

ALLIED BANK LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

<u>December 31, 2019</u>		<u>December 31, 2018</u>				<u>Note</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>US \$ in '000</u>							<u>Rupees in '000</u>	
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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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	23	122,637,434	73,274,161
523,934	265,802	Mark-up / return / interest expensed	24	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	25	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	26	1,578,881	2,381,713
2,600	1,630	Other income	27	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	28,184,528	24,519,149
(4,968)	(7,252)	Workers welfare fund - net	29	(769,220)	(1,122,970)
1,260	529	Other charges	30	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	31	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	32	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	33	12.32	11.25

The annexed notes 1 to 46 and annexures I to III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

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ALLIED BANK LIMITED
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>		<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<u>US \$ in '000</u>			<u>Rupees in '000</u>	
91,140	83,181	Profit after taxation for the year	14,112,911	12,880,518
<i>Other comprehensive income</i>				
<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 surplus / (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	Remeasurement (loss) / gain on defined benefit obligations - net of tax	(502,598)	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		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.

Chief Financial Officer

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ALLIED BANK LIMITED
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Capital reserve		Statutory Reserve	Revenue reserve		Surplus on revaluation of		Un-appropriated profit	Total
	Share capital	Exchange translation reserve		General reserve	Investments	Fixed assets	Non-banking assets		
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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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		692,374	(939,121)
(37)	-	Unrealized gain on revaluation of 'held-for-trading' securities	31	(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
<i>(Increase) / decrease in operating assets</i>					
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)
<i>Increase / (decrease) in operating liabilities</i>					
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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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 its 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.

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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.

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR 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.

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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2.4.4 Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Bank's future taxable profits are taken into account.

2.4.5 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the reporting date and the rates contracted.

2.4.6 Depreciation / amortization

In making estimates of the depreciation / amortization, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and estimates the useful life. The method applied and useful lives estimated are reviewed at each financial year end and if there is a change in the expected pattern or timing of consumption of the future economic benefits embodied in the assets, the estimate would be changed to reflect the change in pattern. Such a change is accounted for as change in accounting estimates in accordance with International Accounting Standard 8 - Accounting Policies, 'Changes in Accounting Estimates and Errors'.

2.4.7 Defined benefits plan

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method. The actuarial assumptions used to determine the liability and related expense are disclosed in note 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).

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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.

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.

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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)
	<u>8,020,323</u>

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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)
	<u>8,555,677</u>

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.

	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	<u>8,479,325</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 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.

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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.

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.

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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 unguaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

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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

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 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.

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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.

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The Bank also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of fixed assets, non-banking assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of IAS-12 'Income Taxes'.

4.8 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 CrI.O.No. 98 and 99 of 2018 and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

c. 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.

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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.

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'.

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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.

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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 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.

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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.

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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

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.

ALLIED BANK LIMITED
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5 CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
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.

ALLIED BANK LIMITED
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	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

7.7 Securities held as collateral against lending to financial institutions

	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						
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

	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

ALLIED BANK LIMITED
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8 INVESTMENTS

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
8.1 Investments by type:	Rupees in '000							
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

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8.2 Investments by segments:	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								
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	626,834,650	(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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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
<i>Charge / reversals</i>		
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

8.3.2 Particulars of provision against debt securities

	December 31, 2019		December 31, 2018	
	NPI	Provision	NPI	Provision
Rupees in '000				
Category of classification				
<i>Domestic</i>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	365,331	365,331	367,161	367,161
	365,331	365,331	367,161	367,161
<i>Overseas</i>				
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.

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8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	December 31, 2019		December 31, 2018	
	Cost			
	Rupees in '000			
<i>Federal Government Securities - Government guaranteed</i>				
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
		677,300,056		610,683,028
<i>Shares</i>				
<i>Listed Companies</i>				
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
		21,940,831		22,646,719
	December 31, 2019		December 31, 2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
<i>Unlisted Companies</i>				
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	-	-
	3,446,507	6,660,731	3,781,378	5,438,758

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	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<u>Cost</u>	
	<u>Rupees in '000</u>	
<u>Non Government Debt Securities</u>		
<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>
<u>Open Ended Mutual Funds</u>		
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>
<u>Foreign Securities</u>		
<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:		
<u>Federal Government Securities - Government guaranteed</u>		
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>
<u>Non Government Debt Securities</u>		
<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).		
8.6 Details regarding subsidiary company:		<u>Subsidiary</u>
		<u>Asset</u>
		<u>Management</u>
		<u>Company</u>
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

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	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	467,845,262	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
<i>Provision against advances</i>							
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

9.1 Includes Net investment in finance lease as described below

	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								
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

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	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	<u>Rupees in '000</u>	
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

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:

<u>Category of Classification</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>NPLs</u>	<u>Specific Provision</u>	<u>NPLs</u>	<u>Specific Provision</u>
	<u>Rupees in '000</u>			
<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	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
		<u>Specific</u>	<u>General</u>	<u>Total</u>	<u>Specific</u>	<u>General</u>	<u>Total</u>
		<u>Rupees in '000</u>					
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	9.5	(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	9.6	(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

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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		-	-
		<u>1,918</u>	<u>31,736</u>
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		-	-
		<u>1,918</u>	<u>31,736</u>

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>

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10.2 Property and Equipment

	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 (Leased Premises)	Total
	Rupees in '000								
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 31, 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%	-

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	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 31, 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%	-

ALLIED BANK LIMITED
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10.3 Bank arranged for valuation of all Land and Buildings as at December 31, 2017 from four independent valuers {Sadrudin Associates (Pvt.) Ltd, Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt). Ltd.}. The revalued amounts of properties have been determined on the basis of market value. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
- Land (Freehold and leasehold)	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
		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.			

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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		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	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	-	115,915
	Pension fund	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	(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

ALLIED BANK LIMITED
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12.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

	December 31, 2019	December 31, 2018
	Rupees in '000	
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

	December 31, 2019	December 31, 2018
	Rupees in '000	
In Pakistan	7,878,626	7,752,959

ALLIED BANK LIMITED
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	Note	December 31, 2019	December 31, 2018
Rupees in '000			
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.

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

ALLIED BANK LIMITED
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	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
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	
				1,049,043,032	984,475,183	

16.2 Net outstanding value against prepaid cards is Rs. 128.403 million as at reporting date (December 31, 2018: 140.858 million).

ALLIED BANK LIMITED
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17 DEFERRED TAX LIABILITIES

December 31, 2019			
At January 1, 2019	Recognised in profit and loss account	Recognised in OCI	At December 31, 2019
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	46,313	68,871	115,184
- Post retirement medical benefits	42,980	-	42,980
- Workers welfare fund	790,207	(269,227)	520,980
	952,376	(200,356)	752,020
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)
- Surplus on revaluation on non banking assets	(23,962)	-	(112,827)
- Actuarial gains	(338,631)	-	270,629
- Accelerated tax depreciation / amortization	(1,385,520)	44,873	-
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-
	(5,707,804)	107,555	(1,050,081)
	(4,755,428)	(92,801)	(1,050,081)
	(5,898,310)		
December 31, 2018			
At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	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	-
- Surplus on revaluation of investments	(5,650,262)	-	2,857,924
- Surplus on revaluation of non banking assets	(25,789)	-	1,827
- Actuarial gains	(93,888)	-	(244,743)
- Accelerated tax depreciation / amortization	(1,295,641)	(89,879)	-
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-
	(8,287,775)	(35,037)	2,615,008
	(6,941,804)	(428,632)	2,615,008
	(4,755,428)		

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	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

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.

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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
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.

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20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
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

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	December 31, 2019	December 31, 2018
Note	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
	465,219,340	379,526,640
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
	32,308,285	28,018,148
21.2 Commitments		
<i>Documentary credits and short term trade related transactions:</i>		
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
<i>Commitments for acquisition of:</i>		
fixed assets	4,199,234	2,895,671
intangible assets	-	119,768
	423,987,452	342,770,483
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
	358,881,918	207,509,971
21.2.2 Commitments in respect of forward government securities transactions		
Purchase	464,217	57,768,858
Sale	49,721	-
	513,938	57,768,858
21.3 Other contingent liabilities		
21.3.1 Claims against the Bank not acknowledged as debt	8,923,603	8,738,009

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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 Honourable 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 Honourable 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.

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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 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.

ALLIED BANK LIMITED
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	Note	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Rupees in '000</u>			
23	MARK-UP / RETURN / INTEREST EARNED		
	<i>On:</i>		
	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
		<u>122,637,434</u>	<u>73,274,161</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	<i>On:</i>		
	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	-
		<u>81,129,964</u>	<u>41,158,720</u>
25	FEE AND COMMISSION INCOME		
	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
		<u>5,092,354</u>	<u>4,360,541</u>
26	GAIN ON SECURITIES		
	Realised - net	26.1 1,573,114	2,381,713
	Unrealised - held for trading	8.1 5,767	-
		<u>1,578,881</u>	<u>2,381,713</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)
		<u>1,573,114</u>	<u>2,381,713</u>

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	Note	December 31,	December 31,
		2019	2018
27 OTHER INCOME		Rupees in '000	
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		-	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 a non-banking asset amounting to Rs. 18 million (2018: loss of Rs. 0.027 million).

	Note	December 31,	December 31,
		2019	2018
28 OPERATING EXPENSES		Rupees in '000	
Total compensation expense	28.1	13,458,144	12,261,402
<i>Property expense:</i>			
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
<i>Information technology expenses:</i>			
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
<i>Other operating expenses:</i>			
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

ALLIED BANK LIMITED
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	December 31,	December 31,
	2019	2018
Note	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,	December 31,
	2019	2018
Note	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.

ALLIED BANK LIMITED**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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,	December 31,
	2019	2018
Rupees in '000		
Acumen Fund Pakistan	-	10,000
Anjuman Himayat-i-Islam	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.

30 OTHER CHARGES

	December 31,	December 31,
	2019	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

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		December 31, 2019	December 31, 2018
		Rupees in '000	
31	PROVISIONS AND WRITE OFFS - NET		
			Note
	Provision for diminution in the value of investments	979,141	109,019
	Reversal against loans and advances	(394,132)	(1,132,836)
	Provision against other assets	100,664	84,696
	Provision against off balance sheet obligations	6,701	-
	Bad debts written off directly	-	-
		<u>692,374</u>	<u>(939,121)</u>
	Recovery of written off bad debts	<u>(145,716)</u>	<u>(150,567)</u>
		<u>546,658</u>	<u>(1,089,688)</u>
32	TAXATION		
	Current - for the year including super tax	9,201,094	7,707,277
	- for prior year	834,833	-
		<u>10,035,927</u>	<u>7,707,277</u>
	Deferred - current	92,801	428,632
		<u>10,128,728</u>	<u>8,135,909</u>
32.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year	<u>24,241,639</u>	<u>21,016,427</u>
	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	<u>10,128,728</u>	<u>8,135,909</u>
33	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after taxation	<u>14,112,911</u>	<u>12,880,518</u>
		<u>Number of Shares</u>	
	Weighted average number of ordinary shares outstanding during the year	<u>1,145,073,830</u>	<u>1,145,073,830</u>
		<u>Rupees</u>	
	Earnings per share - basic and diluted	<u>12.32</u>	<u>11.25</u>

There is no dilution effect on basic earnings per share.

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	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)
		120,482,203	101,519,845

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		11,665	11,206
Average number of employees		11,436	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	11,245	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

ALLIED BANK LIMITED
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		Moderate	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	3,351,328	-	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

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	606,216	(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

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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 / (gain)	147,596	2,970	-	1,726	15,391
Re-measurement loss / (gain)	221,183	15,945	-	(44,640)	59,950
Closing balance	<u>1,661,826</u>	<u>3,351,328</u>	<u>-</u>	<u>1,365,237</u>	<u>668,547</u>

	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 loss / (gain)	(364,271)	73,576	2,632	105,031	137,850
Closing balance	<u>1,585,703</u>	<u>2,827,757</u>	<u>9,206</u>	<u>1,332,925</u>	<u>606,216</u>

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	<u>6,102,237</u>	<u>2,744,422</u>	<u>-</u>	<u>-</u>	<u>-</u>

	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	<u>6,145,768</u>	<u>2,383,102</u>	<u>241,036</u>	<u>-</u>	<u>-</u>

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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	-	-	-
	<u>6,102,237</u>	<u>2,744,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-
	<u>3,871,444</u>	<u>2,588,147</u>	<u>-</u>	<u>-</u>	<u>-</u>
	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	-	-
	<u>6,145,768</u>	<u>2,383,102</u>	<u>241,036</u>	<u>-</u>	<u>-</u>
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	-	-
	<u>4,089,473</u>	<u>2,383,102</u>	<u>241,036</u>	<u>-</u>	<u>-</u>

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
	<u>(466,025)</u>	<u>462,416</u>	<u>-</u>	<u>192,559</u>	<u>185,679</u>
	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 gain recognised	-	-	-	-	137,850
	<u>(121,245)</u>	<u>390,919</u>	<u>(18,490)</u>	<u>144,612</u>	<u>244,446</u>

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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	<u>(727,746)</u>	<u>(90,737)</u>	<u>-</u>	<u>44,640</u>	<u>-</u>
	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	<u>746,788</u>	<u>72,143</u>	<u>(14,636)</u>	<u>(105,031)</u>	<u>-</u>
				December 31, 2019	December 31, 2018
				Rupees in '000	

36.11 Actual (loss) / return 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)
	<u>(4,440,411)</u>	<u>(4,560,065)</u>	<u>(3,692,032)</u>	<u>(4,614,727)</u>	<u>(3,799,170)</u>
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)
	<u>(727,746)</u>	<u>746,788</u>	<u>(1,286,471)</u>	<u>582,649</u>	<u>(1,007,332)</u>
	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)
	<u>606,906</u>	<u>444,655</u>	<u>511,919</u>	<u>255,291</u>	<u>561,455</u>
Experience adjustments on plan obligations / assets					
Re-measurement 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)
	<u>(90,737)</u>	<u>72,143</u>	<u>(250,517)</u>	<u>62,337</u>	<u>(336,718)</u>
	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)
	<u>-</u>	<u>(269,187)</u>	<u>(224,122)</u>	<u>(212,231)</u>	<u>(192,811)</u>
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)
	<u>-</u>	<u>(10,782)</u>	<u>(5,087)</u>	<u>2,067</u>	<u>(15,217)</u>
	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	-	-	-	-	-
	<u>1,365,237</u>	<u>1,332,925</u>	<u>1,240,250</u>	<u>1,298,380</u>	<u>1,217,945</u>
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	44,640	(105,031)	62,068	(97,990)	(243,936)

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	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 / benevolent fund due to surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 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

36.14 Sensitivity analysis

Description	+1%	-1%	+1% Salary	-1% Salary	+1%	-1%	+10%	-10%	1 Year	1 Year
	Discount Rate	Discount Rate	Increase Rate	Increase Rate	Indexation Rate	Indexation Rate	Withdrawal Rate	Withdrawal Rate	Mortality age set back	Mortality age set forward
	Rupees in '000									
Pension fund	1,613,770	1,715,331	1,661,826	1,661,826	1,669,491	1,655,022	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	1,364,186	1,366,278
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.

36.15 Maturity Profile

The weighted average duration of the obligation (in years)

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	1.06	6.5	-	7.27	6.87

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.

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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.

38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total compensation expense

	December 31, 2019					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
Rupees in '000						
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		Members Shariah Board	President / CEO	Key Management Personnel
	Chairman	Non- Executives			
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

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38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

December 31, 2019							
Sr. No.	Name of Director	Board Meetings	Board Committees				Total Amount Paid
			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
4	Abdul Aziz Khan	1,250	-	1,150	1,150	-	2,150
5	Dr. Muhammad Akram Sheikh	1,750	1,400	1,400	1,150	-	-
6	Zafar Iqbal	1,750	1,400	-	-	1,000	-
7	Nazrat Bashir	1,750	-	-	-	1,000	2,400
		8,250	3,950	3,950	2,300	2,000	6,950
							27,400

December 31, 2018							
Sr. No.	Name of Director	Board Meetings	Board Committees				Total Amount Paid
			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	Abdul Aziz Khan	1,050	-	750	600	-	1,500
5	Dr. Muhammad Akram Sheikh	1,050	750	150	300	600	-
6	Zafar Iqbal	1,050	750	-	-	150	-
7	Nazrat Bashir	450	-	-	-	150	300
8	Mubashir A. Akhtar	600	450	-	-	450	1,200
		5,250	2,250	1,650	1,350	1,350	4,650
							16,500

38.3 Remuneration paid to Shariah Board Members

Items	Rupees in '000					
	December 31, 2019			December 31, 2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
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

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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	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, sukuks, 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
Forward government securities transactions	-	-	-	-	513,938	-	-	-	513,938	-	513,938
	-	-	-	-	359,395,856	-	-	-	359,395,856	-	359,395,856

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On-Balance sheet Financial Instruments	December 31, 2018										
	Carrying Value						Fair Value				
	Held to Maturity	Held For Trading	Available for Sale	Financing and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----											
Financial assets - measured at fair value											
Investments											
Shares / Open Ended Mutual Funds	-	-	30,241,640	-	-	-	30,241,640	30,115,370	126,270	-	30,241,640
Federal Government Securities	-	-	609,053,323	-	-	-	609,053,323	-	609,053,323	-	609,053,323
Non Government Debt Securities	-	-	2,986,706	-	-	-	2,986,706	-	2,986,706	-	2,986,706
Financial assets - not measured at fair value											
Cash and balances with treasury banks	-	-	-	-	99,188,414	-	99,188,414	-	-	-	-
Balances with other banks	-	-	-	-	2,575,055	-	2,575,055	-	-	-	-
Lendings	-	-	-	53,780,195	-	-	53,780,195	-	-	-	-
Advances	-	-	-	438,317,184	-	-	438,317,184	-	-	-	-
Other assets	-	-	-	-	28,988,381	-	28,988,381	-	-	-	-
Investments (HTM, unlisted ordinary shares, Term finance certificate, sukuks, subsidiaries)	16,151,622	-	12,794,995	-	-	-	28,946,617	-	-	-	-
	<u>16,151,622</u>	<u>-</u>	<u>655,076,664</u>	<u>492,097,379</u>	<u>130,751,850</u>	<u>-</u>	<u>1,294,077,515</u>	<u>30,115,370</u>	<u>612,166,299</u>	<u>-</u>	<u>642,281,669</u>
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	-	-	-	-
	<u>-</u>	<u>9,987,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,227,971,517</u>	<u>1,237,959,366</u>	<u>-</u>	<u>9,987,849</u>	<u>-</u>	<u>9,987,849</u>
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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,278,829</u>	<u>-</u>	<u>265,278,829</u>	<u>-</u>	<u>265,278,829</u>	<u>-</u>	<u>265,278,829</u>
39.1 Fair value of non-financial assets	December 31, 2019						December 31, 2018				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total			
	Rupees in '000										
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.

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40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	December 31, 2019					
	Corporate and Investment Banking	Commercial and Retail Banking	Trading and Sales (Treasury)	Islamic Banking	Others	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 and Liabilities	83,341,403	1,058,279,591	211,741,208	41,581,390	86,177,660	1,481,121,252
Contingencies and Commitments	78,732,154	12,055,398	359,395,856	1,907,886	13,128,046	465,219,340

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	December 31, 2018					
	Corporate and Investment Banking	Commercial and Retail Banking	Trading and Sales (Treasury)	Islamic Banking	Others	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	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 and Liabilities	54,767,670	973,927,697	177,988,190	28,203,820	115,711,532	1,350,598,909
Contingencies and commitments	83,808,051	12,033,029	265,278,829	582,318	17,824,413	379,526,640

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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

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	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

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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	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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.

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42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	December 31, 2019	December 31, 2018
	Rupees in '000	
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.

	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%

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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.

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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.
- 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

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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.

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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 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					
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

	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					
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

43.1.3 Advances

Credit risk by industry sector

	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					
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	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	23,168,134	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	135,180	134,430	135,180
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	16,064,641	15,112,624	15,533,497

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43.1.4 Contingencies and Commitments

Credit risk by industry sector

	December 31, 2019	December 31, 2018
	Amount in Rs '000	
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

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).

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43.1.6 Advances - Province / Region-wise Disbursement & Utilization

During the year ended December 31, 2019

	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	11,270
Sindh	1,110,838,731	74,993,563	1,034,704,724	35,148	9,290	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	-	-	-	-	-
Total	1,821,950,322	758,530,363	1,039,376,772	4,585,500	631,227	913,323

During the year ended December 31, 2018

	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000					
Province / Region						
Punjab	591,723,087	522,554,625	34,494,817	-	34,673,645	-
Sindh	802,485,680	42,048,213	656,714,012	4,851,487	98,871,968	-
KPK including FATA	1,429,676	686,026	-	743,650	-	-
Balochistan	525,809	-	-	-	525,809	-
Islamabad	8,766,970	-	-	-	-	8,766,970
AJK including Gilgit-Baltistan	551,587	-	-	-	-	-
Total	1,405,482,809	565,288,864	691,208,829	5,595,137	525,809	142,312,583

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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.

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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	119,943,828	-	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 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	1,422,889,052	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

After tax Impact of 1% change in foreign exchange rates on:

- Profit and loss account
- Other comprehensive income

	December 31, 2019		December 31, 2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
	-	1,651,213	-	(1,497,249)
	-	-	-	-
	-	1,651,213	-	(1,497,249)

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43.2.4 Equity position Risk

Equity risk is the potential for incurring losses due to adverse changes in stock prices. ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Bank maintains adequate regulatory capital to cover against equity price risks. Equity investments classified as “Held-For-Trading” as well as listed non-strategic equity investments classified as “Available-For-Sale” are part of the “Trading Book” and subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of “Banking Book” and are therefore subject to credit risk charge as specified by the Basel Framework.

After tax Impact of 5% change in equity prices on

- Profit and loss account
- Other comprehensive income

December 31, 2019		December 31, 2018	
Banking book	Trading book	Banking book	Trading book
Rupees in '000			
-	-	-	-
(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.

After tax Impact of increase in interest rates by 1%

- Profit and loss account
- Other comprehensive income

December 31, 2019		December 31, 2018	
Banking book	Trading book	Banking book	Trading book
Rupees in '000			
-	(153,019)	-	-
(2,014,326)	-	(1,284,209)	-

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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	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Rupees in '000												
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	13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-	-	-
Investments	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	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	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	1,049,043,032	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 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	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	-	-

ALLIED BANK LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

December 31, 2018

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	99,188,414	14,128,800	-	-	-	-	-	-	-	-	-	85,059,614
Balances with other banks	2,575,055	-	-	-	-	-	-	-	-	-	-	2,575,055
Lending to financial institutions	7.95% 53,780,195	50,993,095	2,787,100	-	-	-	-	-	-	-	-	-
Investments	7.94% 671,228,285	230,869,328	324,040,190	19,584,532	31,803,113	893,744	5,816,244	7,291,693	16,569,201	-	-	34,360,240
Advances	7.35% 438,317,184	40,861,309	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
Other assets	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												
Bills payable	7,752,959	-	-	-	-	-	-	-	-	-	-	7,752,959
Borrowings	5.89% 225,882,986	173,702,776	27,973,227	10,161,557	40	282,296	641,607	1,556,729	11,564,754	-	-	-
Deposits and other accounts	3.51% 984,475,183	121,296,471	229,412,178	295,508,730	53,568,188	19,398,720	825,194	876,633	534,810	80,108	-	262,974,151
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	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
On-balance sheet gap	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)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions	96,475,905	12,705,839	6,870,608	32,410,166	21,944,400	20,200,564	1,085,634	77,339	7,500	1,173,855	-	-
Commitments in respect of purchase of:												
- forward foreign exchange contracts	137,056,586	46,875,838	55,520,667	34,407,428	252,653	-	-	-	-	-	-	-
- forward government securities transactions	57,768,858	54,219,284	3,549,574	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
	194,825,444	101,095,122	59,070,241	34,407,428	252,653	-	-	-	-	-	-	-
Commitments in respect of sale of:												
- forward foreign exchange contracts	70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
	70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-	-	-	-
Other commitments	27,762,282	13,998,922	4,536,571	2,459,295	1,850,964	807,808	807,808	1,615,617	1,685,297	-	-	-
Off-balance sheet gap	248,610,246	94,659,580	53,752,454	48,715,471	24,021,319	21,008,372	1,893,442	1,692,956	1,692,797	1,173,855	-	-
Total Yield/Interest Risk Sensitivity Gap	304,735,588	136,512,865	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	-	-

Reconciliation to total assets

December 31, 2019 December 31, 2018
(Rupees in '000)

Balance as per balance sheet

1,481,121,252 1,350,598,909

Less: Non financial assets

Fixed assets

64,083,699 52,127,591

Other assets

4,798,690 4,393,804

68,882,389 56,521,395

Total financial assets

1,412,238,863 1,294,077,514

Reconciliation to total liabilities

December 31, 2019 December 31, 2018
(Rupees in '000)

Balance as per balance sheet

1,365,770,419 1,243,294,076

Less: Non financial liabilities

Deferred tax liabilities

5,898,310 4,755,428

Other liabilities

354,183 586,476

6,252,493 5,341,904

Total financial liabilities

1,359,517,926 1,237,952,172

ALLIED BANK LIMITED
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 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 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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED

Annexure I

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2019 TO 31st, DECEMBER 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	Amount in Million TOTAL 9+10+11
		NAME OF DIRECTORS	NIC NOS.		PRINCIPAL	INTEREST/ MARK-UP	OTHER	TOTAL				
1	RAJA 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 TOUSEEF	33100-0672286-7 33100-0708556-3 33100-0672190-5 33102-1723085-2 33100-0670508-4 33100-0672287-1 33100-0695537-3	RANA TOUSIF ALI KHAN RANA TAUSEEF 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	ZAIGHAM & CO., Ghallah Mandi, Qila Didar Singh	HASSAN ARIF HASSNAIN ARIF	1774125-334101-2316	MUHAMMAD ARIFMUHAMMAD ARIF	4.999	-	1.562	6.561	-	-	0.530	0.530
5	NISAR AHMAD & BROTHERS (PVT) LTD., Vehari Road, Hasilpur, Multan	HAJI NISAR AHMAD MUSHTAQ AHMAD MUHAMMAD AJMAL MUHAMMAD RAFI RAZA	14142-931203-16998	MUHAMMAD SHAFIMUHAMMAD SH	0.287	-	2.477	2.764	-	-	1.994	1.994
6	WASEEM CONSTRUCTION & PROPERTY DEVELOPERS, 543-D, Shah Rukan-e-Alam Colony, Multan	MUREED ABBAS ALIAS GHULAM MUSTAFA	36302-4593265-9	RANA FAIZ BAKHSH	2.998	-	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	38404-0983040-5	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 CHUADHRY	42501-1432103-9	ABDUL HAMEED	4.998	-	3.400	8.398	-	-	0.650	0.650
10	SURRIYA TEXTILE (PVT) LTD. 4th Floor, Namco Centre, Campbell Street New Challi, Karachi.	MUHAMMAD RAFI MUHAMMAD TARIQ RAFI MUHAMMAD ARIF RAFI MUHAMMD ANJUM RAFI MUHAMMAD ABDULA 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 TRDERS 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	1.758	-	4.361	6.119	-	-	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

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
14	MIRZA ASHIQ HUSSAIN Bungalow 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, Darakshan Villas DHA, Karachi	ASRAR ALAM SHAIKH	42301-4519983-7	ABDUL AZIZ	9.899	-	6.456	16.355	-	-	6.355	6.355
16	USMAN DAL MILLS Chak No.41/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, Fateh Garh, Sialkot	IMRAN ASLAM	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 NADEEM MUHAMMAD IMRAN	9988167-131104-1676	KARAM ELAHI MUHAMMAD AZAM	0.145	-	0.878	1.023	-	-	0.573	0.573
20	SAMPHY PHARMA Suit No.B-6, M.A Plaza, Al-Falah Street Behind Amin Hotel G.T Road Peshawar	ANJUM ALI SHOAIB UL HASAN ABDUL WAHEED	17301-8517754-7 17301-1315226-7 17301-7342848-7	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, Pathan Goth Auto Bhan Road, Latifabad, Hyderabad	HUMA TASNEEM	41303-9166136-0	W/O TASNEEM AHMED	1.500	-	0.900	2.400	-	-	0.624	0.624
22	SHAHID TRADERS No.07 Ikram Colony, Kot Farid Rpad, 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	-	-	3.968	3.968
25	FAISAL ZULFIQAR TRADERS Chak No.134/116-L, Mohsin Wala, Mian 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	-	0.952	2.152	-	-	0.501	0.501
27	ASHIQ & SONS TRADERS 1787/10, Mohallah Iqbal Nagar Near Raees T.B. 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, Tehsil Mailsi.	MUHAMMAD AYOUB MUHAMMAD IJAZ MEHMOOD AHMAD MUHAMMAD RIAZ FIAZ AHMAD	6101-0601293-936602	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 IMTIAZ FATIMA	0286622-936302-0854	BARKAT ALI MUHAMMAD ASGHAR	93.140	-	41.595	134.735	-	-	36.595	36.595
					557.724	-	407.080	964.804	1.918	-	306.135	308.053

ALLIED BANK LIMITED
ISLAMIC BANKING BUSINESS

Annexure-II

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		

ALLIED BANK LIMITED
ISLAMIC BANKING BUSINESS

Annexure-II

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)

ALLIED BANK LIMITED
ISLAMIC BANKING BUSINESS
Notes to the Annexure II
For the year ended December 31, 2019

1 DUE FROM FINANCIAL INSTITUTIONS

	December 31, 2019			December 31, 2018		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	Rupees in '000					
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

2 INVESTMENTS BY SEGMENTS

	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
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

3 ISLAMIC FINANCING AND RELATED ASSETS

		December 31, 2019	December 31, 2018
	Note	Rupees in '000	
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

3.1 Ijarah

	December 31, 2019						
	Cost			Accumulated Depreciation			Book Value
	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	as at 31 Dec 2019
	-----Rupees in 000-----						
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 Jan 01, 2018	Additions / (deletions)	As at Dec 31, 2018	As at Jan 01, 2018	Charge for the year	As at Dec 31, 2018	as at 31 Dec 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

Future Ijarah payments receivable

	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
Ijarah rental receivables	5,952	222,937	1,124	230,013	7,722	178,212	-	185,934

3.2 Murabaha

December 31, 2019, December 31, 2018

Note Rupees in '000

Murabaha financing
Inventory for Murabaha
Advances for Murabaha

3.2.2	102,282	74,796
	-	-
	13,664	-
	115,946	74,796

3.2.1 Murabaha receivable - gross
Less: Deferred murabaha income
Profit receivable shown in other assets
Murabaha financings

3.2	115,946	74,796
3.2.4	(1,537)	(1,680)
	-	-
	114,409	73,116

3.2.2 The movement in Murabaha financing during the year is as follows:

Opening balance
Sales during the year
Adjusted during the year
Closing balance

	74,796	18,687
	140,959	135,644
	(113,473)	(79,535)
	102,282	74,796

3.2.3 Murabaha sale price
Murabaha purchase price

	140,959	135,644
	(134,855)	(131,154)
	6,104	4,490

3.2.4 Deferred murabaha income
Opening balance
Arising during the year
Less: Recognised during the year
Closing balance

	1,680	50
	6,104	3,464
	(6,247)	(1,834)
	1,537	1,680

4 DUE FROM/ (DUE TO) HEAD OFFICE

Pak Account Daily settlement with Head Office

	161,300	799,045
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ALLIED BANK LIMITED
ISLAMIC BANKING BUSINESS
Notes to the Annexure II
For the year ended December 31, 2019

5 Deposits

	December 31, 2019			December 31, 2018		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
Customers	Rupees in '000					
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

5.1 Composition of deposits

- Individuals
- Government
- Public Sector Entities
- Banking Companies
- Non-Banking Financial Institutions
- Private Sector

December 31, 2019 **December 31, 2018**
Rupees in '000

8,929,921	6,893,387
3,954,561	4,713,978
2,438	100
3,645,353	1,518,173
9,366,078	5,221,940
8,491,060	6,285,054
34,389,411	24,632,632

6 CHARITY FUND

December 31, 2019 **December 31, 2018**
Rupees in '000

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

	December 31, 2019	December 31, 2018
	Rupees in '000	
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

ALLIED BANK LIMITED
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 FCY (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 (Mudarabah / Musharakah / Wakala)

Treasury Pools are created, to manage liquidity, on the basis of Musharakah / Mudarabah / Wakala, 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 modaraba based pools:

- Period, rate of return, 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.

ALLIED BANK LIMITED
ISLAMIC BANKING BUSINESS
Notes to the Annexure II
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	0	20,643
Metal products - Steel Foundries	484,328	499,996
Cement	1,000,000	0
Textile - Knitting	850,000	0
Retail Chain	500,000	0
Communication	24,626	0
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	24,808
Steel Processing	500,000	50,000
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 announceme nt 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							
General Pool	Monthly	11.70%	50% : 50%	727,426	6.61%	25.11%	182,662
Foreign Currency Pool - EUR	Monthly	0.0524	1% : 99%	143	0.001	0.0095	1.36
Foreign Currency Pool - GBP	Monthly	0.0524	1% : 99%	74	0.001	0.0093	0.69
Foreign Currency Pool - USD	Monthly	0.0524	1% : 99%	1990	0.001	0.0007	17.93

ALLIED BANK LIMITED**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.

ALLIED BANK LIMITED
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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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	23	122,638,580	73,275,474
523,954	265,792	Mark-up / return / interest expensed	24	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	25	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	26	1,763,512	2,319,341
2,554	1,594	Other income	27	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	28,593,691	24,891,410
(5,002)	(7,221)	Workers welfare fund - net	29	(774,603)	(1,118,156)
1,260	529	Other charges	30	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	31	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	32	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	33	12.65	11.38

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>		<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<u>US \$ in '000</u>			<u>Rupees in '000</u>	
93,567	84,158	Profit after taxation for the year	14,488,763	13,031,817
<u>Other comprehensive income</u>				
<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 surplus / (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	Remeasurement (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
<u>113,546</u>	<u>62,086</u>	Total Comprehensive Income	<u>17,582,335</u>	<u>9,614,102</u>

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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
<u>Other Comprehensive Income - net of tax</u>									
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	-
<u>Transactions with owners recognized directly in equity</u>									
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
<u>Other Comprehensive Income - net of tax</u>									
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	-
<u>Transactions with owners recognized directly in equity</u>									
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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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 offs	31	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
<i>(Increase) / decrease in operating assets</i>					
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)
<i>Increase / (decrease) in operating liabilities</i>					
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 YEAR	34	120,473,501	101,508,992

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ALLIED BANK LIMITED
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"). 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 2018.

ABL Asset Management Company is managing the following funds:

- ABL Income Fund	Launched on September 20, 2008
- ABL Stock Fund	Launched on June 28, 2009
- ABL Cash Fund	Launched on July 30, 2010
- ABL Islamic Income Fund	Launched on July 30, 2010
- ABL Government Securities	Launched on November 30, 2011
- ABL Islamic Stock Fund	Launched on June 12, 2013
- ABL Pension Fund	Launched on August 20, 2014

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

-	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.

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.

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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:

- 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.

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR 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.

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.
- 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.

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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).

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3 BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for the following which are stated at revalued amounts / fair values / present values:

- Investments (Note 4.4);
- 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 Change 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.

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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>

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

ALLIED BANK LIMITED
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 sukus 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.

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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.

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 unguaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

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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.

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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.

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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 CrI.O.No. 98 and 99 of 2018 and after consultation with Bank's legal counsel, the monthly pension of eligible pensioners has been fixed with indexation levels for eligible pensioners effective from February 13, 2018.

c. 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.

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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.

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'.

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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.

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.

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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.

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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.

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.

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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.

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5 CASH AND BALANCES WITH TREASURY BANKS

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
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.

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	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

7.7 Securities held as collateral against lending to financial institutions

	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						
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

	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

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8 INVESTMENTS

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									
8.1 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

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8.2 Investments by segments:	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								
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.

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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
<i>Charge / reversals</i>		
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

8.3.2 Particulars of provision against debt securities

Category of classification	December 31, 2019		December 31, 2018	
	NPI	Provision	NPI	Provision
Rupees in '000				
<i>Domestic</i>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	365,331	365,331	367,161	367,161
	365,331	365,331	367,161	367,161
<i>Overseas</i>				
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.

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8.4 Quality of Available for Sale Securities

Details regarding quality of Available for Sale (AFS) securities are as follows:

	December 31, 2019		December 31, 2018	
	Cost			
	Rupees in '000			
<i>Federal Government Securities - Government guaranteed</i>				
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	
	677,300,056		610,683,028	
<i>Shares</i>				
<i>Listed Companies</i>				
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	
	21,940,831		22,646,719	
	December 31, 2019		December 31, 2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
<i>Unlisted Companies</i>				
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
I Link Guarantee 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	-	-
	3,446,507	6,660,731	3,781,378	5,438,758

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	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<u>Cost</u>	
	<u>Rupees in '000</u>	
<u>Non Government Debt Securities</u>		
<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>
<u>Open Ended Mutual Funds</u>		
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>
<u>Foreign Securities</u>		
<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:		
<u>Federal Government Securities - Government guaranteed</u>		
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>
<u>Non Government Debt Securities</u>		
<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).		
8.6 Details regarding subsidiary company:		<u>Subsidiary</u>
		<u>Asset</u>
		<u>Management</u>
		<u>Company</u>
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

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	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		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
<i>Provision against advances</i>							
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

9.1 Includes Net investment in finance lease as described below

	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								
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

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		<u>December 31, 2019</u>	<u>December 31, 2018</u>
		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

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:

<u>Category of Classification</u>	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	NPLs	Specific Provision	NPLs	Specific Provision
Rupees in '000				
<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	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
		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	9.5	(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	9.6	(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

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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		-	-
		<u>1,918</u>	<u>31,736</u>
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		-	-
		<u>1,918</u>	<u>31,736</u>

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-T. 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	-
		<u>62,240,062</u>	<u>50,399,773</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>

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10.2 Property and Equipment

	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 (Leased Premises)	Total
	Rupees in '000								
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 31, 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%	-

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	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	1,682,198	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 31, 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%	-

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10.3 Bank arranged for valuation of all Land and Buildings as at December 31, 2017 from four independent valuers {Sadruddin 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.

		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
		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

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11 INTANGIBLE ASSETS	Note	December 31,	December 31,			
		2019	2018			
		Rupees in '000				
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				
11.2 Intangible Assets		Computer software	Others			
		Rupees in '000				
		Total				
<u>At January 1, 2019</u>						
Cost		3,168,039	-			
Accumulated amortisation and impairment		(1,752,902)	-			
Net book value		1,415,137	1,415,137			
<u>Year ended December 31, 2019</u>						
Opening net book value		1,415,137	-			
Additions:						
directly purchased		157,303	-			
Disposals cost		(735)	-			
Disposals accumulated depreciation		735	-			
Amortisation charge		(246,646)	-			
Closing net book value		1,325,794	1,325,794			
<u>At December 31, 2019</u>						
Cost		3,324,607	-			
Accumulated amortisation and impairment		(1,998,813)	-			
Net book value		1,325,794	1,325,794			
Rate of amortisation (percentage)		5% to 33.33%				
Useful life		3 to 20 Years				
		December 31, 2018				
		Computer software	Others			
		Rupees in '000				
		Total				
<u>At January 1, 2018</u>						
Cost		2,714,595	-			
Accumulated amortisation and impairment		(1,348,832)	-			
Net book value		1,365,763	1,365,763			
<u>Year ended December 31, 2018</u>						
Opening net book value		1,365,763	-			
Additions:						
directly purchased		453,444	-			
Amortisation charge		(404,070)	-			
Closing net book value		1,415,137	1,415,137			
<u>At December 31, 2018</u>						
Cost		3,168,039	-			
Accumulated amortisation and impairment		(1,752,902)	-			
Net book value		1,415,137	1,415,137			
Rate of amortisation (percentage)		14.28%-33.33%				
Useful life		3 to 7 Years				
		December 31,	December 31,			
		2019	2018			
		Rupees in '000				
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.					
		2019	2020	2021	2022	2023
		Rupees in '000				
	Decrease in annual amortization expense	(188,617)	(45,731)	(23,808)	(21,867)	(14,135)

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		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	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	-	115,915
	Pension fund	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	(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	3,584,030
	Additions	52,482
	Revaluation	600,425
	Disposals / transfers	(109,969)
	Depreciation	(19,662)
	Closing balance	4,107,306

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12.1.2 Gain / Loss on Disposal of Non banking assets acquired in satisfaction of claims

	December 31, 2019	December 31, 2018
	Rupees in '000	
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

	December 31, 2019	December 31, 2018
	Rupees in '000	
In Pakistan	7,878,626	7,752,959

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	Note	December 31, 2019	December 31, 2018
		Rupees in '000	
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.

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

ALLIED BANK LIMITED
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	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
	857,438,766	105,063,605	962,502,371	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	33,707,054	-	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
	86,435,133	81,300	86,516,433	80,630,412	80,684	80,711,096
	943,873,899	105,144,905	1,049,018,804	890,708,399	93,754,668	984,463,067
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	
				1,049,018,804	984,463,067	

16.2 Net outstanding value against prepaid cards is Rs. 128.403 million as at reporting date (December 31, 2018: 140.858 million).

ALLIED BANK LIMITED
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17 DEFERRED TAX LIABILITIES

December 31, 2019			
At January 1, 2019	Recognised in profit and loss account	Recognised in OCI	At December 31, 2019
Rupees in '000			
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
	952,376	(196,276)	756,100
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)	(14,824)	(4,015,045)
- Surplus on revaluation on non banking assets	(23,962)	-	(136,789)
- Actuarial gains	(338,631)	-	(68,002)
- Accelerated tax depreciation / amortization	(1,385,520)	40,753	(1,344,767)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	799	(12,407)
	(5,707,804)	89,410	(1,050,081)
	(4,755,428)	(106,866)	(5,912,375)
December 31, 2018			
At January 1, 2018	Recognised in profit and loss account	Recognised in OCI	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)	4,833	(2,787,505)
- Surplus on revaluation of non banking assets	(25,789)	-	(23,962)
- Actuarial gains	(93,888)	-	(338,631)
- Accelerated tax depreciation / amortization	(1,295,641)	(90,643)	(1,386,284)
- Excess of investment in finance lease over written down value of leased assets	(13,206)	-	(13,206)
	(8,287,775)	(30,968)	2,615,008
	(6,941,804)	(424,563)	(4,751,359)

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	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

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.

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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
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.

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20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	December 31, 2019	December 31, 2018
Rupees in '000			
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	<u>(164,129)</u>	<u>(172,713)</u>
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
		<u>(1,091,464)</u>	<u>(1,154,146)</u>
		<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)
		<u>(3,422)</u>	<u>(2,133)</u>
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
		<u>(136,789)</u>	<u>(23,962)</u>
		<u>2,740,681</u>	<u>2,135,996</u>

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	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
		465,261,571	379,590,231
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
		32,308,285	28,018,148
21.2 Commitments			
<i>Documentary credits and short term trade related transactions:</i>			
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
<i>Commitments for acquisition of:</i>			
fixed assets		4,199,234	2,895,671
intangible assets		-	119,768
Other Commitments		42,231	63,591
		424,029,683	342,834,074
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
		358,881,918	207,509,971
21.2.2 Commitments in respect of forward government securities transactions			
Purchase		464,217	57,768,858
Sale		49,721	-
		513,938	57,768,858
21.3 Other contingent liabilities			
21.3.1 Claims against the Bank not acknowledged as debt		8,923,603	8,738,009

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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.

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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 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.

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	Note	December 31, 2019	December 31, 2018
Rupees in '000			
23	MARK-UP / RETURN / INTEREST EARNED		
<i>On:</i>			
		49,550,748	29,697,818
		64,070,753	37,204,167
		8,639,234	6,185,232
		377,845	188,257
		122,638,580	73,275,474
24	MARK-UP / RETURN / INTEREST EXPENSED		
<i>On:</i>			
		58,818,173	30,128,283
		15,225,536	9,524,346
		6,100,939	1,504,521
		988,344	-
		81,132,992	41,157,150
25	FEE AND COMMISSION INCOME		
		1,637,042	1,328,552
		1,994,939	1,849,638
		691,815	590,077
		578,270	524,226
		346,940	362,470
		153,625	119,770
		134,569	103,085
		119,076	78,936
		42,775	20,270
		4,085	4,196
		5,703,136	4,981,220
26	GAIN ON SECURITIES		
		1,622,033	2,372,668
		141,479	(53,327)
		1,763,512	2,319,341
26.1	Realised gain / (loss) on:		
		583,191	1,775,998
		990,608	606,868
		(685)	(1,153)
		48,919	(9,045)
		1,622,033	2,372,668

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27	OTHER INCOME	Note	December 31,	December 31,
			2019	2018
Rupees in '000				
	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 a non-banking asset amounting to Rs. 18 million (2018: loss of Rs. 0.027 million).

28	OPERATING EXPENSES	Note	December 31,	December 31,
			2019	2018
Rupees in '000				
	Total compensation expense	28.1	13,749,364	12,502,989
	<i>Property expense:</i>			
	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
	<i>Information technology expenses:</i>			
	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
	<i>Other operating expenses:</i>			
	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

ALLIED BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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	December 31,	December 31,
	2019	2018
Note	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,	December 31,
	2019	2018
Note	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.

ALLIED BANK LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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,	December 31,
	2019	2018
Rupees in '000		
Acumen Fund Pakistan	-	10,000
Anjuman Himayat-i-Islam	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.

30 OTHER CHARGES

	December 31,	December 31,
	2019	2018
Rupees in '000		
Penalties imposed by State Bank of Pakistan	134,778	38,143
Education cess	40,323	23,267
Depreciation - non-banking assets	19,851	19,662
Other assets written off	93	891
	195,045	81,963

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		December 31, 2019	December 31, 2018
		Rupees in '000	
31	PROVISIONS AND WRITE OFFS - NET		
			Note
	Provision for diminution in the value of investments	979,141	109,019
	Reversal against loans and advances	(394,132)	(1,132,836)
	Provision / (reversal) against other assets	100,664	84,696
	Provision against off balance sheet obligations	6,701	-
	Bad debts written off directly	-	-
		<u>692,374</u>	<u>(939,121)</u>
	Recovery of written off bad debts	<u>(145,716)</u>	<u>(150,567)</u>
		<u>546,658</u>	<u>(1,089,688)</u>
32	TAXATION		
	Current - for the year including super tax	9,265,994	7,780,029
	- for prior year	836,186	(4,096)
		<u>10,102,180</u>	<u>7,775,933</u>
	Deferred - current	110,980	425,161
		<u>10,213,160</u>	<u>8,201,094</u>
32.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year	<u>24,701,923</u>	<u>21,232,911</u>
	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	<u>10,213,160</u>	<u>8,201,094</u>
33	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after taxation	<u>14,488,763</u>	<u>13,031,817</u>
		<u>Number of Shares</u>	
	Weighted average number of ordinary shares outstanding during the year	<u>1,145,073,830</u>	<u>1,145,073,830</u>
		<u>Rupees</u>	
	Earnings per share - basic and diluted	<u>12.65</u>	<u>11.38</u>

There is no dilution effect on basic earnings per share.

ALLIED BANK LIMITED
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	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	99,188,414
Balances with other banks	6	602,582	2,564,202
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

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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		Moderate	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

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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	<u>1,661,826</u>	<u>3,365,399</u>	<u>-</u>	<u>1,365,237</u>	<u>668,548</u>
	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	<u>1,585,703</u>	<u>2,827,757</u>	<u>9,206</u>	<u>1,332,925</u>	<u>606,880</u>

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	<u>6,102,237</u>	<u>2,744,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
	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	<u>6,145,768</u>	<u>2,383,102</u>	<u>241,036</u>	<u>-</u>	<u>-</u>

ALLIED BANK LIMITED
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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	-	-	-
	<u>6,102,237</u>	<u>2,744,422</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	-	-	-
	<u>3,871,444</u>	<u>2,588,147</u>	<u>-</u>	<u>-</u>	<u>-</u>
	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	-	-
	<u>6,145,768</u>	<u>2,383,102</u>	<u>241,036</u>	<u>-</u>	<u>-</u>
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	-	-
	<u>4,089,473</u>	<u>2,383,102</u>	<u>241,036</u>	<u>-</u>	<u>-</u>

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
	<u>(466,025)</u>	<u>476,334</u>	<u>-</u>	<u>192,559</u>	<u>185,016</u>
	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 gain recognised	-	-	-	-	137,850
	<u>(121,245)</u>	<u>390,919</u>	<u>(18,490)</u>	<u>144,612</u>	<u>244,446</u>

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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	<u>(727,746)</u>	<u>(90,890)</u>	<u>-</u>	<u>44,640</u>	<u>-</u>
	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	<u>746,788</u>	<u>72,143</u>	<u>(14,636)</u>	<u>(105,031)</u>	<u>-</u>
				December 31, 2019	December 31, 2018
				Rupees in '000	

36.11 Actual (loss) / return 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)
	<u>(4,440,411)</u>	<u>(4,560,065)</u>	<u>(3,692,032)</u>	<u>(4,614,727)</u>	<u>(3,799,170)</u>
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)
				Gratuity fund	
	2019	2018	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)
	<u>620,977</u>	<u>444,655</u>	<u>511,919</u>	<u>255,291</u>	<u>561,455</u>
Experience adjustments on plan obligations / assets					
Re-measurement 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)
				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)
	<u>-</u>	<u>(269,187)</u>	<u>(224,122)</u>	<u>(212,231)</u>	<u>(192,811)</u>
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	-	-	-	-	-
	<u>1,365,237</u>	<u>1,332,925</u>	<u>1,240,250</u>	<u>1,298,380</u>	<u>1,217,945</u>
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	44,640	(105,031)	62,068	(97,990)	(243,936)

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	Employees' compensated absences				
	2019	2018	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	-	-	-	-	-
	<u>668,548</u>	<u>606,880</u>	<u>570,128</u>	<u>698,964</u>	<u>761,498</u>
Experience adjustments on plan obligations					
Re-measurement (loss) / gain on obligation	<u>(59,950)</u>	<u>(137,850)</u>	<u>71,640</u>	<u>11,662</u>	<u>(45,712)</u>

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 / benevolent fund due to surplus of fair value of plan's assets over present value of defined obligation. Based on actuarial advice, management estimates that the charge / (reversal) in respect of defined benefit plans for the year ending December 31, 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	<u>(499,546)</u>	<u>407,227</u>	<u>-</u>	<u>127,086</u>	<u>108,310</u>

36.14 Sensitivity analysis

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+1% Indexation Rate	-1% Indexation Rate	+10% Withdrawal Rate	-10% Withdrawal Rate	1 Year Mortality age set back	1 Year Mortality age set forward
	Rupees in '000									
Pension fund	1,613,770	1,715,331	1,661,826	1,661,826	1,669,491	1,655,022	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	1,364,186	1,366,278
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.

36.15 Maturity Profile

	December 31, 2019				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
The weighted average duration of the obligation (in years)	<u>1.06</u>	<u>6.5</u>	<u>-</u>	<u>7.27</u>	<u>6.87</u>

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.

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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.

38 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

38.1 Total compensation expense

	December 31, 2019					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
Rupees in '000						
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 Management Personnel
	Chairman	Non- Executives			
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

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38.2 Remuneration paid to Directors for participation in Board and Committee Meetings

December 31, 2019

Name of Director	For Board Meetings	For Board Committees					Total Amount Paid
		Audit Committee of Board	Human Resource Remuneration Committee	Board Risk Management Committee	E-Vision	Strategic Planning and Monitoring Committee	

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

December 31, 2018

Name of Director	For Board Meetings	For Board Committees					Strategic Planning and Monitoring Committee	Total Amount Paid
		Name of Board Committee	Name of Board Committee	Name of Board Committee	Name of Board Committee	Name of Board Committee		

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

Rupees in '000

Items	December 31, 2019			December 31, 2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
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

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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	Total
----- (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	-	30,810,960
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	-	-	-	-	119,935,126	-	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	-	733,828,930
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

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On-Balance sheet Financial Instruments	December 31, 2018						Fair Value				
	Carrying Value			Other financial liabilities			Level 1	Level 2	Level 3	Total	
	Held to Maturity	Held For Trading	Available for Sale	Financing and receivables	Other financial assets	Total					
----- (Rupees in '000) -----											
Financial assets - measured at fair value											
Investments											
Shares / Open Ended Mutual Funds	-	1,859,024	30,241,640	-	-	-	32,100,664	30,115,370	1,985,294	-	32,100,664
Federal Government Securities	-	-	609,053,323	-	-	-	609,053,323	-	609,053,323	-	609,053,323
Non Government Debt Securities	-	-	2,986,706	-	-	-	2,986,706	-	2,986,706	-	2,986,706
Financial assets - not measured at fair value											
Cash and balances with treasury banks	-	-	-	-	99,177,561	-	99,177,561	-	-	-	-
Balances with other banks	-	-	-	-	2,575,055	-	2,575,055	-	-	-	-
Lendings	-	-	-	53,780,195	-	-	53,780,195	-	-	-	-
Advances	-	-	-	438,356,170	-	-	438,356,170	-	-	-	-
Other assets	-	-	-	-	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	-	644,140,693
Financial liabilities - measured at fair value											
Trading Liability	-	9,987,849	-	-	-	-	9,987,849	-	9,987,849	-	9,987,849
Financial liabilities - not measured at fair value											
Bills payable	-	-	-	-	-	7,752,959	7,752,959	-	-	-	-
Borrowings	-	-	-	-	-	225,882,986	225,882,986	-	-	-	-
Deposits and other accounts	-	-	-	-	-	984,463,067	984,463,067	-	-	-	-
Other liabilities	-	-	-	-	-	20,156,645	20,156,645	-	-	-	-
	-	9,987,849	-	-	-	1,238,255,657	1,248,243,506	-	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

39.1 Fair value of non-financial assets	December 31, 2019				December 31, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Rupees in '000							
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.

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40 SEGMENT INFORMATION

40.1 Segment Details with respect to Business Activities

	December 31, 2019						
	Corporate and Investment Banking	Commercial and Retail Banking	Trading and Sales (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

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	December 31, 2018						
	Corporate and Investment Banking	Commercial and Retail Banking	Trading and Sales (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	4,339,842	17,993,917	7,752,226	(348,794)	216,483	(10,900,139)	19,053,535
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	63,591	17,826,194	379,590,231

ALLIED BANK LIMITED
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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	464,677,824	541,516	-	465,219,340
	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	209,634,997	12,637,580	-	222,272,577
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	1,230,444,600	13,148,892	-	1,243,593,492
Equity / Reserves	106,539,803	2,250,008	-	108,789,811
Total Equity & liabilities	1,336,984,403	15,398,900	-	1,352,383,303
Contingencies and Commitments	379,041,027	485,613	-	379,526,640

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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	-	884,506	-	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.

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42 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

December 31, 2019	December 31, 2018
Rupees in '000	
11,450,739	11,450,739

Capital Adequacy Ratio (CAR):

Eligible Common Equity Tier 1 (CET 1) Capital

Eligible Additional Tier 1 (ADT 1) Capital

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

82,135,834	75,372,381
-	-
82,135,834	75,372,381
22,351,157	20,564,931
104,486,991	95,937,312

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

345,197,859	315,518,950
49,574,917	40,673,396
84,845,040	78,800,062
479,617,816	434,992,408

Common Equity Tier 1 Capital Adequacy ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

17.13%	17.33%
17.13%	17.33%
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 21.69% 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.

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposures

Leverage Ratio

December 31, 2019	December 31, 2018
Rupees in '000	
82,135,834	75,372,381
1,801,251,403	1,634,600,480
4.56%	4.61%

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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.

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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.
- 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

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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.

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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 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					
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

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

43.1.3 Advances

Credit risk by industry sector

	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					
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	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	23,168,134	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

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43.1.4 Contingencies and Commitments

Credit risk by industry sector

	December 31, 2019	December 31, 2018
	Amount in Rs '000	
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

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).

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43.1.6 Advances - Province / Region-wise Disbursement & Utilization

During the year ended December 31, 2019

	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	11,270
Sindh	1,110,838,731	74,993,563	1,034,704,724	35,148	9,290	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	-	-	-	-	-
Total	1,821,950,322	758,530,363	1,039,376,772	4,585,500	631,227	913,323

During the year ended December 31, 2018

	Disbursements		Utilization			
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000					
Province / Region						
Punjab	591,723,087	522,554,625	34,494,817	-	34,673,645	-
Sindh	802,485,680	42,048,213	656,714,012	4,851,487	98,871,968	-
KPK including FATA	1,429,676	686,026	-	743,650	-	-
Balochistan	525,809	-	-	-	525,809	-
Islamabad	8,766,970	-	-	-	-	8,766,970
AJK including Gilgit-Baltistan	551,587	-	-	-	-	-
Total	1,405,482,809	565,288,864	691,208,829	5,595,137	525,809	142,312,583

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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.

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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

After tax Impact of 1% change in foreign exchange rates on:

- Profit and loss account
- Other comprehensive income

	December 31, 2019		December 31, 2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
	-	1,653,899	-	(1,604,197)
	-	-	-	-
	-	1,653,899	-	(1,604,197)

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43.2.4 Equity position Risk

Equity risk is the potential for incurring losses due to adverse changes in stock prices. ABL holds a diversified portfolio of equity investments in order to minimize non-systematic risk while retaining acceptable systematic risk. ALCO ensures that equity price risk is mitigated through prudent portfolio management.

The Bank maintains adequate regulatory capital to cover against equity price risks. Equity investments classified as “Held-For-Trading” as well as listed non-strategic equity investments classified as “Available-For-Sale” are part of the “Trading Book” and subject to market risk change as specified by the Basel Framework. Un-listed and listed strategic equity investment are part of “Banking Book” and are therefore subject to credit risk charge as specified by the Basel Framework.

	December 31, 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)	(526,955,764)

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)	-

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43.2.6 Mismatch of Interest Rate Sensitive Assets and Liabilities

		December 31, 2019										Non-interest bearing financial instruments
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
<u>Assets</u>												
		119,935,126	16,492,293	-	-	-	-	-	-	-	-	103,442,833
		602,582	-	-	-	-	-	-	-	-	-	602,582
		13,606,921	9,902,779	3,704,142	-	-	-	-	-	-	-	-
10.70%		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
11.54%		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
		35,518,167	-	-	-	-	-	-	-	-	-	35,518,167
		1,414,368,791	499,606,120	435,987,135	106,981,222	80,403,809	58,834,683	10,621,074	15,873,927	25,231,711	4,778,872	176,050,238
<u>Liabilities</u>												
		7,878,626	-	-	-	-	-	-	-	-	-	7,878,626
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	-	-
6.24%		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
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		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	-	359,654,658
		54,463,462	154,540,461	183,090,965	(212,732,743)	37,831,479	44,214,920	8,456,348	11,001,177	6,886,403	4,778,872	(183,604,420)
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:												
		220,381,401	71,170,538	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-
		464,217	464,217	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		220,845,618	71,634,755	59,117,691	85,699,466	4,393,706	-	-	-	-	-	-
Commitments in respect of sale of:												
		138,500,517	46,693,645	38,926,182	52,880,690	-	-	-	-	-	-	-
		49,721	49,721	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
		138,550,238	46,743,366	38,926,182	52,880,690	-	-	-	-	-	-	-
		38,311,885	16,914,205	5,340,939	8,850,528	7,206,213	-	-	-	-	-	-
		213,307,912	52,425,617	45,409,465	79,057,570	22,247,975	12,520,902	577,593	196,028	-	872,762	-
		267,771,374	206,974,780	228,500,430	(133,675,173)	60,079,454	56,735,822	9,033,941	11,197,205	6,886,403	5,651,634	(183,613,122)
		267,771,374	206,974,780	435,475,210	301,800,037	361,879,491	418,615,313	427,649,254	438,846,459	445,732,862	451,384,496	-

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Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
On-balance sheet financial instruments												
Rupees in '000												
Assets												
Cash and balances with treasury banks	99,177,561	14,117,947	-	-	-	-	-	-	-	-	-	85,059,614
Balances with other banks	2,575,055	-	-	-	-	-	-	-	-	-	-	2,575,055
Lending to financial institutions	7.95% 53,780,195	50,993,095	2,787,100	-	-	-	-	-	-	-	-	-
Investments	7.94% 672,587,309	231,024,247	324,350,027	20,049,288	32,732,625	893,744	5,816,244	7,291,693	16,569,201	-	-	33,860,240
Advances	7.35% 438,356,170	40,863,430	237,269,909	96,024,034	35,018,571	1,248,347	3,499,197	7,321,457	11,978,040	4,847,232	-	285,953
Other assets	28,986,261	-	-	-	-	-	-	-	-	-	-	28,986,261
	1,295,462,551	336,998,719	564,407,036	116,073,322	67,751,196	2,142,091	9,315,441	14,613,150	28,547,241	4,847,232	-	150,767,123
Liabilities												
Bills payable	7,752,959	-	-	-	-	-	-	-	-	-	-	7,752,959
Borrowings	5.89% 225,882,986	173,702,776	27,973,227	10,161,557	40	282,296	641,607	1,556,729	11,564,754	-	-	-
Deposits and other accounts	3.51% 984,463,067	121,284,355	229,412,178	295,508,730	53,568,188	19,398,720	825,194	876,633	534,810	80,108	-	262,974,151
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	2,433,362	12,099,564	80,108	-	290,883,756
On-balance sheet gap	57,206,893	42,011,588	307,021,631	(189,596,965)	14,182,968	(17,538,925)	7,848,640	12,179,788	16,447,677	4,767,124	-	(140,116,633)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions	96,475,905	12,705,839	6,870,608	32,410,166	21,944,400	20,200,564	1,085,634	77,339	7,500	1,173,855	-	-
Commitments in respect of purchase of:												
- forward foreign exchange contracts	137,056,586	46,875,838	55,520,667	34,407,428	252,653	-	-	-	-	-	-	-
- forward government securities transactions	57,768,858	54,219,284	3,549,574	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
	194,825,444	101,095,122	59,070,241	34,407,428	252,653	-	-	-	-	-	-	-
Commitments in respect of sale of:												
- forward foreign exchange contracts	70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-	-	-	-
- forward government securities transactions	-	-	-	-	-	-	-	-	-	-	-	-
- derivatives	-	-	-	-	-	-	-	-	-	-	-	-
- forward lending	-	-	-	-	-	-	-	-	-	-	-	-
	70,453,385	33,140,303	16,724,966	20,561,418	26,698	-	-	-	-	-	-	-
Other commitments	27,762,282	13,998,922	4,536,571	2,459,295	1,850,964	807,808	807,808	1,615,617	1,685,297	-	-	-
Off-balance sheet gap	248,610,246	94,659,580	53,752,454	48,715,471	24,021,319	21,008,372	1,893,442	1,692,956	1,692,797	1,173,855	-	-
Total Yield/Interest Risk Sensitivity Gap	305,817,139	136,682,021	360,774,085	(140,881,494)	38,204,287	3,469,447	9,742,082	13,872,744	18,140,474	5,940,979	-	(140,127,486)
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	440,003,646	445,944,625	-	-

Reconciliation to total assets

December 31, 2019 December 31, 2018
(Rupees in '000)

Balance as per balance sheet

1,483,383,441 1,352,383,303

Less: Non financial assets

Fixed assets

64,215,960 52,155,900

Other assets

4,798,690 4,764,852

69,014,650 56,920,752

Total financial assets

1,414,368,791 1,295,462,551

Reconciliation to total liabilities

December 31, 2019 December 31, 2018
(Rupees in '000)

Balance as per balance sheet

1,366,171,887 1,243,593,492

Less: Non financial liabilities

Deferred tax liabilities

5,912,375 4,751,359

Other liabilities

354,183 586,475

6,266,558 5,337,834

Total financial liabilities

1,359,905,329 1,238,255,658

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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.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman