Public/ Government	2,704,142	-	-	-	-	-
Private	10,972,779	53,850,195	70,000	70,000	70,000	70,000
	13,676,921	53,850,195	70,000	70,000	70,000	70,000

43.1.2 Investment in debt securities

Credit risk by industry sector

	Gross Investment		Non-performing Investment		Provision held	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees in '000						
Basic metals (iron, steel)	500,000	500,000	-	-	-	-
Financial	44,714,582	42,410,942	-	-	-	-
Hotel, restaurant & clubs	470,000	248,085	-	-	-	-
Power, gas, water & sanitary	5,411,136	4,881,010	-	-	-	-
Chemicals	1,600,000	-	-	-	-	-
Sugar	10,487	10,487	10,487	10,487	10,487	10,487
Textile – Spinning	51,345	51,345	51,345	51,345	51,345	51,345
Textile – Weaving	200,000	200,000	200,000	200,000	200,000	200,000
Government	710,177,493	626,834,650	3,869,387	9,756,796	15,961	21,248
Others	103,498	105,329	103,498	105,329	103,498	105,329
	763,238,541	675,241,848	4,234,717	10,123,957	381,291	388,409

	Gross Investment		Non-performing Investment		Provision held	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Rupees in '000						

Credit risk by public / private sector

Public/ Government	713,427,493	630,584,650	3,869,387	9,756,796	15,961	21,248
Private	49,811,048	44,657,198	365,330	367,161	365,330	367,161
	763,238,541	675,241,848	4,234,717	10,123,957	381,291	388,409

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	Gross advances		Non-performing advances		Provision held	
	December 31,2019	December 31,2018	December 31,2019	December 31,2018	December 31,2019	December 31,2018
	Rupees in '000					

43.1.3 Advances

Credit risk by industry sector

Agriculture, Forestry and Hunting	79,583,981	78,511,776	654,964	624,049	511,318	596,596
Basic metals (iron, steel)	5,243,108	7,220,441	413,828	151,863	214,278	151,863
Cement / clay & ceramics	19,359,961	16,781,544	74,089	74,089	74,089	74,089
Chemical & pharmaceutical	25,230,941	23,965,746	372,744	376,479	372,744	376,479
Construction	6,701,913	6,958,964	190,283	120,529	176,038	120,529
Education	130,146	124,885	123	123	123	123
Financial	31,875,767	22,710,967	56,154	72,454	56,154	72,454
Footwear & leather garments	2,823,053	2,212,093	111,740	116,953	106,841	108,133
Furniture & sports goods	1,978,284	1,118,853	265,984	265,990	265,984	265,990
Grains, food & beverages	10,952,503	12,750,666	1,853,302	1,917,020	1,853,302	1,766,367
Health & social welfare	27,029	52,122	2,688	3,478	2,688	3,478
Hotel, restaurant & clubs	1,000,000	1,000,000	7,564	7,664	7,564	7,664
Individuals	10,095,807	10,071,632	368,240	361,566	337,085	361,501
Machinery & equipment	5,790,537	4,200,452	1,097,134	1,157,834	1,097,134	1,157,834
Manufacture of transport equipment	2,176,982	844,246	139,822	140,522	139,822	140,522
Paper & paper boards	7,046,681	5,632,472	208,574	210,574	208,574	210,574
Petroleum products	3,934,730	13,291,165	176,351	13,228	94,073	13,228
Power, gas, water & sanitary	156,149,658	140,719,800	637,015	637,015	637,015	637,015
Printing, publishing & allied	206,458	1,121,462	10,056	10,056	10,056	10,056
Real estate, renting, and business activities	8,331,917	5,485,741	-	-	-	-
Rubber & plastic	288,680	295,588	230,563	233,068	230,563	233,068
Sugar	6,897,513	7,365,203	51,066	51,066	51,066	51,066
Textile -Manufacture of made up & ready made garments	30,431,729	25,684,060	3,002,600	3,003,575	3,002,601	3,003,575
Textile - Finishing	15,189,368	16,456,503	2,872,372	2,884,586	2,872,372	2,884,586
Textile - Spinning	18,024,943	18,618,930	1,261,119	1,141,751	1,157,244	1,141,751
Textile - Weaving	3,210,115	1,664,289	38,482	38,632	38,482	38,632
Transport, storage & communication	16,154,933	12,439,987	126,459	428,077	46,546	127,149
Wholesale & retail trade	9,199,116	9,220,564	967,415	977,027	885,681	948,802
Others	22,168,134	7,385,384	663,187	1,045,374	663,187	1,030,374
	500,203,987	453,905,535	15,853,918	16,064,642	15,112,624	15,533,498

Credit risk by public / private sector

Public/ Government	204,243,892	177,970,051	134,430	135,180	134,430	135,180
Private	295,960,095	275,935,484	15,719,488	15,929,461	14,978,194	15,398,317
	500,203,987	453,905,535	15,853,918	16,064,641	15,112,624	15,533,497

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

	December 31, 2019	December 31, 2018
	Rupees in '000	
43.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry and Hunting	517,460	1,748,522
Basic metals (iron, steel)	2,865,799	2,298,302
Cement/clay & ceramics	3,578,271	2,491,703
Chemical & pharmaceutical	2,844,113	1,168,652
Construction	3,942,101	3,532,782
Education	61,193	55,461
Financial	367,806,904	272,292,661
Footwear & leather garments	341,512	248,281
Furniture & sports goods	112,737	25,375
Grains, food and beverages	1,055,823	58,426
Health & social welfare	337,057	1,993,444
Hotel, restaurant & clubs	960	960
Individuals	7,391,727	11,027,620
Machinery & equipment	16,099,059	38,708,740
Manufacture of transport equipment	188,471	87,725
Paper & paper boards	626,468	275,184
Petroleum products	23,298,418	17,777,157
Power, gas, water & sanitary	12,693,725	9,569,562
Printing, publishing & allied	67,631	136,729
Real estate, renting and business activities	-	6,018,458
Rubber & plastic	35,037	106,775
Sugar	59,430	26,740
Textile - Manufacture of madeup & ready made garments	227,892	275,109
Textile - Finishing	4,891,277	1,589,863
Textile - Spinning	1,368,295	56,195
Textile - Weaving	1,618,571	65,702
Transport, storage & communication	3,015,015	5,315,605
Wholesale & retail trade	342,676	957,570
Others	9,874,129	1,680,928
	465,261,751	379,590,231
Credit risk by public / private sector		
Public/ Government	63,324,780	89,768,480
Private	401,936,971	289,821,751
	465,261,751	379,590,231

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded) exposures aggregating to Rs. 222,105.62 million (December 31, 2018: Rs. 220,201.42 million) are as following:

	December 31, 2019	December 31, 2018
	Rupees in '000	
Funded	191,393,656	184,180,778
Non Funded	30,711,963	36,020,642
Total Exposure	222,105,619	220,201,420

The sanctioned limits against these top 10 exposures aggregated to Rs. 265,900.73 million (December 31, 2018: Rs. 255,278.34 million).

43.1.6 Advances – Province/Region-wise Disbursement & Utilization

During the year ended December 31, 2019							
Province/Region	Disbursements		Utilization				
			Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
Rupees in '000							
Punjab	691,256,822	683,293,584	4,672,048	3,172,039	3,810	104,071	11,270
Sindh	1,110,838,731	74,993,563	1,034,704,724	35,148	9,290	1,075,242	20,764
KPK including FATA	1,621,529	243,216	-	1,378,313	-	-	-
Balochistan	618,127		-	-	618,127		-
Islamabad	16,733,824	-	-	-	-	16,733,824	-
AJK including Gilgit-Baltistan	881,289	-	-	-	-	-	881,289
Total	1,821,950,322	758,530,363	1,039,376,772	4,585,500	631,227	17,913,137	913,323

During the year ended December 31, 2018							
Province/Region	Disbursements		Utilization				
			Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
Rupees in '000							
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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.2 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.

43.2.1 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, 2019

43.2.2 Balance sheet split by trading and banking books

	December 31, 2019			December 31, 2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
Rupees in '000						
Cash and balances with treasury banks	119,935,126	-	119,935,126	99,177,561	-	99,177,561
Balances with other banks	602,582	-	602,582	2,575,055	-	2,575,055
Lendings to financial institutions	13,606,921	-	13,606,921	53,780,195	-	53,780,195
Investments	720,986,859	38,667,568	759,654,427	655,034,517	17,552,792	672,587,309
Advances	485,051,568	-	485,051,568	438,356,170	-	438,356,170
Fixed assets	62,240,062	-	62,240,062	50,399,773	-	50,399,773
Intangible assets	1,975,898	-	1,975,898	1,756,127	-	1,756,127
Deferred tax assets	-	-	-	-	-	-
Other assets	40,316,857	-	40,316,857	33,751,113	-	33,751,113
	1,444,715,873	38,667,568	1,483,383,441	1,334,830,511	17,552,792	1,352,383,303

43.2.3 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, 2019				December 31, 2018			
	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	1,425,151,241	1,227,922,341	(80,271,378)	116,957,522	1,301,673,999	1,126,239,213	(66,414,629)	109,020,157
United States Dollar	56,981,096	130,223,325	73,575,765	333,536	50,030,348	109,211,476	58,937,581	(243,547)
Great Britain Pound Sterling	892,579	4,561,262	3,611,463	(57,220)	283,035	5,309,004	5,026,143	174
Japanese Yen	14,613	1,110	(22,808)	(9,305)	4,317	975	(2,521)	821
Euro	310,246	3,435,978	3,105,506	(20,226)	326,332	2,826,096	2,502,163	2,399
Other currencies	33,666	27,871	1,452	7,247	65,272	6,728	(48,737)	9,807
	58,232,200	138,249,546	80,271,378	254,032	50,709,304	117,354,279	66,414,629	(230,346)
	1,483,383,441	1,366,171,887	-	117,211,554	1,352,383,303	1,243,593,492	-	108,789,811

	December 31, 2019		December 31, 2018	
	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	-	1,651,213	-	(1,497,249)
- Other comprehensive income	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.2.4 Equity position Risk

Equity risk is the potential for incurring losses due to adverse changes in stock prices. The Bank 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, 2019		December 31, 2018	
	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	(501,285,673)	(610,980,676)	(590,410,345)	(570,465,731)

43.2.5 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 behavioural 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, 2019		December 31, 2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
After tax Impact of increase in interest rates by 1%				
– Profit and loss account	-	(153,019)	-	-
– Other comprehensive income	(2,014,326)	-	(1,284,209)	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

December 31, 2019											
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											
Cash and balances with treasury banks	119,935,126	16,509,764	-	-	-	-	-	-	-	-	103,425,362
Balances with other banks	602,582	-	-	-	-	-	-	-	-	-	602,582
Lending to financial institutions	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-	-
Investments	759,654,427	273,486,166	299,087,158	11,271,561	55,989,298	58,286,547	9,452,969	10,765,765	7,091,383	-	34,223,580
Advances	485,051,568	199,724,882	133,195,835	95,709,661	24,414,511	548,136	1,168,105	5,108,162	18,140,328	4,778,872	2,263,076
Other assets	35,518,167	-	-	-	-	-	-	-	-	-	35,518,167
	1,414,368,791	499,623,591	435,987,135	106,981,222	80,403,809	58,834,683	10,621,074	15,873,927	25,231,711	4,778,872	176,032,767
Liabilities											
Bills payable	7,878,626	-	-	-	-	-	-	-	-	-	7,878,626
Borrowings	266,448,386	220,053,947	17,002,396	7,539,422	140,611	400,733	199,152	3,137,791	17,974,334	-	-
Deposits and other accounts	1,049,018,804	125,011,712	235,893,774	312,174,543	42,431,719	14,219,030	1,965,574	1,734,959	370,974	-	315,216,519
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	36,559,513	-	-	-	-	-	-	-	-	-	36,559,513
	1,359,905,329	345,065,659	252,896,170	319,713,965	42,572,330	14,619,763	2,164,726	4,872,750	18,345,308	-	359,654,668
On-balance sheet gap	54,463,462	154,557,932	183,090,965	(212,732,743)	37,831,479	44,214,920	8,456,348	11,001,177	6,886,403	4,778,872	(183,621,891)
Off-balance sheet financial instruments											
Documentary credits and short-term trade-related transactions	92,700,647	10,620,023	19,877,017	37,388,266	10,648,056	12,520,902	577,593	196,028	-	872,762	-
Commitments in respect of purchase of:											
- forward foreign exchange contracts	220,381,401	71,170,538	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-
- forward government securities transactions	464,217	464,217	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
	220,845,618	71,634,755	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-
Commitments in respect of sale of:											
- forward foreign exchange contracts	138,500,517	46,693,645	38,926,182	52,880,690	-	-	-	-	-	-	-
- forward government securities transactions	49,721	49,721	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-
	138,550,238	46,743,366	38,926,182	52,880,690	-	-	-	-	-	-	-
Other commitments											
	38,311,885	16,914,205	5,340,939	8,850,528	7,206,213	-	-	-	-	-	-
Off-balance sheet gap	213,307,912	52,425,617	45,409,465	79,057,570	22,247,975	12,520,902	577,593	196,028	-	872,762	-
Total Yield/Interest Risk Sensitivity Gap	267,771,374	206,983,549	228,500,430	(133,675,173)	60,079,454	56,735,822	9,033,941	11,197,205	6,886,403	5,651,634	(183,621,891)
Cumulative Yield/Interest Risk Sensitivity Gap	267,771,374	206,983,549	435,483,979	301,808,806	361,888,260	418,624,082	427,658,023	438,855,228	445,741,631	451,393,265	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

December 31, 2018										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Above 10 Years	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		
Rupees in '000										
On-balance sheet financial instruments										
Assets										
		99,177,561	14,128,800	-	-	-	-	-	-	85,048,761
Cash and balances with treasury banks		2,575,055	-	-	-	-	-	-	-	2,575,055
Balances with other banks		53,780,195	2,787,100	-	-	-	-	-	-	-
Lending to financial institutions	7.95%	672,587,309	231,024,247	20,049,288	32,732,625	893,744	5,816,244	7,291,693	16,569,201	33,860,240
Investments	7.94%									
Advances	7.35%	438,356,170	40,863,430	237,269,909	35,018,571	1,248,347	3,499,197	7,321,457	11,978,040	285,953
Other assets		28,986,261	-	-	-	-	-	-	-	28,986,261
		1,295,462,551	337,009,572	564,407,036	67,751,196	2,142,091	9,315,441	14,613,150	28,547,241	150,756,270
Liabilities										
		7,752,959	-	-	-	-	-	-	-	7,752,959
Bills payable		225,882,986	173,702,776	27,973,227	10,161,557	40	641,607	1,556,729	11,564,754	-
Borrowings	5.88%									
Deposits and other accounts	3.51%	984,463,067	121,284,355	229,412,178	295,508,730	53,568,188	825,194	876,633	534,810	262,974,151
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-
Subordinated debt		-	-	-	-	-	-	-	-	-
Other liabilities		20,156,646	-	-	-	-	-	-	-	20,156,646
		1,238,255,658	294,987,131	257,385,405	305,670,287	53,568,228	19,681,016	1,466,801	12,099,564	290,883,756
On-balance sheet gap		57,206,893	42,022,441	307,021,631	(189,596,965)	14,182,968	(17,538,925)	7,848,640	16,447,677	(140,127,486)
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	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	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	1,173,855
Total Yield/Interest Risk Sensitivity Gap		305,817,139	136,682,021	360,774,085	(140,881,494)	38,204,287	3,469,447	9,742,082	13,872,744	(140,127,486)
Cumulative Yield/Interest Risk Sensitivity Gap		305,817,139	136,682,021	497,456,106	356,574,612	394,778,899	398,248,346	407,990,428	421,863,172	445,944,625
-		-	-	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

Reconciliation to total assets	December 31, 2019	December 31, 2018	Reconciliation to total liabilities	December 31, 2019	December 31, 2018
	(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)
Balance as per balance sheet	1,483,383,441	1,352,383,303	Balance as per balance sheet	1,366,171,887	1,243,593,492
Less: Non financial assets			Less: Non financial liabilities		
Fixed assets	64,215,960	52,155,900	Deferred tax liabilities	5,912,375	4,751,359
Other assets	4,798,690	4,764,852	Other liabilities	354,183	586,475
	69,014,650	56,920,752		6,266,558	5,337,834
Total financial assets	1,414,368,791	1,295,462,551	Total financial liabilities	1,359,905,329	1,238,255,658

43.3 Operational Risk

The Bank, like all financial institutions, is exposed to different 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 a BoD approved BCP policy and 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.

43.4 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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.4.1 Maturities of Assets and Liabilities – based on contractual maturity of the assets and liabilities of the Bank

December 31, 2019												
	Total	Upto 1 Day	Upto 7 Days	Upto 14 Days	Upto 1 Month	Upto 2 Months	Upto 3 Months	Over 3 to 6 Months	Upto 1 year	Upto 2 years	Upto 3 years to 5 years	Over 5 years
Rupees in '000												
Assets												
Cash and balances with treasury banks	119,935,126											
Balances with other banks	602,582											
Lending to financial institutions	13,606,921		3,425,999	5,065,760	1,411,020	3,704,142						
Investments – net	759,654,427	34,223,590	178,403,209	-	79,249,756	139,548,347	91,671,218	867,746	55,989,298	10,175,613	13,925,985	96,352,852
Advances – net	485,051,568	79,659,983	547,774	1,187,531	13,862,657	7,883,474	16,933,799	36,596,571	53,828,814	48,805,745	60,437,040	31,726,741
Fixed assets	62,240,062	17,185	103,109	120,294	292,141	532,729	532,729	1,598,188	1,598,188	3,352,692	3,033,557	46,154,840
Intangible assets	1,975,898	756	4,535	5,291	12,850	23,432	23,432	70,295	70,295	281,180	562,361	569,996
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets – net	40,316,957	596,785	3,590,707	4,177,492	10,550,846	4,005,541	2,554,371	3,964,817	1,194,215	642,806	2,782,041	4,242,178
	1,483,383,441	235,035,997	186,065,333	10,556,368	105,379,270	155,707,665	111,715,549	43,097,617	88,128,894	110,828,744	63,209,712	179,046,607
Liabilities												
Bills payable	7,878,626	7,878,626										
Borrowings	266,448,386	2,071	188,180,537	1,284,249	15,167,424	5,174,127	11,828,269	12,959,088	134,392	400,733	199,152	17,974,334
Deposits and other accounts	1,049,018,804	868,560,834	12,905,548	9,854,157	20,969,037	25,220,982	30,861,262	46,929,499	19,856,144	716,644	1,965,574	370,975
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,912,375	38,451	230,705	269,156	667,731	581,039	328,947	75,154	62,071	491,239	231,376	2,355,305
Other liabilities	36,913,695	551,860	3,311,162	3,863,023	9,793,258	2,007,265	975,964	1,479,030	1,061,118	2,016,077	1,539,754	6,584,526
	1,386,171,887	877,031,842	214,627,952	15,270,585	46,597,450	32,983,413	43,994,442	61,442,771	21,113,725	3,624,693	3,935,856	27,285,140
Net assets	117,211,554	(641,995,845)	(28,562,619)	(4,714,217)	58,781,820	122,724,252	67,721,107	(18,345,154)	68,015,169	107,204,051	59,273,856	151,761,467
Share capital	11,450,739											
Reserves	22,270,225											
Unappropriated profit	57,681,932											
Surplus on revaluation of assets net of tax	25,808,658											
	117,211,554											

Notes to the Consolidated Financial Statements

for the year ended December 31, 2019

43.4.1 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	Over 5 years
Rupees in '000														
Assets														
Cash and balances with treasury banks	99,177,561	99,177,561	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,575,055	2,575,055	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	53,780,195	-	48,488,580	500,000	2,024,515	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	6,135,369	1,135,813	7,051,206	8,471,835	25,542,242
Advances – net	438,356,170	70,461,195	2,033,096	194,526	13,015,876	6,728,414	10,881,765	30,016,092	16,468,371	101,843,527	58,049,695	46,900,308	50,434,778	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	2,138,850	37,572,269
Intangible assets	1,756,127	674	4,045	4,719	11,460	20,888	20,888	62,694	62,694	62,693	250,775	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	586,758	2,732,176	4,290,836
	1,352,383,303	208,294,919	273,090,728	3,227,433	29,263,180	329,290,875	17,042,978	52,524,818	44,982,382	110,799,124	62,805,965	57,545,586	64,279,189	99,236,126
Liabilities														
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	11,564,753
Deposits and other accounts	984,463,067	809,675,545	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	614,919
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	175,929	196,871	146,541	2,000,255
Other liabilities	20,743,121	371,706	2,230,240	2,601,946	6,311,819	744,625	711,642	1,025,241	908,295	893,367	1,044,424	773,156	895,342	2,231,318
	1,243,593,492	817,806,477	171,760,648	20,082,042	43,367,538	44,223,980	27,165,367	54,592,710	13,754,236	24,831,430	3,695,746	2,436,828	3,475,245	16,411,245
Net assets	108,789,811	609,511,558	101,330,080	(16,854,609)	(14,104,358)	285,066,895	(10,122,389)	(2,057,892)	31,228,146	85,967,694	59,110,219	55,108,758	60,803,944	82,824,881
Share capital														
Reserves	11,450,739													
Unappropriated profit	20,276,515													
	53,965,383													
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, 2019

43.4.2 Maturities of assets and liabilities – based on expected maturities of the assets and liabilities of the Bank

December 31, 2019										
	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										
Assets										
Cash and balances with treasury banks	119,935,126	33,818,371	10,456,036	6,768,479	4,526,963	2,496,978	2,774,287	-	-	59,094,012
Balances with other banks	602,582	602,582	-	-	-	-	-	-	-	-
Lending to financial institutions	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-
Investments – net	759,654,427	259,295,601	231,219,565	867,746	55,989,298	68,646,525	19,575,316	13,925,985	108,719,391	1,415,000
Advances – net	485,051,568	25,925,953	27,701,487	39,002,766	142,911,817	67,716,835	69,217,337	80,848,632	26,990,835	4,735,906
Fixed assets	62,240,062	532,729	1,065,458	1,598,188	3,196,376	3,352,692	3,306,222	3,033,557	4,010,781	42,144,059
Intangible assets	1,975,898	23,432	46,864	70,295	140,590	281,180	281,180	562,361	569,996	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets – net	40,316,857	18,905,830	6,559,912	3,964,817	2,598,321	642,806	640,952	2,762,041	4,242,178	-
	1,483,383,441	349,007,277	280,753,464	52,272,291	209,363,365	143,137,016	95,795,294	101,132,576	144,533,181	107,388,977
Liabilities										
Bills payable	7,878,626	7,878,626	-	-	-	-	-	-	-	-
Borrowings	266,448,386	214,634,281	17,002,396	12,959,088	140,611	400,733	199,152	3,137,791	17,974,334	-
Deposits and other accounts	1,049,018,804	125,011,712	149,008,992	96,457,612	64,513,767	36,301,078	41,501,940	1,734,959	370,974	534,117,770
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities – net	5,912,375	1,206,043	909,986	75,154	425,064	491,239	231,376	218,208	746,915	1,608,390
Other liabilities	36,913,696	17,519,303	2,983,229	1,479,030	2,157,967	2,016,077	1,539,754	2,633,810	6,584,526	-
	1,366,171,887	366,249,965	169,904,603	110,970,884	67,237,409	39,209,127	43,472,222	7,724,768	25,676,749	535,726,160
Net assets	117,211,554	(17,242,688)	110,848,861	(58,698,593)	142,125,956	103,927,889	52,323,072	93,407,808	118,856,432	(428,337,183)
Share capital	11,450,739									
Reserves	22,270,225									
Unappropriated profit	57,681,932									
Surplus on revaluation of assets net of tax	25,808,658									
	117,211,554									
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										
Assets										
Cash and balances with treasury banks	99,177,561	27,339,089	10,192,026	4,908,440	4,104,803	1,973,027	2,007,802	-	-	48,652,374
Balances with other banks	2,575,055	2,575,055	-	-	-	-	-	-	-	-
Lending to financial institutions	53,780,195	50,993,095	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	438,356,170	22,695,777	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	-
	1,352,383,303	344,540,180	361,225,283	60,702,156	164,381,450	90,858,480	84,816,797	81,695,716	74,076,901	90,086,340
Liabilities										
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	20,743,121	11,515,711	1,456,267	1,025,241	1,801,662	1,044,424	773,156	895,342	2,231,318	-
	1,243,593,492	309,728,747	203,430,521	101,097,901	72,240,379	37,350,459	36,684,713	3,475,245	14,611,308	464,974,219
Net assets	108,789,811	34,811,433	157,794,762	(40,395,745)	92,141,071	53,508,021	48,132,084	78,220,471	59,465,593	(374,887,879)
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, 2019

43.5 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 and BRMC monitors 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.

44 NON ADJUSTING EVENT AFTER THE REPORTING DATE

- 44.1 The Board of Directors of the Bank in its meeting held on February 7, 2020 has proposed a final cash dividend in respect of 2019 of Rs. 2.00 per share (2018: cash dividend Rs. 2.00 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, 2019 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2020.

45 GENERAL

- 45.1 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.
- 45.2 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.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 7, 2020 by the Board of Directors of the Bank.

Mehmud ul Hassan
Chief Financial Officer

Dr. Muhammad Akram Sheikh
Director

Tahir Hassan Qureshi
President and Chief Executive

Mohammad Naeem Mukhtar
Chairman

Zafar Iqbal
Director

Pattern of Shareholding

as at December 31, 2019

Information for annual financial statements as on December 31, 2019.

1 Issued, Subscribed and Paid-up Capital

Ordinary Shares	As on December 31, 2019		As on December 31, 2018	
	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
	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.	972,510,410	84.9299
Total	972,510,410	84.9299

No. of Shareholders	Shareholdings' Slab			Total Shares Held
	From		To	
6133	1	to	100	236,478
9073	101	to	500	2,518,661
1108	501	to	1000	802,483
2082	1001	to	5000	4,425,151
376	5001	to	10000	2,760,243
149	10001	to	15000	1,869,323
78	15001	to	20000	1,412,602
58	20001	to	25000	1,307,612
33	25001	to	30000	905,558
22	30001	to	35000	709,273
19	35001	to	40000	719,688
19	40001	to	45000	818,199
10	45001	to	50000	487,643
5	50001	to	55000	255,469
5	55001	to	60000	287,826
7	60001	to	65000	431,974
6	65001	to	70000	411,996
6	70001	to	75000	443,000
3	75001	to	80000	238,000
7	80001	to	85000	576,300
3	85001	to	90000	260,863
8	95001	to	100000	799,000
5	100001	to	105000	519,369
4	105001	to	110000	424,900
2	110001	to	115000	223,871
2	115001	to	120000	238,844
4	120001	to	125000	489,600
1	125001	to	130000	127,500
1	130001	to	135000	131,674
3	145001	to	150000	447,800

No. of Shareholders	Shareholdings' Slab			Total Shares Held
	From		To	
3	150001	to	155000	457,927
2	155001	to	160000	316,200
1	165001	to	170000	165,500
3	175001	to	180000	530,950
1	180001	to	185000	181,820
1	185001	to	190000	189,300
1	195001	to	200000	200,000
1	210001	to	215000	210,500
1	215001	to	220000	220,000
1	235001	to	240000	236,437
1	240001	to	245000	243,200
1	250001	to	255000	250,500
1	260001	to	265000	264,800
2	290001	to	295000	582,800
1	300001	to	305000	304,100
1	345001	to	350000	346,400
1	350001	to	355000	351,600
1	355001	to	360000	360,000
1	370001	to	375000	370,500
1	375001	to	380000	378,000
1	400001	to	405000	403,500
3	495001	to	500000	1,500,000
1	525001	to	530000	528,500
1	535001	to	540000	536,900
1	540001	to	545000	541,900
1	565001	to	570000	569,800
1	580001	to	585000	580,500
2	610001	to	615000	1,224,500
1	640001	to	645000	641,200
1	735001	to	740000	737,700
1	800001	to	805000	801,700
1	820001	to	825000	822,151
1	950001	to	955000	953,100
1	960001	to	965000	964,400
1	995001	to	1000000	1,000,000
1	1015001	to	1020000	1,015,897
1	1035001	to	1040000	1,038,500
1	1065001	to	1070000	1,067,614
1	1195001	to	1200000	1,200,000
1	1225001	to	1230000	1,227,500
1	1230001	to	1235000	1,230,104
1	1525001	to	1530000	1,530,000
1	1640001	to	1645000	1,644,700
1	1755001	to	1760000	1,755,300
1	1835001	to	1840000	1,839,100
1	1995001	to	2000000	1,999,500
1	2580001	to	2585000	2,580,300
1	2735001	to	2740000	2,740,000
1	2885001	to	2890000	2,885,747
1	3070001	to	3075000	3,073,600
1	3125001	to	3130000	3,127,226
1	4910001	to	4915000	4,911,500
1	4995001	to	5000000	5,000,000
1	6260001	to	6265000	6,264,200
1	6275001	to	6280000	6,277,500
1	9755001	to	9760000	9,755,604
1	30995001	to	31000000	31,000,000
1	34210001	to	34215000	34,211,743
1	972510001	to	972515000	972,510,410
19301				1,145,073,830

Categories of Shareholders

as at December 31, 2019

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Parent, Associated Companies, undertakings and related parties			
IBRAHIM HOLDINGS (PRIVATE) LIMITED	1	972,510,410	84.9299
TRUSTEES OF ABL EMPLOYEES SUPERANNUATION (PENSION) FUND A/C	1	34,211,743	2.9877
Sub-Total	2	1,006,722,153	87.9177
Directors and their Spouse(s) and Minor Children			
MOHAMMAD NAEEM MUKHTAR	1	2,500	0.0002
MUHAMMAD WASEEM MUKHTAR	1	2,500	0.0002
SHEIKH MUKHTAR AHMAD	1	2,500	0.0002
ABDUL AZIZ KHAN	1	26,620	0.0023
ZAFAR IQBAL	1	2,500	0.0002
DR. MUHAMMAD AKRAM SHEIKH	1	2,500	0.0002
NAZRAT BASHIR	1	100	0.0000
Sub-Total	7	39,220	0.0034
Banks, Development Finance Institutions, Non-Banking Financial Institutions			
AL-FAYSAL INVESMENT BANK	1	55	0.0000
STANDARD CHARTERED BANK (PAKISTAN) LIMITED	1	22,118	0.0019
HABIB METROPOLITAN BANK LIMITED	1	580,500	0.0507
MCB BANK LIMITED - TREASURY	1	6,264,200	0.5471
NATIONAL BANK OF PAKISTAN	5	2,602,590	0.2273
THE BANK OF PUNJAB, TREASURY DIVISION.	1	1,999,500	0.1746
BANK ALFALAH LIMITED	1	1,530,000	0.1336
ESCORTS INVESTMENT BANK LIMITED	1	77	0.0000
FIRST CREDIT & INVESTMENT BANK LIMITED	1	21,900	0.0019
Sub-Total	13	13,020,940	1.1371
NIT AND ICP			
IDBL (ICP UNIT)	1	762	0.0001
INVESTMENT CORPORATION OF PAKISISTAN	3	14,438	0.0013
Sub-Total	4	15,200	0.0013
Executives*			
OTHER EMPLOYEES	541	612,842	0.0535
Sub-Total	542	614,236	0.0536
Insurance Companies			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	2,885,747	0.2520
JUBILEE GENERAL INSURANCE COMPANY LIMITED	1	614,100	0.0536
ALPHA INSURANCE CO. LTD.	1	121,000	0.0106
EFU LIFE ASSURANCE LTD	1	4,911,500	0.4289
IGI LIFE INSURANCE LIMITED	2	24,100	0.0021
ADAMJEE INSURANCE COMPANY LIMITED	1	6,277,500	0.5482
GULF INSURANCE COMPANY LIMITED.	1	723	0.0001
ORIENT INSURANCE CO.LTD.,	1	404	0.0000
PREMIER INSURANCE LIMITED	1	5,100	0.0004
Sub-Total	10	14,840,174	1.2960

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Modarabas and Mutual Funds			
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 NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	1	158,600	0.0139
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	236,437	0.0206
GOVERNMENT OF SINDH - PROVINCIAL PENSION FUND	1	31,000,000	2.7072
TRUSTEE PAK HERALD PUBLICATIONS (Pvt) LTD STAFF PENSION FUND	1	13,600	0.0012
PAKISTAN HERALD PUBLICATIONS (PVT) LTD. STAFF PENSION FUND	1	3,500	0.0003
CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	1	220,000	0.0192
TRUSTEE OF PAK. HERALD PUBLICATION (PVT.) LTD.-SPF	1	6,600	0.0006
CDC - TRUSTEE AGPF EQUITY SUB-FUND	1	4,000	0.0003
TRUSTEE-ANPL MANAGEMENT STAFF PENSION FUND	1	11,000	0.0010
ICI PAKISTAN MANAGEMENT STAF PENSION FUND	1	175,500	0.0153
ADAMJEE LIFE ASSURANCE COMPANY LTD-IMF	1	1,755,300	0.1533
WYETH PAKISTAN DC PENSION FUND	1	3,200	0.0003
PFIZER PAKISTAN DC PENSION FUND	1	6,000	0.0005
PFIZER PAKISTAN PROVIDENT FUND	1	5,000	0.0004
ADAMJEE LIFE ASSURANCE COMPANY LIMITED-NUIL Fund	1	291,600	0.0255
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	41,762	0.0036
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	3,127,226	0.2731
CDC - TRUSTEE NBP STOCK FUND	1	3,073,600	0.2684
CDC - TRUSTEE NBP BALANCED FUND	1	153,800	0.0134
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	1,067,614	0.0932
CDC - TRUSTEE ABL STOCK FUND	1	536,900	0.0469
CDC - TRUSTEE NBP SARMAZA IZAFAT FUND	1	123,700	0.0108
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	1	370,500	0.0324
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	641,200	0.0560
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	1,230,104	0.1074
MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	1	3,700	0.0003
CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	1	528,500	0.0462
CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	1	1,644,700	0.1436
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	1	131,674	0.0115
CDC - TRUSTEE PICIC INVESTMENT FUND	1	541,900	0.0473
CDC - TRUSTEE PICIC GROWTH FUND	1	737,700	0.0644
CDC - TRUSTEE ALFALAH GHP VALUE FUND	1	62,000	0.0054
CDC - TRUSTEE HBL - STOCK FUND	1	610,400	0.0533
CDC - TRUSTEE ALFALAH GHP STOCK FUND	1	147,800	0.0129
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	107,900	0.0094
CDC - TRUSTEE HBL EQUITY FUND	1	81,300	0.0071
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	59,100	0.0052
CDC - TRUSTEE ALLIED FINERGY FUND	1	82,000	0.0072
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	1	10,400	0.0009
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	30,000	0.0026
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	123,900	0.0108
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1	1,839,100	0.1606
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	1	569,800	0.0498
Sub-Total	46	51,569,694	4.5036
FOREIGN INVESTORS			
MAHMOOD AHMAD CHAUDHRY	1	10,000	0.0009
ADAM JOOSUB	1	10,000	0.0009
SHOKATALI MOHAMEDALI ALIBHAI	1	25,000	0.0022
CYRUS MINOCHER PATEL	1	4,350	0.0004
HABIB BANK AG ZURICH, ZURICH, SWITZERLAND	1	6,000	0.0005
THE BANK OF NEW YORK MELLON	1	1	0.0000
ARROW DOGS OF THE WORLD ETF	1	42,158	0.0037
Sub-Total	7	97,509	0.0085
General Public-Individual	18473	42,939,524	3.7499
Others	197	15,215,180	1.3288
Grand Total	19301	1,145,073,830	100.0000

*CEO, all Chiefs & Group Heads are termed as Executives

All the trades in shares carried out by the Sponsors, Directors, Executives, their spouses and minor children reported during the year 2019 are as under:

S.No	Name	Designation	Sale	Purchase
1	M/S. IBRAHIM HOLDINGS (PVT.) LIMITED	Sponsor	-	4,598,800
2	MS. NAZRAT BASHIR	Director	2,500	100

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.

NOTICE OF 74th ANNUAL GENERAL MEETING

Notice is hereby given that 74th Annual General Meeting of Allied Bank Limited (the "Bank") will be held on Wednesday, March 25, 2020 at 11:00 a.m. at Grand Ball Room 'D', 4th Floor, The Nishat Hotel, (Entrance from Gate No. 07), adjacent to Emporium Mall, Main Abdul Haque Road, Johar Town, Lahore to transact the following business:

Ordinary Business:

1. To confirm minutes of the 73rd Annual General Meeting of Allied Bank Limited held on March 28, 2019. Copy of the said minutes is being provided to all shareholders along with this notice.
2. To receive, consider and adopt Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2019 together with the Directors' Report, Auditors' Report and Chairman's Review Report thereon.

As required under Section 223 (7) of the Companies Act 2017, Financial Statements of the Bank have been uploaded on website of the Bank which can be downloaded from the following link:

<https://www.abl.com/investor-relations/financials/financial-presentations/>

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 (20% each for 1st, 2nd & 3rd quarters aggregating to Rs.6.00 per share) already paid to the shareholders for the year ended December 31, 2019.
4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2020 and fix their remuneration. The retiring auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants have completed the maximum period of 5 Years in accordance with the regulation No. 33 of the Listed Companies (Code of Corporate Governance) Regulations, 2019. However, the Board of Directors of the Bank with permission of State Bank of Pakistan (SBP) and Securities & Exchange Commission of Pakistan (SECP) has recommended re-appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants for the next term and the audit firm appointed will hold office till conclusion of the next AGM to be held in 2021.

Special Business:

5. To accord Post facto approval of Bank's "Board Remuneration Policy" framed in accordance with SBP BPRD Circular # 3 dated August 17, 2019 by passing an ordinary resolution.

Other Business:

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

Date: March 03, 2020
(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 of Bank's "Board Remuneration Policy" framed in accordance with SBP BPRD Circular # 3 dated August 17, 2019 by passing an ordinary resolution.

In terms of SBP BPRD Circular No. 03 dated August 17, 2019 the Human Resource & Remuneration Committee (HR&RC) of Allied Bank Limited has formulated a policy containing comprehensive, fair and transparent remuneration/compensation mechanism for Chairman and other Non-Executive Directors of the Bank. All Non-Executive Directors are interested parties of this policy.

The Policy on the recommendation of HR&RC was approved by the Board of Directors in its 243rd Meeting held on December 16, 2019. Accordingly, the policy is being placed before shareholders for their post facto approval.

The Board Remuneration Policy of the Bank will be available to the members at Company Secretary Office, located at Bank's Registered / Head Office, 3 – Tipu Block, New Garden Town, Lahore, during 9:00 a.m. to 5:30 p.m. on working days from March 04, 2020 to March 24, 2020. The document will also be available for inspection of the members at the time of Annual General Meeting.

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

"Resolved that Bank's Board Remuneration Policy be and is hereby approved on post facto basis."

NOTES:

- i) All members are entitled to attend and vote at the Meeting.
- ii) A member entitled to attend and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote for him/her: and the proxy appointed should be a member of Allied Bank Limited (Proxy Form Attached).
- iii) The instrument of proxy duly completed and signed along with power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of such power of attorney must be valid and deposited at the Registered Office of the Bank or its **Share Registrar, M/s. CDC Share Registrar Services Limited at CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi** not less than 48 hours before the start 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.
- iv) Share Transfer Books of the Bank will remain closed from **Thursday, March 19, 2020 to Wednesday, March 25, 2020 (both days inclusive)**. Share transfer requests received at Bank's Share Registrar M/s. CDC Share Registrar Services Limited on the above mentioned address before the close of business on Wednesday, March 18th, 2020 will be treated as being in time for the purpose of transfer of shares.

- v) Members are requested to immediately notify changes in their registered addresses, if any, to the Bank's Share Registrar before start of the book closure period.
- 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 CDC's 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 not 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 CDC's 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.

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 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.

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.

Financial Capital

Financial Capital represent shareholder's equity.

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.

Human Capital

The collective skills, knowledge, and other intangible assets of individuals that can be used to create economic value for our customers.

Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

Intellectual Capital

Brand value, research and development, innovation capacity, reputation and strategic partnerships.

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.

Manufactured Capital

It includes business structure and operational processes, including physical, digital and IT Infrastructure, Product and Services that provides the framework and mechanics of how the bank does business and create values.

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.

Natural Capital

Impact on natural resources through operations and business activities.

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, refinance 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.

Social & Relationship Capital

Strong stakeholder relationships, including the communities in which we operate. Building a strong and thriving society as well as financial and digital ecosystem.

YOY

Year on Year (2019 vs 2018).

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	=	$\frac{\text{Market value of share at Year End}}{\text{Net Assets} / \text{No of Shares}}$
NPL Coverage Ratio	=	$\frac{\text{Provision against NPL's}}{\text{Non-performing Loans}}$

Form of Proxy

74th 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 Folio No. _____
and/or CDC Participant ID No. _____ and Account/Sub-account No. _____ do hereby appoint Mr./Ms. _____
Folio No./CDC No. _____ having CNIC _____ failing him/her, Mr./Ms. _____ Folio No./ CDC No. _____
having CNIC _____ of _____ as my/our proxy and to attend, act and vote for me/us on my/our behalf at the 74th Annual General
Meeting of the Bank to be held on Wednesday, the March 25, 2020 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 _____ 2020.

Witness

1. Signature _____
Name _____
CNIC # _____
Address _____

AFFIX
Revenue Stamp
of Rs. 5/-

Signature of
Member (s) _____

[The signature should agree with the
specimen registered with the Company]

Witness

2. Signature _____
Name _____
CNIC # _____
Address _____

IMPORTANT NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint another member as a proxy to attend, speak and vote for him/her. The proxy appointed should be a member of Allied Bank Limited.
2. This instrument of proxy duly completed and signed along with 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 or Bank's Share Registrar at M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S, Main Shahrah-e-Faisal, Karachi 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.
3. **For CDC Account Holders/Corporate Entities:**
 - i) Attested copies of valid 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.
4. 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.
5. Members are requested to immediately notify changes in their registered addresses if any, to Bank's Share Registrar at the address mentioned above 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

میں / ہم _____ ولد / زوجہ _____ ساکن _____
 بحیثیت ممبر الائیڈ بینک لمیٹڈ اور ملکیتی عام حصص بمطابق فولیو نمبر _____ اور / یا سی ڈی سی شراکت دار آئی ڈی نمبر _____ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر _____
 محترم / محترمہ _____ فولیو نمبر _____ اور / یا سی ڈی سی شراکت دار آئی ڈی نمبر _____ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر _____
 اور قومی شناختی کارڈ نمبر _____ عدم دستیابی کی صورت میں محترم / محترمہ _____ فولیو نمبر _____ اور / یا سی ڈی سی شراکت دار آئی ڈی نمبر _____
 _____ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر _____ اور قومی شناختی کارڈ نمبر _____ کو پراکسی مقرر کرتا / کرتی
 کرتے ہیں تاکہ وہ میری جگہ میری / ہماری طرف سے بینک کے 74 ویں سالانہ اجلاس عام جو مورخہ 25 مارچ 2020 بروز بدھ منعقد ہو رہا ہے میں اور / یا اس کے کسی ملتی شدہ اجلاس میں شرکت
 کرے، بات کرے اور حق رائے دہی استعمال کرے بالکل اس طرح جیسے اگر میں / ہم خود اس جگہ موجود ہوتا / ہوتی ہوتے۔
 گواہ نمبر 1 _____ میرے دستخط بتاریخ _____ 2020ء

پانچ روپے کارپوریشن سٹیمپ

دستخط نمبر _____
 دستخط بینک میں رجسٹرڈ نمونے
 سے مطابقت رکھنے چاہیے۔

اہم نوٹ:-

- 1) اجلاس میں شرکت کرنے، ووٹ دینے کا اہل رکن کسی اور کو اپنی جگہ پر کسی مقرر کر سکتا ہے، جس کو شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔ مقررہ پراکسی کو الائیڈ بینک لمیٹڈ کا ممبر ہونا چاہیے۔
- 2) پراکسی مقرر کئے جانے سے متعلق دستاویز (DOCUMENT) اور پاور آف اٹارنی (POWER OF ATTORNEY) یا دیگر کوئی اور اتھارٹی جس کے تحت اس پر دستخط کئے گئے ہیں یا اس پاور آف اٹارنی کی نوٹری سے تصدیق شدہ نقل کو موثر ہونے کے لئے الائیڈ بینک لمیٹڈ کے رجسٹرڈ آفس یا میسرز CDC شمیر رجسٹرڈ سرورسز لمیٹڈ، CDC ہاؤس-99، بی، بلاک-بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی میں اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازم جمع کروانا ہوگی۔ واضح رہے کہ 48 گھنٹے میں چھٹی کا دن شامل نہیں ہوگا۔
- 3) سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لئے:
 * بینیفیشل اوزر اور پراکسی کو شناختی کارڈ / پاسپورٹ کی تصدیق شدہ نقل پراکسی فارم کے ساتھ جمع کروانا ہوگی۔
 * اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا / کرے گی۔
 * کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ مخصوص دستخط کے ساتھ پراکسی فارم کے ساتھ کمپنی کو جمع کروانا ہوگی۔
- 4) اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور شیئر رجسٹر کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کرائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کا عدم تصور ہوں گی۔
- 5) ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتے میں تبدیلی سے متعلق بینک کے شیئر رجسٹر کو اپروپریٹے گئے پتے پر فوری طور پر کتب کی بندش سے قبل مطلع کریں۔ ایسی درخواستیں کتب کی بندش سے قبل پہنچ جانا چاہئیں۔



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



**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


@jamapunji_pk

*Mobile apps are also available for download for android and ios devices

