

# EVOLVED FOR A NEW AGE





Originating from modest beginning, Allied Bank has transformed into a dynamic and innovative organization, overcoming a multitude of challenges with resolve and fortitude over its illustrious history. The Year 2017 marked a historic event for the Bank, as the entire ABL team celebrated the successful completion of providing 75 years of banking services to the nation, and being recognized as 'Bank of the Year – Pakistan 2017' by the prestigious 'The Banker Magazine, UK'. With the initiation of digital transformation that will assist in shaping the future for decades to come, Allied Bank is proud to celebrate its evolution for a new age.

# AWARDS AND ACCOLADES



**Bank of the Year 2017 (Pakistan) – The Banker Magazine (UK)**



- A Top Issuer of PayPak Cards - 1 Link
- B Best Corporate and Investment Bank (Pakistan) - Asia Money Magazine
- C Corporate Excellence Award - Management Association of Pakistan
- D Best Emerging Bank in Islamic Finance - Global Forum on Islamic Finance
- E 2nd Position Best Corporate Report Awards - ICAP & ICMAP
- F Best Corporate and Institutional Bank (Domestic, Pakistan) & Best Loan Adviser - The Asset Magazine
- G Ranked Amongst Top 25 Companies - Pakistan Stock Exchange

75

YEARS  
JOURNEY

1942

Establishment of Australasia Bank at Lahore with Rs. 0.12 million Share Capital

1947

Partition of India and Pakistan

1971

Separation of East Pakistan (now Bangladesh) resulted in loss of 51 branches

1974



Nationalized and renamed as Allied Bank of Pakistan Limited (ABP) with a Network of 353 branches

1991

26% shares of ABP disinvested by the Government. Management, control and administration transferred to employees backed Allied Management Group (AMG)

1993

51% shareholding by AMG

Recapitalization of Allied Bank of Pakistan Limited and handing over of Management to Ibrahim Group

1940s

1970s

1990s

2004

1950-60s

1980s

2000-03

2005

2000

State Bank of Pakistan took over the management of ABP

2003

State Bank of Pakistan initiated restructuring of ABP



Organizational re-structuring and re-branding to "Allied Bank Limited"

Listing on all the three Stock Exchanges of Pakistan

Merger of Ibrahim Leasing Limited with Allied Bank Limited

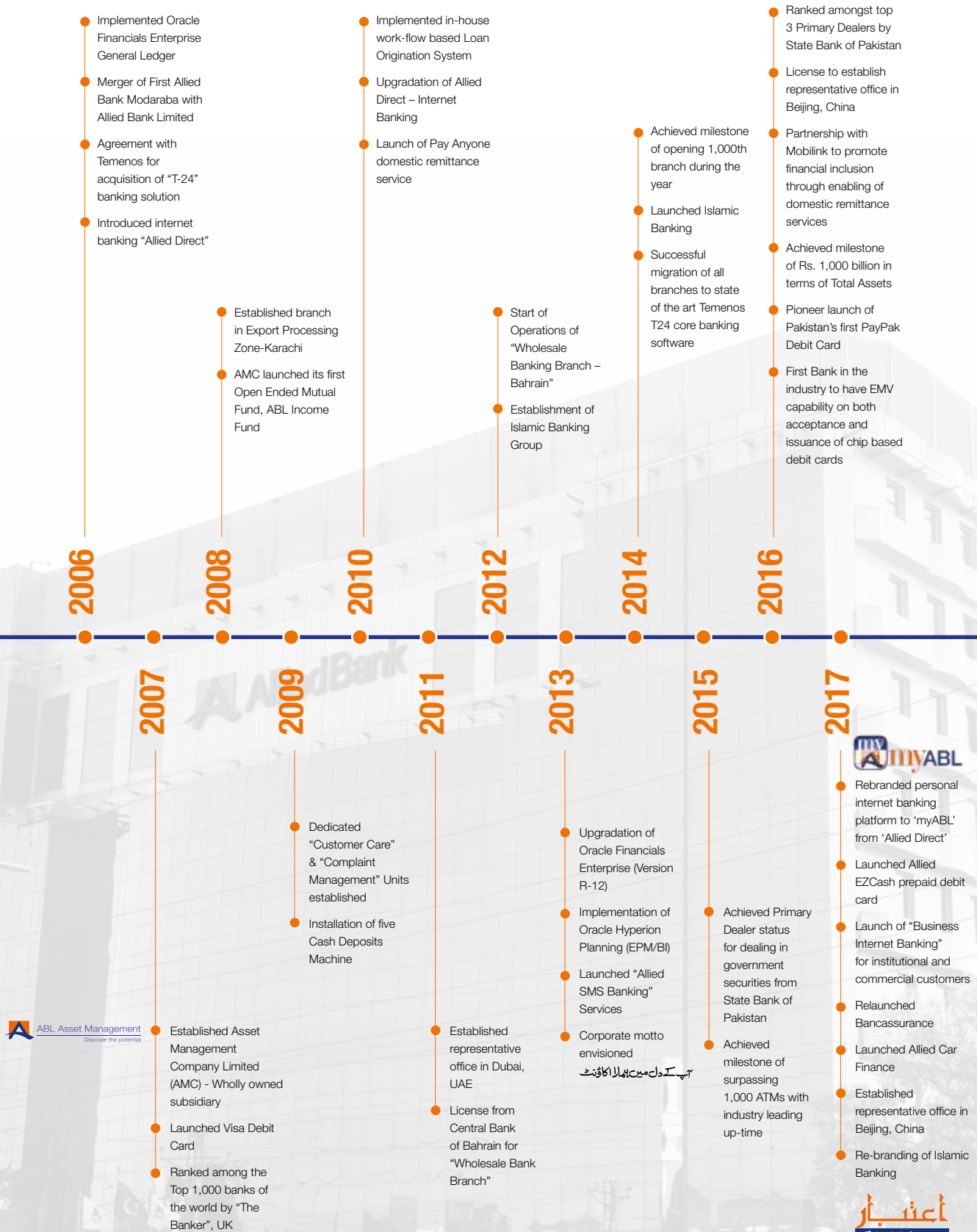
First Dividend payout after recapitalization at Rs. 2.5/share



ABP started operations in United Kingdom and opened 4 branches



Bank continued to grow with new branches being opened in both West and East Pakistan



# 75 YEARS CELEBRATION





# HIGHLIGHTS 2017

**17%** GROWTH

**TOTAL  
ASSETS**

2017: 1,246  
2016: 1,069  
Rs. in Billion

**10%** GROWTH

**TOTAL  
DEPOSITS**

2017: 884  
2016: 805  
Rs. in Billion

**25%** GROWTH

**TOTAL  
CURRENT  
DEPOSITS**

2017: 316  
2016: 254  
Rs. in Billion

**18%** GROWTH

**TOTAL  
INVESTMENTS**

2017: 698  
2016: 590  
Rs. in Billion

**13%** GROWTH

**TOTAL  
ADVANCES**

2017: 372  
2016: 330  
Rs. in Billion

**6%** GROWTH

**TOTAL  
EQUITY**

2017: 107  
2016: 101  
Rs. in Billion

**-12%** DECLINE

**NON  
PERFORMING  
LOANS**

2017: 18  
2016: 20  
Rs. in Billion

**12.73**

**PROFIT  
AFTER TAX**

2016: 14.43  
Rs. in Billion

**17%**

**RETURN  
ON EQUITY**

2016: 20%

**11.12**

**EARNING PER  
SHARE**

2016: 12.60  
Rupees

**100** NEW

**BRANCHES**

2017: 1,250  
2016: 1,150  
Number

**91** NEW

**ATMs**

2017: 1,241  
2016: 1,150  
Number



# HUMAN RESOURCES



Total Permanent Staff



Male to Female Ratio



Number of Graduates



New Recruitments



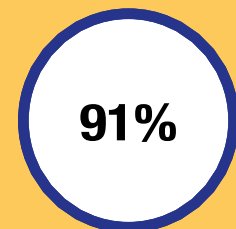
Training Days



Training Programs



Staff Trained in Service



Employee Retention  
Ratio

# SERVICE DELIVERY

97%

ATM Uptime

Up 25%

ATM POS Based  
Spent

Up 17%  
(21.5 million)

No. of ATM  
Acquired  
Transactions

EMV  
COMPLIANT

ATM Card Security

513,000

New to Bank  
Customers

257,000

No. of Asaan  
Accounts Opened

308,377

No. of Debit Cards  
Issued

160,168

No. of PayPak  
Cards

121,953

myABL Registered  
Users

97%  
(12,168)

Number of Customer  
Complaint Resolutions

5,044,116

Website Visits

746,090

Social Media Fan/  
Followers

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# FINANCIAL CALENDAR

## 2016

## 2017

1st Quarter results issued on	April 26, 2016	1st Quarter results issued on	April 26, 2017
2nd Quarter results issued on	August 10, 2016	2nd Quarter results issued on	August 17, 2017
3rd Quarter results issued on	October 21, 2016	3rd Quarter results issued on	October 24, 2017
Recommendation of Annual Results by the BOD	February 09, 2017	Recommendation of Annual Results by the BOD	February 21, 2018
71st AGM approved the Annual Results	March 28, 2017	72nd AGM scheduled for approval of Annual Results	April 09, 2018

## VISION

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

## MISSION

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

## STRATEGIC OBJECTIVES

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

## CORE VALUES

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Integrity



High Performance



Excellence in Service



Innovation and Growth

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# CORPORATE PROFILE

## Who We Are

Allied Bank Limited started its operations in Lahore by the name Australasia Bank before independence in 1942; upon nationalization in 1974, it was merged with 3 other banks (Sarhad Bank Limited, Lahore Commercial Bank Limited and Pak Bank Limited) and the name was changed to Allied Bank of Pakistan Limited. In August 2004, SBP under Scheme of Reconstruction transferred its ownership to a consortium of Ibrahim Group; consequently the new management renamed the entity as Allied Bank Limited in 2005.

## Parent Company

Ibrahim Holdings (Private) Limited

## Subsidiary Company

ABL Asset Management Company Limited

## Entity Credit Rating

AA+ Long Term  
A1+ Short Term

## Corporate Governance Rating

CGR9+

## Board of Directors

Mohammad Naeem Mukhtar (Chairman)  
Sheikh Mukhtar Ahmad  
Muhammad Waseem Mukhtar  
Abdul Aziz Khan  
Mubashir A. Akhtar  
Dr. Muhammad Akram Sheikh  
Zafar Iqbal  
Tahir Hassan Qureshi (CEO)

## Audit Committee of the Board

Zafar Iqbal (Chairman)  
Dr. Muhammad Akram Sheikh  
Mubashir A. Akhtar

## Human Resource & Remuneration Committee

Abdul Aziz Khan (Chairman)  
Muhammad Waseem Mukhtar  
Tahir Hassan Qureshi

## Shariah Board

Mufti Ehsan Waqar (Chairman)  
Mufti Mahmood Ahmad  
Mufti Muhammad Iftikhar Baig

## Registered & Head Office

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

## Company Secretary

Muhammad Raffat

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Adviser

Mandviwalla & Zafar Advocates

## Shares Registrar

Central Depository Company of Pakistan  
Limited (CDCPL)

## Website & Email



www.abl.com  
info@abl.com

## Telephone Number

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

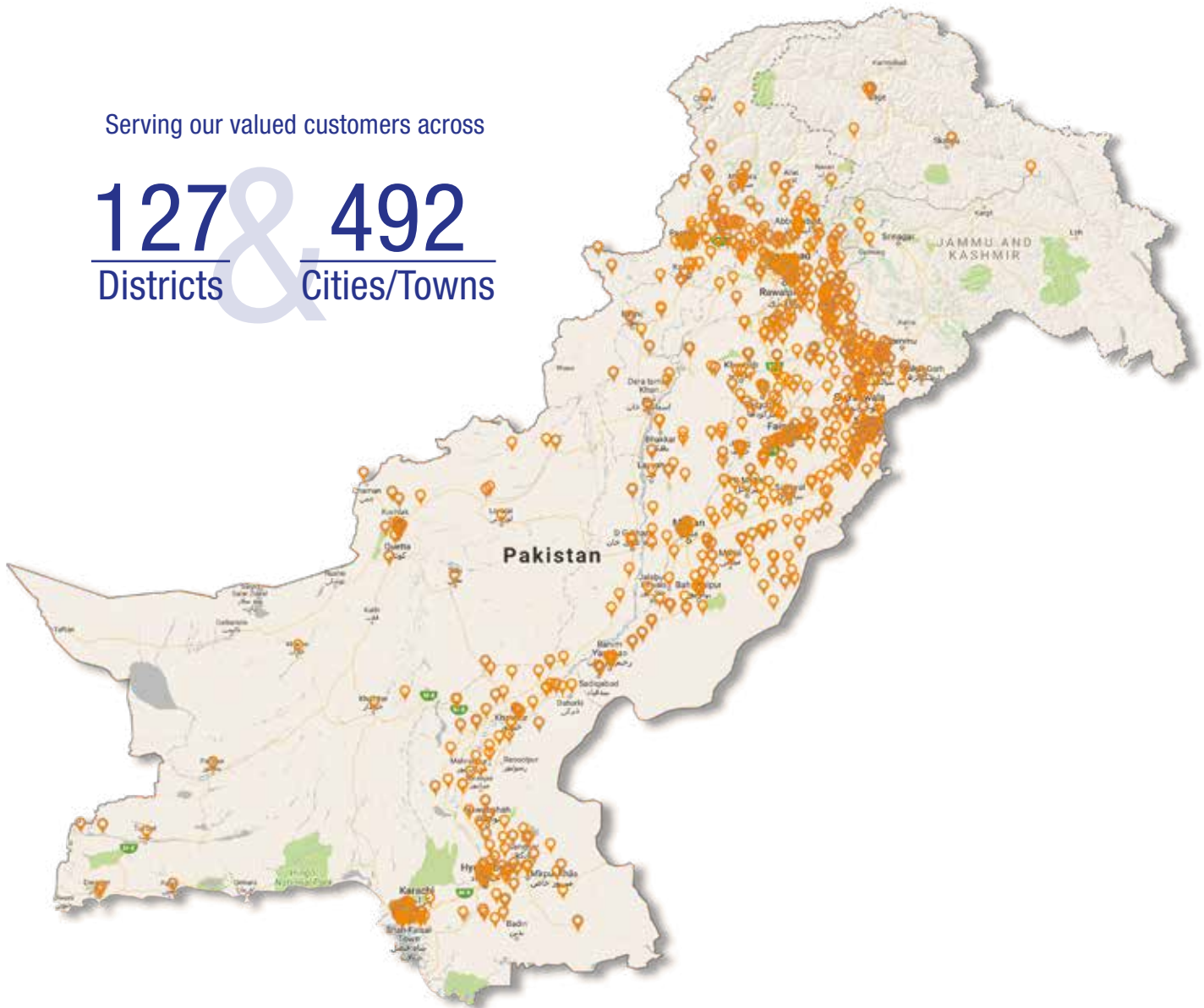
## Social Media Links

twitter.com/ablpk  
www.facebook.com/alliedbankpk  
www.youtube.com/user/alliedbankltd

# EXPANDING OUTREACH

Serving our valued customers across

**127** & **492**  
Districts & Cities/Towns



<b>Domestic Branches (Conventional)</b>	<b>1,131</b>
<b>Domestic Branches (Islamic)</b>	<b>117</b>
<b>Overseas Branches</b>	<b>2</b>
Bahrain-Wholesale Banking Branch	
Karachi-Export Processing Zone Branch	
<b>Representative Offices</b>	<b>2</b>
United Arab Emirates-Dubai	
People's Republic of China-Beijing	
<b>Sub-branch</b>	<b>1</b>
<b>Booths</b>	<b>19</b>

<b>Province-wise Network:</b>	<b>Branches</b>	<b>ATMs</b>
<b>Punjab</b>	<b>648</b>	<b>680</b>
<b>Sindh</b>	<b>269</b>	<b>278</b>
<b>Khyber Pakhtun Khawa</b>	<b>145</b>	<b>121</b>
<b>Balochistan</b>	<b>42</b>	<b>28</b>
<b>Federal Capital</b>	<b>63</b>	<b>90</b>
<b>Azad Jammu and Kashmir</b>	<b>62</b>	<b>38</b>
<b>FATA &amp; PATA</b>	<b>11</b>	<b>-</b>
<b>Northern Areas</b>	<b>9</b>	<b>6</b>
<b>Overseas (Bahrain)</b>	<b>1</b>	<b>-</b>
<b>Total</b>	<b>1,250</b>	<b>1,241</b>

# BOARD OF DIRECTORS



Sitting from Left to Right

○ Sheikh Mukhtar Ahmad ○ Mohammad Naeem Mukhtar ○ Abdul Aziz Khan



Standing from Left to Right

○ Mubashir A. Akhtar ○ Muhammad Waseem Mukhtar ○ Tahir Hassan Qureshi ○ Dr. Muhammad Akram Sheikh ○ Zafar Iqbal

# BOARD OF DIRECTORS



**Mohammad  
Naeem Mukhtar**

Chairman / Non-Executive Sponsor Director

He is Chairman of the Board of Allied Bank since 2004. He has completed MBA from Cardiff Business School UK, Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (CText ATI) from The Textile Institute in Manchester UK. He has over 32 years of experience of finance and industrial manufacturing. Besides Chairman of Board of Directors of Allied Bank Limited, he is also Chief Executive Officer/ Director of M/s. Ibrahim Fibres Limited and M/s. Ibrahim Holdings (Pvt.) Limited, Director on the boards of M/s. Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company Limited, Karachi Education Initiative, Pakistan German Business Forum and Member Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS), Representative of Pakistan Business Council. He is also Industry Co-Chair Banking Sector of NUST Corporate Advisory Council (CAC) and Senior Fellow of NUST Global Think Tank Network (GTTN).



**Sheikh  
Mukhtar Ahmad**

Non-Executive Sponsor Director

He started his business career immediately after migrating from India at the time of independence of Pakistan in 1947 and contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over 56 years of experience in establishing and successfully managing various industrial and financial companies. He has been on the Board of Directors of Allied Bank Limited since 2005 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Chairman of the Board of Directors of M/s. Ibrahim Fibres Limited, Ibrahim Holdings (Pvt.) Limited, Ibrahim Agencies (Pvt.) Limited and ABL Asset Management Company Limited.



**Muhammad  
Waseem Mukhtar**

Non-Executive Sponsor Director

He is MBA from the University of Chicago Booth School of Business, Illinois, USA. He also holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, UK, and has 20 years of diversified experience of Finance, IT and Industry. His strategic guidance played a vital role in technological up-gradation of the Bank. He has been on the Board of Directors of Allied Bank Limited since 2004 and is a "Certified Director" from Pakistan Institute of Corporate Governance. He is also Director on the Boards of M/s. Ibrahim Fibres Limited, Ibrahim Holdings (Pvt.) Limited, Ibrahim Agencies (Pvt.) Limited, ABL Asset Management Company Limited, HUB Power Company Limited and Arabian Sea Country Club.



**Abdul  
Aziz Khan**

Non-Executive Director

He has enriched and diversified experience of more than 54 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including 9 years of international banking; holding key positions in different countries including Switzerland. He also remained CEO of M/s. Ibrahim Leasing for 11 years. He is on the Board of Allied Bank Limited since 2004.





**Mubashir  
A. Akhtar**

Non-Executive Director

He is a law graduate and has 51 years of banking experience in local and international markets. His extensive international banking experience includes key assignments in Turkey, Qatar and UK. He is a Financial Consultant of Asian Development Bank (ADB) and remained actively involved in various assignments of ADB especially on capital markets development and reforms of NBFIs in Pakistan.

He is also fellow member of Institute of Bankers in Pakistan (1989), Institute of Chartered Secretaries and Managers (1993) and Institute of Marketing Management (1999). He has been on the Board of Directors of Allied Bank Limited since 2006 and is a "Certified Director" from Pakistan Institute of Corporate Governance.



**Dr. Muhammad  
Akram Sheikh**

Independent Director

Dr. Muhammad Akram Sheikh (Hilale-Imtiaz) has over 52 years of work experience in the public and private sectors. At present, he is associated with National University of Sciences and Technology (NUST) as Professor Emeritus, Founder and Co-Chair of Global Think Tank Network (GTTN), Founding Co-Chair of Corporate Advisory Council (CAC), Director on the Boards of Quality School Foundation and Tricon Boston Consulting (Pvt.) Limited (a subsidiary of Sapphire Textile Mills Limited).

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



**Zafar  
Iqbal**

Independent Director

He has 32 years' experience in senior management positions in financial and power generation sector. He was the Managing Director/ CEO of Pak Oman Investment Company Limited, a DFI owned jointly by the Governments of Pakistan and Sultanate of Oman. During his 8 years stay at Pak Oman he led the company in becoming the leading DFI in its peer group. Over the past 25 years, he has served on the Boards of number of listed and non-listed companies and financial institutions. He is a Fellow member of Institute of Chartered Accountants in England & Wales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP). He is a "Certified Director" from Pakistan Institute of Corporate Governance. He specialized in Investment Banking, Corporate Finance, Capital Markets, Leasing, Aircraft Financing and Energy & Power Generation. Presently, he is associated in advisory business and extensively travels within Middle East, South Asia, Europe and North America for business negotiation. He is on the Board of Directors of Allied Bank Limited since August 2015.



**Tahir  
Hassan Qureshi**

Chief Executive Officer

He is a seasoned professional banker and Fellow member (FCA) of the Institute of Chartered Accountants of Pakistan (ICAP) with a diversified experience of more than 29 years including over 24 years of experience in the banking industry where he has held senior management positions. He has served on various Committees of the ICAP and Pakistan Banks' Association. Before Joining Allied Bank Limited he held senior management positions in The Bank of Punjab, Habib Bank Limited and MCB Bank Ltd. He joined Allied Bank Limited in 2008 and served as Chief, Audit & Risk Review (A&RR), Chief Financial Officer and Chief Operating Officer (COO). Apart from attending various seminars and conferences locally and internationally, he also represented Allied Bank Limited on World Economic Forum's annual meetings of the New Champions. He is "Certified Director" from the ICAP and is Bank's nominee on the Board of Directors of Habib Allied Holding Limited - UK, ABL Asset Management Company Limited and Council of the Institute of Bankers Pakistan. He is serving as CEO Allied Bank Limited since January 2017.

# BOARD COMMITTEES

## Audit Committee of the Board

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

### Constitution:

Zafar Iqbal  
Chairman

Dr. Muhammad Akram Sheikh  
Member

Mubashir A. Akhtar  
Member

## Board Risk Management Committee

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

### Constitution:

Sheikh Mukhtar Ahmad  
Chairman

Muhammad Waseem Mukhtar  
Member

Abdul Aziz Khan  
Member

Tahir Hassan Qureshi  
Member

## e-Vision Committee

**Terms of Reference:** One of the key functions of the e-Vision Committee is to provide strategic direction for e-banking and adoption of evolving technologies for providing new products and better services to its customers and to improve internal control environment. Review of strategic plans to improve IT infrastructure and automation of processes and systems including alternate delivery channels are within the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board with insights regarding international developments and evolving technologies in the field of e-banking for adoption; keeping in view the Bank's strategic direction. Besides the above, the Committee also oversees major technology, software and hardware acquisitions / initiatives. It also oversees performance of Information Technology function.

### Constitution:

Mohammad Naeem Mukhtar  
Chairman

Dr. Muhammad Akram Sheikh  
Member

Mubashir A. Akhtar  
Member

Tahir Hassan Qureshi  
Member

## Strategic Planning & Monitoring Committee

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

### Constitution:

Muhammad Waseem Mukhtar  
Chairman

Abdul Aziz Khan  
Member

Mubashir A. Akhtar  
Member

Tahir Hassan Qureshi  
Member

## Human Resource & Remuneration Committee

**Terms of Reference:** Human Resource & Remuneration Committee (HRRC) defines the organizational structure and functional responsibilities of all areas of the Bank. It approves staff strength, key appointments, salary revisions, bonuses and special allowances and recommends to the Board appointment, remuneration bonuses / performance awards, terms and conditions of employment and other benefits of the key position holders. HRRC also monitors the utilization of training & development budget and implementation of approved training & development policy. The Committee nominates the Bank's directors and management personnel on the board of other companies / subsidiaries. HRRC also recommends Remuneration Policy and other Human Resource related policies to the Board, besides monitoring performance of Human Resource Committee and Human Resource function.

### Constitution:

Abdul Aziz Khan  
Chairman

Muhammad Waseem Mukhtar  
Member

Tahir Hassan Qureshi  
Member

## Board of Directors and Board's Committees Attendance during 2017

Name	Board of Directors	Audit Committee of the Board	Board Risk Management Committee	e-Vision Committee	Strategic Planning & Monitoring Committee	Human Resource & Remuneration Committee
Mohammad Naeem Mukhtar	7/7	x	x	4/4	x	x
Sheikh Mukhtar Ahmad	6/7	x	5/5	x	x	x
Muhammad Waseem Mukhtar	7/7	x	5/5	x	10/10	8/8
Abdul Aziz Khan	7/7	x	5/5	x	10/10	8/8
Mubashir A. Akhtar	7/7	5/5	x	4/4	10/10	x
Dr. Muhammad Akram Sheikh	7/7	5/5	x	4/4	x	x
Zafar Iqbal	6/7	5/5	x	x	x	x
Tahir Hassan Qureshi (CEO)	7/7	x	4/5	3/4	10/10	8/8
<b>Total Number of meetings held during 2017</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>10</b>	<b>8</b>

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

Note: Denominator showed total number of meetings entitled to attend. | x Not a Member.

# CORPORATE STRUCTURE



\* Independent Shariah Board oversees Islamic banking operations

# MANAGEMENT COMMITTEES



# CHAIRMAN'S MESSAGE



Year 2017 was a historic year for the Bank; as the entire ABL team celebrated the successful completion of 75 years of banking services to the nation. Originating from modest beginnings, Your Bank has transformed into a dynamic and innovative organization; overcoming multitude of challenges with resolve and fortitude. Recognition by the prestigious Banker Magazine, UK as 'Bank of the Year – Pakistan 2017' made this anniversary year more fulfilling for the entire team. Your Bank has now initiated digital transformation which shall assist in shaping the future for decades to come.

Technology is rapidly changing the dynamics of banking. Despite technology driven advancements, according to World Bank, still two billion people around the world do not have a bank account. In order to enhance financial inclusion and boost sustainability in a business environment engulfed with disruptive forces, Banks need to embrace a decisive and forward-looking technology driven strategy striving towards reducing operating costs and risks in the digital era; while facilitating agility and deeper penetration in existing and untapped markets.

After protracted periods of depressed growth and subdued macroeconomic fundamentals, global economic activity displayed stable performance during 2017. IMF projects global growth at 3.7% in 2017; 0.1% higher than earlier projections and 0.5% higher than 2016. Global growth forecasts for 2018 and 2019 have also been revised upward by 0.2% to 3.9%; reflective of higher growth momentum and the expected impact of the recently approved U.S. tax policy changes.

Major support to recovery came from global trade, favorable financial conditions, stabilized commodity prices and improved business sentiments.

The pickup in growth has been broad based, with notable upside surprises in Europe and Asia. Key emerging and developing economies, including Brazil, China, and South Africa, also posted growth stronger than originally forecasted.

Driven by improvement in global growth outlook, extension of the OPEC agreement to limit oil production and geopolitical tensions in the Middle East, crude oil prices rebounded towards US\$ 70 per barrel mark from US\$ 53 at the start of the year; providing fiscal relief to the oil exporting countries while pressurizing

the Balance of Payment of oil importing countries like Pakistan.

Domestically, sustaining a population of approximately 208 million requires overcoming barriers to growth which have hindered progress historically. Lackluster pace of structural and macroeconomic reforms especially with reference to fiscal revenue collection, absence of long term dynamic strategic planning and its follow-up, one of the lowest private sector credit to GDP ratio in the world, high unbanked population levels, lack of cost effective factors of production and secure operating environment remain key challenges in accomplishing the desired growth targets.

With rising young population and rapid technology driven advancements in a highly competitive global environment; creation of jobs cannot be accomplished without broad based and planned expansion in manufacturing sector and industrial parks with simultaneous enhancement in skillset levels of the domestic labour force.

The gradual progress made during 2017 to address the adverse exports trend which declined by 3% during the last five years, yielded results whereby exports of goods and services registered a growth of 7% during the year.

On the contrary, despite measures by the government through imposition of regulatory duties on import of non-essential items, growth in imports failed to relent with overall increase of 21% during the year. This mismatch in exports and imports growth resulted in burgeoning trade deficit.

Home Remittances another historically reliable source of funding remained constrained during the year with 1% decline to US\$ 19,591 million on account of adverse economic conditions in Middle East; largest contributor to domestic remittances.

Foreign Direct Investment inflows during 2017 remained encouraging at US\$ 2,691 million primarily related to CPEC related projects. However, foreign investors in the equity market remained disenfranchised due to brewing uncertainty over the political climate as well as the fluctuating exchange rate outlook. Resultantly, positive sentiments in equity market from achieving MSCI Emerging Market status in 2016 were wiped away and benchmark index fell by 15% to close at 40,471 points.

As a result of uptick in momentum in existing infrastructure projects and new projects being initiated, Large Scale Manufacturing remained robust during the year with 4.9% growth in FY2016-17 and 7.2% growth in first four month of FY 2017-18.

Managing Public Debt and Liabilities largely stemming from borrowings from multilateral donors, foreign and local banks remain a key challenge for the economy. The overall debt surpassed Rs.24,000 billion or 75.3% of GDP during FY 2016-17; including USD borrowing of approximately US\$ 5 billion acquired during 2017 to support rising trade deficit. With limited growth in exports and stagnant remittance position; debt servicing going forward remains a fundamental challenge ahead.

Despite accommodative monetary policy stance by SBP, Private Sector Credit as a percentage of GDP remains one of the lowest in the world at 15% from a high of 28% in 2007. Repercussions of this dreary state of private sector credit have been overwhelming for the economy, in the form of financial and social exclusion of a large segment of the population, lower than projected GDP growth rate, subdued exports performance and lack of growth in tax revenues.

The size of undocumented economy continues to grow in the wake of aversion by the business community

# CHAIRMAN'S MESSAGE

to withholding tax imposed on banking transactions. Recent impact analysis by SBP in its Annual Report FY 2016-17 also highlighted this fact "While the WHT on non-cash banking transactions seems to have had a negligible impact on revenue collections and incentivizing tax filing, it instead led to an increase in currency in circulation and a decline in private business deposits."

The challenges emanating from these hindrances along with change witnessed in earning asset mix and continuation of Super tax, adversely impacted banking sector bottom line performance.

Your Bank while remaining cognizant of the aforementioned challenges and associated risks adopted a prudent approach to achieve stable performance while continuing to strengthen the balance sheet.

During the year, the overall Balance Sheet and total Equity size of the Bank crossed the significant milestone of Rs.1,246 billion and Rs.107 billion mark respectively.

The contribution by Your Bank to enhance access to financial services by country's population remained on course during the year with addition of 100 branches during the year, expanding overall branch network to 1,250 branches including 117 Islamic Banking branches. Similarly, the vast ATM network by the Bank increased from 1,150 ATMs to 1,239 ATMs including 249 off-site ATMs.

Committed to gradually introducing Digital Banking initiatives, Your Bank initiated pilot project through launch of digital branches in Lahore and Karachi.

Your Bank believes that commercial success is intrinsically linked with progress of all our stakeholders. Recognizing Your Bank's role as an enabler of sustainable progress in society the Bank generously contributed towards Corporate Social Responsibility projects through active assistance in community building, healthcare, education and environment related projects.

Acknowledging the role in nation building, Your Bank arranged series of awareness sessions across Pakistan to facilitate SBP's National Financial Inclusion Strategy initiative. Highlight of these sessions was seminar in Lahore on "Private Sector Credit and Growth in Tax Revenue";

highlighting the role of private sector credit in achieving growth in tax revenues and broad based economic growth. In addition, awareness sessions on SME, Agriculture and Islamic Banking were also held across Pakistan; actively attended by obligors, regulators and potential customers.

In this transforming business environment of Artificial Intelligence, Cognitive Computing and Machine Learning; employees in an organization need to be well-versed with latest technology trends. Your Bank has placed immense emphasis on these learning aspects through e-Learning and purpose-built Management Development Centers. Your Bank views this investment in technology and people as the foundation of future success.

Your Bank's sound business, compliance and governance practices safeguards against any oversights locally and internationally and as a result, translating in to robust entity rating by Pakistan Credit Rating Agency (PACRA); which maintained the long-term rating of Allied Bank at "AA+" and short-term rating at "A1+".

During 2017, JCR-VIS Credit Rating Company Limited maintained Your Bank's Corporate Governance rating to "CGR-9+" indicating very high level of corporate governance; the only Bank in industry to be rated on Corporate Governance.

## Future Outlook

The growth in real economic activity is expected to maintain the momentum in FY 2017-18. However, elevated levels of external and fiscal accounts deficit, enhanced rates of imports growth and increased public spending in order to achieve completion of development projects before the upcoming general elections in the country may diminish chances of achieving the targeted GDP growth of 6%.

Recent adjustment of Policy rate by SBP using monetary policy tool; keeping in view the PKR depreciation, increasing oil prices, PKR interest rate differential and buildup of demand pressure is positive omen, depicting real time adjustment of the economy.

Sustainable development, jobs creation and equitable broadening of the tax

base remain imperative to reap benefits from growing economy. Achievement of these objectives, rest upon successful implementation of economic reforms, instilling fiscal discipline and improving access to factors of production.

While the undocumented segment of the economy continues to grow thereby discouraging SME financing growth, documented formal sector continues to bear the brunt of tax burden. Therefore, formalizing the informal sector on war footing is the need of the hour to create fiscal breathing room through accumulation of higher tax revenues and reducing the burden on already heavily taxed segments.

Legislative reforms to facilitate businesses in reducing costs and enhancing ease of doing business while improving the quality of information presented by the businesses can potentially assist in efforts to corporatize the informal sector and further improve the formal sector.

Recently promulgated Companies Act 2017 is the right step in such direction and further similar reforms pertaining to credit bureaus, bankruptcy, foreclosure etc. can further strengthen the functioning of economy.

There remains a distinct lack of long term strategic vision to develop local businesses into globally competitive large conglomerates. Accordingly, majority of businesses in Pakistan operate at the periphery of the official and legal frameworks.

Lack of corporatization in country is clearly demonstrated by the continuous growth in informal credit avenues, which are not only expensive source of funding but also a major cause of lack of growth in SME businesses and in tax revenues for the government.

Addressing the Real Estate valuation shall remain another key area of concern for the authorities. Undervalued real estate valuations as compared to market prices; limits the revenue streams for the tax authorities. In addition, the sector has since long been a mainstay for undocumented cash based economy proving more detrimental to nation's development in general and hindering credit growth in particular.





Investment inflows from China Pakistan Economic Corridor (CPEC) have started to materialize with initiation of energy and infrastructure projects. Going forward, focus must be given to capitalizing on these opportunities and ensure favorable value creation for domestic entrepreneurs and labour force.

Predicting the future of evolving business environment is becoming more and more uncertain with the passage of time. However, the only certainty about future remains that banking shall perform as a function of variables including customer aspirations, application of appropriate technology, digital currency, blockchain, machine learning and predictive analysis. Data protection and information governance have become imperative to gaining customers' trust and remain a key enabling factor in the digital era. Therefore, focus on ensuring robust information security, strengthening of controls and compliance functions remain a cornerstone of Your Bank's strategy.

Understanding and continuously adapting business model and how value is delivered to key stakeholders through a dynamic strategy shall determine the success of banks in future.

Proactive mitigation of risks associated with evolving business environment shall remain at the forefront for banks sustainability.

Domestic banking landscape, already having been consolidated from 49 operational banks in 2000 to just 34 banks in 2017, shall continue to transform. Going forward, provision of quality services at the convenience of customer through multiple

channels will determine the success for the banks.

Adherence to progressive supervisory framework developed in consultation with all stakeholders shall assist in further enriching the Digital Banking Age experience. Heightened compliance will shape digital banking of the future and expedite its arrival.

Your Bank remains fully cognizant of these complex global developments along with intricacies associated with local banking scenario.

Your Bank intends to remain at the forefront for improving access to quality financial services to the vast unbanked population in the country. Expansion in outreach through hybrid mix of conventional brick and mortar branches, 'Smart Branches' and digital kiosks shall assist in further improving the outreach. Initiation of "Branchless Banking" going forward shall further facilitate in accomplishing financial inclusion strategy of the Bank.

In addition, through enrichment of digital banking operations, Your Bank intends to further enhance experience of customers by providing full suite of services for individuals through 'MyABL' and for Corporates through 'Business Internet Bank' solution respectively.

Similarly, regular seminars on financial awareness which have received positive response from obligors, regulators and public shall further assist in enhancing the financial acumen of the general public.

Your Bank has achieved tremendous successes through hard work, dedication and commitment. With strong balance sheet and capital adequacy levels, robust risk management, high focus on compliance with domestic and international applicable regulatory requirements, high standards of corporate governance, transparency and commitment to globally accepted best business practices, Your Bank has achieved a position of strength which is recognized internationally as well as locally. Domestic accolades during 2017 included the prestigious "Corporate Excellence Award" by the Management Association of Pakistan and selection as one of "Top 25 Companies of the Year awards" given by the Pakistan Stock Exchange.

The Bank profoundly acknowledges the co-operation extended by regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue.

Our 75-year journey is nothing short of being remarkable; positively impacting lives of our valued customers as their trusted financial advisor and partner. We are constantly striving towards our goal of building a more robust Allied Bank and as a facilitator of change in our beloved homeland towards higher economic growth and social engagement. We shall continue our aspirations towards value creation for our stakeholders and positively serving our valued customers, Bank's staff and the communities we serve.

**Mohammad Naeem Mukhtar**  
Chairman

# DIRECTOR'S REPORT

## Dear Shareholders,

On behalf of the Board, I am pleased to present the Annual Report of Your Bank for the year ended December 31, 2017. The operating results and appropriations, as recommended by the Board are included in the appended table:

	Year ended December 31,		
	2017	2016	Growth
	Rs. In Million		(%)
Profit after tax for the year	12,734	14,427	(12)
Accumulated profits brought forward	46,490	41,416	12
Effect of re-measurement of defined benefit plans-net of tax	(966)	289	(434)
Transfer from surplus on revaluation of non-banking assets to un-appropriated profit-net of tax	188	45	318
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	55	58	(5)
<b>Profit available for appropriation</b>	<b>58,501</b>	<b>56,235</b>	<b>4</b>
Final cash dividend for the year ended December 31, 2016 at Rs. 1.75 per ordinary share (2016: Year ended December 31, 2015 at Rs. 1.75 per share)	(2,004)	(2,004)	-
1st interim cash dividend for the year ended December 31, 2017 at Rs. 1.75 per ordinary share (2016: Rs. 1.75 per share)	(2,004)	(2,004)	-
2nd interim cash dividend for the year ended December 31, 2017 at Rs. 1.75 per share (2016: Rs. 1.75 per share)	(2,004)	(2,004)	-
3rd interim cash dividend for the year ended December 31, 2017 at Rs. 1.75 per share (2016: Rs. 2.00 per share)	(2,004)	(2,290)	(12)
Transfer to statutory Reserves	(1,273)	(1,443)	(12)
<b>Accumulated profits carried forward</b>	<b>49,212</b>	<b>46,490</b>	<b>6</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>11.12</b>	<b>12.60</b>	<b>(12)</b>

The Board of Directors has proposed a final cash dividend of Rs. 1.75 per share (aggregate cash dividend of Rs. 7.00 per share including interim dividends). This, together with the interim dividends declared during 2017, will be approved in the forthcoming Annual General Meeting.

## Macroeconomic Developments

FY 2016-17 witnessed a broad based domestic economic growth of 5.3% as compared to 4.7% in FY 2015-16; being highest during the last ten years. Lead by services sector; growth in industry and agriculture sectors assisted the economy to cross US\$ 300 billion mark. However, expanding economy has witnessed a surge in imports, together with stagnant remittances and export volumes, resulting in widening of current account deficit; leading to higher external borrowings, pressure on foreign exchange reserves and declining exchange rates against US\$.

Although, gradual resolution in persistent energy shortages along with de-escalation in security situation has been accomplished. However, renewed impetus is required for overcoming impediments hindering long term sustainable growth including rationalization of overall tax structure, low tax base, promotion of ease of doing business and holistic implementation of structural reforms agenda.

IMF's global GDP projections inched to 3.7% and 3.9% for 2017 and 2018

respectively from previous estimates of 3.6% and 3.7% on the backdrop of broad based synchronized global growth upsurge and rising oil prices.

The manifold challenges engulfing the domestic economy overshadowed the growth in banking sector as well. Historically low benchmark rates and falling spreads leading to intense price-driven competition within industry for tapping quality credit avenues, further maturity of high yielding Government bonds and higher taxation compared to other corporate businesses added further pressure on industry bottom line.

Going forward, in order to cater to rapidly evolving and continuously rising customer expectations, the banking sector requires concurrent focus on adopting latest technology based innovative products and services and broad based penetration in underserved and unserved areas to facilitate financial inclusion growth.

State Bank of Pakistan maintained credit expansionary monetary policy stance and kept Policy Rate unchanged at 5.75% during the year. However, considering PKR

depreciation, uptick in inflation and PKR interest rate differential; SBP has adjusted the Policy Rate upwards by 25bps in January 2018.

## Financial Performance

During the year under review, Your Bank's primary strategic priorities were driven towards quality balance sheet growth, risk optimization, expansion in customer base, enrichment of existing and introduction of new products with focus on providing digital services while ensuring operational efficiencies across the Bank.

Expansion in outreach through conventional and alternative delivery channels continued during 2017; with 1,250 branches including 117 Islamic Banking branches. The Bank's strategically located ATM network across the country was further augmented to reach 1,241 ATMs including 249 off-site ATMs. Launch of pilot digital self-service branches in Lahore and Karachi remained the key highlight of the year.

In line with banking industry's expectations, margins during the year remained constrained due to changing

earning assets mix, prevailing low interest rate regime, high liquidity levels and intense competition within the sector for securing quality assets.

Under the challenging business environment Your Bank achieved the sustainable level of earning net revenue from customers through attaining volumetric growth in average earning assets funded by improved average CASA mix in deposits along with realizing recovery from non-performing obligors. The Bank posted a stable Net markup income after provisions of Rs. 33,536 million against Rs. 33,508 million in 2016.

Investments in new technology driven products and services remained key feature of the year under review. Launch of Prepaid Cards, Auto loans, BANCA insurance along with Business Internet Banking and revamping of Allied Direct Internet banking to "MyABL" remained the significant highlights of the year. Accordingly, Fee, commission and brokerage income stood at a healthy level of Rs. 3,917 million; with new initiatives expected to further contribute towards the growth in fee based income going forward. Concurrent focus was also made on further enrichment of information security set-up through adoption of biometric verification technology, introduction of chip-based / contactless cards and enhanced security features embedded in internet banking services, to facilitate our valued customers.

The Pakistan Stock Exchange index remained volatile during the year and started to gradually move in the bullish territory post year end 2017; validating Bank's stance of holding its strategic blue-chip equity portfolio; yielding Dividend income of Rs. 3,226 million during the year.

Income from dealing in foreign currency depicted a growth of 18% and amounted to Rs. 762 million against Rs. 645 million in 2016. Robust recoveries against written-off loans contributed significantly in Other income's growth to Rs. 323 million as against Rs. 102 million in 2016.

During the year, Capital Gain of Rs. 641 million was realised from fixed income securities as against Rs. 2,674 million during 2016.

Despite continued investment and improvement in conventional and alternate



delivery channels, ongoing investment in technological infrastructure along with training and development of the human resource; growth in Non-markup expenses was curtailed to 3% at Rs. 21,530 million.

Your Bank achieved Profit after Tax of Rs.12,734 million as against Rs. 14,427 million during 2016. Super Tax, which was initially levied vide Finance Act 2015 continued for the year. Resultantly, effective tax rate stood at 39%. The EPS of Your Bank stood at Rs.11.12 per share as compared to Rs.12.60 per share in 2016.

During 2017, Return on Assets (ROA) and Return on Equity (ROE) stood at 1.1% and 17% respectively. The Bank's ROA and ROE remained well-above September 2017 industry's average of 0.9% and 13.2% respectively.

Private sector credit appetite showed signs of recovery as economic activity started to gain pace. Your Bank fully capitalized on quality credit growth opportunities and expanded Gross Advances portfolio by 12% to reach Rs. 388,752 million as compared to Rs. 348,346 million in the previous year.

In the wake of possible increase in benchmark rates, Your Bank re-profiled investment mix towards mainly shorter tenor market treasury bills; overall investments increased to Rs. 698,082 million at end-December 2017.

Accumulation of no/low-cost deposits remained key objective of Your bank during the year. The Bank's overall deposits grew to Rs. 883,741 million at December 31, 2017 as compared to Rs. 805,110 in previous year; posting a double digit growth of 10%. Key

achievement during the year remained substantial growth in non-remunerative current deposits which surpassed Rs. 300 billion and reached to Rs. 316,335 million at December 31, 2017 demonstrating growth of 25%. As a result, CASA as a percentage of total deposits improved to 79% at end-December 2017.

Your Bank's Balance Sheet sustainable growth momentum was maintained during the year, with total assets increasing to Rs. 1,246 billion or 17% from end-December 2016. Total Equity of the Bank also remained robust and stood at Rs.106,716 million as at December 31, 2017; an increase of 6% over 2016.

Your Bank's robust technology driven Risk Management Framework continues to yield results; with reduction of NPLs by Rs. 2,379 million during 2017 to close at Rs.18,052 million. No FSV benefit was taken into account while determining the provision against NPLs. Coverage Ratio of the Bank increased to 92.6% as at December 31, 2017 against 91.9% at December 31, 2016. Infection ratio was reduced to 4.6% as at December 2017 as compared to 6.4% at December 2016. Both infection and coverage ratio of the Bank remains well above the September 2017 industry average of 9.2% and 85.3% respectively.

Your Bank's Capital Adequacy ratio (CAR) also stood at a healthy level of 22.39%; adequately meeting the requirement of the SBP. The standalone and consolidated CAR under Basel III stood at 22.39% and 22.38% respectively. Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) posted at 16.91% against the requirement of 6.0% and 7.5% respectively; depicting a well-capitalized position of the Bank.

# DIRECTOR'S REPORT



## Statement under Code of Corporate Governance

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance and is pleased to report that:

- » The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- » Proper books of account of the Bank have been maintained.
- » Appropriate accounting policies for conventional and Islamic Banking have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- » International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained in the Annual Accounts.
- » The system of internal control is sound in design and has been effectively implemented and monitored.
- » There are no significant doubts upon the Bank's ability to continue as a going concern.
- » There has been no material departure from the best practices of corporate governance.
- » Performance highlights for the last six years are attached.
- » The value of investment of Pension Fund, Provident Fund and Gratuity

Fund is Rs. 5,227 million, Rs. 7,231 million and Rs. 1,776 respectively, as per audited accounts of these funds for the year ended December 31, 2017.

- » Pattern of Shareholding, complying with the requirements prescribed by the code is annexed.
- » Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- » Nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company is approved by the Human Resource & Remuneration Committee of the Board.
- » The Committees of Board of Directors along with their terms of reference have been separately disclosed in the Annual Report.
- » The detail of the meetings held during the year for the Board and its respective Committees along with attendance record of each director has been separately disclosed in the Annual Report.

## Chief Executive Officer's Review

The Board of Directors fully endorses the Chief Executive Officer's Review on the Bank's operational performance for the year ended December 31, 2017.

## Statement of Internal Controls

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

## Corporate Sustainability

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

## Risk Management Framework

The Bank manages risk through a framework of sound risk principles which includes an optimum organizational structure, risk assessment and monitoring processes. The risk management (RM) is mandated to implement this framework as a function independent of commercial lines

of business, working under the guidance of Board's Risk Management Committee (BRMC). RM undertook following major initiatives in 2017 to further strengthen the risk management framework:

- » Implemented the Market Risk Module of Oracle Risk Management Solution. Through this state of the art system, the Bank has automated calculation of Value at Risk (VaR). Further, monitoring reports have been developed to capture and report the multi-dimensional aspects of market risk.
- » Launched an automated workflow for issuance of Disbursement Authorization Certificates in Risk Assessment & Management System (RAMS). Through this initiative the Bank has endeavored to further enhance the efficiency of the credit disbursement process.
- » The Bank has continued its initiative for managed warehouses for pledge financing in selected locations. The Bank has completed construction/renovation of two new warehouses during the year and is now operating six warehouses in Mandi Faizabad, Kamoke, Gakkhar Mandi, Jahangirabad Multan, Munirabad Multan and Atthara Hazari Jhang; enabling obligors to access free of cost warehouse space along modern lines.
- » Bank implemented Liquidity Standards of Basel III Framework and incorporated it in the Bank's Risk Management approach in line with regulatory requirements.
- » In continuance of Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management & strategies; 3 interactive seminars for corporate, commercial & SME obligors on the topics "Challenges and Opportunities for Pakistan's Business Growth" and "Transition from Family Owned Business Structure to Corporate Structure" were organized during 2017.

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

The Bank is also in process of revamping its remuneration policy by introducing risk based compensation mechanism as stipulated under "Guidelines on Remuneration Practices" by SBP.

## Entity Ratings

Allied Bank Limited's long term rating stood at "AA+"(Double A Plus) and short term rating at "A1+"(A One Plus) assigned by Pakistan Credit Rating Agency(PACRA). These ratings reflect a sound equity base and robust liquidity profile of the Bank.

## Corporate Governance Rating

JCR-VIS Credit Rating Company Limited maintained Allied Bank's Corporate Governance Rating of 'CGR-9+'. The rating indicates a 'high level of corporate governance'; thus depicting a strong commitment towards governance framework by the Board and Management of Your Bank.

## Board of Directors

As explained in the Director profiles, five members of the Board of Directors are 'Certified Directors' from Pakistan Institute of Corporate Governance / Institute of Chartered Accountants of Pakistan, remaining three Directors are exempted from directors' training program pursuant to clause xi of CCG on account of having prescribed education / experience.

## Performance evaluation Mechanism for the Board

The Board of Directors (BOD), while ensuring regulatory compliance, is also vested with fiduciary responsibility on behalf of the shareholders to protect Bank's interests, provide strategic direction and monitor the achievement of strategic objectives. The Companies Act 2017, Banking Companies Ordinance 1962, SBP's Prudential Regulations and Code of Corporate Governance (The Code) describes the role of Board of Directors along with its responsibilities and functions.

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

Subsequently, SBP vide BPRD Circular No. 11 dated August 22, 2016, issued

detailed Guidelines on Performance Evaluation of Board of Directors. As per these Guidelines, Board decided to opt for in-house approach with quantitative technique; and accordingly evaluated performance of overall Board, Board Committees and Individual Board Members as per the following categories:

- i. Chairman.
- ii. Sponsor Directors.
- iii. Independent Directors.
- iv. Individual Directors (other than Chairman, Sponsors, Independent Directors and CEO).
- v. Chief Executive Officer.

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

Accordingly, the Report comprises of consolidated evaluation results and Action Plan forwarded by the Chairman to further strengthen comparatively weaker areas and submitted to the Board of Directors for consideration in its meeting.

## Auditors

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

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

## Events after the Balance Sheet date

The Bank is party to a Suo Moto case SMC No. 20/2016 in the Honorable Supreme Court of Pakistan. Through this case, the Honorable Supreme Court has taken up the matter relating to pension arrangements of certain privatized banks. Despite the banks' submission of being legally compliant, the Honorable Supreme Court of Pakistan concluded the Suo Moto case on February 13, 2018, by using

judicial discretion and fixed the minimum pension at Rs. 8,000 per month from a prospective date and with 5% indexation on an annual basis. The detailed judgment has not been issued by the Honorable Supreme Court to date, and therefore the Management is not in a position to work out the financial impact.

The unconsolidated financial statements of the Bank for the year ended December 31, 2017 do not include the effect of this adjustment which will be accounted for in the year ending December 31, 2018 as past service cost; once the plan is formally amended and approved upon receipt of aforementioned detailed judgement and related actuarial valuation.

## Acknowledgements

On behalf of the Board and the Management, I would like to express my gratitude to our shareholders and valuable customers for placing their trust in Allied Bank; State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their consistent direction and oversight. I would also like to extend my appreciation to our colleagues for their diligent work towards meeting customer expectations and their dedication towards achieving the Banks' goals and objectives.

For and on behalf of the Board of Directors,

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

**Tahir Hassan Qureshi**  
Chief Executive Officer

Lahore  
Dated: February 21, 2018

بالترتیب 1.1 فیصد اور 17 فیصد رہیں۔ بینک کی ROA اور ROE صنعت کے تمبر 2017 کی مدت کی اوسط شرح جو کہ بالترتیب 0.9 فیصد اور 13.2 فیصد تھیں، سے نمایاں طور پر بلند ہے۔ نجی شعبہ کی قرض کی استطاعت میں معاشی عمل میں تیزی آنے کے باعث بہتری کے آثار نمایاں ہوئے ہیں۔ آپ کے بینک نے معیاری قرضوں میں بڑھوتی کے مواقع سے بھر پور استفادہ کرتے ہوئے اپنے کل قرضات میں 12 فیصد کی نمو حاصل کی، جو گزشتہ سال کے 348,346 ملین روپے کی نسبت بڑھتے ہوئے، 388,752 ملین روپے تک پہنچے۔

نیچے مارک ریٹ میں متوقع اضافہ کے پیش نظر آپ کے بینک نے اپنی سرمایہ کاری کی ترتیب میں زیادہ قابل المدتی مارکیٹ ٹریڈی بلڈز شامل کر کے، اس کی تشکیل نو کی ہے۔ دسمبر 2017 کے اختتام تک سرمایہ کاری کا مجموعی حجم بڑھتے ہوئے 698.082 ملین روپے رہا۔

اس سال کے دوران کم یا بغیر لاگت کے ڈیپازٹس کا حصول آپ کے بینک کے اہم مقاصد میں شامل رہا ہے۔ بینک کے مجموعی ڈیپازٹس گزشتہ سال کے 805,110 ملین روپے سے اضافہ کے ساتھ 31 دسمبر 2017 تک 883,74 ملین روپے کے حجم پر شمار کئے گئے۔ جو کہ 10 فیصد کی ایک "دو حرنی" نمو ہے۔ اس سال کی اہم کامیابیوں میں غیر پیداواری کرنٹ ڈیپازٹس میں قابل ذکر ترقی جو کہ 300 ملین روپے کی حد کو عبور کر کے 31 دسمبر 2017 تک 25 فیصد بڑھوتی کے ساتھ 316,335 ملین روپے پر ریکارڈ ہوئے۔ جس کے نتیجے میں کاسا (CASA) میں کل ڈیپازٹس کی شرح کے طور پر، دسمبر 2017 کے اختتام پر، 79 فی صد تک بہتری آئی ہے۔

آپ کے بینک کے میزانیہ (ہیلنس شیٹ) میں پائیدار ترقی کا رجحان کو اس سال کے دوران بھی برقرار رکھا گیا۔ جس میں کل اثاثے دسمبر 2016ء کی نسبت 17 فیصد کے اضافہ کے ساتھ 1246 ملین روپے تک شمار کئے گئے۔ بینک کی کل ایکویٹی بھی توفاناری اور دسمبر 2016 سے 6 فیصد کے اضافہ کے ساتھ، 31 دسمبر 2017 تک اس کا حجم 106,716 ملین روپے رہا۔

آپ کے بینک کا ایک مضبوط نیکیا لوجی سے مزین رسک مینجمنٹ کا ڈھانچہ، مسلسل بہتر نتائج دے رہا ہے۔ جس کی بدولت غیر فعال قرضے 2,379 ملین روپے کی کمی کے ساتھ سال 2017ء میں 18,052 ملین روپے کی سطح پر اختتام پذیر ہوئے۔ غیر فعال قرضوں کے اخراجات (پروویژن) کا تعین کرتے ہوئے جبری قیمت فروخت کے فوائد کو شمار نہیں کیا گیا۔ بینک کی کوآرڈنگ کا تناسب 31 دسمبر 2016ء کی 91.9 فیصد کی

چنانچہ فیس، کمیشن اور بروکرینج آمدنی کی مد میں 3,917 ملین روپے کی ایک مضبوط حد کو حاصل کیا گیا ہے۔ جبکہ مستقبل میں اختیار کئے جانے والے نئے اقدامات سے فیس سے متعلق آمدنی میں مزید بہتری اور ترقی متوقع ہے۔ اپنی معلومات کی سیکورٹی سیٹ اپ کی مزید افزودگی بذریعہ بائیومیٹرک تصدیق کی ٹیکنالوجی کو اختیار کرنے، چپ میڈ کون ٹیکٹ لیس کارڈز (Chip Based / Contact Less) کا آغاز اور انٹرنیٹ بینکنگ میں موجود تعلقی خصوصیات میں اضافہ جیسے عوامل پر خصوصی توجہ دی گئی ہے، تاکہ اپنے معزز صارفین کو سہولت مہیا کی جاسکے۔

پاکستان سٹاک ایکسچینج میں اس سال کے دوران طیران پذیری برقرار رہی اور سال 2017 کے اختتام کے بعد یہ بتدریج، تیزی کے رجحان کی طرف گامزن ہے۔ جس سے بینک کے اس موقف کو تقویت ملتی ہے کہ وہ اپنے کلیدی بلو چپ سرمائے کے قلمدان (ایکویٹی پورٹ فولیو)، کو جس سے سال 2017 میں 3,226 ملین روپے کی ڈیویڈنڈ آمدنی حاصل ہوئی ہے، اپنی گرفت میں رکھے۔

غیر ملکی کرنسیوں کی ڈیلنگ سے حاصل ہونے والی آمدنی میں 18 فیصد اضافہ ریکارڈ کیا گیا ہے، جو سال 2016 کے 645 ملین روپے کی نسبت 762 ملین روپے رہی۔ معاف کئے گئے قرضوں کی مد میں کی جانے والی پر اعتماد وصولیوں کے باعث دیگر آمدنی میں سال 2016 کے 102 ملین روپے کی نسبت 323 ملین روپے کی شاندار شراکت ظاہر کی گئی ہے۔

اس سال کے دوران مستقل آمدنی کی سیکورٹیز کی فروخت سے کیپٹل گین (Capital Gain) کی مد میں 641 ملین روپے وصول کئے گئے جبکہ سال 2016 میں اس کا حجم 2,674 ملین روپے تھا۔

روایتی اور متبادل ڈیپوزیٹ چیلنجز میں جاری سرمایہ کاری اور بہتری تکنیکی ڈھانچے میں مسلسل سرمایہ کاری اور اس کے ساتھ افرادی وسائل کی ٹریڈنگ اور ترقی کے باوجود نان مارک اپ اخراجات کی نمو کو محض 3 فیصد کی سطح تک محدود رکھا گیا، جن کا حجم 21,530 ملین روپے رہا۔

آپ کے بینک نے 12,734 ملین روپے کا بعد از ٹیکس منافع حاصل کیا جبکہ سال 2016ء میں اس کا حجم 14,427 ملین روپے تھا۔ سہرنگیس، جس کا نفاذ ابتدائی طور پر فرانس ایکٹ 2015ء کیلئے تھا، اس سال بھی لاگو رہا۔ جس کے نتیجے میں اصل ٹیکس ریٹ کی شرح 39 فی صد رہی۔ آپ کے بینک کی ای بی ایس (EPS) سال 2016 میں 12.60 روپے فی شیئر کی نسبت 11.12 روپے فی شیئر رہی۔

سال 2017 کے دوران آراوے (ROA) اور آراوای (ROE)

ابن کا اضافہ کر دیا ہے۔

## مالیاتی کارکردگی

اس زیر تجزیہ سال کے دوران آپ کے بینک کی بنیادی حکمت عملی کی ترجیحات کا محور ہیلنس شیٹ (میزانیہ) کی معیاری ترقی، خدشات کا تدارک، صارفین کی تعداد میں اضافہ، موجودہ پراڈکٹس (اشیاء) میں بہتری اور ڈیجیٹل خدمات سے آراستہ نئی پراڈکٹس (اشیاء) جس کے ساتھ پورے بینک کی کارکردگی کی اہلیت کی بہتری بھی یقینی بنائی جاسکے، جیسے عوامل پر رہیں۔

سال 2017ء کے دوران روایتی اور متبادل ڈیپوزیٹ چیلنجز کے ذریعہ اپنی وسعت کے عمل کو جاری رکھتے ہوئے 1250 برانچوں تک فروغ دیا گیا جن میں 1117 اسلامی بینکاری کی برانچیں بھی شامل ہیں۔ پورے ملک میں، بینک کی خاص حکمت عملی کے تحت چلتی ہوئی بگھوں پر ایستادہ اے ٹی ایبز (ATMs) کی تعداد میں مزید اضافہ کے ساتھ اس کا تعین 1239 اے ٹی ایبز (ATMs) کیا گیا جن میں 239 آف سائٹ اے ٹی ایبز (ATMs) بھی شامل ہیں۔ لاہور اور کراچی میں خود کار ڈیجیٹل سیلف سروس سے آراستہ پائلٹ برانچوں کا افتتاح اس سال کے اہم ترین پہلو ہیں۔

بینکاری کی صنعت کی توقعات کے مطابق اس سال کے دوران بدلتی ہوئی پیداواری ترتیب، شرح سود میں جاری کمی کے دور، بڑھتی ہوئی سیال پذیری اور معیاری اثاثوں کے حصول کیلئے سخت مسابقتی ماحول کے باعث مارجن (Margin) پر دباؤ برقرار رہا۔

ان خدشات سے معمور کاروباری ماحول میں آپ کے بینک نے اپنے ڈیپازٹس کے کاسا (CASA) کی ترتیب میں بہتری کے ساتھ اثاثوں کی اوسط پیداوار میں قابل قدر بڑھوتی کی بدولت صارفین سے خالص آمدنی کی ایک پائیدار سطح کو حاصل کیا اور اس کے ساتھ قرض کے پابند غیر فعال افراد / قرض ناندہ نگال (Obligors) سے وصولیوں کو بھی یقینی بنایا گیا۔ بینک نے سال 2016ء کی 33,508 ملین روپے کی نسبت 33,536 ملین روپے، پروڈن کے بعد، خالص مارک اپ آمدنی کی ایک مستحکم سطح کو حاصل کیا۔

جدید ٹیکنالوجی سے مزین پراڈکٹس (اشیاء) اور خدمات میں سرمایہ کاری اس زیر تجزیہ سال میں بھی ایک نمایاں حیثیت کی حامل رہی۔ پری پڈ کارڈز، زکا اجراء، آن لائن، بییکا انشورنس اور اس کے ساتھ بزنس انٹرنیٹ بینکنگ اور الائیڈ ڈائریکٹ انٹرنیٹ بینکنگ کی "مائی اے بی ایل" (MyABL) میں تبدیلی اس سال کے کارہائے نمایاں رہے ہیں۔

## ڈائریکٹرز جائزہ رپورٹ

### محترم حصص مالکان!

بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کے بنک کے 31 دسمبر 2017 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ پیش کرتے ہوئے نہایت مسرت محسوس کر رہا ہوں۔ بورڈ کی طرف سے سفارش کردہ کاروباری نتائج اور تخصیص مندرجہ ذیل ہیں:

### سال بہ اختتام 31 دسمبر

اضافہ نی صد	2016	2017	لیٹین روپے
(12)	14,427	12,734	منافع بعد از ٹیکس
12	41,416	46,490	گزشتہ جمع شدہ منافع
(434)	289	(966)	معین شدہ مفید منصوبوں کی تخصیص ثانی کے اثرات۔ خالص از ٹیکس
310	45	188	غیر بنکنگ اثاثہ تاجات کی قدر و پیمائش سے غیر تخصیص شدہ کو منتقلی۔ خالص از ٹیکس
(5)	58	55	پائیدار اثاثہ تاجات کی قدر و پیمائش سے منتقلی۔ خالص از ٹیکس
4	56,235	58,501	تصرف کیلئے دستیاب منافع
-	(2,004)	(2,004)	سال ختم 31 دسمبر 2016 کا حتمی کیش ڈیویڈنڈ 1.75 روپے فی عام حصص (2016 سال ختم 31 دسمبر 2015 - 1.75 روپے فی حصص)
-	(2,004)	(2,004)	پہلے عبوری کیش ڈیویڈنڈ برائے سال ختم 31 دسمبر، 2017 - 1.75 روپے فی حصص (2016: 1.75 روپے فی حصص)
-	(2,004)	(2,004)	دوسرا عبوری کیش ڈیویڈنڈ برائے سال ختم 31 دسمبر، 2017 - 1.75 روپے فی حصص (2016: 1.75 روپے فی حصص)
12	(2,290)	(2,004)	تیسرا عبوری کیش ڈیویڈنڈ برائے سال ختم 31 دسمبر، 2017 - 2.00 روپے فی حصص (2016: 1.75 روپے فی حصص)
(12)	(1,443)	(1,273)	ضوابطی ریزرو میں منتقلی
6	46,490	49,212	آگے منتقل کیا گیا جمع شدہ منافع
(12)	12.60	11.12	فی حصص آمدنی (EPS) روپے

کے حامل سرکاری بانڈز کی بالیدگی (مبھورتی) اور دیگر کارپوریٹ کاروباری نسبت زیادہ ٹیکس ریٹس کے باعث صنعت بنیادی طور پر زیادہ دباؤ کا شکار رہی۔

مستقبل میں اپنے صارفین کی تیزی سے تبدیل اور مسلسل بڑھتی ہوئی توقعات کے تناظر میں بینکنگ کی صنعت کو جدید ترین ٹیکنالوجی سے مزین نئی پراڈکٹس اور خدمات اور ایسی جگہیں / مواقع جو یا تو مکمل طور پر مالیاتی نظام کے فروغ اور اس میں شمولیت سے ماوراء ہیں یا جزوی طور پر شامل ہیں، ان میں ایک وسیع البیاد رسائی کیلئے مسلسل ارتکاز کی ضرورت ہے۔

اسٹیٹ بینک آف پاکستان (SBP) نے اس سال کے دوران اپنے قرض کے فروغ پر مشتمل مالیاتی پالیسی کے موقف کو برقرار رکھا اور پالیسی ریٹ کو 5.75 فیصد کی سطح پر مستحکم رکھا ہے۔ تاہم پاکستانی روپے کی تنزلی، افراط زر میں اضافہ اور روپے کی شرح سود میں تغیرات کو مد نظر رکھتے ہوئے ایس بی پی (SBP) نے جنوری 2018 پالیسی ریٹ میں 25 بی پی

اگرچہ توانائی کے جاری بحران میں بتدریج بہتری اور اس کے ساتھ امن و عامہ کی صورتحال میں موجود غمگینوں کی کمی آئی ہے تاہم ان رکاوٹوں کو دور کرنے کیلئے طویل المدتی پائیدار ترقی بشمول ٹیکس محصولات کے نظام کی مجموعی درستگی، کم ٹیکس ریٹ، کاروباری سہولتوں کے فروغ اور تعمیری اصلاحات کے ایجنڈا کے مکمل نفاذ کیلئے جاری کوششوں میں از سر نو تجدیدی کی ضرورت ہے۔

آئی ایم ایف کے سال 2017 اور 2018 کے بارے توقعات بالترتیب 3.7 فیصد اور 3.9 فیصد رہیں جو کہ سابقہ اندازوں 3.6 فیصد اور 3.7 فیصد کی شرح سے قدرے بہتر ہیں۔ اس کی بنیادی وجہ وسیع البیاد اور ہم آہنگ عالمی ترقی میں برصغیر اور بڑھتی ہوئی تیل کی قیمتیں تھیں۔

ملکی معیشت کو درپیش کثیر الجہتی چیلنجز، بینکنگ کی صنعت کی ترقی پر بھی اثر انداز ہوتے رہے۔ تاریخی طور پر کم ترین معیاری ریٹس اور گرتے ہوئے سپیریڈز کی بدولت صنعت میں معیاری قرضوں کے مواقع کے حصول کیلئے، لاگت پر مشتمل، ایک سخت مقابلے کا رجحان رہا۔ علاوہ ازیں زیادہ منافع

بورڈ آف ڈائریکٹرز نے 1.75 روپے فی شیئر کا فائنل کیش ڈیویڈنڈ تجویز کیا ہے۔ (مجموعی کیش ڈیویڈنڈ 7 روپے فی شیئر بشمول عبوری ڈیویڈنڈز) اس تجویز اور سال 2017 کے دیگر مجوزہ ڈیویڈنڈز کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں دی جائے گی۔

### میکرو اکنامکس ارتقاء

مالی سال 2016-17 میں گزشتہ مالی سال 2015-16 کے 4.7 کی نسبت ایک وسیع البیاد داخلی معاشی ترقی دیکھنے میں آئی جس کی شرح 5.3 فی صد رہی، جو پچھلے دس سالوں میں بلند ترین سطح ہے۔ خدمات کے قابل قدر کردار کے باعث، صنعتی اور زرعی شعبوں میں ترقی کی بدولت معیشت 300 بلین امریکی ڈالر کی حد عبور کر گئی۔ تاہم پھیلتی ہوئی معیشت کے ساتھ درآمدات میں تیزی اور اس کے ساتھ ترسیلات اور درآمدات کے حجم میں یکسانیت کے باعث کرنٹ اکاؤنٹ کے خسارہ کی سطح میں وسعت، بیرونی قرضوں میں اضافہ، غیر ملکی زرمبادلہ کے ذخائر پر دباؤ اور امریکی ڈالر کی نسبت تبادلہ کے ریٹ میں تنزلی ہوئی۔

ہونے کے دعویٰ کے باوجود معزز سپریم کورٹ آف پاکستان نے 13 فروری 2018 کو اس کیس کا فیصلہ سناتے اور اپنے عدالتی اختیار کا استعمال کرتے ہوئے، کم از کم پینشن کی رقم کو ایک متوقع تاریخ سے 8,000 روپے ماہانہ پر معین کر دیا ہے جس میں 5 فیصد کی سالانہ بڑھوتی کی بھی ہدایت کی ہے۔

چونکہ معزز سپریم کورٹ نے اب تک تفصیلی فیصلہ جاری نہیں کیا لہذا بینک کی انتظامیہ اس ضمن میں مالیاتی اندازہ لگانے سے قاصر ہے۔ 31 دسمبر 2017 کو اختتام پذیر سال کے غیر مجموعی مالیاتی گوشواروں (اسٹیٹمنٹس) میں اس مطابقت کے اثرات کو طوطی خاطر نہیں رکھا گیا تاہم 31 دسمبر 2018 کو اختتام پذیر ہونے والے سال میں اس امر کو مذکورہ بالا فیصلہ آنے اور اسکی دہلیو (قدر) کے تخمینہ کے بعد ماضی کی خدمت کی لاگت کے طور پر کیا جائے گا۔

### تسلیم و تحسین

بورڈ اور مینجمنٹ کی جانب سے میں اپنے قابل قدر شیئر ہولڈرز اور صارفین کے لائیو بینک پر اعتماد، سیکورٹی اینڈ کنٹریولنگ کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر انتظامی اداروں کا ان کی مسلسل رہنمائی اور تعاون پر مشکور ہوں۔ میں اپنے سٹاف ممبرز کی انتھک خدمات اور تعاون پر انکا نہایت شکر گزار ہوں جن کی بدولت بینک مسلسل ترقی اور بلند پروازی کی جانب گامزن ہے۔

مخائب و برائے بورڈ آف ڈائریکٹرز

محمد نعیم مختار  
چیئر مین بورڈ آف ڈائریکٹرز

طاہر حسن قریشی  
چیف ایگزیکٹو آفیسر

لاہور

تاریخ: 21 فروری 2018ء

کارگزاری کو احسن طریقہ سے بیان کیا گیا ہے۔ اسی کوڈ کے تحت بورڈ نے سال 2014 میں اپنی کارکردگی کو موثر انداز میں جانچنے کے لئے ایک نظام رائج کی۔ بعد میں، سال 2016 میں SBP نے بی پی آر ڈی (BPRD) سرکلر نمبر 11 بتاریخ 22 اگست 2016 کے ذریعہ بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لینے کیلئے رہنمائی کے تفصیلی اصول وضع کئے۔ جس کی روشنی میں بورڈ نے بینک کے مقدماتی تکنیک کے اندرونی نقطہ نظر (in house approach) کو اختیار کرنے کا فیصلہ کیا۔ اور بورڈ ممبران نے بورڈ کی مجموعی کارکردگی اور بورڈ کی کمیٹیوں اور انفرادی بورڈ ممبران کی کارکردگی کا جائزہ مندرجہ ذیل حساب سے لیا گیا:

- i- چیئر مین
- ii- ضامن ڈائریکٹرز
- iii- آزاد ڈائریکٹرز
- iv- انفرادی ڈائریکٹرز (چیئر مین، ضامن، انفرادی ڈائریکٹرز اور سی ای او کے علاوہ)
- v- چیف ایگزیکٹو آفیسر

مندرجہ بالا اقسام (سوائے چیئر مین کے) پر ڈائریکٹرز کے جواب اور رائے کو مرتب کر کے چیئر مین کو پیش کیا گیا۔ چیئر مین نے ان نتائج اور تجاویز پر ہر انفرادی بورڈ ممبر سے گفتگو کی۔ مجاز آزاد ڈائریکٹرز نے چیئر مین کی آراء کو مجموعی کارکردگی کی رپورٹ کا حصہ بنانے کیلئے آگے مطلع کیا۔

چنانچہ یہ مذکورہ رپورٹ مجموعی جائزہ کے نتائج اور چیئر مین آف بورڈ کی جانب سے بورڈ کو ترسیل شدہ ایکشن پلان پر مشتمل ہوتی ہے جس میں کمزور شعبوں کو توجہ دینے کی تجاویز اور بورڈ آف ڈائریکٹرز کے ملاحظہ کے لیے دی جاتی ہیں۔

### آڈیٹرز

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

### بیلنس شیٹ کی تاریخ کے بعد کے واقعات

بینک معزز سپریم کورٹ آف پاکستان کے ایک سوڈ موڈوکیس۔ ایس ایم سی (SMC) نمبر 20/2016 میں فریق ہے۔ اس کیس کے ذریعے معزز سپریم کورٹ نے چند نئی بینکوں کے پینشن کے انتظامات سے متعلقہ معاملات کو اٹھایا گیا ہے۔ بینک کے قانونی طور پر مکمل اطاعت گزار

بینک نے قابل ذکر تاریخ اور وسائل خود کو درپیش خدشات کا انتظام کرنے کیلئے وقف کئے ہیں اب تک حاصل کردہ متحرک معیار کو مستقبل میں برقرار رکھنے کیلئے انفرادی وسائل، عینا لوجی اور ٹیکنالوجی میں نمایاں سرمایہ کاری متوقع ہے۔

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

### اسٹیبلٹی ریٹنگ

دی پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے الائیڈ بینک کی طویل مدتی ریٹنگ کو "AA+" (ڈبل اے پلس) کی سطح پر برقرار رکھا ہے۔ جبکہ بینک کی قلیل مدتی ریٹنگ کی سطح "A1+" (اے ون پلس) پر برقرار رہی۔ یہ درجہ بنیادیں بینک کی مضبوط صحیح سرمایہ کی بنیاد اور سیال پذیری کے اعلیٰ معیار کو ظاہر کرتی ہیں۔

### کورپوریٹ گورننس ریٹنگ

جی سی آر۔ وی آئی ایس (JCR-VIS) کریڈٹ ریٹنگ کمیٹی لمیٹڈ نے الائیڈ بینک کی کورپوریٹ گورننس کی درجہ بندی کو "CGR+9" کی سطح پر برقرار رکھا۔ یہ ریٹنگ کی بہتری کو کورپوریٹ گورننس کے اعلیٰ ترین معیار اور بورڈ اور مینجمنٹ کے ایک مضبوط اور مستحکم گورننس کے نظام (فریم ورک) پر مسلسل یقین اور اعادہ کا مظہر ہے۔

### بورڈ آف ڈائریکٹرز

جیسا کہ ڈائریکٹرز پر وفا نگر میں وضاحت سے بیان کیا گیا ہے۔ بورڈ آف ڈائریکٹرز کے 5 ممبران پاکستان انسٹیٹیوٹ برائے کارپوریٹ گورننس (PICG) اور انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹ آف پاکستان (ICAP) کے "سرٹیفائیڈ ڈائریکٹرز" ہیں جبکہ باقی تین ڈائریکٹرز اپنی تعلیم اور تجربہ کی بدولت CCG کی شق XI کے تحت اس ٹریٹنگ پروگرام سے مستثنیٰ ہیں۔

### بورڈ کی کارکردگی کا جائزہ لینے کا طریقہ

بورڈ آف ڈائریکٹرز انتظامیہ تکمیل کو یقینی بناتے ہوئے شیئر ہولڈرز کی جانب سے بینک کے مفادات کے تحفظ، حکمت عملی کی سمت کا تعین کرنے اور اہداف کے حصول کی نگرانی کا عمل کی ذمہ داری کے بھی اہلین ہیں۔

کمپنیز ایکٹ 2017، بینکنگ کمپنیز آرڈیننس 1962 اور اسٹیٹ بینک کے پروڈیٹس ریگولیشنز میں بورڈ کے کردار کو واضح کیا گیا ہے۔ اس کے ساتھ کوڈ آف کورپوریٹ گورننس میں بھی بورڈ کی ذمہ داریوں اور



## ڈائریکٹرز جائزہ رپورٹ

اختیار حاصل ہے کہ اس کو ایک آزاد جز کے طور پر لاگو کیا جائے جو کہ کاروبار کی کمرشل حدود سے ہمت کر بورڈ کی رسک مینجمنٹ کمیٹی (BRMC) کی زیر نگرانی کام کرے۔ RM نے سال 2017 میں رسک مینجمنٹ کے نظام کو موثر بنانے کیلئے کئی اقدام اٹھائے۔ جیسا کہ:

اوریکل رسک مینجمنٹ سولوشن Oracle Risk Management Solution کا مارکیٹ کے خدشات کے نظام (Market Risk Module) کا نفاذ۔ اس جدید ترین سسٹم کے ذریعے بینک نے ویلیو ایٹ رسک (VaR) کے شمار کے طریقہ کو خود کار کر دیا ہے۔ علاوہ ازیں مارکیٹ کے خدشات کے کثیر الجہتی اثرات کو دیکھنے اور رپورٹ کرنے کیلئے، نئی جائزہ رپورٹوں کو تشکیل دیا گیا ہے۔

خدشات کے تعین اور انتظام کے نظام (RAMS) میں قرض جاری کرنے کی سند (سرنٹیفیکیشن) کے خود کار اجراء کا آغاز کیا گیا۔ اس اقدام کے ذریعے بینک نے قرض جاری کرنے کے عمل کو مزید بہتر بنانے کی کوشش کی ہے۔ بینک، قرض کے ضمن میں دستیاب مال کو رہن رکھنے کیلئے، مخصوص مقامات پر موجود گوداموں میں انگی گمرانی کرنے کے اقدامات کو جاری رکھے ہوئے ہے۔ بینک نے اس سال دو نئے گوداموں کی تعمیر و تزئین کی ہے اور اب بینک منڈی فیئس آباد، کاموگی، گلہ منڈی، جہانگیرہ آباد ملتان، منیر آباد ملتان اور اٹھارہ ہزاری جھنگ میں واقع 6 گوداموں کا نظم و نسق چلا رہا ہے۔ تاکہ قرض کنندگان (Obligors) کو جدید طرز کے گوداموں میں بلا معاوضہ جگہ دستیاب ہو سکے۔

بینک نے بازل III فریم ورک (Basel-III) کے سیال پذیری کے مسلمہ اصولوں کا مکمل نفاذ کر دیا ہے۔ اور بینک کے خدشات کا انتظام کرنے کے عمل کو تمام مطلوبہ ضوابط کے تحت استوار کیا ہے۔

بینک نے سال 2017 کے دوران اپنے قرض دہندگان (Oligors) سے موثر رابطوں کی مفرد پیشقدمی میں مزید فروغ کے لیے اپنے کارپوریٹ، کمرشل اور ایم ای (SME) صارفین کے لیے " پاکستان میں کاروباری نشوونما کو درپیش چیلنجز و مواقع " اور " خاندان کے ملکیتی کاروبار کیلئے سٹرکچر میں منتقلی " کے موضوع پر 13 نٹریکلو سیمیناروں کا انعقاد کیا تاکہ انکاروبار کے انتظام اور حکمت عملیوں کے متعلق تازہ ترین آگاہی دی جاسکے۔

پنشن فنڈ، پروویڈنٹ فنڈ، اور گریجویٹ فنڈ کی سرمایہ کاری کی مالیت ان فنڈز کے پڑتال شدہ کھاتوں پر اختتام 31 دسمبر 2017ء کے مطابق بالترتیب 5,227 ملین روپے اور 7,231 ملین روپے اور 1,776 ملین روپے رہی۔ حصص کی تقسیم کی ترتیب، مطلوبہ اور مردود ضابطوں کی تکمیل کے مطابق ملحق ہے۔

کوڈ آف کارپوریٹ گورننس کی تعمیل کا بیانیہ سالانہ رپورٹ میں شامل ہے۔ دوسری کمیٹیوں کے بورڈز میں جہاں لائیڈ بینک ایک سرمایہ کار کمیٹی کی حیثیت کا حامل ہو، میں بینک کے ایگزیکٹوز کی نامزدگی بورڈ کی ہیومن ریسورس اینڈ ریمونیریشن کمیٹی Human Resource & Rumeneration Committee کے ذریعہ کی جاتی ہے۔

بورڈ آف ڈائریکٹرز کی کمیٹیاں اور ان کے ضوابط و طریقہ کار سالانہ رپورٹ میں الگ سے مذکور ہیں۔ سال کے دوران بورڈ اور اس کی متعلقہ کمیٹیوں کی میٹنگز بشمول ہر ڈائریکٹر کی حاضری کے ریکارڈ کی تفصیلات سالانہ رپورٹ میں الگ سے مذکور ہیں۔

### چیف ایگزیکٹو آفیسر کا جائزہ

بورڈ آف ڈائریکٹرز چیف ایگزیکٹو کے بینک کی کارکردگی پر جائزہ برائے سال بہ اختتام 31 دسمبر 2017ء کی بخوشی مکمل توثیق کرتے ہیں۔

### اندرونی کنٹرول کا بیانیہ

بورڈ مینجمنٹ کی طرف سے تیار شدہ اندرونی کنٹرول کے بیانیہ بشمول مینجمنٹ کے (ICFR) آئی سی ایف آر کے جانچ کی توثیق کرتا ہے۔ مینجمنٹ کی اندرونی کنٹرول کا بیان سالانہ رپورٹ میں شامل ہے۔

### کارپوریٹ پائیداری

بورڈ آپ کے بینک کے کارپوریٹ پائیداری کے لئے اٹھائے گئے اقدامات کی توثیق کرتا ہے۔ جو کہ سالانہ رپورٹ میں الگ طور پر مذکور کئے گئے ہیں۔

### رسک مینجمنٹ فریم ورک (ڈھانچہ)

بینک اپنے خدشات اور رسک کا نظم و نسق ایک مربوط فریم ورک کے ذریعہ کرتا ہے جس کی بنیاد مضبوط رسک کے ضوابط پر ہے جن میں بہترین تنظیمی ڈھانچہ، رسک کا تعین اور نگرانی کے عمل شامل ہیں۔ رسک مینجمنٹ کو

شرح سے بڑھ کر 31 دسمبر 2017 تک 92.6 فیصد پر ریکارڈ ہوا۔ انٹیکشن کا تناسب 31 دسمبر 2016 کی 6.4 فیصد کی شرح سے کم ہو کر 31 دسمبر 2017 تک 4.6 فیصد کی شرح پر درج کیا گیا۔ آپ کے بین کی کوریج اور انٹیکشن کا تناسب، بینکنگ کی صنعت کی تمبر 2017 کی شرح جو بالترتیب 9.2 فیصد اور 85.3 فیصد رہیں، سے کہیں بہتر ہے۔

آپ کے بینک کی کپیٹل ایڈیوکیٹی ریشو (CAR) بھی 22.39 فیصد کی ایک مضبوط سطح پر رہی ہے۔ جو سٹیٹ بینک کی مطلوبہ شرح کو نہایت خوش اسلوبی سے پورا کرتی ہے۔ (III-BASE بازل III) کے تحت بینک کی انفرادی اور اجتماعی CAR بالترتیب 22.39 فیصد اور 22.38 فیصد رہی۔ Common Equity Tier Ratio (کامن ایکیٹی ٹائر ریشو) اور Tier - I Ratio (ٹائر - I ریشو) کا تناسب 6.0 فیصد اور 0.75 فیصد کی بالترتیب مطلوبہ شرح کی نسبت 16.91 فیصد رہا جو کہ بینک کی مضبوط سرمائی حیثیت کا مظہر ہے۔

### کوڈ آف کارپوریٹ گورننس کے تحت بیانیہ

بورڈ آف ڈائریکٹرز کوڈ آف کارپوریٹ گورننس کے تحت اپنی تمام ذمہ داریوں سے بخوبی آگاہ ہیں اور انتہائی مسرت سے بیان کرتے ہیں کہ:

- بینک کی مینجمنٹ کی طرف سے تیار کردہ کھاتہ جات بینک کی صورتحال، اسکی کارکردگی، پیش فلوار اور ایکٹیوٹی میں تبدیلیوں کا واضح اظہار ہیں۔
- بینک کے اکاؤنٹس کی درست کتابتیں تیار کی گئی ہیں۔
- روایتی اور اسلامی بینکاری کے کھاتہ جات کی تیاری میں اکاؤنٹنگ کی مخصوص پالیسیوں کا یکساں اطلاق کیا گیا ماسوائے منسلک مالیاتی گوشواروں کے نوٹ 5.1 (حساب داری پالیسیوں کی تبدیلی) اور اکاؤنٹنگ کے تخمینے موزوں اور مضبوط اندازے پر مبنی ہیں۔
- کھاتہ جات کی تیاری میں پاکستان میں لاگو بین الاقوامی اکاؤنٹنگ اسٹینڈرڈز پر عملدرآمد کیا گیا اور ان سے کسی انحراف کو سالانہ گوشواروں میں مکمل اور واضح طور پر ظاہر کیا گیا۔
- اندرونی انضباط درست طور پر ڈیزائن کیا گیا اور موثر اطلاق اور جانچ کی گئی ہے۔
- بینک کی کارکردگی ایک پختلے ہوئے ادارے کی اعتبار سے کسی بھی شک و شبہ سے بالاتر ہے۔
- کارپوریٹ گورننس کی بہترین ضابطہ عمل سے کوئی قابل ذکر روگردانی نہیں کی گئی۔
- پچھلے 6 سال کی کارکردگی کے اہم نکات منسلک ہیں۔

# MANAGEMENT TEAM



**Tahir Hassan Qureshi**  
Chief Executive Officer



**Owais Shahid**  
Chief Corporate & Investment Banking



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



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



**Muhammad Idrees**  
Chief Islamic Banking



**Sohail Aziz Awan**  
Chief Digital Banking



**Ahmad Faheem Khan**  
Chief Treasury



**Abid Anwar**  
Chief Special Asset Management



**Muhammad Shahzad Sadiq**  
Chief Compliance



**Aizid Gill**  
Chief Risk Management



**Tariq Javed Ghumman**  
Chief Banking Services



**Mujahid Ali**  
Chief Information Technology



**Muhammad Farhanullah Khan**  
Chief Financial Officer



**Saira Shahid Hussain**  
Chief Human Resource



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



**Muhammad Mohsin**  
Chief General Services & Security



**Muhammad Raffat**  
Company Secretary



**Imran Maqsood**  
Chief Audit & Risk Review (ARR)

Chief ARR reports directly to Audit Committee of the Bank.

# CEO'S REVIEW



## Economic Review

Gradual upswing, according to IMF, in global economy has pushed the projected growth outlook to 3.7% in 2017. Major impetus in growth originating from rising confidence levels, uptick in investments, higher consumer demand, augmented manufacturing output and growing trade.

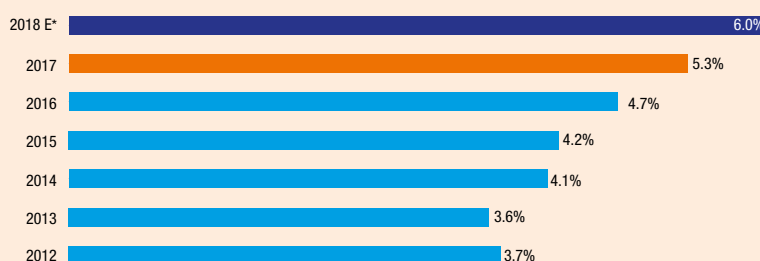
Growth in advanced economies including, US, Euro area, Japan, and UK was higher than previously projected. Similarly, emerging and developing economies including Russia, China, India, Brazil and Mexico have also posted stronger than expected growth outlook. The effect of US tax policy change also contributed majorly to the revised estimates.

Amidst gradually rising International oil prices recovering to approximately US\$ 70 per barrel; the global economic outlook remains prone to substantial downside risks including the possibility of financial stress, higher protectionism and rising geopolitical tensions along with possible higher than expected increase in inflation and interest rates.

On the domestic front, Pakistan's economy surpassed US\$ 300 billion mark, registering a growth rate of 5.3% in GDP during FY 2016-17 as compared to 4.7% during FY 2015-16. The upward movement in growth rate was attributable to improved agriculture and services sector performance; which grew by 3.5% and 6% respectively, while Industrial sector also depicted a healthy growth rate of 5.0%.

Although, industrial sector's growth lagged behind the target of 7% during FY 2016-17; Large Scale Manufacturing (LSM) gained pace

### GDP Growth



\* Source: State Bank of Pakistan

during 2017 with increase of 5.7% during FY 2016-17. Major contribution in LSM came from Automobile, Cement, Petroleum, Iron and Steel sectors.

Increased domestic consumption, accommodative monetary policy, comparatively stable security situation and higher foreign direct investments inflows in the backdrop infrastructure and energy related projects also contributed to the GDP growth.

In efforts to overcome country's persistent energy shortages, first LNG terminal became operational during 2017; with injection of 7.4 million tons of LNG in national transmission estimated to generate savings of US\$ 1.2 billion per year.

Aimed at handling of and delivery of coal to power and cement plants by utilizing rail, road and sea networks the country's first coal, clinker and cement terminal at Port Qasim was also inaugurated during 2017 and expected to halve the vessel handling time at port.

Successful completion of census during 2017 was another key statistical milestone accomplished during the year; paving way for insightful research towards country-wide demographics and ensuring judicious distribution of resources across the country.

However, these positive developments were overshadowed by lack of progress on reforms agenda reflective from Pakistan slipping three places in the World Bank's Ease of Doing Business Index from 144th to 147th position. Moreover, capital market ended the year with dismal performance of 15% drop in benchmark index during 2017.

Current account deficit ballooned to an alarmingly high level of US\$ 12,439 million during FY 2016-17 as compared to US\$ 4,867 million in FY 2015-16; reaching 4.1% of GDP as compared to 1.7% in corresponding period.

Growth in exports by 7% reaching US\$ 28,693 million during 2017 after decline of 3% in previous five years, although augurs well for the future, but remained much below par to the potential growth required to address the 21% increase in imports which jumped to US\$ 62,819 million; resulting in trade and overall current account deficit. Imposition of regulatory duty on import of non-essential items during 2017 may assist in curtailing further growth in imports.

Remittances remained under pressure during 2017 as well; on account of adverse business environment in primary Middle Eastern markets and overshadowing the growth in US and

# CEO'S REVIEW

UK markets. As a result, remittances posted a drop of 1% to US\$ 19,951 million.

Foreign Direct Investment (FDI) inched up during the calendar year 2017 with an increase of 9% to US\$ 2,691 million. Major contributions came from investments in CPEC related energy and infrastructure projects.

Foreign exchange reserves remained under pressure and dropped from US\$ 23,202 million at end December'16 to US\$ 20,177 million at end December'17; floatation of government bonds in international market worth US\$ 2.5 billion during 2017 assisted to shore up the reserves position, but burgeoning trade deficit and impending loan payments in near to medium term highlights the gravity of the situation.

Pakistan's total debt soared to Rs. 25,820 billion or 72% of GDP by Q1 FY2017-18. With YoY increase of 14% and 7% in External and Internal debt respectively; debt servicing going forward without compromising on public sector development spending shall remain challenging.

Circular debt including Power Holding (Pvt.) Limited receivables surpassed approximately Rs.800 billion at end-December 2017. The chronic nature of circular debt depicts a combination of financial and operational inefficiencies; without overcoming these inefficiencies provision of cost effective energy supply may not be accomplished.

Efforts to improve country's lackluster tax-to-GDP ratio remained unsuccessful as tax-to-GDP ratio declined to 12.5% in FY 2016-17 from 12.6% in the corresponding period of last year despite growth in tax revenue by 8% to Rs. 3,969 billion.



During the year, Private sector credit appetite, on the back of gradually improving economic situation, registered a growth of 14%. Overall industry advances increased to Rs. 6,530 registering growth of 17%. At end-September 2017, Non-Performing Loans (NPLs) of banking sector increased to Rs. 612 billion with infection ratio at 9.2% and coverage ratio at 85.3%.

Investments in the banking sector reached Rs. 8,542 billion at end December 2017 as compared to Rs. 7,233 billion at end December 2016. In wake of expected bottoming out of interest rates and maturity of high yielding bonds, investment mix in Government Securities by Banks reverted from longer tenor Government bonds to shorter tenor Treasury Bills. The proportion of Banking sectors' investment in T-Bills and PIBs in overall government securities stood at 59% and 36% respectively as against 48% and 46% at the beginning of the year.

Overall industry deposits increased to Rs.12,362 billion at end-December'17; registering a growth of 10%. Bulk of growth was driven by Public sector deposits which increased by 24% while Private and Personal deposits managed growth of 5% and 8% respectively.

Withholding tax regime on banking transactions continues to adversely affect industry deposits as Currency in circulation increased to Rs. 3,949 billion at end-December 2017, an increase of 16% indicative of continuous growth in undocumented economy.

Continuous Super Tax of 4% on preceding year's income sustained pressure on banking sector bottom line during 2017. Moreover, rising cost to income ratio of 56.5% at end September 2017 as compared to 52.2% at end September 2016 also unfavorably impacted profitability of the banking sector. Banking sector's focus on improving outreach was depicted by increase in number of branches from 12,993 branches to 13,532 branches by September 2017. Similarly, number of ATMs increased from 11,381 at December 2016 to 12,846 by September 2017.

After sustained period of muted inflation, upsurge in CPI inflation witnessed towards the end of 2017 registering growth of 4.6% year-on-year in December'17 albeit within SBP's target of 6%. Resurgence in oil and non-food items contributing to rebound in inflation. In view of growth in real sector and rising inflation levels, State Bank of Pakistan maintained accommodative monetary policy stance by keeping the Policy

Rate stable at 5.75% during 2017; with reversal in policy trend in January 2018 when the policy rate was revised upwards to 6%.

### Land Mark Year marking the completion of 75 Years of banking operations

2017 was a landmark year in the Bank's history, as it marked the completion of 75 years of operations. To mark this auspicious milestone, celebratory events were held at all branches across the Bank along with functions in all the major commercial cities of Pakistan. These celebrations provided an excellent opportunity to review the past performance, particularly the strategic goals achieved since recapitalization of Your Bank in 2004, while renewing the entire team's resolve to continue striving towards accomplishing even higher goals ahead. Therefore, at the outset, I would like to congratulate and extend my sincere appreciation to the Board and the dedicated Allied Bank team on this significant accomplishments in the last 13 years.

### Business Performance

Banking sector outlook remains beset with multi-pronged challenges emanating primarily from domestic macro-economic bottlenecks including rising fiscal and current account deficit, gradually rising inflationary pressures, one of the lowest private sector credit to GDP ratio, declining ease of doing business index, high unemployment rate with continuously increasing population levels, burgeoning circular debt, pressure on foreign exchange reserves and domestic bourses along with an unfavorable tax regime.

The prevailing low interest rates scenario along with floor on minimum savings deposit rate, significant maturities of high yielding government

**TOTAL  
ACCOUNTS  
OPENED (NTB)  
513,000**

securities and evolving regulatory framework posed additional short-term bottom line challenges for the banking sector. While emerging disruptions in the form of non-conventional payment channels including Telcos and Fin-Techs, concurrently pose an additional long-term challenge for the banks; necessitating the urgency to mould strategic business models from traditional banking service provider to technology driven dynamic banks fit for the Digital Age.

During the year under review, the Bank maintained its steady growth trajectory despite the aforementioned challenging operating environment, elucidated by the long term strategic goals set by the Board of Directors. Your Bank continued its focus towards achieving operational efficiencies, growth in no and low cost deposit funding base, augmenting risk management framework, further enrichment in Bank's technology platform for gearing up towards gradual transformation to digital banking, continuous enhancement in the Bank's service quality standards, consistently developing the Bank's human resource; thereby deriving stable profitability along with robust balance sheet growth.

Your Bank remains fully cognizant of playing role in implementing State Bank of Pakistan's National Financial Inclusion Strategy with the stated

**TOTAL  
ASAAN  
ACCOUNTS  
257,000**

objective of "to set national vision for achieving universal financial inclusion in Pakistan."

Focus towards augmentation of account opening run-rates during 2017 resulted in addition of record 513,000+ new to bank accounts. Special emphasis was maintained on opening of Asaan Accounts requiring no minimum balance and minimal account opening requirements, as a result number of Asaan accounts more than doubled during the year assisted by biometric verification and bulk account opening to 257,000 accounts. The augmentation in accounts opened translated in to overall deposits growth of 10%; highlight achievement being current accounts which surpassed Rs. 300 billion with a growth of 24% during 2017.

Your Bank continuously following outreach expansion strategy and opened 100 branches including 40 Islamic Banking branches during 2017. Hybrid mix of expansion in rural and urban localities was maintained to maximize availability of financial services to all segments of society. As a result, overall branch network increased to 1,250 branches including 1,133 conventional and 117 Islamic Banking branches.

# CEO'S REVIEW



During 2017, Your Bank inaugurated two Self Service Banking branches in Packages Mall, Lahore and Lucky One Mall, Karachi equipped with modern equipment, enabling customers to address their banking needs while interfacing with diverse range of digital touch points i.e. tablets, interactive tables, video conferencing and digital kiosks, eliminating the need of hefty paper work and long wait in queues.

Concurrent focus was also maintained in enhancing Alternate Delivery Channels by enhancing ATM network to 1,241 ATMs including 253 off-site ATMs along with maintaining industry leading ATM uptime of 97%. The Bank through strategic alliance with Shell Pakistan and Pakistan State Oil has successfully installed 32 and 26 off-site ATMs at respective service stations providing customers with ease of access.

During 2017, Your Bank also established a dedicated 'Middle

Market' department for exploiting banking avenues in this profitable mid-tier corporate/commercial segment. Capitalizing on existing corporate relationships as their value chain partners in the capacity of vendors, producers, suppliers, distributors, retailers and service providers, Middle Market segment shall prove to be a source of entering in to vast untapped lucrative vendor financing market going forward, while ensuring lending quality.

Despite limited quality credit avenues and fine pricing margins on offer, Your Bank utilized the robust risk management framework to identify and capitalize on potential credit opportunities; accordingly, prudently enhanced the overall advances portfolio while reducing the associate credit cost.

The international operations of Your Bank through Wholesale Banking Branch Bahrain and Dubai Representative Office

remained proactive in remittance and other relevant business-related opportunities in the Gulf region. Through establishment of Representative Office in Beijing, People's Republic of China during 2017, Your Bank undertook major step in establishing trade and investment flows between China and Pakistan expected to yield significant results in years to come. In line with SBP's objective to enhance flow of remittances through banking channels, Your Bank utilized existing international presence and correspondent banking relationships to further augment flow of remittances; thereby increasing its market share in terms of remittance business handled.

Capitalizing on Your Bank's sound compliance and governance culture, robust risk management and strategy to derive stable growth, Your Bank posted sound Balance Sheet growth of 17% to surpass Rs. 1,200 billion mark during the year. Strong equity





level was also maintained during the year to reach at Rs.107 billion.

Gradual expansion of our digital product suite remained a key strategic priority. In this regard, launch of 'Business Internet Banking' was a major achievement during 2017, exclusively designed and developed for entrepreneurial and institutional obligors. Geared towards customer convenience, key features of this real time online tool include ability to execute all facets of cash management, general banking and trade finance related transactions from the respective premises of valued obligors.



In-line with upcoming digital banking trend, Your Bank also successfully revamped personal internet banking platform to "MyABL" app from the previous "Allied Direct", compatible with both android and iPhone platforms; offering full suite of deposit related services. Now our valued customers can enjoy the convenience of utilizing all the services of a branch; from where ever they are through access by smart phones, tablets, laptop and desk top computers.

To complement vast ATM network across the country, Your Bank further enhanced the ATM Debit



Card base during the year. Total debit cards in circulation increased by 10% to over 1.4 million cards in circulation. Empowering customers to conduct transactions locally, with no dependency on international payment schemes issuance of PayPak cards remained a key objective during the year. Your Bank was the first in the industry to introduce PayPak cards. With issuance of over 100,000 cards during the year Allied Bank remained industry leader in promoting SBP's NFIS vision for financial inclusion. This feat was duly acknowledged as Your Bank was awarded "Top Issuer of PayPak Debit Cards" by 1LINK (Guarantee) Limited.



Launch of Allied EZCash prepaid cards during the year further enriched the suite of debit card products of Your Bank. Allied EZCash is a re-loadable Prepaid Card equipped with the convenience of easy reload from all ABL branches. EZCash card is primarily targeted towards existing and unbanked customers and can be used on ATM for cash withdrawal, bill payment, mobile top-ups and purchasing goods from merchants at Point of Sale (POS) machines where PayPak Cards are accepted. Allied EZCash offers greater security with PIN for Point-of-Sale (POS)

Transactions. Issuance of over 18,000 cards signifies the encouraging response to the product, which launched towards the end of 2017.

In order to reward the trust placed in Bank's products and services, Your Bank entered into promotion agreements with leading food, consumer goods, home improvements providers and offered handsome discounts for using Allied Visa Debit cards; which was well appreciated by our valued customers.

Highlight of these campaigns which ran throughout the year, were week-long collaborations with two of the leading e-commerce websites in the country offering additional discounts on the sale items. This was the first time Your Bank developed and deployed the ability to directly use Allied Bank's debit cards on merchant's website making e-commerce a more convenient experience for the customers. The encouraging response from customers and e-commerce platforms also gave us the confidence to further penetrate in this developing platform, going forward.

During the year, the Bank as part of product innovation and unparalleled service excellence, re-launched Bancassurance Business for both conventional and Islamic banking customers; with a vision to transform

# CEO'S REVIEW



Your Bank into a complete one stop financial institution offering multiple full suite of financial services and products under one roof.



Keeping the requirements of expanding customer base in consideration, Your Bank successfully launched Allied Car Finance in top tier cities during 2017. Attractive features including low mark up, flexible repayment period and no processing fee made Allied Car Finance an attractive proposition for customers for meeting their car financing needs. For ease of customers Your Bank also embedded Car Finance Calculator on its website enabling customers to calculate estimated finance rentals.

Through active participation in dealing in government securities, Your Bank maintained Primary Dealer status during the year. While safeguarding against the interest rate risks associated with bottoming out of Policy Rate, Your Bank re-profiled significant portion of exposure in government securities to Treasury Bills from longer tenor Pakistan Investment Bonds.

Promoting Islamic Banking amongst vast potential customer base remained part of Your Bank's strategy during 2017, with expansion in branch network to 117 branches. Shariah board is in place consisting of distinguished scholars and banking professionals providing oversight and guidance. Your Bank's Islamic Banking operations have been branded as "Aitebaar" representing customer perception and gearing up gradually to serve the needs of this niche segment.

The Bank's wholly owned subsidiary ABL Asset Management Company offers array of conventional and Islamic funds closed the year with asset under management (AUM) size of Rs. 46 billion displaying a strong YoY growth of 24% and maintained its 6th position amongst private fund management companies, with a market share of 7%.

JCR-VIS Credit Rating Company Limited upgraded the Management Quality Rating of ABL Asset Management Company Limited (ABL AMCL) from AM2+ (AM Two Plus) to AM2++ (Asset manager exhibit very Good management characteristics). Outlook on the assigned rating is 'Stable'. This was 4th rating upgrade of ABL AMCL in the past seven years. The rating also takes into account ABL AMC's effective

corporate governance framework, professional management team and balanced board composition. ABL AMCL is the only ISO/IEC 27001: 2013 certified AMC in Pakistan and has also adopted Global Investment Performance Standards (GIPS). ABL AMC established two new retail branches in Peshawar and Sialkot during the year.

Robust risk management practices in a business environment encompassed with industry specific and macro level challenges has attained paramount importance in both domestic and global markets. Your Bank's technology enabled state of the art risk management framework remains continuous source of competitive advantage. Continuous refinement of Your Bank's in-house developed Risk Assessment and Management System (RAMS) remained on course during the year. Implementation of Market Risk Module of Oracle Risk Management Solution during the year enabled Your Bank to automate calculation of Value-at-Risk (VaR). Moreover, various Monitoring Reports were developed to capture and report multi-dimensional aspects of market risk. Your Bank also continues to benefit from core competencies driven from in-house developed Early Warning System which highlights any potential red flags well in advance enabling



timely corrective measures. Moreover, Your Bank's extensive defaulter database available since 1980s onwards which remains an invaluable source of credit risk mitigation.

Your Bank continued to expand its unique initiatives of bank owned warehouses providing obligors access free of cost warehouse space along modern lines with the construction of two new warehouses, covering six (6) locations at Mandi Faizabad, Kamoke, Gakkhar Mandi, Jahangirabad Multan, Islamia Rice Mill Multan and Atthara Hazari Jhang.

2017 saw renewed need for strong compliance culture within banking industry to safeguard against local and international non-compliances. Your Bank further strengthened the Anti-Money Laundering and KYC function by capitalizing on Compliance Risk Management Solution – Risk Nucleus implemented in 2016; thereby further strengthening the functioning of Compliance function. The investment in technology enabled generation of 95,819 automated alerts during the year; with resolution rate of 97%.

Your Bank recognizing the digital banking era's unique requirements for the human capacity building, continued on the path of revamping its workforce equipped with knowledge and application of latest

banking trends and technology. During 2017, Your Bank revamped 'Management Trainee Officer (MTO Program)' curriculum, placing renewed emphasis on digital banking, technology awareness, productivity and ethical behavior; utilizing the Bank's e-Learning and purpose built Management Development Centres. During 2017, total of 7,652 staff members were trained in different aspects of assigned tasks ranging from awareness of compliance to improving soft skills necessary for service excellence.

Keeping up with the expansion plans of Your Bank total of 1,326 new staff members were inducted during 2017. Increasing overall staff strength to 11,075 permanent employees including over 1,600 female staff giving a female gender ratio of 15%.

Your Bank also established an in-house assessment – 'ABL CARE'. This center being first of its kind within Pakistan's banking landscape, assesses the personality traits, work attitudes and leadership potential through psychometric analysis, to determine the psychological fitness and suitability of candidates for employment and promotion.

During 2017, Your Bank also developed an online suggestion box to facilitate flow of ideas between management and staff members.

Information technology remained at the heart of Your Bank's effective operational performance. Concerted efforts were made during the year to utilize technology for provision of better services to customers and attain operational efficiencies. During 2017, Your Bank remained focus on upgrading the core banking software Temenos T-24 to latest R16 version. The Bank has already been recognized for largest implementation of T-24 in the region.

The gradual progress made to augment risk management framework resulted in Your Bank further improving NPLs ratio, coverage ratio while concurrently realizing one of the highest recoveries against non-performing advances during the year. Despite legal recourse challenges, the Special Asset Management Group played a pivotal role in this tremendous performance.

The Bank's core operational team's support in pursuit of business objectives, assisting in launch of value added services, facilitating bank's account holders/customers through efficient delivery of Bank's wider product range remained invaluable part of achieving success during the year.

Aimed at improving financial acumen, financial inclusion and exploring

# CEO'S REVIEW



previously untapped sectors with special focus on the unbanked areas of Pakistan, Your Bank organized various seminars throughout the year. Highlight of these seminars was seminar in Lahore on “Private Sector Credit and Growth in Tax Revenue” for assisting authorities in finding ways of achieving growth in tax revenue through private sector credit growth and leading to broad based economic growth. This new initiative by Allied Bank was well appreciated throughout wide spectrum of business circles and tax authorities alike.

In sync with SBP’s vision to promote agriculture and SME financing, Your Bank organized Financial Awareness Seminar on SME and Agri Financing in Quetta, Sukkur, Peshawar and Faisalabad. Interactive seminars on “Customer Awareness Program on Islamic Banking” was arranged at Mirpur Azad Jammu & Kashmir, Kot Abdul Malik and Multan by the Bank for promoting Islamic Banking.

In continued efforts to enhance corporatization of businesses in the country, Your Bank also organized seminar on “Transition from family owned business structure to Corporate Structure” in Islamabad and Lahore to encourage more corporate setups in family owned businesses.

Similarly, aligning with SBP’s objective to promote access to financial services in remote parts of the country, Your Bank developed dedicated business plans for far flung areas of Khyber Pakhtunkhwa and Baluchistan. The plan envisions setting up of branches in remote areas, identifying potential customers to assist in their banking needs and raising awareness about benefits of banking.

During the year, Your Bank hosted an event in Quetta, Baluchistan, which was graced by the Governor SBP along with all the senior banking fraternity; being a prelude to SBP’s Agriculture Advisory Committee’s meeting the following day; focused on promotion of financial inclusion in the key agriculture sector.

It gives me an immense pleasure that Your Bank’s aforementioned efforts were duly acknowledged by acclaimed publications/regulators, both domestically as well as internationally, in 2017:

- » Bank of the Year Pakistan 2017 – Bankers Magazine UK
- » Top 25 Companies Award - Pakistan Stock Exchange
- » Top Issuer of PayPak Card – State Bank of Pakistan
- » Corporate Excellence Award – Management Association of Pakistan

- » Best Corporate & Institutional Bank, Pakistan
- » Best Loan Advisor, Pakistan - The Asset Triple A Country Awards Hong Kong
- » Best Emerging Bank in Islamic Finance - COMSATS

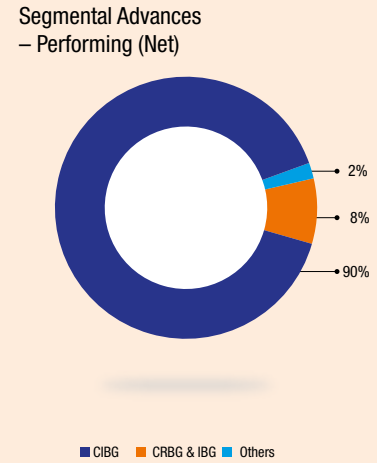
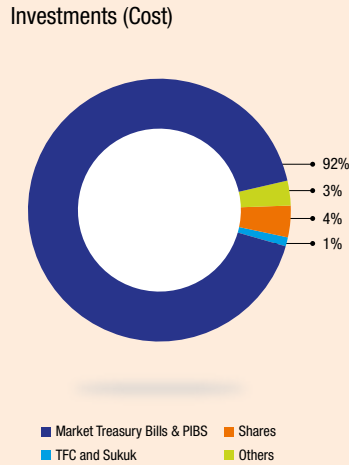
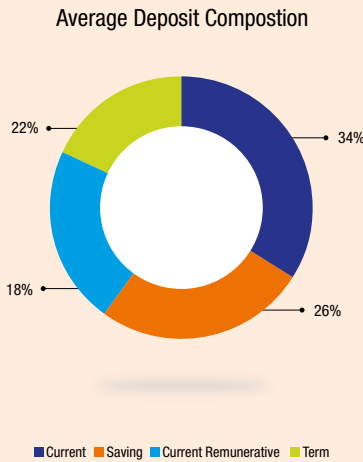
## Financial Analysis

### Balance Sheet Growth Mix

2017 was another challenging year for the global economy, showing moderate signs of recovery. Domestic economy while gradually resurging continues to be challenged due to structural, regulatory and fiscal impediments, simultaneously impacting the banking industry. Your Bank, remaining fully cognizant of rapidly changing domestic and international operating environment fostering new competitors and diverse customer needs, adopted a broad based multi-pronged strategy geared towards overcoming these critical challenges.

During the year, the Bank successfully maintained focus on robust balance sheet growth, strategic expansion in all banking channels, introduction of technology savvy and innovative product offerings, customized banking solutions, strengthening of core deposit base, augmentation of risk management framework and optimization of operational efficiencies.

The total asset base of Your Bank increased by 17% to close at Rs. 1,245 billion as at end December 31, 2017 as compared to Rs. 1,069 billion as at December 31, 2016. The equity base of Your Bank grew by 6% to reach Rs. 107 billion as at December 31, 2017. The Capital Adequacy Ratio (CAR) of Your Bank stood at 22.4% at December 31, 2017; thus being above the industry average of 15.4% (Sep’17) and the regulatory requirement of 10.65%.



Aimed at gauging short-term resilience of liquidity risk profile and reduce funding risk over a longer time horizon, Your Bank implemented Liquidity Standards of Basel III Framework. State Bank of Pakistan introduced Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) vide Circular No.08 of 2016 in order to implement these liquidity standards. Your Bank’s NSFR stood at 187% and LCR at 142% as at December 31, 2017 against SBP requirement of 100% and 90% respectively; fully reflecting the strong liquidity profile of Your Bank.

Deposit base of Your Bank grew by a healthy 10% and reached to Rs. 883,740 million as at December 31, 2017 in comparison to Rs. 805,111 million last year despite immense competition for low cost deposit in the industry together with the stifling effect of withholding tax regime for non-filers of Income Tax returns. The sustained efforts of Your Bank resulted in the improved deposit mix with 25% growth recorded in the no cost current deposits; enabling the accomplishment of crossing significant milestone of Rs. 300 billion mark at Rs. 316,335 million at the end of December 2017 from Rs. 254,033 million as at December 31,

2016. Like-wise Savings deposit also showed a growth of 10% and closed at Rs. 233,494 million. Your Bank accordingly improved its CASA share to 79% despite the aforementioned operational challenges.

Investments increased by 18% to close at Rs. 698,082 million in 2017 as compared to Rs. 589,864 million in 2016; primarily driven by limited quality lending avenues. Your Bank adopting a prudent approach successfully re-profiled the investment mix towards higher exposure in short-term Treasury Bills; in view of the bottoming out of the benchmark interest rates.

Rising pace of economic activity facilitated in slight recovery of the overall private sector credit appetite. The gross advances of Your Bank grew to Rs. 388,751 million as at December 31, 2017 as compared to Rs. 348,346 million in 2016; thus registering an increase of 12%. In sync with the industry; Power, Cement, Chemical and Commodities sectors remained key area of focus during the year. Average ADR of Your Bank was registered at 48% during the year ended December 31, 2017 compared with the Industry’s ADR of 51% at the close of the year.

Your Bank’s robust Risk Management Framework driven by technology enabled proactive monitoring and sustained recovery efforts resulted in decline of Non-Performing Loans by Rs. 2,379 million to reach at Rs. 18,052 million at the close of the year; as against Rs. 20,432 million in 2016. The Bank’s infection ratio also declined to 4.6% while the coverage ratio increased to 93% as at December 31, 2017. These infection and coverage ratios of the Bank significantly outperformed the industry average of 9.2% and 85% as at September 30, 2017 respectively. No FSV benefit was considered while determining the provision against NPLs as permissible under BSD Circular No. 01 of 2011 dated October 21, 2011.

### Profitability

Growth in average earning assets by 13% and decline in cost of deposits from 3.3% last year to 3.0% during 2017, assisted Your Bank to partially offset the drop in Net Interest Margins (NIM) owing to declining lending spreads and maturity of high yielding government bonds during the year. Net interest income of Your Bank stood at Rs. 31,578 million, whereas

# CEO'S REVIEW

accelerated recovery efforts, yielded results with net provision reversal of Rs. 1,967 million as compared to Rs. 335 million last year fully offset the negative impact on spreads. Resultantly Net Mark-up income after provision stood at a level of Rs. 33,536 million as at December 31, 2017 as against Rs. 33,508 million at the end of corresponding year.

Your Bank continued to enrich its fee based product portfolio during the period under review by introduction of new products such as Banca assurance, Auto loans, Prepaid cards, launch of "MyABL" app and Branch Internet Banking solution along with introduction of Paywave cards. These products shall assist in growth of Your Bank's fee based income going forward.

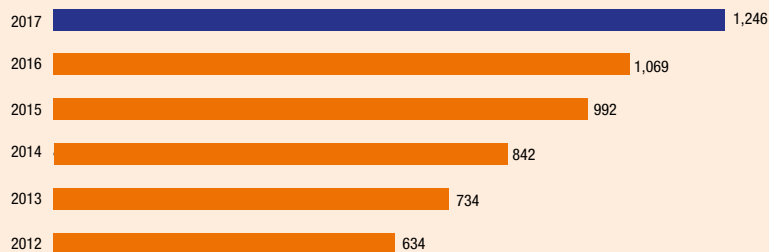
Despite tough operating environment, Your Bank's non-markup income and other income together increased by 3% and stood at Rs. 4,240 million during 2017 in comparison to Rs. 4,116 million during 2016.

Despite declining payouts by the power sector, dividend income realized during the year amounted to Rs. 3,226 million; thus affirming the strategic holding of blue-chip equity portfolio. In spite of under pressure capital markets, with 15% drop in PSX-100 index during 2017, Your Bank's equity portfolio showed resilience to potential impairment charge which was restricted to a minimal Rs. 9 million during 2017 compared to Rs. 75 million last year.

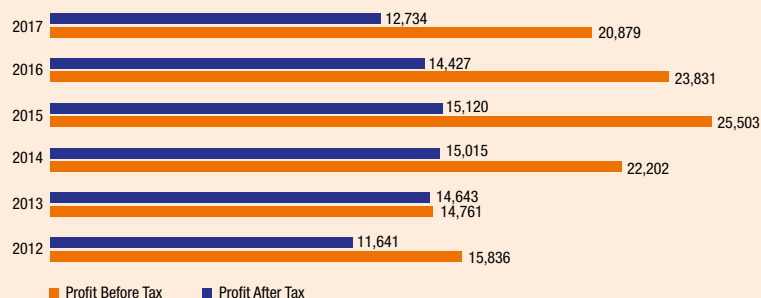
Income from dealing in foreign currencies posted a solid growth of 18% and amounted to Rs. 762 million in 2017 against Rs. 645 million in 2016. Resultantly, overall non-interest income stood at Rs. 8,871 million during the period under review.

Your Bank's administrative expenses registered a modest increase of 6%

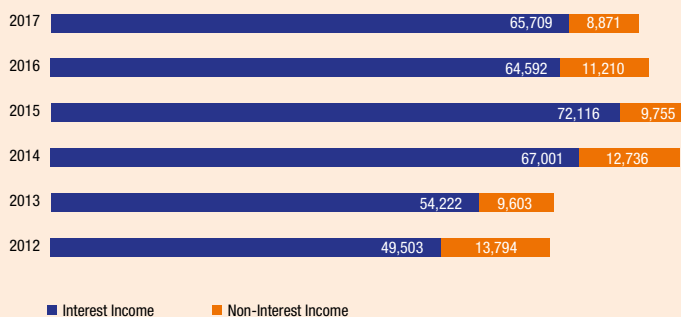
**Total Assets**  
(Rs. in Billion)



**Profit Before & After Tax**  
(Rs. in Million)



**Income Composition**  
(Rs. in Million)



to Rs. 21,423 million during 2017, despite continued investments towards technological uplift for the digital age, footprint expansion in both conventional and alternate delivery channels and continuous development of the human capital.

Resultantly, Your Bank's Profit Before Tax stood at Rs. 20,878 million during 2017. Despite retention of Super tax of 4% during 2017, Profit after tax

aggregated to Rs. 12,734 million as at December 31, 2017.

EPS of Your Bank stood at Rs. 11.12 per share, while Bank's Return on Asset (ROA) and Return on Equity (ROE) stood at 1.1% and 17% respectively during 2017; compared to the industry's average ROA and ROE of 0.9% and 13% respectively as at September 2017.

It is important here to clarify an important post balance sheet event. Your Bank is party to a *Suo Moto* case SMC No. 20/2016 in the Honorable Supreme Court of Pakistan. Through this case, the Honorable Supreme Court has taken up the matter relating to pension arrangements of certain privatized banks. Despite Your Banks' submission of being legally compliant, the Honorable Supreme Court of Pakistan concluded the *Suo Moto* case on February 13, 2018, by using judicial discretion and fixed the minimum pension at Rs. 8,000 per month from a prospective date and with 5% indexation on an annual basis. The detailed judgment has not been issued by the Honorable Supreme Court till the approval of the financial statements by the Board of Directors, and therefore the Management is not in a position to work out the financial impact.

The unconsolidated financial statements of Your Bank for the year ended December 31, 2017 do not include the effect of this judgement; which will be accounted for in the year ending December 31, 2018 as past service cost; once the plan is formally amended and approved upon receipt of aforementioned detailed judgement and related actuarial valuation. Your Bank remains well positioned to absorb the potential impact of this judgement.

Analysis delineating actual performance against Key Performance Indicators (KPIs) is separately appended in the Annual Report

## Ratings

### Entity Rating

The Pakistan Credit Rating Agency (PACRA) has kept long term rating of Your Bank at "AA+" (Double A Plus) and short term rating at "A1+"

(A One Plus). These ratings indicate Your Bank's ability to meet its financial commitments and ensuring steady profitability without compromising the character of other key variables.

Moody's Investors Service maintained Your Bank's deposit rating at B3. There is an upward revision from 'Negative' to 'Stable' and is at par with the ratings of Tier-I banks in the country.

### Corporate Governance Rating

JCR-VIS Credit Rating Company Limited (JCR-VIS) reaffirmed the corporate governance rating of Your Bank to "CGR 9+". This rating indicates a very high level of corporate governance practices implemented by Your Bank through strong internal control environment, regulatory compliance and transparent financial framework. The ratings range from CGR-1 to CGR-10 where 1 is lowest and 10 is highest.

### Future Outlook

The future of banking shall encompass higher focus on understanding changing customer preferences, appropriate technology usage in terms of artificial intelligence, machine learning, Big Data, Internet of things (IoT) and robotics along with continuous enrichment in skill-set levels of the Bank's human resources to thrive in the 'digital age'; under the watchful supervisory framework continuously evolved by the regulators.

While the global economic growth is projected to pick up to 3.9% in 2018; possibility of a financial market correction triggered by rise in core inflation in advanced economy leading to faster than anticipated hike in interest rates, could dampen growth prospects and business confidence across the globe.

Amidst changing geo-political scenario, Pakistan's economy is expected to maintain its growth trajectory with GDP growth rate to be around 6% in FY 2017-18. However, evolving relationship with key international coalition partners, limited cost efficient energy supply, dual challenges from fiscal deficit and deteriorating current account situation are anticipated to pose key threats to this challenging target.

Gradual progression in exports needs to be continued with deeper penetration in existing and new markets. As CPEC related projects start gaining foothold, capitalizing on infrastructure development by ancillary upstream and downstream industry, formalization of special economic zones, shifting towards investment led GDP growth model rather than consumption led growth and sustenance of improving security situation remains imperative to achieve sustainable growth momentum.

Improving the country's ease of doing business index rating through broad-based reforms aimed at efficient functioning of Public Sector Entities, corporatization of local businesses, simplifying and broadening taxation regime and developing manpower equipped with right skills to deliver desired growth are fundamental requirements for the next growth phase. In this regard, recent incremental Investments flows in to LNG and Automobile segments is a welcome development.

Current account deficit is projected to remain within range of 4-5% of GDP as growth in imports are expected to sustain at similar levels on account of high demand for machinery, raw material as well as consumer goods. Recovery in exports initiated in 2017 after prolonged downwards trend is not expected to be material enough

# CEO'S REVIEW

to stem the trade account deficit expected at around US\$ 30 billion in FY 2017-18.

Net flow of Foreign Direct Investment (FDI) is forecasted to reach US\$ 3.7 billion with China to remain as the lead investor, accounting for more than half of the total FDI in the country.

In a bid to facilitate remittances and attract receipts through official/banking channel, State Bank of Pakistan in collaboration with Pakistan Remittance Initiative (PRI) has recently launched 'Asaan Remittance Account' to be opened by banks with simplified procedures; focused towards enhancing outreach of basic financial services to unbanked or underserved segment of the population. Your Bank's Allied Express product is already catering to this niche segment.

Inflation is expected to rebound in 2018 in the face of increasing international oil prices and depreciation of PKR; expected to hover within 5-6% range. This rebound in inflation may necessitate review of credit expansionary monetary policy stance of SBP and lead to upwards revision in Policy Rate which began in January 2018 with an upward movement of 25 bps in benchmark 'Policy rate'.

Banking sector is gradually transforming to cater to the aforementioned challenges. However, limited quality credit expansion opportunities, maturing government securities portfolio, low interest rates environment, rising costs of doing business and complex tax regime shall continue to strain the bottom line margins. Mobilization of low cost deposits to support the falling margins along with provision of technology driven customer centric products and services shall



remain imperative to attain long term sustainable growth.

During 2018, focus shall remain on persisting with the gradual digital transformation journey of Your Bank. Improving access to financial services for the large unbanked and underbanked segments of our society requires sustained efforts towards expansion in outreach through all conventional, alternate and digital delivery channels, while playing active role in enhancing financial literacy and nation building.

Your Bank intends to place greater focus on augmenting recently established Middle Market segment by establishing new to bank relationships and improving Trade Finance through strengthening of dedicated Trade branches; facilitating quality obligors while augmenting contribution towards fee income in overall earnings.

Your Bank would be evaluating any opportunities that may arise with the expected economic growth amidst completion of CPEC related projects. Sustained efforts shall be continued towards augmentation of account opening run-rates, enhancing low

costs deposit mobilization and quality credit expansion.

Capitalizing on the upgradation of state of the art Temenos T-24 (R-16 version) is expected to significantly boost customer service experience and facilitate in quicker launch of customer centric innovative products and services. The newer version is expected to further enhance information flow within Your Bank and facilitate timely decision making for the benefit of valued customers.

It is imperative to note here that Your Bank remains fully aware of information security threats associated with implementation of new systems. Information and privacy safety measures are being constantly updated to ensure data protection. Your Bank is continuously strengthening its software driven Compliance and fraud detection mechanism to reduce any potential instances of misrepresentation within local and international business relationships.

Venturing further in to branchless banking avenues along with launch of and augmentation of mobile apps shall open new avenues to interact



with our traditional and more tech savvy customers. A new mobile application exclusively designed to cater wide range of mobile payments is currently being developed and will be launched during 2018 with key features like “QR Retail Payments”, “Login through Biometric Touch ID” and ability to “Locate Nearby Merchants”.

Your Bank intends to initiate various new services during 2018 in a phased manner including launch of digital lockers, expansion in self-service branches, mortgage financing, mobile ATMs, alliances with service providers and other major collaborating vendors and e-commerce platforms along with products designed for all segments of society including Youth, Senior Citizens and Females shall provide new areas to derive growth. Furthermore, Your Bank is instilling new impetus to its service quality standards by introducing top 100 flagship branches with the placement of well-trained and dedicated Customer Service Officers. Continuation of Mystery Shopping across the Bank’s selected branches is also expected to further boost Bank’s customer service standards.

Focusing on further expansion in Islamic Banking during 2018, Your Bank intends to introduce Islamic Banking windows concept within vast conventional banking network; which is expected to provide additional support to our growing Islamic Banking business.

Compliance with local and international regulatory requirements, transparency and adoption of international best practices shall continue to remain an all-



encompassing part of Bank’s strategy.

Your Bank shall continue to invest in Human Capital Development in order to build a workforce equipped with knowledge, experience and insight into Digital Banking Age. Your Bank is also revamping its performance evaluation criteria by putting in place a progressive all-encompassing Key Performance Indicators mechanism to monitor the progress; in line with the stated objectives and guidelines issued on risk-based remuneration practices by State Bank of Pakistan.

### Acknowledgement

I would like to express my gratitude to our Board of Directors for the leadership and guidance extended for the Bank’s success. I would also like to acknowledge the hard work and devotion manifested our team members who concentrated

on developing long term customer relations through providing superior service experience to customers.

I would also like to put on record our gratitude to State Bank of Pakistan, Securities & Exchange Commission and other regulatory authorities for their continued support and guidance during this ongoing journey of success.

**Tahir Hassan Qureshi**  
Chief Executive Officer

Dated: February 21, 2018

# GROUP'S REVIEW

## Corporate & Investment Banking

During 2017, Corporate and Investment Banking Group (CIBG) continued to capitalize on its strategic positioning as one of the leading wholesale banking service providers in Pakistan. CIBG's focus remained on highly customer-centric approach, strong understanding of business dynamics and catering to evolving needs of obligors, competency to provide tailor-made and structured financial solutions and comprehensive relationship coverage to ensure consistent level of service excellence.

CIBG continues to offer a wide range of products and services covering all types of funding and trade facilities, cash management, remittance business and customized investment banking solutions. CIBG is also maintaining a well-diversified and profitable capital markets portfolio comprising of high dividend yielding blue chip securities. Furthermore, CIBG also synergizes with other business groups for capitalizing on cross sell opportunities for the Bank.

During the year, banking sector continued to face major challenges including persistently low interest

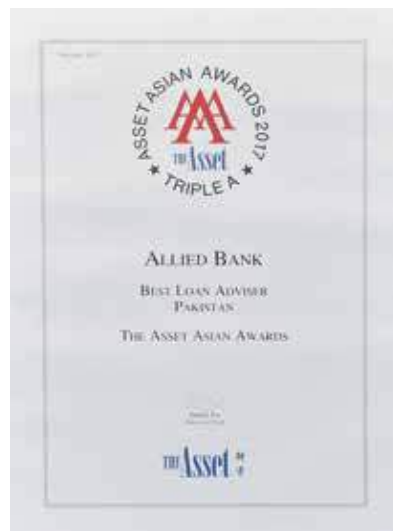
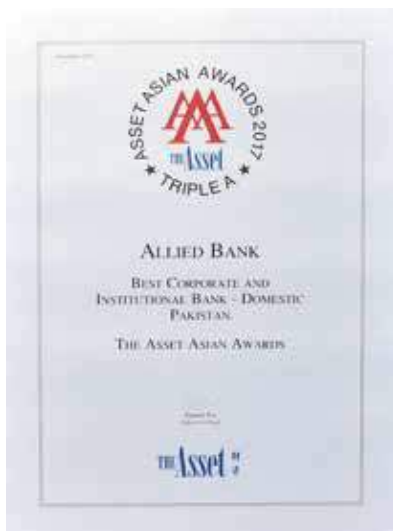
rates and surplus liquidity which further intensified competition on lending and consequently impacted the pricing on advances. CIBG remained steadfast and continued to deepen relationships with premier corporate entities and business conglomerates for growth with enhanced focus on non-funded and ancillary income by diversifying revenue streams.

Corporate Banking (CB) continued to harness the long standing corporate relationships for sustainable portfolio growth and business generation with the primary objective of meeting all business requirements of our corporate and institutional customers with highly personalized services. CB remained focused on top tier obligors having sound future prospects, strong business fundamentals and proven account history; leading to consistent addition of high quality assets to loan portfolio thereby augmenting overall quality of Bank's advances. During 2017, Corporate Banking's performing loan portfolio increased by Rs.39,810 million as against December 2016. Moreover, continued vigilance in monitoring of credit portfolio culminated in significant

exposure reduction in our stressed portfolio through proactive measures and active cash recovery. Additionally, focus on augmenting trade finance portfolio was also maintained to serve the trade finance requirements of customers.

With a view to serve lucrative and largely underserved middle market sector, Your Bank established a dedicated Middle Market (MM) division within CIBG for exploring bankable avenues in mid-tier corporate segment. MM division primarily covers top tier category commercial entities, with varied market dynamics and banking requirements. MM intends to also capitalize on CB's corporate relationships and target entities in business relationships with corporate clientele as value chain partners in capacity of vendors, producers, suppliers, distributors, retailers and service providers; and further penetrate in this untapped MM segment.

Investment Banking (IB) remained engaged with a broad range of corporations and institutions enabling them in realizing sustainable growth



and achieving strategic and financial goals that are channelled through long-term relationships, in-depth understanding of structured finance, local regulations, rich experience of transactions across various market cycles and innovative solutions tailored to suit financing needs of these valued clientele. The IB team continued its momentum of past years in 2017, driven by Debt Syndications & Advisory, Project Financing, advising and financing client requirements in diversified sectors including power, financial institutions, cement, food, leasing, fertilizers and telecommunication. The CIBG transaction fee income accordingly crossed Rs 500 million mark; posting an increase of 24%.

The Capital Markets division continued to realize steady dividend income from its well diversified investment portfolio of blue chip securities. Investment Portfolio of the Bank is being prudently managed by investing in companies having successful track record of stable profitability and dividend payout. Despite slightly low payout by the power sector, dividend income for the year remained robust at Rs.3,226 million.

The Financial Institutions, International and Cash Management Division continued to enhance global institutional banking relationship base with leading and highly reputed financial institutions globally, to support trade, treasury, foreign exchange and payments requirements. In addition, our partnerships with International Finance Corporation (IFC), Asian Development Bank (ADB) and Islamic Development Bank (IDB) continued to facilitate smooth execution of customers' growing and diversifying international banking requirements.

The Bahrain Wholesale Banking Branch and Dubai Representative Office remained instrumental in harnessing opportunities for business in the Gulf region. Your Bank through prudent business strategies, while remaining fully compliant with local regulatory framework under Central Bank of Bahrain, posted a profit before tax of US\$5.9 million, posting a growth of 20%. Global outreach further expanded during 2017 with establishment of a Representative Office in Beijing, People's Republic of China. Your Bank has a strong focus on the significant trade and investment flows between China and Pakistan, and look forward to extracting maximum synergies from the relationship between the two countries, going forward.

Cash Management Division extended its outreach through new client acquisition, product development and marketing efforts. With an objective to embrace digitization and automation of banking processes, Your Bank successfully launched Payment Hub and Business Internet Banking solutions; providing our customers excellent platforms for present and future transactional banking requirements.

Home Remittance Division (HRD), continued to enhance remittance inflows by strengthening relationships with existing correspondent partners and adding new-tie-ups globally. Through more than 100 correspondent relationships worldwide, and large network of country-wide 1,250 branches, HRD delivers services for the overseas Pakistanis to remit funds effectively and efficiently to beneficiaries through multiple channels. During 2017, new correspondent partners were added from Oman, UAE, UK and Australia with the focused strategy to bring digital-online potential

exchange houses. During 2017, Your Bank sponsored the First Pakistan Remittance Summit organized in UAE, in collaboration with SBP, to raise awareness regarding benefits of utilizing banking channels for remittance flows.

The CIBG's stellar performance was also acknowledged by prestigious international publications; as Your Bank was awarded with the "Best Corporate & Institutional Bank – Domestic, 2017" and "Best Loan Adviser, 2017" awards by The Asset Magazine, Hong Kong and the "Best Corporate and Investment Bank – Pakistan, 2017" award by the Asiamoney Banking Awards, UK. Additionally, Your Bank also received the Runner-Up award for "Corporate Finance House of the Year 2016 – Fixed Income" from CFA Society of Pakistan.

Going forward, CIBG's focus shall remain on top-tier/blue chip corporate relationships for enhancing portfolio while improving the overall quality of portfolio. While simultaneously enhancing penetration in mid-tier corporate and MM segment to diversify and generate sustainable business and diversifying revenue stream. CIBG seeks to maintain its contribution towards Your Bank's overall profitability through cross selling of cash management and financial institutions products and digital banking solutions while capitalizing upon established corporate relationships and international operations to capitalize on CPEC related opportunities. Moreover, accelerated efforts are being made to explore new corridors for remittance business; maximizing Bank's synergies across its domestic and international network.

# GROUP'S REVIEW



## Commercial and Retail Banking

Commercial and Retail Banking Group (CRBG) encompasses enriched suite of technology driven products and services. Major focus areas remained cost effective deposits, quality loans and payment solutions, delivered through vast network which expanded by 60 new branches to reach 1,126 branches across Pakistan and various alternate delivery channels.

CRBG's key focus remained on enhancing outreach through establishing new to bank relationships and further deepening of existing relationships. Highlight of the year remained phenomenal growth in number of new accounts opened during the year; as CRBG played pivotal role in accomplishing over 500,000 new to bank (NTB) account opening;. A great positive for the Bank is the share of 30% Asaan NTB accounts in this overall growth; reflecting towards Bank's continuous focus towards the enhancing financial inclusion.

As a result of sustained focus on deepening of core deposit base of the Bank, CRBG achieved robust growth in overall deposits while playing a pivotal role in Your Bank's surpassing Rs.300 billion current accounts landmark. The achievement

of high growth in current accounts not only improved the overall deposits but also assisted in improving Your Bank's overall CASA mix to 79%; simultaneously assisting in reducing cost of deposits by 26 bps.

Concurrent focus was also maintained on enhancing the number of debit cards in circulation which increased by issuance of 261,745 new cards. In line with Your Bank's vision to support SBP's initiative of reducing dependency on international payment schemes while simultaneously enhancing financial inclusion of unbanked and underbanked population, issuance of PayPak debit cards with attractive features like annual fee waiver on issuance, minimum account opening requirements and no minimum balance requirements remained key focus area. Through issuance of over 100,000 PayPak debit cards, CRBG remained instrumental in Your Bank receiving the award for "Top issuer of PayPak Debit Cards by 1-Link".

During 2017, launch of Allied EZ Prepaid Debit Card was another major initiative undertaken by CRBG. Allied EZ Cash Prepaid Debit Card is a re-loadable card embedded with the convenience of top-up from any ABL branch. PIN based security features enhances the acceptability amongst customers reflected by

issuance of over 18,000 cards in a short span since launch.

Targeted at expanding consumer finance segment across country, Your Bank launched "Allied Car Finance" during 2017. Attractive features like competitive mark-up, swift application processing and flexibility to choose the repayment period has made this product an attractive proposition and CRBG intends to expand offering of this product in more cities across Pakistan going forward.

CRBG maintained focus on utilizing Alternate Delivery Channels to cater to the customer requirements; key initiatives including revamp of MyABL Internet Banking and launch Business Internet Banking facilitated CRBG customers in utilizing Your Bank's broadening Digital Banking products suite.

During 2017, aimed at enhancing presence in SME and agriculture segments, CRBG arranged 8 seminars related to promotion of financial literacy and financial inclusion in the underserved areas of the country. Development of dedicated business plans for underserved areas with focus on expansion in outreach and deposits growth highlights Your Bank's commitment to improving access to financial services in these areas.



Reinforcing the CSR philosophy of the Bank, with substantial focus on education, healthcare, philanthropy, sports promotion and environment preservation; CRBG donated computers to various colleges in Loralai, Khuzdar, Zhob and Turbat. This initiative reiterated the Bank's support for the development of education in general and in Baluchistan in particular.

Going forward, CRBG aims to remain focused on volumetric deposit growth through augmentation of account opening run-rates, low costs deposit mobilization, quality credit expansion and introduction of innovative offerings. Launch of new initiatives during 2018, including mobile ATM, Automated Lockers at selected locations and products related to cross section of the society are expected to attract new customers during the year.

## Digital Banking

Banking in the Digital Age requires a paradigm shift in how banks react to customers' changing needs. The journey to Digital Banking involves utilization of advanced data analytics with simultaneous transformation of the core processes and integrating them in to highly responsive customer centric technology driven products and services.



Digital Banking Group (DBG) has been established with the vision to keep up with the pace of rapidly evolving digital innovations in the banking industry. During 2017, DBG focused on the progress of existing digital products and services and also commenced new initiatives aligned with the long term strategy of Your Bank to enrich the digital banking products suite.

During the year, DBG launched Allied EZ Cash Prepaid Card to facilitate existing customers and un-banked/walk-in customers. This card provides an easy solution to the financial needs of individuals with PayPak card acceptability nationwide.

Furthermore, online internet banking interface "Allied Direct" was significantly transformed during 2017, with the launch of "myABL" mobile apps for Apple iOS and Google Android based users. myABL Personal Internet Banking offers a seamless product offering usable across multiple devices including desktop computer, laptop, tablet or smart phones

Similarly, myABL Business Internet Banking, exclusively designed for business and institutional customers, was also launched during the year. This user-friendly and device-responsive facility enables

customers to execute wide range of banking transactions online from their workstation/offices. BIB is an indispensable tool in today's 24/7 fast paced business world. Business entities can initiate specialized Trade Finance transactions (Letter of Credits (LCs), Guarantees and Export Collections, Term Deposit issuance and encashment, perform General Banking Transactions (Funds Transfers, Bill Payments, Bankers Cheque Printing etc.) and can perform Bulk Payment transactions in Allied Bank Accounts. Enhanced security feature of Mobile Authenticator application has also been introduced for the first time in this solution whereby the user will be able to generate the Soft Token on their Mobile phone without dependency on the traditional physical hard token devices.

With the aim of gradually expanding the digital banking landscape, two Self-service banking branches were launched in Karachi and Lahore. The branches are equipped with modern devices and technologies to provide all possible digital touch points to the customer. The "self-service banking" concept enables customers to visit the branch and perform banking functions on their own without having to wait in queue for banking staff's assistance. The functions include Account Opening, cash deposit/

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withdrawal, funds transfer and bill payments.

The year also marked the inauguration of a first of its kind 'Innovation Lab' within Your Bank's Head Office premises. Innovation Lab is developed with the aim to serve as a platform for both research and development of latest digital banking products and services by making use of rapidly evolving market technologies. It will also serve as a hub for encouraging collaborative partnerships with Fin-Techs, to further enhance DBG's product and services suite.

Interaction with customers through corporate website was further enhanced through user friendly tools and accessibility by incorporating a more efficient and latest Auto-Finance Calculator. Moreover, social media presence was maintained through various promotional campaigns; actively engaging with our existing and potential customers.

DBG also launched various mega campaigns during 2017 to enhance retail transactions and promote cashless economy which received tremendous response from our valued customers. The campaigns were launched with conjunction with the leading players in market including following major alliances signed during 2017:

**i. Strategic Alliance with Daraz for Blessed Friday**

Your Bank signed a partnership agreement with the leading e-commerce website [www.daraz.pk](http://www.daraz.pk) for Pakistan's biggest online shopping sale event of the year – Daraz Blessed Friday. During the week-long sale Allied Bank VISA Card Holders were able to enjoy an additional 15% discount during the sale.

**ii. Strategic Alliance with Yayvo.com for Blessed Friday**

Your Bank and Yayvo.com



signed a strategic alliance for the Blessed Friday event. Through this strategic partnership, ABL VISA Card holders were able to use their debit and credit cards for making online payments on Yayvo.com with exciting discounts.

With the purpose of facilitating vendors through secure and automated processes, DBG signed a MoU with Punjab Food Authority for issuance of e-License Smart Cards to food operators and implementation of Digital Cash Collection Management. DBG collaborated for the provision of real time cash collection and management services solutions to 6,000 plus vendors of 27 Model Bazaars.

Being a pioneer of EMV technology compliance in the industry, DBG

assisted in further enhancing EMV compliance standards to protect its customers from potential ATM fraud through EMV compliance on 73% ATM network.

In view of future trends, DBG is geared towards continuous pursuit of developing innovative products and services designed to serve the evolving demands of the customers; thereby playing a critical role in Your Bank's gradual transition into the digital era. Going forward, introduction of latest technologies, in sync with domestic market dynamics, along with uplift of existing products are expected to have marked impact on traditional banking processes including payment methods, credit expansion, low cost funding mobilization, risk management, operations and sales along with regulatory framework.

## Human Resource Group

Human Resource Group (HRG) continues to play a pivotal role as an effective business partner for all functions of Your Bank. HRG aims to inculcate a culture of positive thinking along with clear focus within Your Bank enabling conducive work environment.

During 2017, HRG focused on inculcating efficiencies across the network, capitalizing on the robust technology platform of Your Bank. Branch KPIs were re-aligned to enhance performance in line with industry's rapidly changing dynamics, without compromising on the customer service quality.

HRG revised and updated Human Resource (HR) Policy of Your Bank assisting the employees in establishing and maintaining consistent practices in the workplace with better understanding of the underlying policies and procedures. Similarly, Job Descriptions (JDs) up to managerial level have been formalized and implemented across the bank; providing higher clarity level and better understanding of the respective roles. Concurrent focus was maintained in developing a female inclusive workforce whereby gender ratio of 15% was achieved during the year.

Career growth opportunities were offered to employees at all hierarchical levels. Adequate succession planning at senior and mid-management level was implemented through merit based elevations from within Your Bank's internal resources; with focus



on cross functional exposure for the Senior Management positions.

Optimum human resource planning resulted in 236 cadre change promotions for the tellers to fulfill the requirements of Banking Services Officers (BSOs), while 1,326 employees were recruited in 2017.

Further 952 grade promotions were undertaken. As per Bank's policy of providing ample growth opportunities within the organization, Human Resource introduced BDOs Career Path to build a pool of motivated and enthusiastic young employees geared towards branch manager roles.

During the 2017, HRG established an in-house assessment center named as 'ABL CARE'. The center assesses the personality traits, work attitudes and leadership potential through psychometrics to determine the psychological fitness and suitability of candidates for employment and promotion. This unique initiative by Allied Bank Limited is first such step in industry which uses scientific

tools for candidate's psychological assessment.

Strong industry-academia linkages remain crucial for nurturing future talent. In this context, ABL became the first bank in Pakistan to be awarded Trainee Organization outside Practice status by Institute of Chartered Accountants Pakistan (ICAP). Under this status, the Bank offers ICAP students a comprehensive 'outside practice' training program. Accordingly, the Bank inducted the first batch of (15) ICAP trainee students who are currently working in different functions of the Bank as per approved mentorship plan.

Employee entitlement policies/rules such as 'employee auto finance/ lease rules' and 'medical benefit rules' were revised to bring them at par with the market trends. Under the Islamic banking mode, employee car finance facility (Ijarah) and employee home finance facility (Diminishing Musharakah) have also been implemented.



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For enhanced provision of quality health facilities to staff members, HRG expanded list of panel hospitals, by including healthcare institutions equipped with quality healthcare facilities across the country.

Training and Development of employees remained a primary focus of HR initiatives during 2017. Technology awareness, productivity, ethics, regulatory compliance, design thinking and personal effectiveness are few critical areas that were targeted through the aforementioned training programs. The year marked a complete revamp of Management Trainee Officer Program with special attention to digital banking and Fin-Techs. Whereas, new specialization modules encompassing trade, credits and Islamic banking were introduced in MTOs Training program in line with Bank's business goals and expansion strategy. Keeping in view the importance of self-paced learning, new computer based training (CBTs) programs were also developed and added to the in-house developed e-learning portal.

In line with SBP directives for training initiatives in the under privileged areas for financial inclusion, the Bank also arranged trainings focused on capacity building of our employee based in Baluchistan, FATA and Gilgit Baltistan.

As part of sustained focus on training and development 892 training programs were conducted during 2017 with participation from 18,292 participants,

Going forward, Human Resource Group shall continue its concerted efforts towards augmenting capabilities of the Bank's Human Capital thereby enabling the Bank to thrive in the digital era. The Bank's commitment on being an equal opportunity employer providing growth prospects and fair remuneration shall continue to



remain the basis of all future Human Resource initiatives. During 2018, compliance with SBP's guidance on risk based remuneration practices shall further align the overall robust remuneration framework of Your Bank with international best practices.

## Information Technology

Global banking industry is now catering to customers who demand smarter, faster and easier experiences in all their banking transactions. As customers become increasingly technologically knowledgeable, they are expecting continuous innovation towards highly personalized and efficient services. This, combined with a disruption from Fin-Tech competitors, has driven banks to revamp their business strategies for the digital era. This paradigm shift from product-centric towards customer centric transformation is being led by the Information Technology Group (ITG).



ITG undertook various initiatives during the year with key highlight being the ongoing work on the planned upgradation of Temenos T24 core banking software from version R8 to R16; successfully culminated in

2018. Temenos, a Switzerland based core banking system provider, has acknowledged the implementation at ABL as the largest implementation in terms of number of branches connected with T24 System.

Online branches, multitier datacenters, fiber optics and satellite links to deliver uninterrupted banking services remained the pre-requisite for smooth banking experience for our valued customers.

During the year 2017, ITG also established effective real time monitoring mechanism to handle any outages proactively. Furthermore, ITG upgraded in-house developed portal with latest technology enabling the employees to use electronic workflows effectively and efficiently.

Business continuity and disaster recovery remained a high priority to ensure availability of round the clock services. For this purpose, ITG developed an alternate disaster recovery site equipped with identical hardware and software infra-structure to maintain near real time data backups.

In view of dedicated focus of Your Bank towards the growth of Digital Banking, ITG also successfully facilitated the launch of Business Internet Banking for corporate and institutional customers. For personal users, Your Bank revamped and





rebranded the Internet Banking application, MyABL, with enhanced security features and enhanced functionalities. Going forward, further enrichment of MyABL App to facilitate Master-pass QR retail payments will provide added services to our valued customers.

Collaboration with a Telco lead Microfinance bank to utilize agent network for branchless banking activities with biometric authentication mechanism was also undertaken in 2017.

During the year under review, ITG further assisted in delivering enhanced Customer Relationship Management (CRM) software aimed at providing superior service quality to customers. In this context call center services are also being upgraded using industry leading Software Intrinsic Technologies.

ITG, in line with Your Bank's go-green approach, replaced its entire conventional infrastructure with the energy efficient technologies across the data centers and back offices to reduce the use of excessive energy.

During the year, ITG also deployed an engineered Business Intelligence layer to supplement the decision making capabilities of Your Bank. In addition to this, ITG completed planning phase to embark upon Big Data Technology to augment its Decision Support System.

Going forward, continuous emphasis and investment in technology as a strategic priority shall enable the Bank to reduce costs, comply with regulatory requirements and create value to satisfy digitally empowered customers.

### Islamic Banking Group:

According to World Bank, the growth of Islamic finance has been rapid at 10-12% annually over the past two decades, with the industry surpassing approximately US\$ 2,000 billion in size by 2016. Islamic finance has emerged as an effective tool for financing development worldwide, including in non-Muslim countries. Accordingly, Islamic financial institutions are gradually becoming an integral part of the financial system. Growth is expected to be maintained by the banking needs of over 1.5 billion muslim customers globally as an alternate to conventional banking.

Islamic Banking Industry assets in Pakistan during the year grew to over Rs. 2,000 billion, while deposits surpassed Rs. 1,800 billion. The Market share of Islamic banking assets and deposits in overall banking industry was recorded at 12% and 14% respectively. Islamic Banking outreach increased to 2,368 branches at end-September 2017.

Since the commencement of Islamic banking operations in 2014 the Islamic Banking Group (IBG) has expanded to 117 branches with asset business centres simultaneously established in Lahore, Islamabad and Multan during 2017.

IBG's Total Assets as at December 2017 almost doubled to Rs.17,350 million. Similarly, overall deposits grew significantly to reach Rs.15,547 Million as at December 31, 2017; with sustained focus on continuously improving mix of low cost deposits in overall deposits.

IBG continued to introduce asset products including Islamic Export Refinance, Staff Financing (HBF and Auto) and liability products including Allied Islamic Express Account. The Bank also approved Allied Car Ijarah as well as Musawama mode of financing, which will be officially launched during 2018. During the year, IBG also introduced Islamic Banca Insurance product offering their niche customers another avenue to develop a savings culture.

IBG entered into Project Financing arrangements with blue-chip obligors; with highlight being the bilateral financing arrangement with Sui Northern Gas Pipeline Limited for financing 'System Augmentation in Nowshera-Mardan-Swat Segment' amounting to Rs.2,321 Million. Moreover, IBG entered into another hallmark agreement with Lahore Development Authority (LDA) for provision of Cash Management solutions and Fee Collection solution for LDA schools.

In recognition of strides made by IBG since launch, Allied Bank was awarded 'Best Emerging Bank in Islamic Finance' by Global Forum on Islamic Finance (GFIF) recognizing the Bank's efforts for the promotion of Islamic Finance.

IBG in line with Bank's commitment to enhance financial inclusion and encourage use of formal banking channels conducted seminars in multiple cities on Islamic Banking with the objective of creating awareness among the masses about the practical concepts of Islamic Banking.

# GROUP'S REVIEW

Going forward, IBG intends to increase footprint expansion through establishing Islamic Window within Conventional Branches; thus serving the valuable customers with innovative and technology driven Shariah compliant products and services under the guidance and supervision of Your Bank's knowledgeable Shariah Board.

## RISK MANAGEMENT

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

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

During the year 2017, RMG continued to refine and innovate Risk Management practices through use of latest technology and took following key initiatives to further strengthen the risk monitoring and assessment processes:

- » Implemented Market Risk Module of Oracle Risk Management Solution. Through this state of the art system, the bank has automated calculation of Value at Risk (VaR). Further, various other Monitoring Reports were developed to capture and



- report the multi-dimensional aspects of market risk.
- » Launched an automated workflow for issuance of Disbursement Authorization Certificates in Risk Assessment & Management System (RAMS). Through this initiative the Bank has endeavored to make the credit disbursement process transparent, efficient and automated.
- » The Bank continued its unique initiative of providing managed warehouses for pledge financing obligors in selected locations. The Bank completed construction/ renovation of two new warehouses during the year. Currently the Bank is operating six warehouses in Mandi Faizabad, Kamoke, Gakkhar Mandi, Janhangirabad Multan, Islamia Rice Mill Multan and Atthara Hazari Jhang. This unique initiative enables obligors to access free of cost warehouse space along modern lines.
- » RMG implemented Liquidity Standards of Basel III Framework and incorporated the same in the Bank's Risk Management approach to promote short-term resilience of liquidity risk profile and reduced funding risk over a longer time horizon.
- » In continuance of Bank's distinctive initiative of engaging with the obligors to provide latest insight on business management & strategies; 3 interactive seminars for corporate, commercial & SME obligors on the topics "Challenges & Opportunities For Pakistan's Business Growth" and "Transition From Family Owned Business Structure To Corporate Structure" were organized during 2017.
- » The Bank organized various sessions involving borrowers and tax authorities for reform in the tax system that would facilitate documentation in economy and attracting obligors currently resorting to financing from informal sector.

Risk Management aims to continue the pace of initiatives in 2018 with ongoing implementation of Oracle risk management solutions; as well as enhancement in RAMS through significant investments in technology and human resource development to maintain an effective risk management framework across the Bank.

## Treasury

World economy had started to show signs of gradual recovery towards the end of 2017. This was manifested by gradually rising oil and other commodity prices coupled with encouraging GDP growth in major economies.

During the year under review, Pakistan's economy continued with the momentum gained in 2016 and posted healthy growth statistics on the back of growth in Large Scale Manufacturing. Towards the last quarter of 2017, amid bouts of volatility, domestic currency depreciated owing to widening current account deficit.

Anticipating the fallout of high GDP growth on aggregate demand and balance of payments, Treasury Group remained vigilant in managing the duration of government securities' portfolio avoiding major exposure in long term bonds and realizing capital gains without significantly impacting the Net Interest Income (NII) of the Bank.

During 2017, Treasury Group continued to make its presence felt in fixed income and FX markets through aggressive pricing. As a result, Your Bank was ranked among the top 5 Primary Dealers in the industry.

Treasury Group simultaneously remained active in the domestic FX market; positioning under an effective strategy and competitive pricing enabled Your Bank to increase volume of trade, home remittance and FCY deposits respectively.

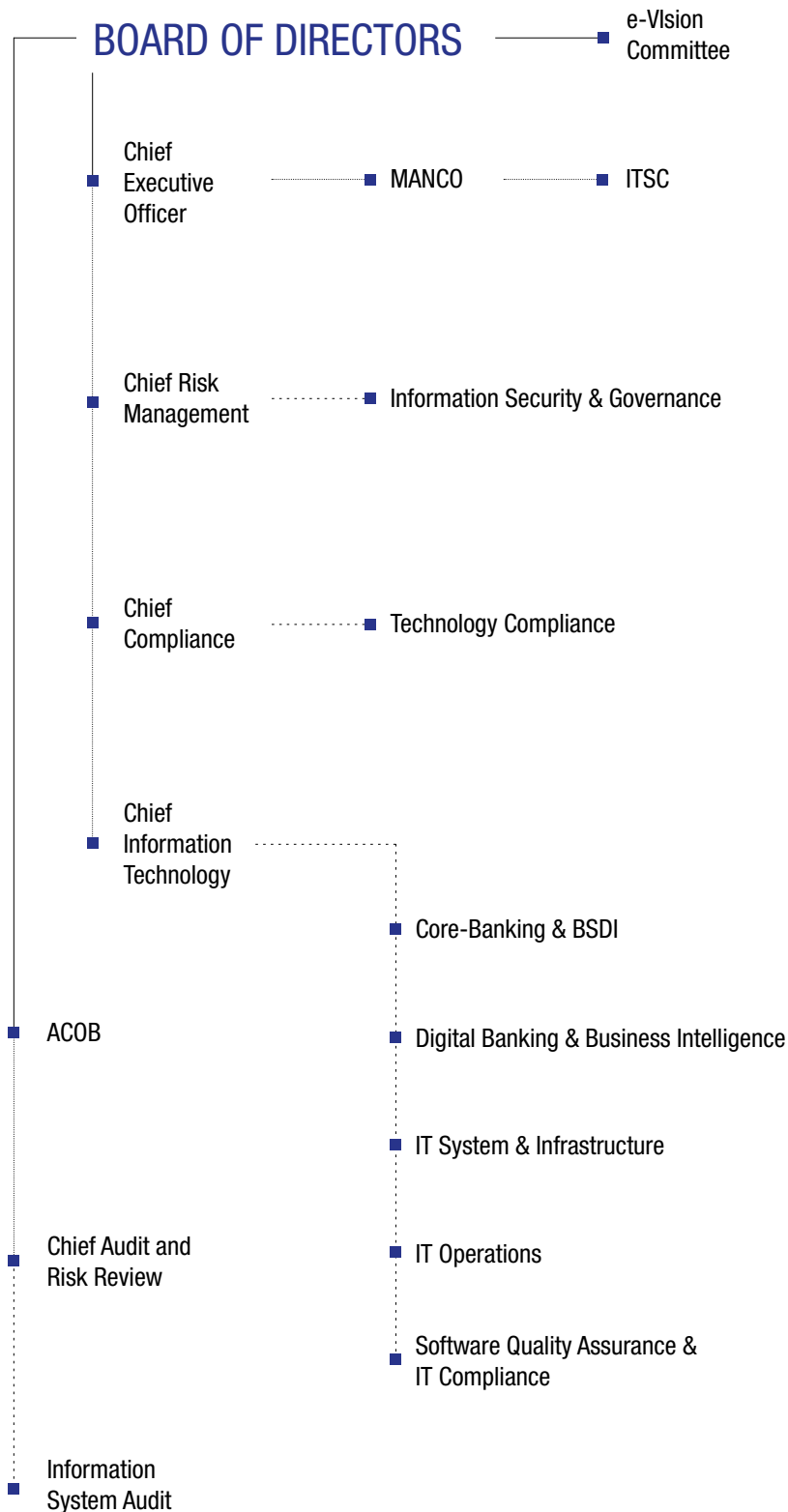
Going forward, global and domestic economic performance are expected to remain on positive trajectory. Economic growth along with gradually rising oil prices, may continue to have spillover effect on inflation and balance of payments position domestically. Though manageable, demand pressures will contribute



towards bank's interest rate and exchange rate outlook.

Treasury Group shall continue to monitor key macroeconomic variables and assist Your Bank's ALCO in devising a pragmatic portfolio strategy. Capitalizing on opportunities and developing a balance between current and future interest income and contribute to the bottom line, on sustainable basis, shall remain a key objective during 2018.

# INFORMATION TECHNOLOGY (IT) GOVERNANCE



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

IT Governance of Your Bank focuses on ensuring that:

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

IT Governance of Your Bank comprises monitoring by:

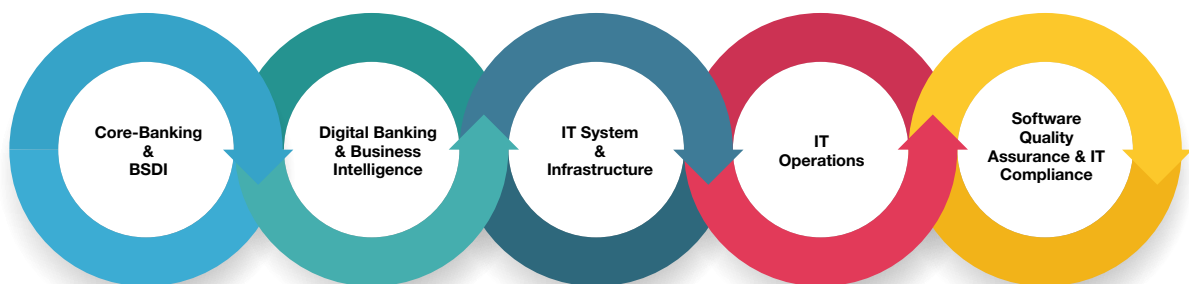
**e-Vision Committee of Board** supervises the IT Governance in Your Bank and provides strategic direction for adoption/upgrading of evolving technologies in order to provide new customer centric products and services and to improve internal control environment. The Committee reviews the strategic plan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

**IT Steering Committee (ITSC)** of Your Bank is entrusted to provide strategic guidance for IT related initiatives, prioritize projects for their implementation along with recommendation for required infrastructure and monitor their performance. ITSC reviews the annual and long term Strategic IT plan before its recommendation to Board's e-Vision Committee for review and approval of the Board of Directors. ITSC oversees Bank's Information Security Initiatives as well as IT security processes and procedures. ITSC also reviews all related policies before recommendation to e-Vision Committee of the Board.

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

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

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



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

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

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

# KEY PERFORMANCE INDICATORS

Long Term Objectives	Key Performance Indicators	Analysis	Significance Going Forward
Maintain profitability trend enabling continuous recognition among the top tier profitable banks of the country	Overall Earnings	<p>Despite challenging environment including historically low benchmark rates, maturity of high yielding government securities, squeezing of lending spreads, continued investment towards expansion in multiple touchpoints with gradual transformation for digital age; the long term multi-pronged strategy enabled continuity of steady performance. Profit before taxation for the year ended Dec 31, 2017 stood at a Rs. 20,879 million. Continuation of Super tax of 4% on prior year's taxable income for another year resulted in effective tax rate of 39% and accordingly Profit after tax stood at Rs.12,734 million.</p> <p>The Bank's profitability stemmed from posting a double digit growth (13%) in average earning assets. The Balance Sheet footing and equity stood at Rs.1,245,712 million and at Rs.106,716 million respectively. In addition, growth in CASA deposits which grew by 11% along with robust Risk Management Framework enabled Your Bank to reduce NPLs by Rs. 2,380 million and reversal of provision against advances by Rs. 1,967 million; assisted in maintaining quality of assets &amp; liabilities to earn stable profitability.</p> <p>Despite the tough business circumstances, ABL's Return on Equity (ROE) stood at a level of 17% in 2017 which was in line with top 10 banks average ROE of 17% and remained well above average industry ROE of 13% as at September 2017.</p>	KPI shall remain relevant for future
Continuous growth in Balance sheet primarily through no/low costs deposits	Deposits Mobilization	<p>Continuous focus on deposits mobilization yielded results; as total deposits stood at Rs. 883,741 million, reflecting a growth of 10% compared to 2016; while average deposits also grew by 10%.</p> <p>ABL also maintained its focus on curtailing costs of deposits, which was reduced from 3.28% in 2016 to 3.02% in 2017. This was primarily driven by growth in healthy CASA mix which stood at 79% at the end of 2017; with substantial growth of 25% in non-remunerative current deposits which surpassed Rs. 300 billion mark to close at Rs. 316,335 million at December 31, 2017.</p> <p>The Bank having a CA ratio of 36% , remained at par with top 10 bank's average CA ratio of 36% as at September 30, 2017. ABL's maintained its market share which stood slightly over 7%.</p>	KPI shall remain relevant for future
Consistently augment Risk Management culture resulting in superior asset quality	Quality of Assets	<p>Your Bank continued to capitalize on its robust technology-based risk management systems enabling continuous augmentation of Bank's risk profile.</p> <p>Despite accomplishing growth of 12% in gross advances of the Bank, Infection ratio was brought down to slightly less than 5% as at December 31, 2017; from 6% as at December 31, 2016. Top 10 banks' NPL Ratio stood at 9%, while the industry NPL Ratio stood slightly over 9% as at September 30, 2017.</p> <p>Adopting a prudent approach, Loan loss coverage ratio increased to 93% as at December 31, 2017 from 92% as at December 31, 2016; against industry average of 85% as at September 30, 2017.</p> <p>Your Bank has not been taking any benefit of Forced Sale Value of collaterals, while calculating the provision against non-performing loans.</p>	KPI shall remain relevant for future
Inculcate operational efficiencies through innovative and viable cost controlling measures	Effective and efficient cost controls	<p>Bank's focus on expanding distribution channels was maintained during the year under review. With the opening 100 new branches including 40 Islamic banking branches, total network stood at close at 1,250. The Bank also installed 91 new ATMs to close the year at 1,241.</p> <p>Besides continuous investment on human capital, various initiatives undertaken during the year included launch of Prepaid Cards, Auto loans in strategically selected main cities, BANCA insurance along with Business Internet Banking and revamping of Allied Direct Internet banking to "MyABL" app. Despite these major growth initiatives of Your Bank, efficient cost management through budgetary controls, automation and centralization of key processes enabled to manage intermediation cost at 2.6% in 2017 as compared to 2.7% in 2016.</p> <p>This is below average intermediation cost of top 10 banks at 3.0% as at September 30, 2017.</p>	KPI shall remain relevant for future
Strengthen capital base to support business development	Capital Adequacy Status. Compliance with regulatory minimum capital requirements	<p>Your Bank remained align to capital requirements with the underlying business strategy as well as the minimum requirements of the State Bank of Pakistan (SBP).</p> <p>Common Equity Tier (CET) and Tier-1 Capital Ratio stood at 17% against SBP's minimum requirement of 6% and 7.5% respectively as at December 31, 2017.</p> <p>Capital Adequacy Ratio as per Basel III requirements was stood at 22.4% during 2017. This is well above the regulatory requirement of 11.275% and banking sector's CAR of 15.4% as at September 30, 2017.</p> <p>Your Bank remains well positioned to reap benefit from any potential credit expansion opportunities in future as well as resilient to weather impact of unforeseen economic downturns.</p> <p>Liquidity Coverage Ratio (LCR) of the Bank remained at 142% which is well above the minimum requirement of 90%, while Net Stable Funding Ratio (NSFR) was 187% against the minimum requirement of 100%; fully reflecting the strong liquidity profile of the Bank.</p>	KPI shall remain relevant for future
Sustainable payout to our Shareholders	Return to Shareholders	<p>Despite facing multi-faceted challenges, Your Bank continues to maintain steady dividend streams. Cash Dividend of Rs. 7.00 per share was declared in 2017 with payout ratio of 63% in 2017.</p>	KPI shall remain relevant for future

# RISK & OPPORTUNITY REPORT

Allied Bank Limited (the Bank) has comprehensive risk management system covering entire spectrum of business operations, while ensuring compliance with regulatory requirements. Furthermore, the management of risks and opportunities forms an integral part of the Bank's strategic planning process. The Risk Management system is based on the underlying risk appetite forming part of the overall business strategies and approved by the Board of Directors. Efficient management and technology driven risk mitigating control tools are used in all areas of risk; which are upgraded and modified according to evolving land scape.

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

Risk Type	Description	Plans and Strategies for Mitigating Risks & Capitalizing Opportunities
Capital adequacy risk	The risk that the Bank has insufficient capital to support its growth or is not able to meet the statutory defined capital requirements.	The Bank remains well-capitalized with a capital base well above the regulatory limits. Bank's Total Capital inclusive of the Capital Conservation Buffer to Risk Weighted Assets ratio, stood at a robust level of 22.39% against the requirement of 11.275% for 2017; reflecting Bank's strong position to avail all future growth opportunities.
Liquidity risk	The risk that the Bank is unable to meet its financial liabilities as they fall due.	The Bank's stable base of rising customer deposits supplemented by Bank's strong capital base enabled adequate liquidity position throughout the year. Bank also has a substantial portfolio of marketable securities providing immediate buffer against possible liquidity stresses. Bank's liquidity coverage ratio and net stable funding ratio are also well above the regulatory limits. The liquidity levels are being monitored regularly under well-defined ALM triggers, limit exposures, gap analysis, stress testing scenarios on standalone and systematic stress conditions.
Credit risk	The risk that the Bank will incur losses owing to the failure of an obligor or counterparty to meet its obligation to settle outstanding amounts.	Bank's credit risk function operates within an integrated framework of credit policies, guidelines and processes; duly identifying, measuring, managing and mitigating credit risk. The strong technology driven risk management platform extensively covers both pre-disbursement controls and post disbursement monitoring. The Bank has well diversified lending portfolio along with one of the lowest NPL ratio of 4.6% and highest coverage ratio of 92.6% in the industry.
Market risk	The risk arising from fluctuations in interest rates, foreign currency, credit spreads, equity prices, commodity prices and risk related factors such as market volatilities.	The Bank has adopted a balanced approach towards market risk; supplemented by a robust risk management architecture ensuring that the exposures are within the defined risk acceptance criteria. A number of metrics like VaR methodologies complemented by sensitivity measures, notional limits, loss triggers at a detailed portfolio level, and extensive stress testing on an ongoing basis, enables comprehensive monitoring and control over the multi-dimensional aspects of market risk.

# RISK & OPPORTUNITY REPORT

Risk Type	Description	Plans and Strategies for Mitigating Risks & Capitalizing Opportunities
Operational risk	The risk of loss resulting from inadequate or failed processes, people, systems or from external events.	In accordance with the BoD approved Operational Risk Management Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels. These internal controls are periodically updated to conform to industry best practice. Further, the various techniques/tools used by the Bank for ORM include RCSAs (Risk Control Self Assessment), loss data management and KRIs (Key Risk Indicators). Bank has also implemented a business continuity plan for all critical functional areas to ensure smooth continuity of operations.
Reputational Risk	The risk of possible damage to Bank's brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with Bank's values and believes.	Reputational risk management is inextricably linked with overall risk management framework. Effective identification and management of major threats to reputation and entity level controls ensure reduction to an acceptable level.
Regulatory risk	The risk arising from non-compliance with regulatory requirements, regulatory change or regulators' expectations	Management of regulatory risk entails early identification and effective management of changes in legislative and regulatory requirements that may affect the Bank. A dedicated compliance group is working diligently to assist in accomplishment of this important task.

## Opportunities

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



# STAKEHOLDER'S ENGAGEMENT

## Stakeholder's Engagement

Allied Bank Limited (ABL) believes in achieving sustainability through maximum interaction and collaboration by all its stakeholders, thus giving value to their inputs. Your Bank regards its stakeholders as partners and makes every effort to use all possible mediums to ensure that they are abreast with latest developments. The key stakeholders and related engagements are noted below:

### Customers

ABL's customers include individuals, and business entities including Sole proprietors, Partnerships, SME, Commercial, Middle Market and Corporate obligors; both in the private and public sector. Your Bank focuses on providing value added services and innovative solutions to meet evolving customers' requirements through convenient delivery channels; augmenting financial inclusion of high unbanked population. Your Bank regularly conducts following activities:

- » Branch managers and relationship managers meeting with customers.
- » Customer awareness seminars to inculcate insight and strategies in managing businesses.
- » Active participation in various external events promoting financial literacy.
- » Encourage customer feedback through Call center/ Allied Phone Banking.
- » Social Media interactions through Facebook and Twitter.
- » Branch opening events.
- » Advertising activities
- » Communication with customers through SMS/emails.
- » Interactive and secured corporate website.

### Shareholders / Institutional Investors / Analysts

Your Bank values the trust placed in by our valuable shareholders, therefore Your Bank always thrives to deliver relevant and timely information to our existing and potential shareholders thought the following:

- » Annual General Meeting.
- » Annual and quarterly financial statements.
- » Investor presentation and conference call following announcement of quarterly financial results.
- » Adherence to PSX requirements for disclosure of key information.
- » Investor relations section on corporate website.
- » Press releases.
- » Mechanism in place to address Shareholders' grievances.
- » Mechanism in place to monitor:
  - » Movement in shareholding of major shareholders.
  - » Movement in shareholding of beneficial owner and executives.
  - » Insider trading.

### Regulators & Government

These include regular meetings and interaction with representative of regulators and Government officials; with strong emphasis on compliance.

### Employees

Your Bank aim's to provide challenging work environment and reward dedicated team members according to their abilities and performance; driven to retain the "Employer of Choice" status for the top professionals by undertaking following initiatives:

- » E- Learning portal for continuous learning/ development; focus on extensive staff trainings.
- » Employee Self-service portal.
- » Online appraisal management.
- » Staff get-together and team building activities.
- » Allied family festival and cricket tournament.
- » Quarterly electronic and printed newsletters.
- » Regular fire and evacuation drills.
- » Equal employment opportunities with female gender ratio of 15%.
- » Anti-Harassment committee overseeing dignified and healthy work environment.

### Communities

ABL plays a proactive role in contributing towards the society. Detailed CSR report is included in the Annual Report.

# PERFORMANCE HIGHLIGHTS

Rs. in Million

December 31,	2017	2016	2015	2014	2013	2012
<b>STATEMENT OF FINANCIAL POSITION</b>						
<b>ASSETS</b>						
Cash and balances with treasury and other banks	86,016	73,884	60,789	42,129	45,775	44,381
Lending to financial institutions	8,694	10,513	3,356	2,030	12,461	10,721
Investments- Gross	700,787	592,561	547,127	429,597	364,966	269,351
Advances - Gross	388,752	348,347	340,769	325,825	285,376	288,889
Operating fixed assets	48,327	32,757	28,850	27,250	22,084	19,871
Other assets	32,555	32,365	32,716	36,055	23,496	20,245
<b>Total assets - Gross</b>	<b>1,265,131</b>	<b>1,090,427</b>	<b>1,013,607</b>	<b>862,886</b>	<b>754,158</b>	<b>653,458</b>
Provisions against non-performing advances	(16,714)	(18,784)	(19,164)	(19,811)	(18,375)	(17,805)
Provisions against diminution in value of investment	(2,705)	(2,697)	(2,778)	(806)	(1,587)	(1,948)
<b>Total assets - net of provision</b>	<b>1,245,712</b>	<b>1,068,946</b>	<b>991,665</b>	<b>842,269</b>	<b>734,196</b>	<b>633,705</b>
<b>LIABILITIES</b>						
Customer deposits	883,741	805,111	734,596	667,878	608,412	514,707
Inter bank borrowings	223,556	126,369	137,960	66,096	32,952	38,916
Bills payable	7,836	9,849	4,942	4,832	4,879	6,203
Other liabilities	23,863	26,943	24,911	19,579	17,513	16,351
Sub-ordinated loans	–	–	–	2,994	4,242	5,490
<b>Total Liabilities</b>	<b>1,138,996</b>	<b>968,272</b>	<b>902,409</b>	<b>761,379</b>	<b>667,998</b>	<b>581,667</b>
<b>Net Assets</b>	<b>106,716</b>	<b>100,674</b>	<b>89,256</b>	<b>80,890</b>	<b>66,198</b>	<b>52,038</b>
<b>REPRESENTED BY</b>						
Share capital	11,451	11,451	11,451	11,451	10,410	9,463
Reserves	17,980	16,533	15,102	13,549	12,438	10,899
Un - appropriated profit / (loss)	49,212	46,490	41,415	37,053	30,855	23,688
<b>Equity - Tier I</b>	<b>78,643</b>	<b>74,474</b>	<b>67,968</b>	<b>62,053</b>	<b>53,703</b>	<b>44,050</b>
Surplus on revaluation of assets	28,073	26,200	21,288	18,837	12,495	7,988
<b>Total Equity</b>	<b>106,716</b>	<b>100,674</b>	<b>89,256</b>	<b>80,890</b>	<b>66,198</b>	<b>52,038</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Markup / Return / Interest earned	65,709	64,592	72,116	67,001	54,222	49,503
Markup / Return / Interest expensed	(34,130)	(31,345)	(35,977)	(38,815)	(32,552)	(31,142)
<b>Net Markup / Interest income</b>	<b>31,579</b>	<b>33,247</b>	<b>36,139</b>	<b>28,186</b>	<b>21,670</b>	<b>18,361</b>
Fee, commission, brokerage and exchange income	4,679	4,660	4,409	3,758	3,711	3,169
Capital gain, Dividend income and Unrealized gain / (loss)	3,869	6,448	4,360	7,850	4,645	10,353
Other income	323	102	986	1,128	1,247	272
<b>Non interest income</b>	<b>8,871</b>	<b>11,210</b>	<b>9,755</b>	<b>12,736</b>	<b>9,603</b>	<b>13,794</b>
<b>Gross income</b>	<b>40,450</b>	<b>44,457</b>	<b>45,894</b>	<b>40,922</b>	<b>31,273</b>	<b>32,155</b>
Operating expenses	(21,884)	(20,783)	(18,603)	(17,390)	(15,804)	(14,853)
<b>Profit before provisions</b>	<b>18,566</b>	<b>23,674</b>	<b>27,291</b>	<b>23,532</b>	<b>15,469</b>	<b>17,302</b>
Donations	(54)	(42)	(139)	(76)	(80)	(104)
Provisions - reversal / (charge)	2,367	199	(1,649)	(1,254)	(628)	(1,362)
<b>Profit before taxation</b>	<b>20,879</b>	<b>23,831</b>	<b>25,503</b>	<b>22,202</b>	<b>14,761</b>	<b>15,836</b>
Taxation	(8,145)	(9,404)	(10,383)	(7,187)	(118)	(4,195)
<b>Profit after taxation</b>	<b>12,734</b>	<b>14,427</b>	<b>15,120</b>	<b>15,015</b>	<b>14,643</b>	<b>11,641</b>
<b>CASH FLOW STATEMENT - SUMMARY</b>						
Cash Flow from Operating Activities	119,790	63,803	148,505	57,504	96,332	75,479
Cash Flow from Investing Activities	(99,885)	(42,388)	(118,571)	(53,293)	(87,993)	(62,854)
Cash Flow from Financing Activities	(7,987)	(8,271)	(11,257)	(7,950)	(7,019)	(6,379)
Cash & Cash equivalent at the Beginning of the Year	74,527	60,671	41,980	45,948	44,240	37,944
Effect of Exchange Rate changes on Cash & Cash equivalent	(534)	5	30	(230)	215	191
<b>Cash &amp; Cash equivalent at the End of the Year</b>	<b>85,911</b>	<b>73,820</b>	<b>60,687</b>	<b>41,979</b>	<b>45,775</b>	<b>44,381</b>

December 31, 2017 2016 2015 2014 2013 2012

**FINANCIAL RATIOS**

Return on equity	%	16.63%	20.26%	23.26%	25.94%	29.96%	28.44%
Return on assets	%	1.10%	1.40%	1.65%	1.90%	2.14%	2.03%
Profit before tax ratio (PBT/Net markup + non markup income)	%	51.62%	53.61%	55.57%	54.25%	47.20%	49.25%
Gross spread ratio (Net markup income / Gross markup income)	%	48.06%	51.47%	50.11%	42.07%	39.97%	37.09%
Return on Capital employed ((PAT + Int on sub) / Avg Cap employed)	%	16.63%	20.26%	22.93%	24.87%	27.91%	26.08%
Current & Quick / Acid Test Ratio	%	79.39%	65.42%	65.84%	49.17%	87.29%	89.26%
Cash to Current Liabilities	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Advances to deposits ratio (ADR) - Gross	%	43.99%	43.27%	46.39%	48.79%	46.91%	56.13%
Advances to deposits ratio (ADR) - Net	%	42.10%	40.93%	43.78%	45.82%	43.88%	52.67%
Income / Expense ratio	Times	1.85	2.14	2.47	2.35	1.98	2.16
Cost / Income ratio	%	54.10%	46.75%	40.53%	42.50%	50.54%	46.19%
Growth in gross income	%	-9.01%	-3.13%	12.15%	30.85%	-2.74%	0.10%
Growth in net profit after tax	%	-11.74%	-4.58%	0.70%	2.54%	25.79%	13.43%
Total assets to shareholders' funds (Tier 1)	Times	16.27	15.01	15.25	14.55	15.02	15.48
Total assets to shareholders' funds (Tier 2)	Times	12.01	11.26	11.66	11.45	12.42	13.26
Intermediation cost ratio	%	2.59%	2.70%	2.65%	2.73%	2.81%	3.25%
NPL ratio	%	4.64%	5.87%	6.43%	7.03%	6.81%	7.15%
Net infection ratio	%	0.36%	0.52%	0.87%	1.05%	0.44%	1.08%
Weighted average cost of debt	%	3.54%	4.56%	4.56%	5.84%	5.66%	6.39%
Capital Adequacy ratio	%	22.39%	20.84%	20.85%	19.75%	17.85%	16.17%
Breakup value per share without Surplus on Revaluation of Fixed Assets	Rs.	77.84	80.81	71.93	64.53	54.78	42.37
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets *	Rs.	93.20	87.92	77.95	70.64	57.81	45.45
Weighted Average cost of deposit	%	3.02%	3.28%	3.94%	5.18%	5.07%	5.39%
Earning assets to total assets ratio	%	86.60%	87.00%	87.66%	87.48%	87.56%	86.67%
Gross Yield on Earning Assets	%	6.09%	6.95%	8.30%	9.09%	8.43%	9.01%
Cash flow from Operations to Sales	%	182.30%	98.78%	205.92%	85.83%	177.66%	152.47%
Fixed Assets turnover ratio	%	26.35%	44.04%	52.41%	55.10%	66.31%	58.58%

**Duo Pont Analysis**

Profit Margin (Net Profit/ Markup and Non Mark up Income)	%	17.07%	19.03%	18.47%	18.83%	22.94%	18.39%
Assets Turnover (Mark up plus Non Markup/ Total Assets)	%	6%	7.09%	8.26%	9.47%	8.69%	9.99%
Equity Multiplier ( Total Assets/ Equity)	Times	16.27	15.01	15.25	14.55	15.02	15.48

**SHARE INFORMATION**

Cash Dividend Per Share	%	70.00%	72.50%	70.00%	65.00%	52.50%	65.00%
Bonus Shares issues	%	0.00%	0.00%	0.00%	0.00%	10.00%	10.00%
Dividend Yield Ratio (based on cash dividend)	%	8.24%	6.08%	7.44%	5.75%	5.83%	8.84%
Dividend payout ratio (Total payout)	%	62.95%	57.54%	53.01%	49.57%	41.05%	63.94%
Dividend Cover ratio	%	158.86%	173.78%	188.64%	201.73%	243.58%	156.40%
Earning Per Share (EPS) *	Rs.	11.12	12.60	13.20	13.11	12.79	10.17
Price to earning ratio * (PE x)	Times	7.64	9.46	7.13	8.63	7.04	7.23
Price to book value ratio	Times	0.91	1.36	1.21	1.60	1.56	1.62
Market value per share - at the end of the year	Rs.	84.98	119.21	94.07	113.12	90.00	73.49
Market value per share - highest / lowest during the year	Rs.	122.89/76	121/82	117/89	138/83	93.5/54.92	76.00 / 52.00
Net assets per share	Rs.	93.20	87.92	77.95	70.64	57.81	45.44
Market Capitalisation	Rs. In Million	97,308	136,504	107,717	129,531	103,057	84,151

**INDUSTRY SHARE**

Deposits	%	7.15%	7.19%	7.59%	8.01%	8.10%	7.72%
Advances	%	5.95%	6.25%	6.95%	7.31%	7.01%	7.49%
Total Assets	%	7.08%	7.07%	7.41%	7.43%	7.72%	7.07%

**Trade Share**

Import & Export Volume	USD Million	2,650	2,601	2,783	3,359	3,400	2,852
Market Share	%	2.90%	4.18%	4.50%	5.20%	5.46%	4.74%

**Home Remittance**

Remittances handled	USD Million	1,817	1,584	1,661	1,386	994	904
Market Share	%	9.27%	8.00%	8.61%	8.05%	6.81%	6.47%

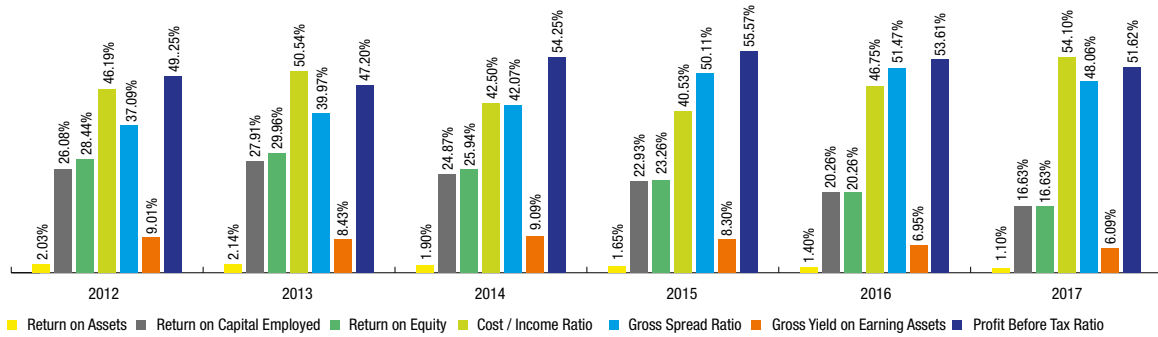
**OTHER INFORMATION**

Non - performing loans (NPLs)	Rs. In Million	18,052	20,432	21,904	22,922	19,424	20,668
Number of employees - Permanent	Nos.	10,637	10,430	9,792	9,654	9,675	9,291
Number of employees - Total	Nos.	11,394	11,011	10,244	10,121	10,213	9,932
Number of branches	Nos.	1,250	1,150	1,050	1,000	950	875
Number of ATMs	Nos.	1,239	1,150	1,011	890	794	618

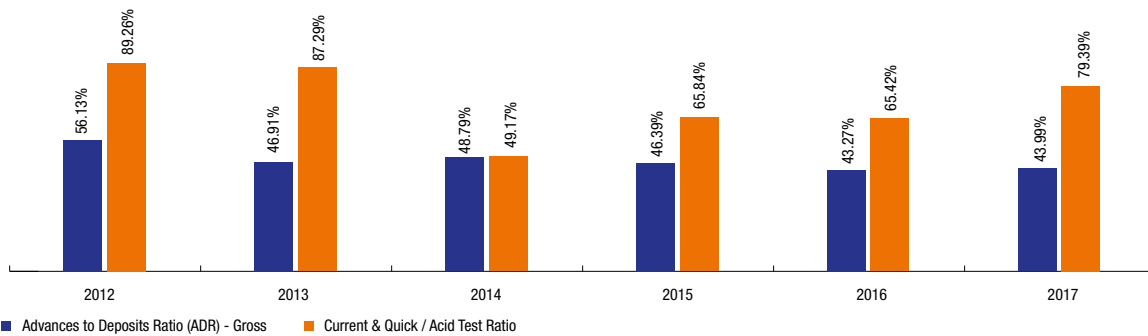
\* Restated

# PERFORMANCE HIGHLIGHTS

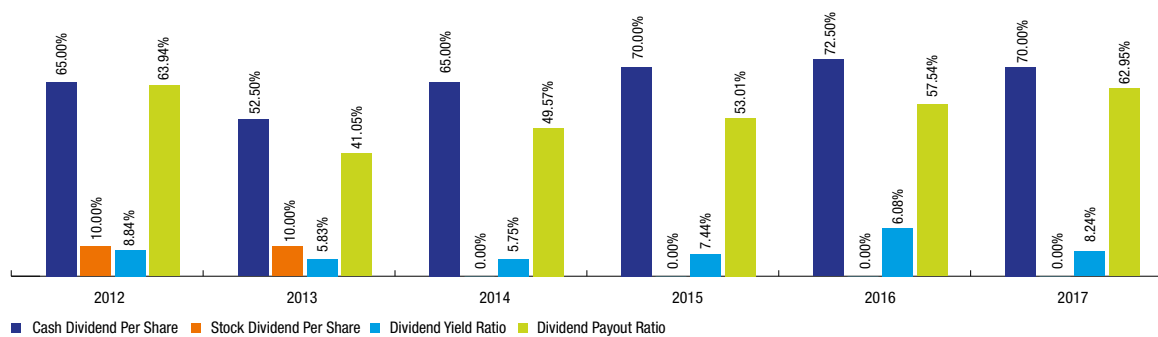
## Profitability Ratios



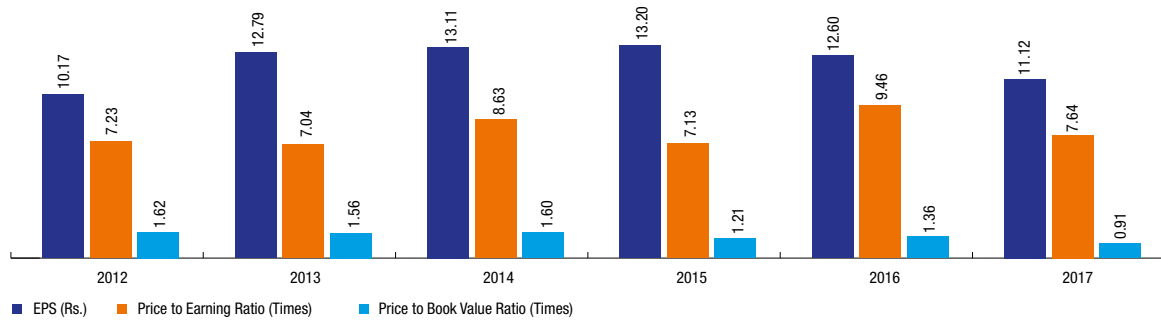
## Liquidity Ratios



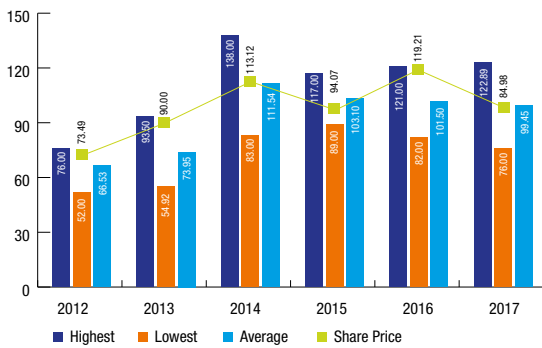
## Investment / Market Ratios



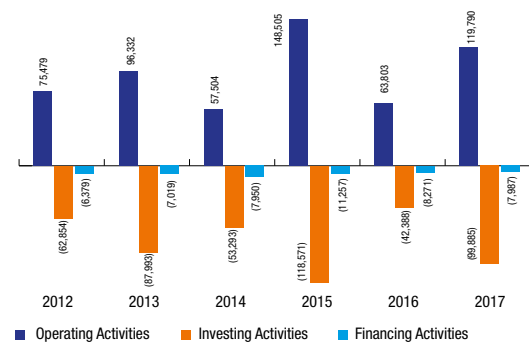
Investment / Market Ratios  
(Rupees & Time)



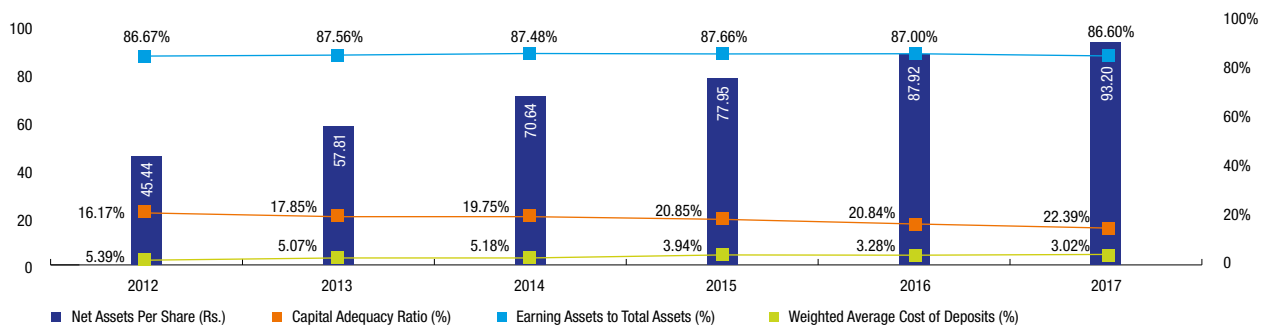
Share Price Movement  
(Rupees)



Cash Flow Analysis  
(Rs. in Million)



Capital Structure Ratios

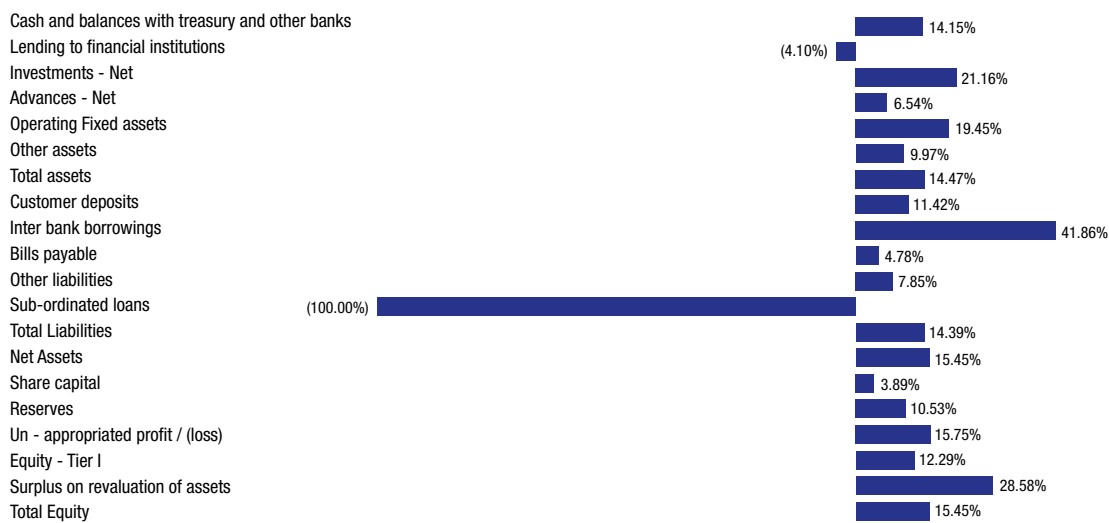


# HORIZONTAL ANALYSIS

	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury												
and other banks	86,016	16%	73,884	22%	60,789	44%	42,129	-8%	45,775	3%	44,381	16%
Lending to financial institutions	8,694	-17%	10,513	213%	3,356	65%	2,030	-84%	12,461	16%	10,721	687%
Investments - Net	698,082	18%	589,865	8%	544,349	27%	428,791	18%	363,379	36%	267,403	37%
Advances - Net	372,038	13%	329,562	2%	321,605	5%	306,014	15%	267,001	-2%	271,084	11%
Operating fixed assets	48,327	48%	32,757	14%	28,850	6%	27,250	23%	22,084	11%	19,871	10%
Other assets	32,555	1%	32,365	-1%	32,716	-9%	36,055	53%	23,496	16%	20,245	11%
<b>Total assets</b>	<b>1,245,712</b>	<b>17%</b>	<b>1,068,946</b>	<b>8%</b>	<b>991,665</b>	<b>18%</b>	<b>842,269</b>	<b>15%</b>	<b>734,196</b>	<b>16%</b>	<b>633,705</b>	<b>23%</b>
<b>LIABILITIES</b>												
Customer deposits	883,741	10%	805,111	10%	734,596	10%	667,878	10%	608,412	18%	514,707	29%
Inter bank borrowings	223,556	77%	126,369	-8%	137,960	109%	66,096	101%	32,952	-15%	38,916	-22%
Bills payable	7,835	-20%	9,849	99%	4,942	2%	4,832	-1%	4,879	-21%	6,203	54%
Other liabilities	23,863	-11%	26,943	8%	24,911	27%	19,579	12%	17,513	7%	16,351	23%
Sub-ordinated loans	-	0%	-	0%	-	-100%	2,994	-29%	4,242	-23%	5,490	0%
<b>Total Liabilities</b>	<b>1,138,995</b>	<b>18%</b>	<b>968,272</b>	<b>7%</b>	<b>902,409</b>	<b>19%</b>	<b>761,379</b>	<b>14%</b>	<b>667,998</b>	<b>15%</b>	<b>581,667</b>	<b>23%</b>
<b>Net Assets</b>	<b>106,716</b>	<b>6%</b>	<b>100,674</b>	<b>13%</b>	<b>89,256</b>	<b>10%</b>	<b>80,890</b>	<b>22%</b>	<b>66,198</b>	<b>27%</b>	<b>52,038</b>	<b>20%</b>
<b>REPRESENTED BY</b>												
Share capital	11,451	0%	11,451	0%	11,451	0%	11,451	10%	10,410	10%	9,463	10%
Reserves	17,980	9%	16,533	9%	15,102	11%	13,549	9%	12,438	14%	10,899	24%
Un - appropriated profit	49,212	6%	46,490	12%	41,415	12%	37,053	20%	30,855	30%	23,688	16%
<b>Equity - Tier I</b>	<b>78,643</b>	<b>6%</b>	<b>74,474</b>	<b>10%</b>	<b>67,968</b>	<b>10%</b>	<b>62,053</b>	<b>16%</b>	<b>53,703</b>	<b>22%</b>	<b>44,050</b>	<b>16%</b>
Surplus on revaluation of assets	28,073	7%	26,200	23%	21,288	13%	18,837	51%	12,495	56%	7,988	40%
<b>Total Equity</b>	<b>106,716</b>	<b>6%</b>	<b>100,674</b>	<b>13%</b>	<b>89,256</b>	<b>10%</b>	<b>80,890</b>	<b>22%</b>	<b>66,198</b>	<b>27%</b>	<b>52,038</b>	<b>20%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
<b>INTEREST / RETURN / NON INTEREST INCOME EARNED</b>												
Markup / Return / Interest earned	65,709	2%	64,593	-10%	72,116	8%	67,001	24%	54,222	10%	49,503	-4%
Fee, commission, brokerage and exchange income	4,679	0%	4,660	6%	4,409	17%	3,758	1%	3,711	17%	3,169	-7%
Capital gain & Dividend income	3,869	-40%	6,449	48%	4,360	-44%	7,850	69%	4,645	-55%	10,353	195%
Other income	323	217%	102	-90%	986	-13%	1,128	-10%	1,247	358%	272	472%
<b>Total Income</b>	<b>74,580</b>	<b>-2%</b>	<b>75,804</b>	<b>-7%</b>	<b>81,871</b>	<b>3%</b>	<b>79,737</b>	<b>25%</b>	<b>63,825</b>	<b>1%</b>	<b>63,297</b>	<b>8%</b>
<b>MARKUP / RETURN / NON INTEREST EXPENSE</b>												
Markup / Return / Interest expensed	(34,130)	9%	(31,345)	-13%	(35,977)	-7%	(38,815)	19%	(32,552)	5%	(31,142)	17%
Operating expenses	(21,884)	5%	(20,783)	12%	(18,603)	7%	(17,390)	10%	(15,804)	6%	(14,853)	9%
Donations	(54)	29%	(42)	-70%	(139)	83%	(76)	-5%	(80)	-23%	(104)	69%
Provisions	2,367	1089%	199	-112%	(1,649)	31%	(1,254)	100%	(628)	-54%	(1,362)	-58%
Taxation	(8,145)	-13%	(9,404)	-9%	(10,383)	44%	(7,187)	6014%	(118)	-97%	(4,195)	-16%
<b>Total expense - percentage of total income</b>	<b>(61,846)</b>	<b>1%</b>	<b>(61,375)</b>	<b>-8%</b>	<b>(66,751)</b>	<b>3%</b>	<b>(64,722)</b>	<b>32%</b>	<b>(49,182)</b>	<b>-5%</b>	<b>(51,656)</b>	<b>6%</b>
<b>Profit / (Loss) after taxation</b>	<b>12,734</b>	<b>-12%</b>	<b>14,427</b>	<b>-5%</b>	<b>15,120</b>	<b>1%</b>	<b>15,015</b>	<b>3%</b>	<b>14,643</b>	<b>26%</b>	<b>11,641</b>	<b>15%</b>

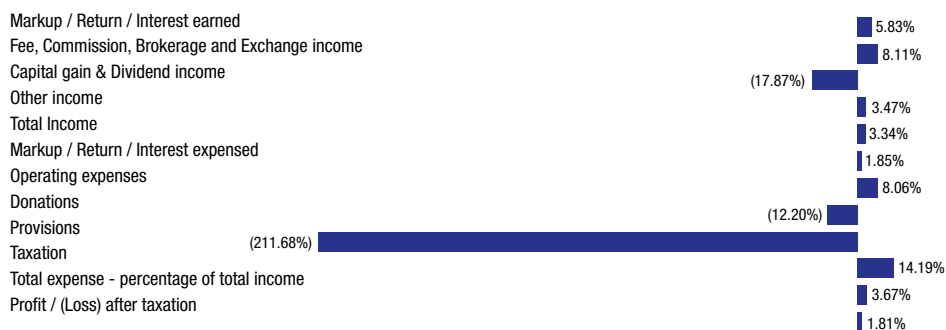
### Statement of Financial Position Horizontal Analysis

(Percentage) Compounded average growth rate for the last five years - annualized



### Profit and Loss Horizontal Analysis

(Percentage) Compounded average growth rate for the last five years - annualized



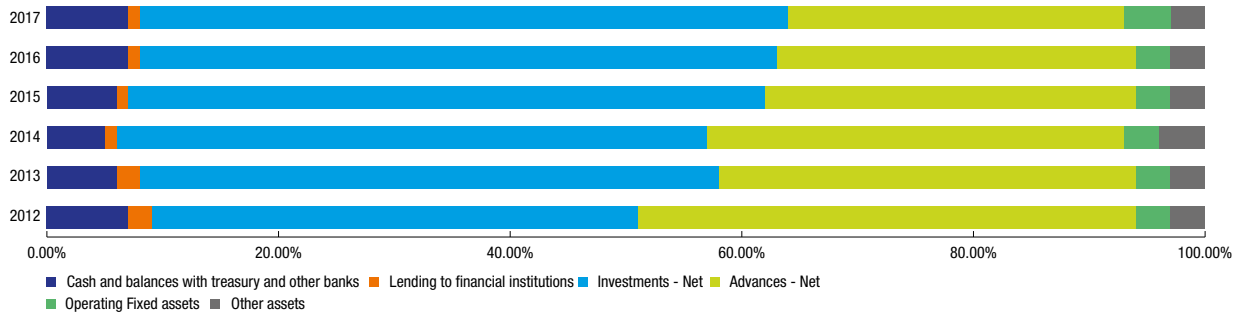
# VERTICAL ANALYSIS

	2017	17 Vs 16	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
<b>STATEMENT OF FINANCIAL POSITION</b>												
<b>ASSETS</b>												
Cash and balances with treasury												
and other banks	86,016	7%	73,884	7%	60,789	6%	42,129	5%	45,775	6%	44,381	7%
Lending to financial institutions	8,694	1%	10,513	1%	3,356	1%	2,030	1%	12,461	2%	10,721	2%
Investments - Net	698,082	56%	589,865	55%	544,349	55%	428,791	51%	363,379	50%	267,403	42%
Advances - Net	372,038	30%	329,562	31%	321,605	32%	306,014	36%	267,001	36%	271,084	43%
Operating fixed assets	48,327	4%	32,757	3%	28,850	3%	27,250	3%	22,084	3%	19,871	3%
Other assets	32,555	3%	32,365	3%	32,716	3%	36,055	4%	23,496	3%	20,245	3%
<b>Total assets</b>	<b>1,245,712</b>	<b>100%</b>	<b>1,068,946</b>	<b>100%</b>	<b>991,665</b>	<b>100%</b>	<b>842,269</b>	<b>100%</b>	<b>734,196</b>	<b>100%</b>	<b>633,705</b>	<b>100%</b>
<b>LIABILITIES</b>												
Customer deposits	883,741	71%	805,111	75%	734,596	74%	667,878	79%	608,412	83%	514,707	81%
Inter bank borrowings	223,556	18%	126,369	12%	137,960	14%	66,096	7%	32,952	4%	38,916	6%
Bills payable	7,835	1%	9,849	1%	4,942	0%	4,832	1%	4,879	1%	6,203	1%
Other liabilities	23,863	2%	26,943	3%	24,911	3%	19,579	2%	17,513	2%	16,351	3%
Sub-ordinated loans	-	0%	-	0%	-	0%	2,994	1%	4,242	1%	5,490	1%
<b>Total Liabilities</b>	<b>1,138,996</b>	<b>91%</b>	<b>968,272</b>	<b>91%</b>	<b>902,409</b>	<b>91%</b>	<b>761,379</b>	<b>90%</b>	<b>667,998</b>	<b>91%</b>	<b>581,667</b>	<b>92%</b>
<b>Net assets</b>	<b>106,716</b>	<b>9%</b>	<b>100,674</b>	<b>9%</b>	<b>89,256</b>	<b>9%</b>	<b>80,890</b>	<b>10%</b>	<b>66,198</b>	<b>9%</b>	<b>52,038</b>	<b>8%</b>
<b>REPRESENTED BY</b>												
Share capital	11,451	1%	11,451	1%	11,451	1%	11,451	2%	10,410	1%	9,463	1%
Reserves	17,980	1%	16,533	2%	15,102	2%	13,549	2%	12,438	2%	10,899	2%
Un - appropriated profit	49,212	4%	46,490	4%	41,415	4%	37,053	4%	30,855	4%	23,688	4%
<b>Equity - Tier I</b>	<b>78,643</b>	<b>6%</b>	<b>74,474</b>	<b>7%</b>	<b>67,968</b>	<b>7%</b>	<b>62,053</b>	<b>8%</b>	<b>53,703</b>	<b>7%</b>	<b>44,050</b>	<b>7%</b>
Surplus on revaluation of assets	28,073	2%	26,200	2%	21,288	2%	18,837	2%	12,495	2%	7,988	1%
<b>Total Equity</b>	<b>106,716</b>	<b>9%</b>	<b>100,674</b>	<b>9%</b>	<b>89,256</b>	<b>9%</b>	<b>80,890</b>	<b>10%</b>	<b>66,198</b>	<b>9%</b>	<b>52,038</b>	<b>8%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
<b>INTEREST / RETURN / NON INTEREST INCOME EARNED</b>												
Markup / Return / Interest earned	65,709	88%	64,593	85%	72,116	88%	67,001	84%	54,222	85%	49,503	78%
Fee, commission, brokerage and exchange income	4,679	6%	4,660	6%	4,409	6%	3,758	5%	3,711	6%	3,169	5%
Capital gain, Dividend income and Unrealized loss	3,869	5%	6,449	8%	4,360	5%	7,850	10%	4,645	7%	10,353	17%
Other income	323	0%	102	1%	986	1%	1,128	1%	1,247	2%	272	0%
<b>Total Income</b>	<b>74,580</b>	<b>100%</b>	<b>75,804</b>	<b>100%</b>	<b>81,871</b>	<b>100%</b>	<b>79,737</b>	<b>100%</b>	<b>63,825</b>	<b>100%</b>	<b>63,297</b>	<b>100%</b>
<b>MARKUP / RETURN / INTEREST AND NON INTEREST EXPENSE</b>												
Markup / Return / Interest expensed	(34,130)	46%	(31,345)	41%	(35,977)	44%	(38,815)	48%	(32,552)	51%	(31,142)	49%
Operating expenses	(21,884)	29%	(20,783)	27%	(18,603)	23%	(17,390)	22%	(15,804)	25%	(14,853)	24%
Donations	(54)	0%	(42)	0%	(139)	0%	(76)	0%	(80)	0%	(104)	0%
Provisions	2,367	-3%	199	0%	(1,649)	2%	(1,254)	2%	(628)	1%	(1,362)	2%
Taxation	(8,145)	11%	(9,404)	12%	(10,383)	13%	(7,187)	9%	(118)	0%	(4,195)	7%
<b>Total expense - percentage of total income</b>	<b>(61,846)</b>	<b>-83%</b>	<b>(61,375)</b>	<b>81%</b>	<b>(66,751)</b>	<b>82%</b>	<b>(64,722)</b>	<b>81%</b>	<b>(49,182)</b>	<b>77%</b>	<b>(51,656)</b>	<b>82%</b>
<b>Profit / (Loss) after taxation</b>	<b>12,734</b>	<b>17%</b>	<b>14,427</b>	<b>19%</b>	<b>15,120</b>	<b>18%</b>	<b>15,015</b>	<b>19%</b>	<b>14,643</b>	<b>23%</b>	<b>11,641</b>	<b>18%</b>



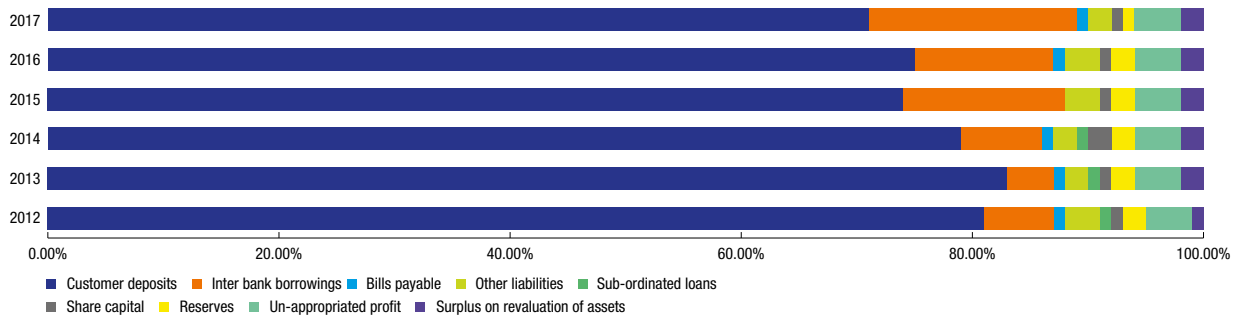
**Statement of Financial Position Vertical Analysis - Assets**

(Percentage) - Composition for the last six years



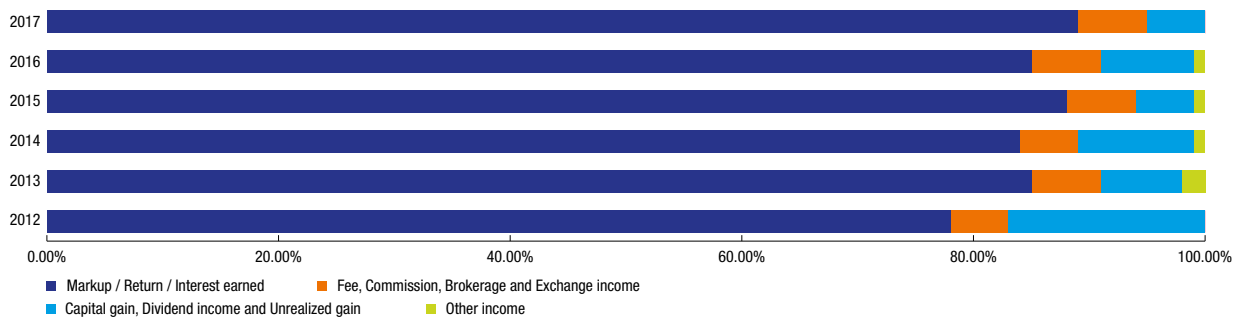
**Statement of Financial Position Vertical Analysis - Liabilities & Equity**

(Percentage) - Composition for the last six years



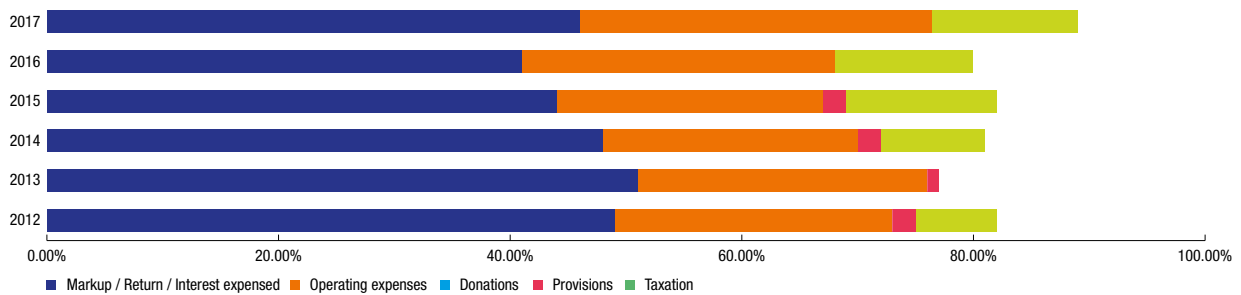
**Profit and Loss Vertical Analysis - Income**

(Percentage) - Composition for the last six years



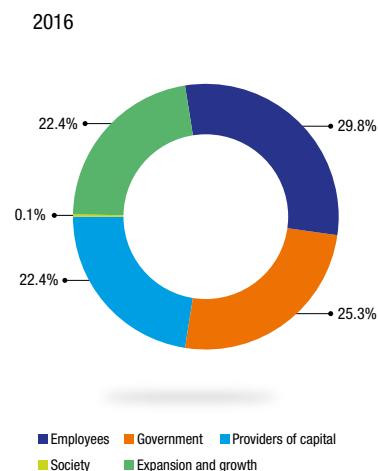
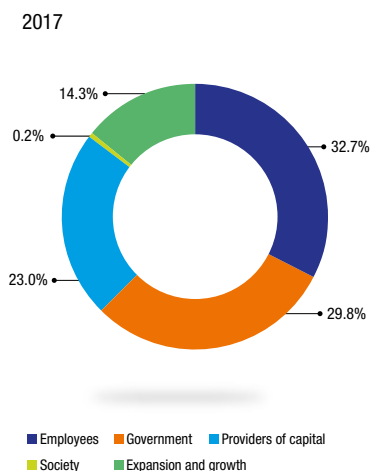
**Profit and Loss Vertical Analysis - Expense**

(Percentage) - Composition for the last six years



# STATEMENT OF VALUE ADDITION

	2017	%	2016	%
Rupees in '000				
<b>VALUE ADDED</b>				
Income from banking services	40,309,853		44,403,960	
Cost of services	(7,943,099)		(7,512,026)	
<b>Value added by banking services</b>	<b>32,366,754</b>		<b>36,891,934</b>	
Non - banking income	140,211		53,772	
Provision against non-performing assets	2,366,608		198,726	
<b>Total Value Added</b>	<b>34,873,573</b>		<b>37,144,432</b>	
<b>VALUE ALLOCATED:</b>				
<b>to employees</b>				
Salaries, allowances and other benefits	11,427,991	32.7%	11,077,790	29.8%
<b>to Government</b>				
Income tax	10,383,073	29.8%	9,404,168	25.3%
<b>to providers of capital</b>				
as dividends	8,015,156	23.0%	8,301,785	22.4%
<b>to Society</b>				
as donation	54,209	0.2%	41,878	0.1%
<b>to expansion and growth</b>				
Depreciation / Amortization	2,512,678	7.2%	2,193,546	5.9%
Retained in business	2,480,466	7.1%	6,125,265	16.5%
	4,993,144	14.3%	8,318,811	22%
	<b>34,873,573</b>	<b>100%</b>	<b>37,144,432</b>	<b>100%</b>

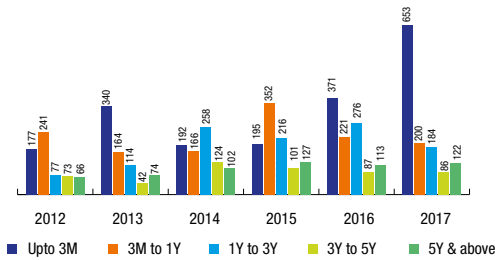


# CASH FLOW

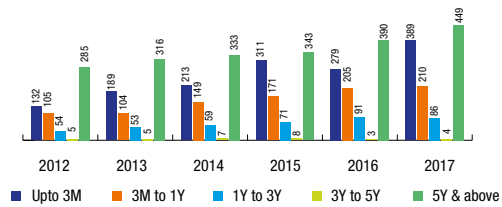
	2017	2016
Rupees in '000		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Mark-up / return / interest and commission receipts	71,739,487	72,163,854
Mark-up / return / interest payments	(34,235,893)	(31,345,347)
Cash payments to employees, suppliers and others	(19,249,604)	(18,302,245)
	18,253,990	22,516,262
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	1,818,353	(7,156,661)
Held for trading securities	(24,723,578)	(102,531)
Advances	(40,655,347)	(8,290,351)
Other assets (excluding advance taxation)	(187,614)	4,258,053
	(63,748,186)	(11,291,490)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(2,013,328)	4,906,606
Borrowings	97,146,144	(11,552,534)
Deposits	78,629,875	70,514,668
Other liabilities (excluding current taxation)	582,061	(256,631)
	174,344,752	63,612,109
<b>Cash flow from operating activities before tax</b>	128,850,556	74,836,881
Income tax paid	(9,060,752)	(11,033,569)
<b>Net cash flow from operating activities</b>	<b>119,789,804</b>	<b>63,803,311</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(106,561,084)	(147,043,339)
Net investments in 'held-to-maturity' securities	11,429,857	107,180,271
Dividend income received	3,402,747	3,539,613
Investments in operating fixed assets	(8,219,650)	(6,114,657)
Proceeds from sale of fixed assets	63,318	49,957
<b>Net cash used in investing activities</b>	<b>(99,884,812)</b>	<b>(42,388,155)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of sub-ordinated loan	-	-
Dividends paid	(7,987,116)	(8,271,033)
<b>Net cash used in financing activities</b>	<b>(7,987,116)</b>	<b>(8,271,033)</b>
Effect of translation of net investment in foreign wholesale branch	173,267	(11,246)
<b>Increase in cash and cash equivalents during the year</b>	<b>12,091,143</b>	<b>13,132,878</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>74,527,584</b>	<b>60,670,624</b>
Effect of exchange rate changes on opening cash and cash equivalents	(707,403)	16,679
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>85,911,324</b>	<b>73,820,181</b>

# MATURITIES OF ASSETS AND LIABILITIES

Maturities of Assets (2012-2017)  
(Rs. in Billion)

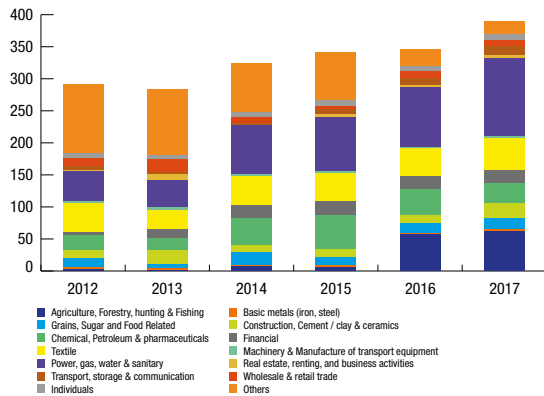


Maturities of Liabilities (2012-2017)  
(Rs. in Billion)

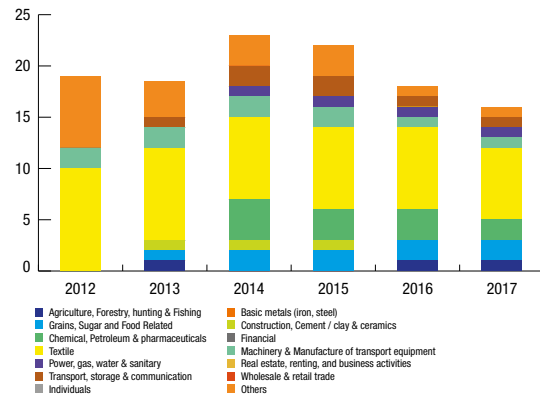


# CONCENTRATION OF ADVANCES, NPLS, DEPOSITS AND OFF - BALANCE SHEET ITEMS

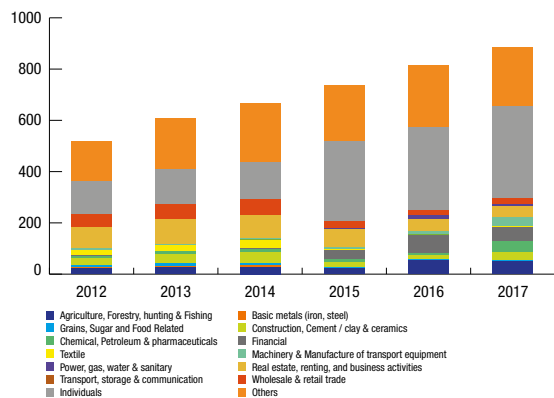
Gross Advances (2012-2017)  
(Rs. in Billion)



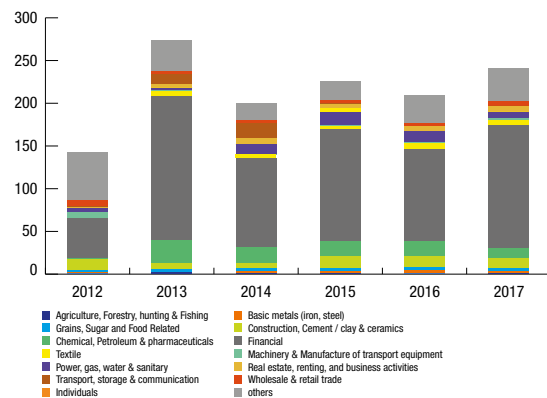
Classified Advances (2012-2017)  
(Rs. in Billion)



Deposits (2012-2017)  
(Rs. in Billion)



Contingencies and Commitments (2012-2017)  
(Rs. in Billion)

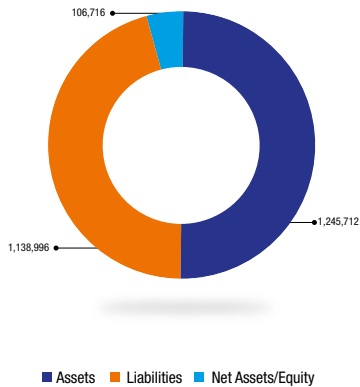


# QUARTERLY COMPARISON OF FINANCIAL RESULTS

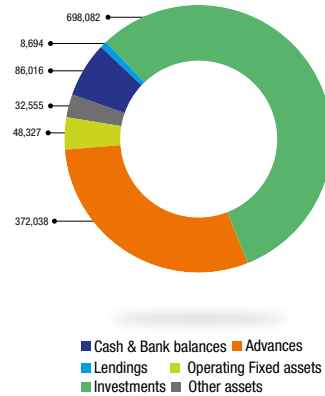
	2017				2016			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Rs. in Million								
<b>STATEMENT OF FINANCIAL POSITION</b>								
<b>ASSETS</b>								
Cash and balances with treasury banks	85,367	81,316	89,227	72,844	73,204	77,168	63,974	53,135
Balances with other banks	649	2,777	1,474	535	680	1,231	863	531
Lendings to financial institutions	8,694	1,715	12,394	2,143	10,513	1,000	2,324	-
Investments	698,082	601,024	547,923	606,019	589,865	561,315	556,444	606,851
Advances	372,038	374,316	388,956	350,545	329,562	334,011	341,039	304,336
Operating fixed assets	48,327	35,845	33,526	33,026	32,757	30,443	29,822	29,265
Deferred tax assets	-	-	-	-	-	-	-	-
Other assets	32,555	26,586	34,330	27,732	32,365	24,406	35,619	25,128
	<b>1,245,712</b>	<b>1,123,579</b>	<b>1,107,830</b>	<b>1,092,844</b>	<b>1,068,946</b>	<b>1,029,574</b>	<b>1,030,085</b>	<b>1,019,246</b>
<b>LIABILITIES</b>								
Bills payable	7,836	7,040	7,267	6,415	9,849	6,109	6,803	5,907
Borrowings	223,556	161,289	121,008	144,090	126,368	138,168	126,247	157,584
Deposits and other accounts	883,741	828,378	852,583	810,221	805,111	758,005	772,345	734,484
Sub-ordinated loans	-	-	-	-	-	-	-	-
Deferred tax liabilities	6,942	8,648	9,101	10,463	10,987	10,170	10,418	9,173
Other liabilities	16,921	17,682	17,739	20,149	15,957	18,013	16,191	18,435
	<b>1,138,996</b>	<b>1,023,037</b>	<b>1,007,698</b>	<b>991,272</b>	<b>968,940</b>	<b>930,465</b>	<b>932,005</b>	<b>925,583</b>
<b>Net assets</b>	<b>106,716</b>	<b>100,542</b>	<b>100,132</b>	<b>101,506</b>	<b>100,674</b>	<b>99,109</b>	<b>98,080</b>	<b>93,663</b>
<b>REPRESENTED BY:</b>								
Share Capital	11,451	11,451	11,451	11,451	11,451	11,451	11,451	11,451
Reserves	17,980	17,523	17,186	16,901	16,533	16,316	15,958	15,462
Unappropriated profit	49,212	49,470	48,337	47,742	46,490	46,003	45,222	43,735
Surplus on revaluation of assets - net of tax	28,073	22,098	23,158	25,412	26,200	25,339	25,449	23,015
	<b>106,716</b>	<b>100,542</b>	<b>100,132</b>	<b>101,506</b>	<b>100,674</b>	<b>99,109</b>	<b>98,080</b>	<b>93,663</b>
<b>PROFIT AND LOSS ACCOUNT</b>								
Mark-up earned	17,504	15,843	16,616	15,746	14,615	15,394	17,494	17,103
Mark-up expensed	(9,506)	(8,556)	(8,321)	(7,747)	(7,300)	(7,152)	(8,287)	(8,605)
<b>Net mark-up income</b>	<b>7,998</b>	<b>7,287</b>	<b>8,295</b>	<b>7,999</b>	<b>7,315</b>	<b>8,242</b>	<b>9,207</b>	<b>8,498</b>
(Provision) / Write off	722	532	310	394	(5)	484	8	(288)
Non mark-up income	2,566	1,903	2,334	2,069	2,386	1,854	3,181	3,789
<b>Non mark-up expenses</b>	<b>(6,684)</b>	<b>(4,714)</b>	<b>(5,221)</b>	<b>(4,911)</b>	<b>(6,209)</b>	<b>(4,941)</b>	<b>(5,065)</b>	<b>(4,623)</b>
Profit before taxation	4,602	5,008	5,718	5,551	3,487	5,639	7,331	7,376
Taxation	(1,603)	(1,747)	(2,846)	(1,949)	(1,288)	(2,013)	(3,517)	(2,587)
<b>Profit after taxation</b>	<b>2,999</b>	<b>3,261</b>	<b>2,872</b>	<b>3,602</b>	<b>2,199</b>	<b>3,626</b>	<b>3,814</b>	<b>4,789</b>
<b>SUMMARY OF CASH FLOWS</b>								
Cash flows from operating activities	114,377	21,531	(24,261)	8,143	97,783	(47,923)	(25,865)	39,808
Cash flows from investing activities	(110,624)	(26,019)	43,847	(7,089)	(32,071)	(4,297)	39,475	(45,495)
Cash flows from financing activities	(2,004)	(1,993)	(2,221)	(1,769)	(2,291)	(1,996)	(2,272)	(1,712)

# GRAPHICAL PRESENTATION

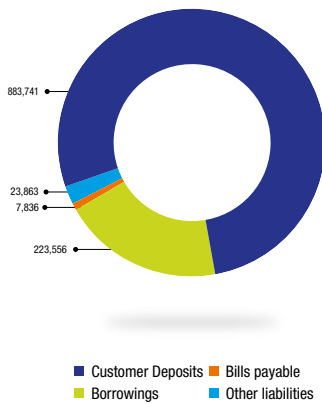
Statement of Financial Position  
(Rs. in Million)



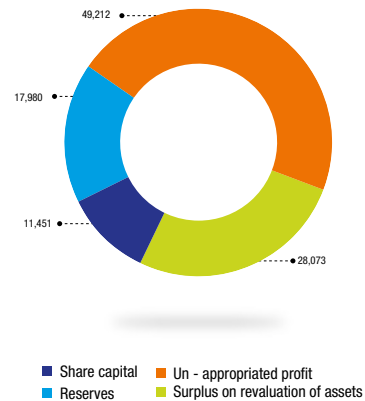
Assets  
(Rs. in Million)



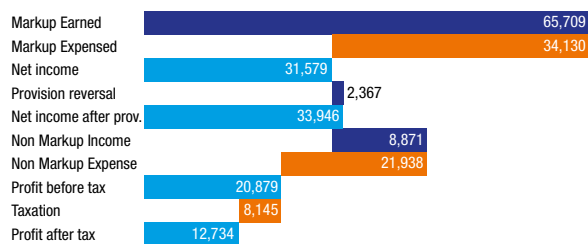
Liabilities  
(Rs. in Million)



Equity  
(Rs. in Million)

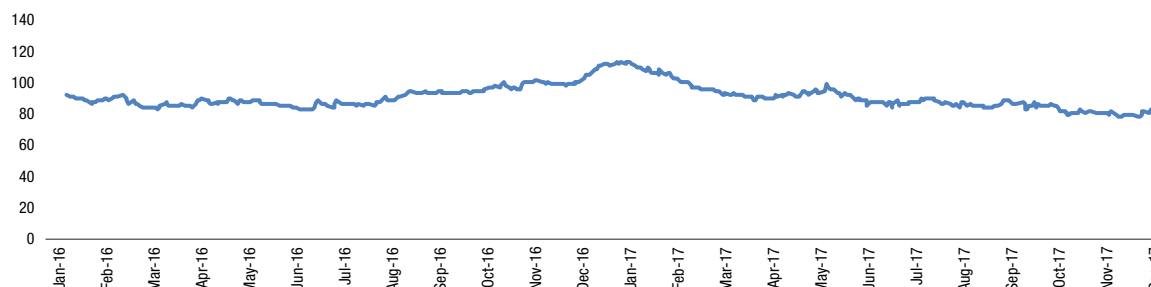


Profit and loss  
(Rs. in Million)



# SHARE PRICE SENSITIVITY ANALYSIS

Allied Bank Limited Share Price Movement



2017	High	Low	Closing	Share Turnover		Market Capitalization	
	PKR			Number	%	Capital (Million)	Value (Million)
December 31, 2017	85.00	84.50	84.98	1,136,000	0.0992%	11,450	97,308
September 30, 2017	87.49	86.00	87.49	4,500	0.0004%	11,450	100,183
June 30, 2017	91.00	88.50	89.62	7,500	0.0007%	11,450	102,622
March 31, 2017	95.50	93.52	94.00	1,154,000	0.1008%	11,450	107,637
2016	High	Low	Closing	Share Turnover		Market Capitalization	
	PKR			Number	%	Capital (Million)	Value (Million)
December 31, 2016	121.00	119.00	119.21	43,000	0.0038%	11,450	136,504
September 30, 2016	98.50	97.07	98.17	41,500	0.0036%	11,450	112,412
June 30, 2016	91.00	87.00	89.96	1,010,500	0.0882%	11,450	103,011
March 31, 2016	92.00	90.50	92.00	105,500	0.0092%	11,450	105,347
Dividend paid:	2017			2016			
	In Million	Per Share		In Million	Per Share		
Final cash dividend	2,004	1.75		2,004	1.75		
3rd interim dividend	2,004	1.75		2,290	2.00		
2nd interim dividend	2,004	1.75		2,004	1.75		
1st interim dividend	2,004	1.75		2,004	1.75		
<b>Total Dividend</b>	<b>8,016</b>	<b>7.00</b>		<b>8,302</b>	<b>7.25</b>		

Factors that can affect the share price of Allied Bank Limited are:

#### Regularly recurring matters (such as financial results and dividends):

Announcement of financial result and expected dividends have a temporary impact on the share price.

#### Government/ Regulatory Policies:

##### Monetary Policy Rate:

Changes in monetary policy rate directly impacts the net interest income and

consequent effect on the bottom line of the Bank. Any impact to profitability may have a direct impact on share prices.

##### Cost of Deposit:

Any upward or downward shift in Monetary Policy Rate and Minimum Rate of Return on Deposits affect the cost of deposit. This shall affect the profitability of the bank; further depicted in market share price.

##### Political and Security Environment:

Political stability and controlled law & order situation is a pre-requisite for any

economic development. This in turn reposes investor confidence in Pakistan, making our corporates a potential investment opportunity. However, any act of terrorism or political instability can negatively impact the equity market and share prices of traded stocks.

##### Inflation:

Inflation is considered as key determinant for monetary policy rate change; which further impacts the share price.

# PRODUCTS & SERVICES

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



## Branch Banking

With a vast network of over 1,250 branches and 1,241 ATMs, Bank is committed to provide real time online banking solutions.

## Banking on Saturday & Extended Hours Banking

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

## Allied Easy Current Account

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

## Allied Business Account

Allied Business Account is meant for growing business proprietors looking for exceptional value and services, packed with multiple free of cost features. It is a cost-effective to consolidate business and personal banking needs into one tailored package. There is no minimum balance requirement.

## PLS Saving Account

Bank offers savings accounts offering free features on maintenance of certain minimum monthly average balance.

## Allied Express Account

Allied Express Account is exclusively crafted for remitting money in Pakistan. Customers can remit funds to their own account or accounts of their loved ones in Pakistan through Allied Express Account and enjoy free of cost banking services. Remittances can be originated from different time zones / countries in multiple currencies.

## Allied Rising Star – Youth's 1st Bank Account

Allied Rising Star Account is a great way to accumulate children's savings for their future while inculcating saving habits amongst children with exclusive free features like Welcome Pack, Birthday Gift, accidental insurance coverage up to Rs. 500,000, ATM / VISA Debit card and cheque book.

## Allied Term Plus Deposit

Allied Term Plus is a regular term deposit with the flexibility of tenure and frequency of profit payment which allows the customers to opt for investment plan which suites their choice.

## Salary Management Account

Fast, easy and convenient services are just some of the benefits of Allied Salary Management Account. Organizations can enjoy one of the largest branch networks

with ease and convenience of technologically advanced banking. ABL offers quick and efficient payroll service with instant credit of salaries and offers Allied Salary Management Account for company employees with a number of free features.

## Allied Asaan Account

Allied Asaan Account is tailored to cater to the banking needs of unbanked/common people of society with simplified account opening requirement/procedures. Customers can open current or saving account according to their needs with a number of free facilities offered.

## Allied Khanum Assan Account

Access to a bank account is essential for women's economic empowerment as it provides a safe place to save money and opens up a channel to credit which can be used for investing in education, property or business along with bundle of free of cost services including lower locker fee.





### Third Party Products: Mutual Funds & BANCA Products

ABL offers distinctive third party products; Mutual Funds (investment plans and competitive return oriented funds of Allied Asset Management Company-a wholly owned subsidiary of ABL) and BANCA products in collaboration with EFU and Jubilee Insurance partners.

### Theme Branches

In the quest to evolve into a customer friendly bank in the retail industry, ABL is adopting modern technology and signature themes. Accordingly, the Bank launched Women branches, Youth branches and Village branches.

### Allied Cash+Shop VISA Debit Card

Allied Cash+Shop Visa Debit Card is Allied Bank's flagship product that gives our customers access to their bank accounts and convenience to use it at over 34,000 retailers in Pakistan and millions of retailers worldwide. It also gives cardholders access to over 1.9 million ATMs worldwide and over 10,000 ATMs in Pakistan.

### Allied PayPak Debit Card

It allows customer ATM transactions as well as retail/ purchase anywhere within Pakistan. All purchase-



transactions made through Allied PayPak Debit Card are PIN based; thus, ensuring greater security.

### Debit Card Variants

Various Debit Card variants allow customers to choose from a variety of 'Sapphire' packages offering wide-ranging transactional limits on debit cards to pay for everyday shopping or get access to funds at ATMs in Pakistan and abroad.

### EZ Cash Prepaid Card

Allied EZCash is a re-loadable Prepaid Card which comes with the convenience of easy load/reload/top-up from any ABL branch. This is the first Prepaid Card launched on Local Payment Scheme PayPak. This card is instantly issued from all ABL branches and can be used on ATM for cash withdrawal, bill payment, mobile top-ups and purchasing goods from merchants at Point of Sale (POS) machines where PayPak Cards are accepted. Allied EZCash offers greater security with PIN for Point-of-Sale (POS) Transactions as well i.e. use of Prepaid Card for shopping requires cardholders to enter PIN to authorize their purchase transactions.

### E-commerce Transactions on VISA Debit Card

Allied Bank Visa Debit Card holders can now use their VISA Debit cards for online/e-commerce transactions. As



customers become more technology savvy, Allied Bank delivers services that fit customers' lifestyles and offers more choice as to where, when and how customers conduct transactions. Allied Bank differentiate not just by offering multi-dimensional channels to customer but also by enhancing their experience from utilization of the new and innovative channels.

### Jazz Cash Domestic Remittance Services

In line with the Financial Inclusion Strategy set by SBP, Allied Bank collaborated with JazzCash [a Branchless Banking Brand of Jazz (Mobilink) & Mobilink Microfinance Bank Limited (MMLB)] to provide domestic remittance services to prospective customers. Through this initiative the beneficiary of Jazz Cash Domestic Remittances can send and collect their remittances from any ABL Branch in addition to the existing network of Jazz Cash agents.

### myABL Digital Banking

A premium Digital Banking service that caters to Personal and Business Banking needs. myABL Digital Banking platform is supported with international standards of information security and 24/7 availability that makes banking safer and accessible from any location with improved performance. With a dynamic new user friendly and device responsive interface, myABL offer great convenience and wide

range of features to our valued Personal and Business Banking customers.

### myABL Personal Internet Banking

myABL Personal Internet Banking is the new face of Allied Direct Internet Banking. It is the latest internet and mobile banking platform which offers a more secure, reliable and efficient digital banking service.

### myABL Business Internet Banking

With Business Internet Banking, customers can significantly cut paperwork, and enjoy the triple benefits of "Efficiency, Ease of use and Economy". Business Internet Banking (BIB) is Allied Bank's online/ internet banking service exclusively designed and developed for non-individual customers. The internet banking platform has a User-friendly and device-responsive facility, allows users to online track account(s) and relationships maintained with the bank and enables customers to execute complex banking transactions from their workstation/offices.



# PRODUCTS & SERVICES

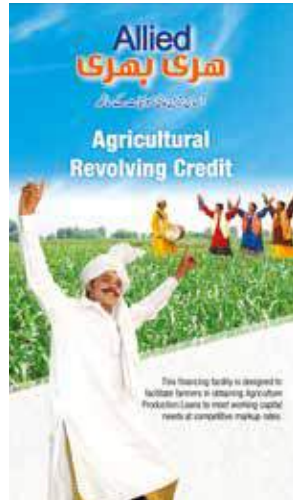


## ABL Self Service Digital Branch

ABL has introduced Self Service Banking facility at Lucky One and Packages Mall with state of the art digital banking channels. Allied Bank's self-service banking branches are one of its kind, offering a blend of "Conventional" and "Self-Service Banking" facilities to its account holders as well as walk-in customers. Equipped with modern equipment, which enables ABL customers to address their banking needs while interfacing with diverse range of digital touch points i.e. tablets, interactive tables, video conferencing and digital kiosks, eliminating the need of hefty paper work and long waits in queues.

## ATMs and CCDMs (Cash & Cheque Deposit Machines)

The vast network of 1,241 ATMs all over the country gives 24/7 access to cash withdrawals, mini statement, bill payments, fund transfers and much more. ABL has 4 CCDMs installed at select branches offering facility to deposit cash & cheques anytime.



## Allied Business Finance (ABF)

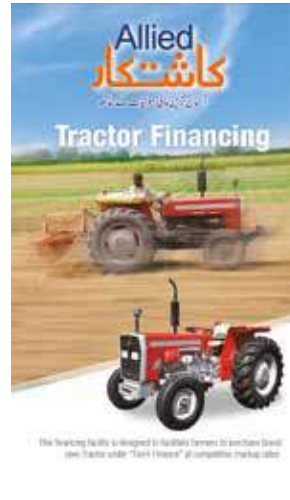
Allied Business Finance is designed for SME sector to meet liquidity requirements against non-cash securities. The Bank offers evergreen line in shape of Running Finance, Letter of Guarantee, Finance for Exports (working Capital) & Letter of Credit as well as Term Loans.

## Allied Fast Finance (AFF)

Allied Fast Finance is a product secured against cash backed securities i.e. Lien on TDR & Account designed to meet liquidity requirements of obligors without disturbing their core savings. This product offers evergreen line in shape of RF, LG & LC as well as Term Loan.

## Prime Minister Youth Business Loan (PMYBL)

A long-term loan scheme, specifically launched for unemployed youth under the directives of GOP/SBP. The scheme especially targets startups of both genders. Loans are being offered to obligors at subsidized rates.



## Allied Car Finance

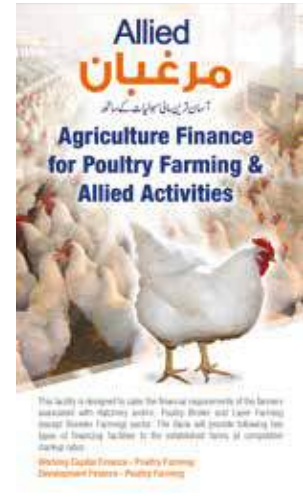
In the year 2017 ABL also launched Car financing scheme as "Allied Car Finance". The product is mainly to cater bank's depositors and the employees of institutional customers of the bank. With a competitive mark-up rate the product has been taken well by the Bank customers.

## Allied Visa Credit Card (Pay wave – Chip Based)

Allied Visa Gold and Platinum Credit Cards are exclusively being offered to the bank's valued branch customers in major cities of Pakistan. Allied Visa Credit Card offers a host of privileges, benefits and savings, together with attractive service charges and a free credit period of up to 50 days.

## Allied Personal Finance (APF)

Allied Personal Finance is a term loan facility targeting Employees of Corporate under corporate arrangement, Salaried Individuals fall under Cross-Sell Criteria and Affluent Individual of the Bank. With a low mark-up rate, product offers smart financial solutions to customers for their immediate personal financial needs.



## Hari Bhari Agriculture Revolving Credit Scheme

This financing facility is designed to facilitate farmers in obtaining Agriculture Production Loans to meet working capital needs of farming. Credit is available on revolving basis against one time documentation for 3 years.

## Tractor Financing

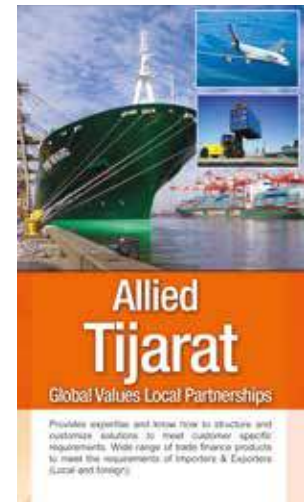
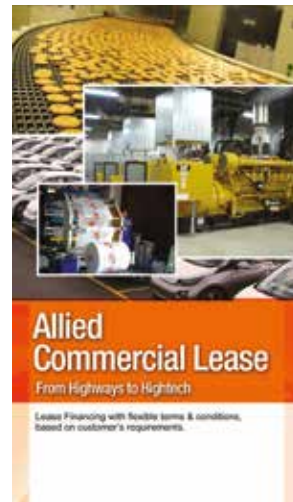
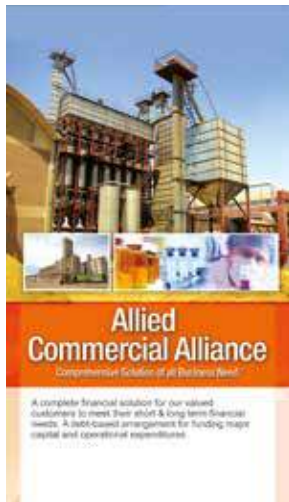
Tractor financing is designed to facilitate farmers in obtaining Agriculture Development Loans (Term Finance) for purchase of brand new Tractor.

## Agriculture Finance for Dairy farming

This product is designed to support dairy farmers in meeting working capital needs of businesses as well as purchase of assets and construction of sheds for extension of their dairy farms for enhanced productivity.

## Agriculture Finance for Poultry Farming & Allied Activities

Bank has developed this product program for poultry farmers to cater to working capital needs as well as long term investment for purchase of new equipment/



machinery for farm/hatchery incubators, generators, farms equipment and construction of sheds for extension of current poultry farms

### Allied Commercial Lease

Allied Bank offers leasing products to meet the business needs of its customers with flexible terms & conditions based on customer's choice of assets, repayment, pricing, and tenures.

### Allied Bank Lockers

Bank Lockers provide high-security protection for customers' valuables. Lockers of different capacities are available nationwide at conveniently located branches.

### Digital Lockers

First ever bank in Pakistan to bring an innovative, secure and customer-friendly technology in the form of Digital Lockers. Digital Lockers are fully automated version of traditional lockers operational 24/7 round the clock (even on weekends and non-banking hours). These lockers are powered by revolutionary robotic technology enabling access of your locker 24/7 at any time of your convenience. Digital lockers are made accessible via self-

service kiosk placed in a secure room at our branch that can be entered through electronic verification only.

### Allied Bank Call Center

Customers no longer have to take time out to visit branches for everyday banking needs. Self-service banking offers assistance in all transactions by Interactive Voice Response System (IVR).

### Allied Pay Anyone

A unique product in which the Bank's customers can send cash /cheque to any individual in Pakistan even if the beneficiary doesn't have a bank account. This is done at the click of a button through Allied Direct.

### Interactive Touch-point

<https://www.abl.com> is an interactive electronic touch-point that further improves end-user experience and provides a wealth of information as well as online assistance through facility called "Allied Live Chat".

### SME Financing

The Bank continues to focus on SME Business with a vision to capitalize on the bank's countrywide footprint and longstanding customer loyalty to

become a preferred and prudent provider of a "Total Banking Solution". The Bank offers a wide range of funded and non-funded products and services to meet needs of various types of SME businesses under the umbrella of Allied Hunarmand, Allied Tijarat and Allied Seasonal Support Financing,

### Middle Market

Middle Market caters to all business requirements of our top tier commercial obligors with wide range of products including Working Capital Facilities, Term Loans, Trade Finance Facilities, Letters of Guarantee, Letters of Credit and Export Financing.

### Corporate Banking

Corporate Banking provides a single point within the Bank to cater to all business requirements of our corporate and institutional customers, including public sector enterprises, with the primary objective of enhancing customer service. Bank offers full suite of products including Working Capital Facilities, Term Loans, Structured Trade Finance Facilities, Letters of Guarantee, Letters of Credit, Fund Transfers / Remittances, Bill Discounting, Export Financing and Receivable Discounting.

### Investment Banking

Investment Banking (IB) wing of the Bank strives to meet complex financing needs of its clientele by providing a full suite of financing solutions to corporate clients including debt syndications, capital markets, project financing and advisory services.

### Home Remittances

Home Remittances provide a seamless inflow of foreign remittance credited in the beneficiary accounts in minutes.

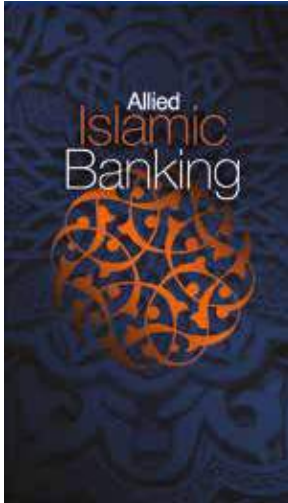
### Cash Management

Cash Management is a state-of-the-art real-time product providing customers with efficient Liquidity Management Solutions, across the entire network of the Bank.

### Treasury Products

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

# PRODUCTS & SERVICES



## ISLAMIC BANKING

### Allied Islamic Current Account

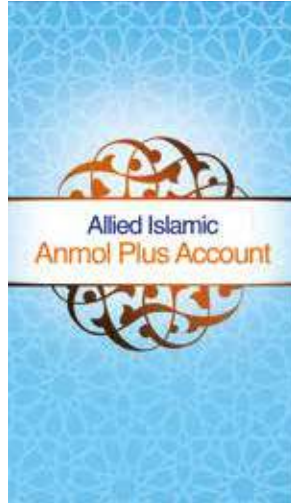
Based on principles of "Qard", it provides convenience of conducting day-to-day transactions available both in local and foreign currencies. There is no restriction on withdrawals or numbers of transactions.

### Allied Islamic Asaan Account

Developed on the guidelines provided by SBP for Pakistani Nationals only with simplified account opening procedure, initial deposit requirement of Rs.100. The product is available both in Current and Saving categories.

### Allied Islamic Saving Account

Regular chequing account, offered in local and foreign currencies, on the basis of "Mudharabah" with no minimum balance requirement. Profit is calculated on monthly average balance and credited on six monthly basis, offering a large



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

### Allied Islamic Anmol Plus Account

This is a "Mudharabah" deposit product for individuals available in local currency. Profit is calculated on monthly average balance and credited on six monthly basis. The customers can avail a large number of free services by maintaining a certain average monthly balance as per specifications.

### Allied Islamic Business Plus Account

This is a savings account with several unique features that make it very suitable for use as a business account. On maintaining minimum monthly average balance, as per specification, the customer can avail a large number of free services. Account can be opened in local currency only.

### Allied Islamic Khalis Munafa Account

This is a tier based savings account specially designed to encourage and promote savings. Minimum deposit required for opening an account is Rupees 1,000 only.



### Allied Islamic Sahulat Account

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

### Allied Islamic Investment Certificates

Islamic Investment Certificates are Term Deposit certificates for investment periods ranging from period of 1 month to 5 years with profit payment options of monthly, quarterly, half yearly or at maturity. Investment certificates are issued with investment of Rs.25,000 with no maximum limit. Pre-mature withdrawal can be made as per product features.

### Allied Islamic Institutions Account

This is a "Mudharabah" deposit product for Financial Institutions and Non-Banking Financial Institutions available in local currency. Profit is calculated on daily balance and paid on monthly basis.

### Allied Islamic Premium Account

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

### Allied Islamic Express Account

A Shariah compliant banking solution especially designed for Home Remittance Beneficiaries to facilitate hassle free transfer of home remittances. This Pak Rupee based product is developed on the concept of Mudharabah and operated like normal chequing account(s) on profit / loss sharing basis.

### Allied Islamic Notice Period Certificate

This product is designed to cater to the requirements of the customers who want to place their deposit for short tenure like 7 days, 30 days etc. The profit is calculated on daily basis and paid at maturity.

### Financing Products

Various Islamic Financing Products based on the following modes of finance are being offered by the Bank

- » Murabaha
- » Salam
- » Istisna
- » Islamic Export Refinance Scheme
- » Ijarah
- » Diminishing Musharakah
- » Business Musharakah

# CORPORATE SUSTAINABILITY

Allied Bank Limited (the Bank) is privileged to provide innovative financial products and services across the communities we serve. Being the fourth largest private commercial bank in Pakistan; it is imperative to maintain high trust levels of all stakeholders including customers, staff and society at large; while simultaneously creating long-term value for the shareholders.

## OUR PHILOSOPHY OF CSR

The Bank focuses on multi-faceted dimensions of sustainability to play its role in creating economic activities, environmental stability and social value for all the stakeholders. CSR vision of the Bank – To be a socially responsible corporate citizen – has evolved into its CSR policy which clearly outlines Corporate Social Responsibility objectives of the Bank, and is integrated with policies, procedures and long term strategic plan of the Bank.

CSR Policy stipulates that CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

In line with CSR objectives during the year, the Bank's contributions towards these areas are as follows:



# CORPORATE SUSTAINABILITY

## CUSTOMER RELATIONS

This is at the core of our vision to be the first choice Bank for the customers by providing integrated solutions dynamically and efficiently to our valued customers.



**Total contribution: Rs. 142 Million**

Focusing on high-tech services, the Bank achieved an outstanding 98%+ ATM uptime during the occasions of Eid-ul-Fitr and Eid-ul Adha, and handled around 1.2 Million transaction involving Cash Withdrawals of over Rs. 11,600 million. Further, in order to facilitate convenience, special purpose temporary Offsite ATMs were installed at two cattle markets in Lahore during Eid-ul-Adha.

The Bank further strengthened customer relations through the following initiatives:

### Customer Awareness Seminars

To promote financial inclusion by exploring the untapped sectors with special focus on the unbanked areas of Pakistan, ABL organized various seminars throughout the year.

For assisting in finding ways of achieving growth in tax revenue through private sector credit growth and leading to broad based economic growth, the Bank arranged a seminar in Lahore on "Private Sector Credit and Growth in Tax Revenue, which was attended by senior FBR officials, valued Obligors of the Bank and their CFOs and leading tax and audit firm professionals.

In line with SBP's vision to promote agriculture and SME financing, ABL organized four Financial Awareness Seminars on SME and Agri Financing in Quetta, Sukkur, Peshawar and Faisalabad respectively.

The Bank continued the efforts towards enhancing corporatization of businesses in the country; organizing two seminars on "Transition from Family Owned Business Structure to Corporate Structure" in Islamabad and Lahore, encouraging more formal business set-ups in family owned businesses.

Three Interactive seminars on "Customer Awareness Program on Islamic Banking" were arranged at



Mirpur, Azad Jammu & Kashmir, Kot Abdul Malik and Multan by the Bank for promoting Islamic Banking.

The Bank has also organized the Islamic Banking awareness sessions at various levels of interactions with our valued customers and general public, thereby playing its constructive role in the advancement of Shariah compliant banking within the country.

### Customer protection and quality assurance

Our passion for excellence has transformed our ability to solve customers' problems and deliver innovative solutions in a timely manner. Customers' feedback is vital in understanding their needs, devising innovative solutions and continuous improvement in service quality.

During the year under review, the Bank introduced various channels for the customers to create awareness on posting their feedback directly in the system. The customers were educated by placing placard in branches, displaying message on

ATM screens and digital signage in both English and Urdu languages, and playing voice messages at Allied Phone Banking.

Through newly introduced complaint management system, customers can post their feedback and lodge any complaint relating to the Bank's service directly into the system by visiting their nearest branch. In addition, the Bank is also continuously upgrading its Customer Relationship Management System to improve customer services.

During the year 2017, 12,168 complaints were received and the Bank taking appropriate measures promptly achieved 97% resolution rate with average Turnaround Time (TAT) of 4.25 working days.

Understanding the significance of evolving technology platforms, the Bank has launched extensive activities on social media and actively interacts with internet users on a variety of topics to increase engagement. One key reflection of these efforts is that visit on the Bank's



# CORPORATE SUSTAINABILITY

Facebook page has increased to 739,000 in 2017 from 538,000 in 2016.

## Contribution towards financial inclusion

During the year under review, the Bank continued to endeavor towards development of rural areas, financial inclusion and providing quality financial services at grass root level.

The Bank continued to expand its flourishing rural and unbanked branch network. As a special initiative towards far flung under privileged areas in Balochistan and KPK, Your Bank opened 3 branches in Baluchistan Province in Awaran, Kalat and Turbat areas and 2 branches in Miran Shah and Ghalani areas of Federally Administered Tribal Areas. During the year, the Bank opened total 26 additional rural branches to increase the total number to 252 rural branches.

In order to play an effective role in the development of agrarian economy of the country, the Bank is also extending agricultural financing across the country and offers vast range of agricultural finance products through Agri designated branches.

The Bank also launched Allied EZCash Prepaid Card to target unbanked customers. This re-loadable easy to use card is instantly issued and offers greater security with PIN for Point-of-Sale (POS) Transactions.

Allied Asaan Account and Allied Khanum Account are two main products of the Bank which have been designed with focus on financial inclusion of the unbanked persons. The total number of Allied Asaan and Allied Khanum accounts have been increased to 213,827 and 18,972 respectively. The introduction of Bio-metric based account opening,



has greatly facilitated in reducing the related TATs and is expected to further expedite the Bank's vision of contributing towards reducing unbanked population of the country.

## Digital Innovation

Our long-term success is dependent on our ability to generate value for society by providing technology driven products, services and facilities; catering to broad spectrum of requirements of the communities in which we operate. The Bank is continuously exploring new avenues to gradually provide relevant digital products and services to our valued customers.

During the year, Allied Bank has launched 'MyABL' app, a more secure, reliable and efficient Digital Banking service that caters to all personal banking needs; by revamping the existing 'Allied Direct' services. Its responsive design works seamlessly across wide array of interfaces including desktop computers, laptops, tablets or smart phones.

The Bank also inaugurated two self-service branches at Lucky One Mall, Karachi and Packages Mall, Lahore, offering innovative banking services with Cash Deposit Machines, Tablets and Kiosks. In addition to experiencing MyABL services and depositing Cash and Cheque; walk-in customers can also open bio-metric Allied Asaan Account as noted above instantly.

During the year, the Bank also took a unique initiative of facilitation of small obligors in automation of their book keeping and accounting functions; by shifting them towards an ERP system, with off-the-shelf features geared towards automated streamlining of accounting, finance and decision making processes. A professional firm is engaged by the Bank in this initial pilot project to implement ERP for four obligors; with initial software set-up cost being borne by the Bank. The implementation is in testing phase and expected to be completed in 2018.



## WORKPLACE

Building an engaged, healthy and inclusive human resource is crucial to our strategy. The Bank strives for instilling a culture of ethics and responsibility and establishing a workplace which promotes balanced work life along with provision of healthcare facilities; provides equal employment opportunities while encouraging employment of special persons; maintains high ethical standards and support social interaction among employees.

Employees' engagement plays an important role in creating a great workplace culture which is vital for shaping the future of an organization. The CEO convened interactive sessions with branch staff across the country to have their first hand feedback. These sessions were well appreciated by all the field staff and significantly contributed towards boosting motivation, team spirit and inclusiveness among all the staff of the Bank.

### Equal opportunity employer and employment of special persons

The Bank continued to accomplish progress towards increasing the diversity of our human capital; reinforcing the inclusive culture of the Bank. The Bank aim to ensure that employees of all backgrounds are treated equally and have an equal opportunity to be successful.

Over the years, the Bank has generated direct and indirect employment which is currently exceeding 11,000 permanent and contractual employees, employed from diverse areas of Pakistan; thereby positively impacting the broad based economy and society at large.



**Total contribution: Rs. 383 Million**

ABL being equal opportunity employer, encourages employment of special persons and currently 53 special persons are honorably earning their livelihood while contributing towards the growth of the Bank and society. Simultaneously 1,663 females, representing 15% of total permanent staff members, are diligently performing their duties.

### Occupational Health and Safety

Health and safety of the employees is of paramount importance to the Bank.

During the year 2017, the Bank spent Rs.121 million through Bank's medical expense policy and over all

1,934 staff members availed medical facility.

Adhering to responsibility towards eligible ex-employees, during the year, from the platform of "Post-retirement Medical Fund", the Bank contributed Rs.125 million towards the health of its 756 persons as per their respective entitlements.



# CORPORATE SUSTAINABILITY

The Bank ensures that maximum safety standards are met at all premises and encourages employees to promote the safety of their fellow team members. Provision of emergency lights, fire and smoke detection equipment, alarm system, portable fire extinguishers, periodic evacuation/safety drills and emergency exit doors are some of the measures that have been taken by the Bank. During the year, incremental expense on provision of the Fire Extinguishers was Rs.12 Million.

The Bank also believes in engagement of staff and their family members through social interaction and healthy activities. Hence, Rs.5 million was spent by the Bank on staff cricket tournaments held at Lahore, Karachi, Islamabad and Multan respectively.

## Education and well being of the staff

Employees are driving force of the organization. The Bank is committed towards investing in human resource and creating leaders who inspire and empower their teams resulting in value creation for the all stakeholders.

The Bank introduced apprenticeship programs for trainee students of the Institute of Chartered Accounts of Pakistan, thus providing a platform to trainees for polishing their potential



and to groom as Banking Industry specialists.

Cognizant of the importance of education, the Bank has spent Rs.31 million towards employee's education during the year 2017, comprising of education allowance

for clerical and non-clerical staff members and education subsidy for executive employees. Apart from providing financial assistance for formal education programs, the Bank has also invested in the employees by way of arranging their participation in both in-house and external trainings courses. During the year, the Bank spent Rs.46 Million on Trainings expenses; including foreign trainings as well. During the year, 37 employees received certification on Islamic Banking from NIBAF and 87 employees received cash award on passing IBP examinations.

The Bank also provides a helping hand to clerical and non-clerical staff members having humble financial backgrounds, in their hour of need, whether it is a time of festivity or sorrow. During the year the Bank



through its platform of “Staff Welfare Fund” has spent Rs.28 million to assist 76 employees by financially enabling them in important social events like marriage ceremony of their daughters or to meet the burial expense of their departed loved ones.

Keeping in view the religious sentiments of our employees, the Bank sponsored its clerical, non-clerical and executive staff totalling 28 to perform Hajj by spending Rs.15 million.

### Business ethics and anti-corruption measures

The Bank nurtures a culture of excellence, good governance, transparency, integrity and accountability. Controls and Compliance being an integral function of the Bank encourages high business ethics while promoting positive compliance culture. The Bank is committed to the best industry practices for compliance with all regulatory frameworks including anti-money laundering

practices, so that the interests of all stakeholders are protected. Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice. Management’s Central Administration Action Committee (CAAC) takes action on any violation of policies and procedures, act of fraud and forgery, breach of discipline, code of conduct, ethics and business practices. Appeal of the staff against whom CAAC has already taken disciplinary action is reviewed by Human Resource Committee.

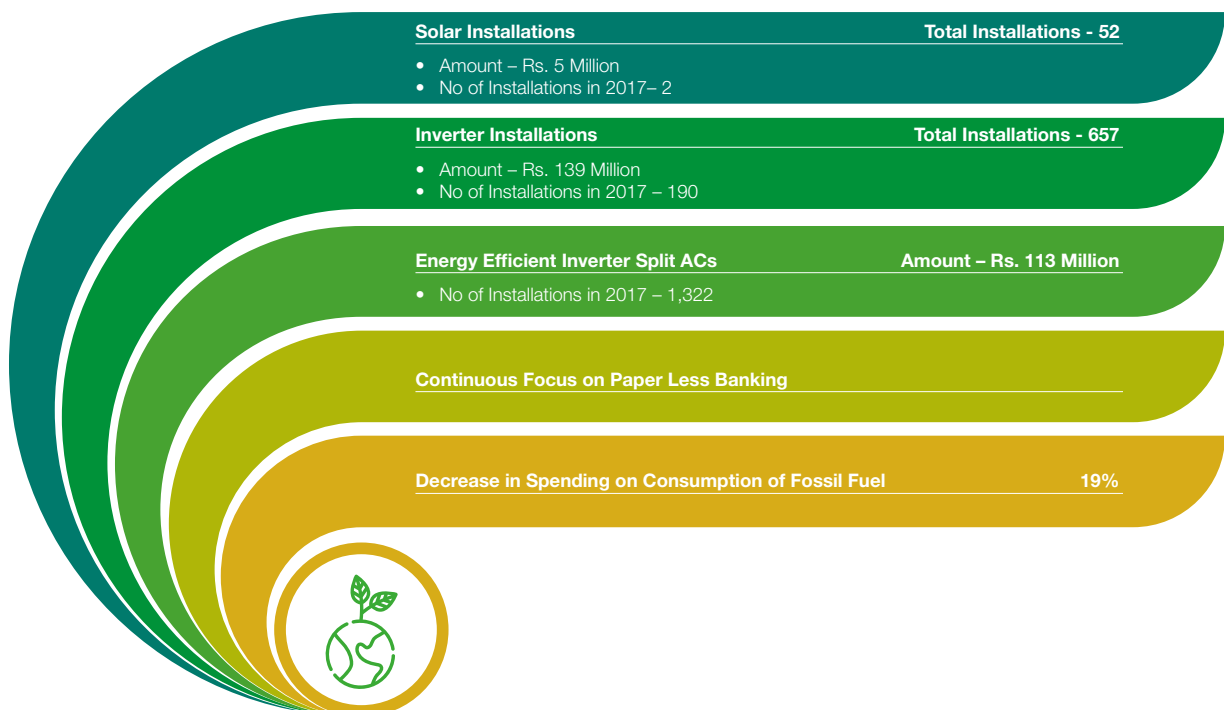
## ENVIRONMENT

To meet Bank’s wider social obligations, and contribute towards more sustainable growth while playing a positive role in the creation of a healthier environment, the Bank aims to promote green banking, paperless culture, renewable energy sources, reduction of carbon emissions and increasing plantation.

### Energy conservation and environment protection

As a responsible corporate citizen, the Bank is keen to conserve the precious energy resources; continuing to increase number of solar branches and installation of invertors to reduce carbon emission and use of fossil fuel. During the year, the Bank contributed toward energy saving solutions by investing Rs.5 million towards installation of solar panels and Rs.139 million towards installation inverters. The total solar branches became 52 and total number of inverter based branches reached 657, being 53% of the total network.

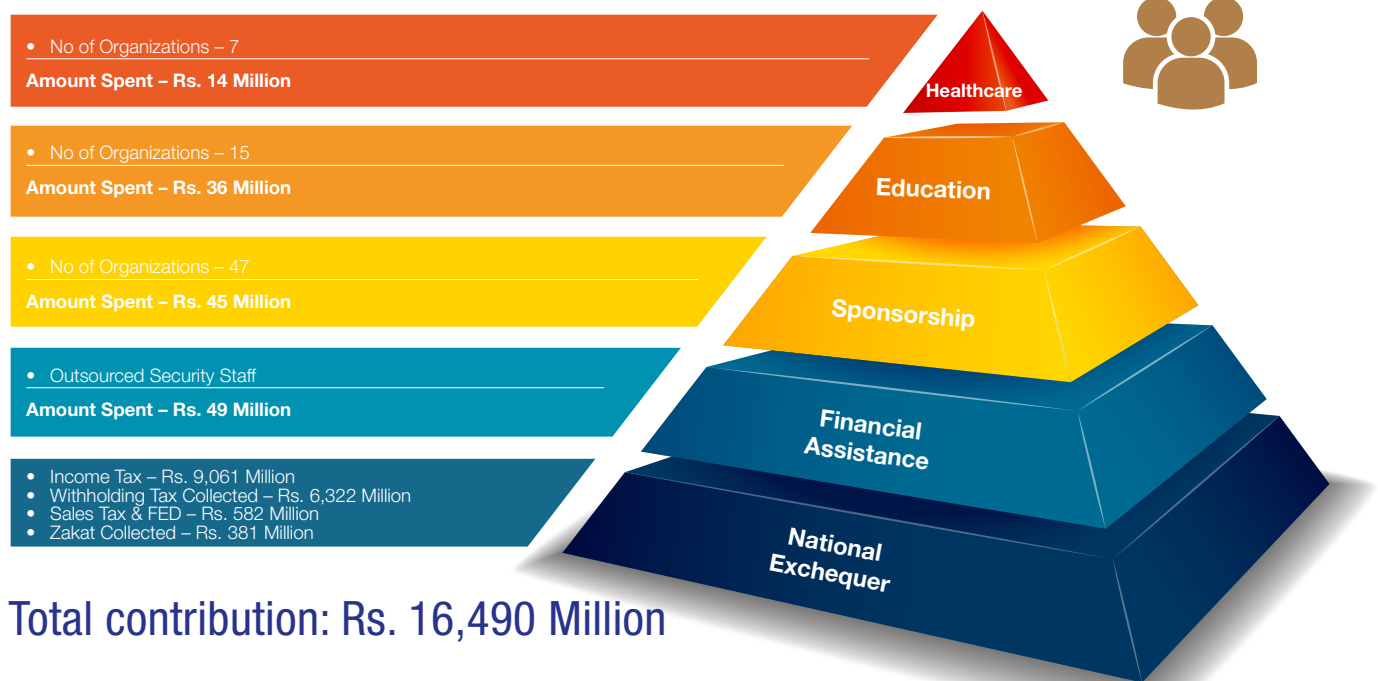
Various administrative measures including budgetary controls and proper maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity, and reduction in spending on fossil fuel by 19%.



# CORPORATE SUSTAINABILITY

## COMMUNITY

The Bank endeavors to establish its presence not only by business interactions but also by contributing towards social development and extending its helping hand to the society, especially during the times of adversities and natural calamities.



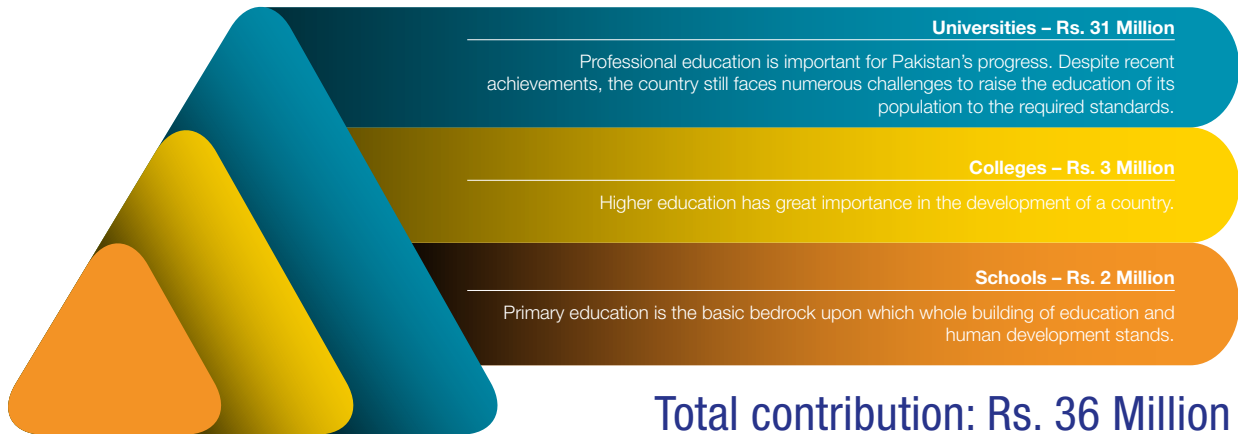
### Education, Health and community welfare

#### Education

Education is the only way to create a civilized society and forms the basis of nation building. The Bank is supporting leading educational institutions at all the levels (schooling, higher education, vocational and professional education institutions/universities) which play pivotal role in the enlightenment of our future generations.

This is age of information technology (IT). IT literacy plays an important role in preparing the students for number of careers in today's modern world. Recognizing this importance, the Bank has adopted a policy to donate its used but properly working personal computers to educational institutions; especially targeting under privileged segments of the society. The Bank has donated a total of 77 computers to such educational institutions during 2017.





The Bank also donated Rs.32 million and spent Rs.4 Million on sponsorships to various educational institutions including:

**Health**

Limited Healthcare access for the less privileged persons is another area of concern within the country. During the year, the Bank contributed Rs.14 million in the shape of direct donations and sponsorships, towards seven healthcare institutions thereby playing its role in easing the predicament of underprivileged patients.

**General Welfare**

During the year, the Bank spent Rs.45 million on general welfare of the community. These included contributions in shape of donations towards poor feeding, rehabilitation of special persons and sports activities and sponsorships for organizing social events, conferences and awareness programs.

Notable highlight for the year is the Bank’s contribution towards ‘Center for Mentally Challenged Children (Chaman) - an institution for care and rehabilitation of mentally retarded children’. Meeting its CSR objectives, the Bank donated for the upgradation of building



(Rs. in Million)

Poor Feeding	5
Special Person's Rehabilitation	6
Professional / Awareness Seminars	10
Social Welfare	11
Sports	13

**Total contribution: Rs. 45 Million**

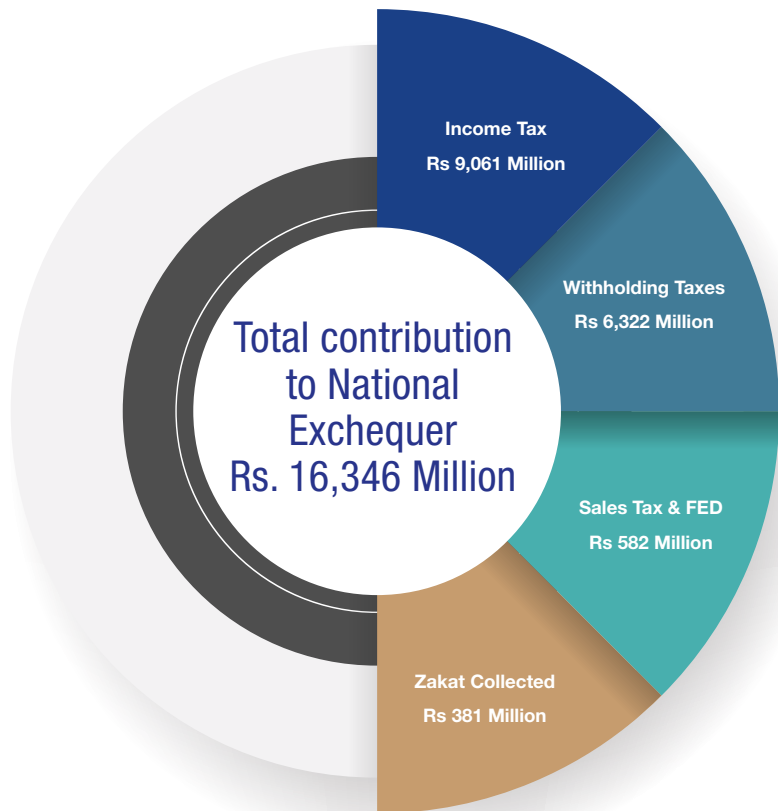
# CORPORATE SUSTAINABILITY

and payment of honorarium for Psychologist and speech therapist; enabling significant improvement in the upkeep of the premises while boosting psychological care and general education level for these underprivileged special children.

During the year, the Bank also spent Rs.49 Million towards financial assistance to the outsourced Security Guards deployed at the Bank; as an additional incentive.

## Contribution to national exchequer

The Bank is one of the leading institutions in its contribution towards the national exchequer. During the year, the Bank paid Rs. 9,061 million as Income Tax, contributed Rs. 6,322 million as withholding tax agent and deposited Rs. 582 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, the Bank collected Rs. 381 Million Zakat from 74,201 account holders and deposited to the national exchequer.



# CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

## OUR PHILOSOPHY

CSR vision of Your Bank – “To be a socially responsible corporate citizen” – has evolved into its CSR policy which clearly outlines Corporate Social Responsibility objectives of Your Bank. CSR Policy stipulates that CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

## POLICY OBJECTIVES

Objective of this policy is to provide guideline, so that business objectives and entity’s roles as responsible corporate citizen are aligned together.

The objectives of CSR policy primarily focused at Workplace, Environment, Community, Customer Relations and Brand Image are stipulated as follows:

- » Establish a WORKPLACE environment to maintain balanced work life, have healthcare facilities, maintain high ethical standards, have equal employment opportunities, aid social interaction among employees and encourage employment of disabled.
- » Our working style should have positive impact on ENVIRONMENT, use of renewable energy sources, reducing carbon omissions, promoting trees and plants and change of working style, on best effort basis, from paper based to computer based.
- » Make our COMMUNITY feel our presence not only by our business interactions but also by sharing and caring, specially during the times of adversities and natural calamities.
- » Strengthen CUSTOMER RELATIONS by ensuring satisfaction and privacy.
- » Our BRAND and slogans such as, “Aap kai dil main hamara account” should be known as community caring organization and not just for profit.

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

# INVESTOR GRIEVANCE

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

For all shares related issues, Shareholders are advised to contact Shares Registrar of the Bank with contact details available on Bank's corporate website.

In order to facilitate the investors/shareholders who intend to register a complaint, the contact details of the focal person of Shares Department is given on the Bank's corporate website for this purpose.

In addition, if Investors/Shareholders grievances are not resolved by the Shares Registrar of the Bank, as well as Shares Department, they may escalate their complaints to the Company Secretary of the Bank.

If any complainant still remains unsatisfied, the same can be forwarded to SECP; using links of related SECP website which are available in investor grievance section of Bank's Corporate website.

# RECORD MANAGEMENT

Allied Bank has a bank-wide records management program that ensures maintenance, protection, retention and disposal of records in accordance with applicable regulations, operational needs and fiscal/legal requirements.



# MANAGING CONFLICT OF INTEREST

## Overview

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

## Disclosure of Interest by Director

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

## Abidance of Laws / Rules

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

## Integrity

- » Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with all stakeholders and not engage in acts discreditable to ABL, their profession and the nation. If they become aware of any irregularity that might affect the interests of ABL, they shall inform the Board immediately.
- » Maximum utilization of their abilities, experience and expertise for achieving set goals, maintain high standards of professional conduct, protect the Bank's assets and respect interest of all the stakeholders. Practice transparency in all acts and deeds related to the business of the Bank.

## Confidentiality

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

## Insider Trading

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

## Related Party Transaction

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

## BUSINESS AT LAST AGM



The Company Secretary informed the participants that a presentation on various guidelines issued by the SECP, from time to time, along with certain suggestions for convenience and education of the shareholders was being run on the multimedia screen placed in the Meeting hall for their information and awareness. The participants appreciated this initiative.

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

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

On the Financial Statements, shareholders while appreciating the overall growth in the Bank's balance sheet for year ended December 31, 2016 particularly growth in investments and advances and decline in non-performing loans, enquired about the reasons for major variances which were appropriately responded by the management.

# NOTICE OF 72<sup>nd</sup> ANNUAL GENERAL MEETING

Notice is hereby given that 72<sup>nd</sup> Annual General Meeting of Allied Bank Limited will be held at Pearl Continental Hotel Lahore on Monday, April 9, 2018 at 11:00 a.m. to transact the following business:

## Ordinary Business:

1. To confirm minutes of 71<sup>st</sup> Annual General Meeting of Allied Bank Limited held on March 28, 2017.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2017 together with the Directors' and Auditors' Reports thereon. As required under SECP SRO 634(I)/2014, Financial Statement of the Bank have been uploaded on the website of the Bank which can be downloaded from the following link:  
<https://www.abl.com/services/downloads/financial-reports/>
3. To consider and approve Final Cash Dividend @ 17.50% (i.e. Rs.1.75 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 52.5% Interim Cash Dividends (aggregating Rs.5.25 per share) already paid to the shareholders for the year ended December 31, 2017.
4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2018 and fix their remuneration. The retiring auditors M/s. KPMG Taseer Hadi & Co. Chartered Accountants, being eligible has offered themselves for reappointment. The audit firm appointed will hold office till conclusion of the next AGM to be held in 2019.
5. To consider and approve the following transactions on post facto basis:
  - a) Payment of professional fee to External Auditor M/s. KPMG Taseer Hadi & Co. Chartered Accountants to perform External Shariah Audit for the year ended December 31, 2016 against a cost of Rs. 1,512,500/- inclusive of out of pocket expenses.
  - b) Payment of professional fee to the External Auditor M/s. KPMG Taseer Hadi & Co. Chartered Accountants, to perform special audit regarding Related Party Transactions of the Bank for the year ended December 31, 2016 against a cost of Rs. 52,500/- inclusive of sales tax.
  - c) To ratify appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as approved audit firm for inspection of records of Allied Bank Limited related to CDS transactions against a fee of Rs. 450,000/- plus out of pocket expenses at actual.

## Other Business:

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

Date: March 19, 2018

By Order of the Board

**Muhammad Raffat**  
Company Secretary

## NOTES:

- i) All members are entitled to attend and vote at the Meeting.
- ii) A member entitled to attend and vote can appoint a proxy under his / her own hand or through his/ her duly authorized attorney to attend and vote instead of himself / herself and the proxy must be a member of Allied Bank Limited.
- iii) The instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of that power of attorney or authority in order to be effective must be deposited at the Registered Office of Allied Bank Limited not less than 48 hours before the time for holding the Meeting. In calculating the 48 hours, no account shall be taken of any part of the day that is not a working day.
- iv) Share Transfer Books of Allied Bank Limited will remain closed from Tuesday, 3<sup>rd</sup> April, 2018 to Monday, 9<sup>th</sup> April 2018 (both days inclusive). Share transfers requests received at M/s Central Depository Company of Pakistan, CDC House, 99-B, S.M.C.H Society, Main Shahrah-e-Faisal Karachi, the Shares Registrar of the Bank, before the close of business on Monday 2<sup>nd</sup> April, 2018 will be treated as being in time for the purpose of entitlement of cash dividend to the transferees.
- v) Members are requested to immediately notify the changes in their registered addresses, if any, to the Bank's Shares Registrar M/s Central Depository Company of Pakistan, before book closure so that entitlement, if any, be dispatched at the correct address.
- vi) CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

## A. For Attending the Meeting:

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

## B. For Appointing Proxies:

- i) In case of individuals, CDC Account Holder or Sub-account Holder and / or the person whose securities are in CDC group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii) Attested copies of valid CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (if it has not been submitted earlier) along with the proxy form of the Company.

# STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the terms of the Code of Corporate Governance as contained in Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Corporate Governance.

The Bank has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

- The Bank encourages representation of independent non-executive directors and directors representing minority interests on its board of directors, in case anyone from that class desire to contest the election he would be facilitated by the Bank as per detail given in clause 5.19.1. (a) of the CCG. At present the board includes:

Category	Names
Independent Directors	Dr. Muhammad Akram Sheikh
	Zafar Iqbal
Non-Executive Directors	Mohammad Naeem Mukhtar
	Sheikh Mukhtar Ahmed
	Muhammad Waseem Mukhtar
	Abdul Aziz Khan
	Mubashir A. Akhtar
Executive Director / CEO	Tahir Hassan Qureshi

*The independent directors meet the criteria of independence under clause 5.19.1. (b) of the Code of Corporate Governance.*

- The directors have confirmed that none of them is serving as a director in more than seven listed companies including the Allied Bank Limited.
- All the resident directors of the Bank are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI and NBFC or being a broker of a stock exchange, has been declared as a defaulter by the Stock Exchanges.
- No casual vacancy occurred on the Board during the period under review.
- The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
- The Board has developed Vision/Mission statement, overall corporate strategy and significant policies of the Bank. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board/shareholders.
- The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. Five members of the Board of Directors (Including the CEO) are Certified Directors from The Pakistan Institute of Corporate Governance (PICG) and Institute of Chartered Accountants of Pakistan (ICAP). Whereas three directors are exempted from such course on account of the experience and qualification. The Bank also encourages participation of members of Board to attend seminars / workshops conducted by various forums.
- The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
- The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- The Bank has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed an Audit Committee which it comprises of three members, one of them is non-executive director whereas remaining two are independent directors including the Chairman of the Committee.
- The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Bank and as required by the CCG. The terms of reference (Charter) of the Committee have been formed and advised to the Committee for compliance.
- The Board has formed Human Resource & Remuneration Committee which comprises of three members including the CEO, remaining two including the Chairman are non- executive directors.
- The Board has set up an effective internal audit function under the supervision of Audit Committee.
- The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- The "closed period", prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, executives and stock exchange.
- Material / price sensitive information has been disseminated amongst all market participants at once through stock exchange.
- The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- We confirm that all other material principles enshrined in the CCG have been complied with

For and on behalf of the Board.

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

**Tahir Hassan Qureshi**  
Chief Executive Officer

Lahore  
Dated: February 21, 2018

# REVIEW REPORT TO THE MEMBERS

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

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore, Pakistan

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Allied Bank Limited for the year ended 31 December 2017 to comply with the requirements of Rulebook of Pakistan Stock Exchange Limited .

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

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

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

The Bank has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work, as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2017.

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
(Kamran Iqbal Yousafi)

Lahore  
Date: 21 February 2018

# STATEMENT OF ETHICS AND BUSINESS PRACTICES

## Code of Ethics

All employees of Allied Bank Limited (ABL), are required to follow a Code of Ethics and Business Practices in all areas of professional conduct. They must abide by the following:

## Laws and Rules

- » All the employees are required to comply with all the laws, rules and regulations governing ABL, including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Security and Exchange Commission of Pakistan's regulations applicable to the Bank.
- » All employees must function with integrity within the scope of their authorities and follow directives given by the person(s) under whose jurisdiction they are deputed with complete honesty.
- » Core value of 'Integrity' must be promoted by upholding fairness, equality and respect for all team members. Discrimination, harassment of all types, intimidation and other negative practices are strictly prohibited.
- » Harassment includes any unwanted, immoral act or attitude, including abuse of authority, creating a hostile environment and retaliation to non-compliance with unethical demands, which is demeaning or detrimental to work performance or the career of any employee in any capacity.
- » Adherence to designated time schedules is imperative. The Bank is entitled to take disciplinary action in case of unauthorized absences.
- » Employees in workmen cadre (clerical / non-clerical) are not authorized to indulge into unfair labour practices.
- » Employees are not authorized to use Bank's facilities to promote trade union or officer's association activities, or carry weapons into Bank premises unless so authorized. They must not carry on above mentioned activities during office hours.
- » No employee shall indulge in any political activity, including forming or joining a political, ethnic or linguistic association; get elected to a legislative body, in Pakistan

or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.

- » All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgment in the best interest of the Bank and its clients. The Human Resource Group must be informed in case an employee:
  - » Holds an outside directorship; carries on business activity outside; holds majority shares / interest in a public or private business; takes direct advantage of securities of a public listed company, or serves as a client's personal representative.
  - » No employee shall bring political or other outside pressure / influence to bear on the authorities / superior officers or use the media with intent to induce them to act in a manner inconsistent with rules in any matter relating to the Bank.
  - » Employees are prohibited from any engagement outside the Bank without prior approval from the Human Resource Group. Employees with financial or other interest in any family business must declare in advance by writing and seek no objection.
  - » Employees shall not borrow from or lend personal funds or property to any Client or Vendor who has a relationship with the Bank except on market terms and conditions from financial institutions. Borrowing or lending in personal capacity within the Bank is prohibited.
  - » Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activity committed within the office, reporting them immediately in writing to higher authority for appropriate action to be taken. Employment or Internship Certificates can only be issued by the Human Resource Group. Receipts of funds can only be issued on prescribed forms.
  - » Disciplinary action may be taken in case of misconduct or unsatisfactory performance including breach of above mentioned rules;

wilful insubordination; breach of confidential material; use of drugs or alcohol; falsification of documents; violation of safety/health rules; insider trading; parallel banking; money laundering and any act detrimental to the Bank's business.

## Workplace Environment

- » The Bank is committed to creating and maintaining a working, learning and customer care environment, which is free from violence and has zero tolerance for violence against any employee or its property.
- » Employees are not allowed to play practical jokes or pranks on each other, indulge in horseplay, or share immoral jokes with other employees, or the outside world, through Allied Bank email server or computer, or cell phones.
- » Employees are prohibited to use, exchange, or sell intoxicants or drugs in the work place or come to work under their influence. Smoking is allowed only in designated areas.
- » Employees are required to maintain proper dress code, appear well groomed and presentable at all the time. Livery staff should be in their proper uniform. High standards of behavior and tidy work areas are to be maintained at all times.

## Responsibilities towards Employer (ABL)

- » Employees must raise concerns and suspicions, in confidence, about any actual or potential illegal activity or misconduct according to the Bank's approved Whistle Blowing Policy and the Anti-Harassment Policy. Failure to do so will result in employee being deemed a party to the irregularity.
- » Guidance must be sought from relevant Group in case any employee receives any demand or request for information from outside party including law enforcement agencies.
- » Every employee must protect the Bank's assets, physical and intellectual, and adhere to its Email and Internet Usage Policy and Acceptable Use Policy.

- » Employees must maintain all records accurately and are prohibited from making any false or misleading entries, forging or tampering with signatures to compromise integrity of Bank's record.
- » Employees are required to identify all conflicts of interest and declare them immediately, including all matters expected to interfere with their duty to the Bank or ability to make unbiased and objective recommendations.
- » Treasury Dealers should not relay any information which they know to be false and should take great care when discussing unsubstantiated information which they suspect to be inaccurate and refrain from passing on any information which they know to be untrue.

### Relationship with and Responsibilities to Customers, Prospects and other External Constituencies

#### Information Management

- » All employees shall regard as strictly confidential any information concerning the business of the Bank which is not intended to be made public unless required to do so under the law, consulting the Human Resource Group in case of ambiguity about a required disclosure. Confidential information must only be shared with employees on a need to know basis consistent with their job assignments as set out in Information Security and Governance Policies.
- » All customers' related information should be kept secret, used for intended purpose only and any further use should be allowed only after prior consent of the concerned customer.
- » Employees should protect the privacy and confidentiality of personnel records, not sharing them inside or outside the Bank except after approval by Human Resource Group.
- » Employees should not use Bank's facilities to access, download or distribute personal or social information, including any material that may pose reputational risk to the Bank. Secrecy of passwords must be maintained to prevent unauthorized access to Bank's systems. Personal use of internet and email is deemed inappropriate in the workplace. Private telephone conversations must be kept at a minimum during office hours.
- » Only officially designated spokesperson, as provided under the Bank's Media Policy, may provide comments about the Bank to the media.
- » Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty, proprietary and loyalty, towards the interest of the Bank, its customers and regulators is a must.
- » Employees are not authorized to accept or agree to accept any gifts or conveyance of anything beyond prescribed value from any current or prospective Allied Bank customers or vendors or any person who has a business relationship with the Bank with exception of the following:
  - » Gifts that relate to commonly recognized events or occasions such as a promotion, new job, wedding, retirement etc. provided those gifts are of reasonable value.
  - » Gifts from a person who has a business relationship with the Bank, provided the acceptance is based on relationship existing independent of the business of the Bank and reported to the Human Resource Group.
  - » Benefits available to the general public e.g. advertising or promotional materials, and discount or rebates on merchandise or services.
  - » Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.
- » Gambling / Betting between market participants is prohibited.

- » Employees of Treasury are strongly cautioned against making frivolous quotes which they have no intention of honoring and which are designed merely to mislead market participants.

### Other Key Legal / Compliance Rules and Issues

- » Employees are strictly prohibited to engage in insider trading, buying or selling company common stocks or otherwise benefitting from sharing inside information, whether obtained through workplace or outside sources.
- » ABL fully supports the intended drive against serious crime and is committed to assisting the authorities to identify money laundering transactions and where appropriate to confiscate the proceeds of crime. Employees must follow the Anti-Money Laundering Policy and Procedures.
- » Violation of any of the clauses of this 'Code of Ethics' by any employee, may lead to disciplinary proceedings culminating in punishment as per merits of the case.

# STATEMENT OF INTERNAL CONTROLS

The Management of the Bank is responsible for establishing the Internal Control System with the main objectives of ensuring effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets and compliance with applicable laws and regulations. The Internal Control System is being constantly evolved and continuously reviewed, refined and improved on an ongoing basis to minimize risks which are inherent in banking business and operations.

Audit and Risk Review (ARR), works under direct supervision of Audit Committee of the Board (ACOB). ARR assists ACOB and Board of Directors in discharge of their responsibility in respect of Internal Control System i.e. ARR reviews, assesses adequacy and monitors the ongoing effectiveness of control systems. All significant and material findings of the auditors, both internal and external, are reported to the ACOB; which actively monitors that the identified risks are properly mitigated to safeguard the interest of the Bank. The Board, acting through ACOB, provides supervision and overall guidance in improving the effectiveness of the Internal Control System.

The Compliance function of the Bank is entrusted with the responsibility to minimize compliance risk with reference to regulatory framework, internal / external and regulatory audit compliance, control self-assessment, monitoring completeness and up-to date inventory of Bank's policies and procedures. Compliance status of all irregularities identified during

mentioned audits is reported to ACOB, while other significant compliance matters are reported to Board Risk Management Committee (BRMC). The Anti-Money Laundering (AML) function ensures compliance of local and international AML regulations.

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

The Bank's Internal Control System has been designed to provide reasonable assurance to the Bank's Management and Board of Directors about the aforementioned objectives. While the Internal Control System is effectively implemented and monitored, there are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure and circumvention or overriding of controls. In addition, projections of effective evaluation pertaining to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. However, control activities are an ongoing process that includes continuous identification, evaluation and management of significant risks faced by the Bank.

As part of Internal Control Framework relating to financial reporting, the Bank has documented and mapped As-Is processes and

controls, identified gaps and requisite recommendations, developed remediation initiatives and management testing plans. In addition, the Bank is formulating guidelines for adherence to Integrated Framework on Internal Controls issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission on continuing basis. In view of SBP directives in OSED Circular No.1 of 2014 dated February 07, 2014 Long Form Report for the year ended December 31, 2016 has been submitted to SBP. The few deficiencies identified in LFR 2016 have been duly rectified subsequently.

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

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

**Tahir Hassan Qureshi**  
Chief Executive Officer

Lahore.

Dated: February 21, 2018



# WHISTLE BLOWING POLICY (WBP)

## Preamble

The purpose of WBP Policy is to create a channel at Allied Bank Limited (the Bank) whereby the Bank's staff is encouraged to report, without any fear, any malicious activity or conduct of employees, which may cause financial or reputational loss to the Bank.

Bank's WBP provides assurance to the Whistleblowers about secrecy and protection of their legitimate personal interests. It also provides incentives for the Whistleblowers on reporting of suspicious activities.

## Objectives

The intended objectives of this policy are:

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

## Scope

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

## Independence of Whistle Blowing Unit

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

## Protection of Whistleblowers

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

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

## Incentives for Whistle Blowing

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

## Process of Whistle Blowing

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

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

## Number of instances reported to ACOB

Number of whistle blowing incidences reported to ACOB in Year 2017: Ten (10).

# REPORT OF THE AUDIT COMMITTEE

## Audit Committee

The Audit Committee of Board comprises of three members, two independent directors and one non-executive director, with the Chairperson being an independent director. At Allied Bank the members of the Audit Committee bring years of diversified rich experience at senior management positions and strategic roles in commercial banking, investment banking, energy & power generation, manufacturing and engineering sectors. The profile of the respective member is given in the Annual Report.

The Committee discharges its responsibilities in accordance with provisions of Prudential Regulations, Code of Corporate Governance and its own Terms of Reference as approved by the Board of Directors (BOD). The Committee oversees the functions of the Audit and Risk Review Group (ARRG) and ensures that ARRG has adequate resources, training, acumen and authorities available to perform its responsibilities independently and objectively. The Chief ARRG reports directly to the Audit Committee.

Among others, following issues were discussed in the meetings of the Audit Committee during the year under review:

- » Review of the Bank's periodic financial statements, including disclosure of related party transactions prior to their approval by the Board of Directors (BOD).
- » Review of significant issues highlighted by ARRG during audits / reviews of branches and other functions of the Bank.
- » Review of status of compliance against observations highlighted by internal and external auditors, including regular updates on the rectification actions taken by the management in response to the audit findings.
- » Monitoring of compliance status of observations highlighted in State Bank of Pakistan's inspection reports.
- » Review of analysis related to frauds and forgery incidents in the Bank; with specific focus on nature and reasons along with Management action(s) thereof.
- » Review, approval and oversight of Annual Audit Plan and related enablers / budget along with resource requirements of ARRG.
- » Review of resolution status of complaints lodged under the Bank's Whistle Blowing Policy along with resolutions thereof.
- » Consider and recommend to the Board, appointment of Chief ARRG, including promotion, increment, transfer, replacement, reassignment and dismissal.
- » Recommendation of scope and appointment of external auditors, including finalization of audit and other fees.
- » Review of Statement on Internal Control, prior to endorsement by the BOD.

## Internal Control Framework and Role of ARRG

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

### Zafar Iqbal

Chairman Audit Committee

Lahore

Dated: February 20, 2018

UNCONSOLIDATED  
**FINANCIAL STATEMENTS**

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for the year ended December 31, 2017



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore, Pakistan

## Auditors' Report to the Members on Unconsolidated Financial Statements

We have audited the annexed unconsolidated statement of financial position of Allied Bank Limited ("the Bank") as at 31 December 2017 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flow and unconsolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the year then ended, in which are incorporated the unaudited certified returns from the branches except for forty seven branches, which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of

1984), and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flow and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2017 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
(Kamran Iqbal Yousafi)

Lahore  
Date: 21 February, 2018

# Unconsolidated Statement of Financial Position

as at December 31, 2017

December 31, 2017	December 31, 2016		Note	December 31, 2017	December 31, 2016
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
773,135	662,974	Cash and balances with treasury banks	6	85,367,382	73,203,717
5,876	6,158	Balances with other banks	7	648,765	679,923
78,741	95,209	Lendings to financial institutions	8	8,694,399	10,512,752
6,322,222	5,342,143	Investments	9	698,082,066	589,864,548
3,369,381	2,984,700	Advances	10	372,037,714	329,562,191
437,677	296,668	Operating fixed assets	11	48,327,029	32,757,221
-	-	Deferred tax assets		-	-
294,834	293,119	Other assets	12	32,554,758	32,365,396
11,281,866	9,680,971			1,245,712,113	1,068,945,748
<b>LIABILITIES</b>					
70,962	89,196	Bills payable	14	7,835,467	9,848,795
2,024,652	1,144,468	Borrowings	15	223,556,383	126,368,875
8,003,651	7,291,535	Deposits and other accounts	16	883,740,709	805,110,834
-	-	Sub-ordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
62,869	99,503	Deferred tax liabilities	17	6,941,804	10,986,887
153,250	144,511	Other liabilities	18	16,921,397	15,956,529
10,315,384	8,769,213			1,138,995,760	968,271,920
966,482	911,758	<b>NET ASSETS</b>		<b>106,716,353</b>	<b>100,673,828</b>
<b>REPRESENTED BY</b>					
103,704	103,704	Share capital	19	11,450,739	11,450,739
162,838	149,736	Reserves		17,980,116	16,533,485
445,695	421,042	Unappropriated profit		49,212,447	46,490,244
712,237	674,482			78,643,302	74,474,468
254,245	237,276	Surplus on revaluation of assets - net of tax	20	28,073,051	26,199,360
966,482	911,758			106,716,353	100,673,828

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 44 and annexures I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Profit and Loss Account

for the year ended December 31, 2017

December 31, 2017	December 31, 2016		Note	December 31, 2017	December 31, 2016
US \$ in '000				Rupees in '000	
595,095	584,986	Mark-up / return / interest earned	23	65,708,757	64,592,588
309,105	283,881	Mark-up / return / interest expensed	24	34,130,494	31,345,347
285,990	301,105	<b>Net mark-up / interest income</b>		31,578,263	33,247,241
		Net reversal of provision against non-performing loans and advances	10.4	(1,966,938)	(335,359)
(17,814)	(3,037)	Provision for diminution in the value of investments	9.3	8,804	74,906
80	678	Bad debts written off directly	10.6	-	-
-	-				
(17,734)	(2,359)			(1,958,134)	(260,453)
303,724	303,464	<b>Net mark-up / interest income after provisions</b>		33,536,397	33,507,694
<b>NON MARK-UP / INTEREST INCOME</b>					
35,478	36,354	Fee, commission and brokerage income	25	3,917,402	4,014,135
29,218	34,196	Dividend income		3,226,146	3,775,793
6,902	5,846	Income from dealing in foreign currencies		762,059	645,444
5,806	24,214	Gain on sale of securities	26	641,043	2,673,615
		Unrealized gain /(loss) on revaluation of investments classified as 'held-for-trading' - net	9.9	1,782	(713)
16	(6)	Other income	27	323,369	102,217
2,929	926	<b>Total non-markup / interest income</b>		8,871,801	11,210,491
80,349	101,530				
384,073	404,994			42,408,198	44,718,185
<b>NON MARK-UP / INTEREST EXPENSES</b>					
194,024	183,809	Administrative expenses	28	21,423,547	20,295,643
(1,421)	679	(Reversal) / provision against other assets	12.2	(156,858)	75,000
(2,279)	(120)	Reversal against off-balance sheet obligations - net	18.1	(251,616)	(13,273)
4,659	4,796	Other charges	29	514,430	529,597
194,983	189,164	<b>Total non-markup / interest expenses</b>		21,529,503	20,886,967
		Extra-ordinary / unusual items		-	-
-	-	<b>PROFIT BEFORE TAXATION</b>		20,878,695	23,831,218
189,090	215,830				
<b>Taxation</b>					
66,069	77,101	Current		7,295,083	8,513,243
8,721	8,601	Prior year		962,923	949,657
(1,023)	(532)	Deferred		(112,947)	(58,732)
73,767	85,170		30	8,145,059	9,404,168
115,323	130,660	<b>PROFIT AFTER TAXATION</b>		12,733,636	14,427,050
		Unappropriated profit brought forward		46,490,244	41,415,882
421,042	375,085	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		49,212,447	46,490,244
445,695	421,042				
<b>In US\$</b>				<b>In Rupees</b>	
0.10	0.11	<b>Earnings per share - Basic and Diluted</b>	31	11.12	12.60

The annexed notes 1 to 44 and annexures I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2017

December 31, 2017		December 31, 2016				December 31, 2017	December 31, 2016
US \$ in '000				Rupees in '000			
115,323	130,660	<b>Profit after taxation for the year</b>		12,733,636	14,427,050		
<b>Other comprehensive income:</b>							
<i>Items to be reclassified to profit and loss account in subsequent periods</i>							
Exchange differences on translation of net investment							
1,569	(102)	in foreign operating branches		173,267	(11,246)		
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>							
(13,458)	4,022	Actuarial (loss) / gain relating to defined benefit plans		(1,485,955)	444,154		
4,710	(1,408)	Related deferred tax		520,085	(155,454)		
(8,748)	2,614			(965,870)	288,700		
108,144	133,172	<b>Comprehensive income transferred to equity</b>		11,941,033	14,704,504		
<b>Components of comprehensive income not reflected in equity</b>							
<i>Items to be reclassified to profit and loss account in subsequent periods</i>							
(105,337)	50,944	Net change in fair value of 'available-for-sale' securities		(11,630,976)	5,625,078		
36,868	(17,831)	Related deferred tax		4,070,842	(1,968,778)		
(68,469)	33,113			(7,560,134)	3,656,300		
39,675	166,285	<b>Total Comprehensive Income</b>		4,380,899	18,360,804		

The annexed notes 1 to 44 and annexures I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Unconsolidated Statement of Cash Flow

for the year ended December 31, 2017

December 31, 2017	December 31, 2016	Note	December 31, 2017	December 31, 2016
US \$ in '000			Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
189,090	215,830	Profit before taxation	20,878,695	23,831,218
(29,218)	(34,196)	Less: Dividend income	(3,226,146)	(3,775,793)
159,872	181,634		17,652,549	20,055,425
<b>Adjustments for non-cash items</b>				
24,257	20,044	Depreciation / amortization	2,678,379	2,213,242
(17,814)	(3,037)	Reversal against non-performing loans and advances	(1,966,938)	(335,359)
80	678	Provision for diminution in the value of investments	8,804	74,906
(16)	6	Unrealized (gain) / loss on revaluation of 'held-for-trading' securities	(1,782)	713
(2,279)	(120)	Reversal of provision against off-balance sheet obligations	(251,616)	(13,273)
(1,420)	679	(Reversal) / provision against other assets	(156,858)	75,000
3,782	4,345	Provision for workers' welfare fund	417,574	479,803
(480)	(330)	Gain on sale of operating fixed assets	(53,012)	(36,489)
(662)	21	(Gain) / loss on sale of non-banking asset / other assets	(73,110)	2,294
5,448	22,286		601,441	2,460,837
165,320	203,920		18,253,990	22,516,262
<b>(Increase) / decrease in operating assets</b>				
16,468	(64,815)	Lendings to financial institutions	1,818,353	(7,156,661)
(223,911)	(929)	Net investments in 'held-for-trading' securities	(24,723,578)	(102,531)
(368,197)	(75,081)	Advances	(40,655,347)	(8,290,351)
(1,699)	38,563	Other assets (excluding advance taxation)	(187,614)	4,258,053
(577,339)	(102,262)		(63,748,186)	(11,291,490)
<b>Increase / (decrease) in operating liabilities</b>				
(18,234)	44,437	Bills payable	(2,013,328)	4,906,606
879,810	(104,626)	Borrowings	97,146,144	(11,552,534)
712,116	638,620	Deposits and other accounts	78,629,875	70,514,668
5,271	(2,324)	Other liabilities	582,061	(256,631)
1,578,963	576,107		174,344,752	63,612,109
1,166,944	677,765		128,850,556	74,836,881
(82,059)	(99,926)	Income tax paid	(9,060,752)	(11,033,569)
1,084,885	577,839	<b>Net cash flows generated from operating activities</b>	119,789,804	63,803,312
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(965,077)	(1,331,707)	Net investments in 'available-for-sale' securities	(106,561,084)	(147,043,339)
103,515	970,685	Net realizations from 'held-to-maturity' securities	11,429,857	107,180,271
30,817	32,057	Dividend received	3,402,747	3,539,613
(74,442)	(55,378)	Investments in operating fixed assets	(8,219,650)	(6,114,657)
573	452	Proceeds from sale of operating fixed assets	63,318	49,957
(904,614)	(383,891)	<b>Net cash flows used in investing activities</b>	(99,884,812)	(42,388,155)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(72,336)	(74,907)	Dividend paid	(7,987,116)	(8,271,033)
(72,336)	(74,907)	<b>Net cash flows used in financing activities</b>	(7,987,116)	(8,271,033)
1,569	(102)	Effect of translation of net investment in foreign operating branches	173,267	(11,246)
109,504	118,939	<b>Increase in cash and cash equivalents during the year</b>	12,091,143	13,132,878
674,964	549,467	<b>Cash and cash equivalents at beginning of the year</b>	74,527,584	60,670,624
(6,407)	151	<b>Effect of exchange rate changes on opening cash and cash equivalents</b>	(707,403)	16,679
778,061	668,557	<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	85,911,324	73,820,181

The annexed notes 1 to 44 and annexures I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2017

	Capital Reserve		Revenue Reserve		Un-appropriated Profit	Total
	Share Capital	Exchange Translation Reserve	Statutory Reserve	General Reserve		
Rupees in '000						
<b>Balance as at January 01, 2016</b>	11,450,739	68,933	15,027,093	6,000	41,415,882	67,968,647
<b>Changes in equity during the year ended December 31, 2016:</b>						
<b>Total comprehensive income for the year ended December 31, 2016</b>						
Net profit for the year ended December 31, 2016	-	-	-	-	14,427,050	14,427,050
Effect of re-measurement of defined benefit plan-net of deferred tax	-	-	-	-	288,700	288,700
Effect of translation of net investment in foreign operating branches	-	(11,246)	-	-	-	(11,246)
	-	(11,246)	-	-	14,715,750	14,704,504
<b>Transactions with owners recognized directly in equity</b>						
Final cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended						
December 31, 2016 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Second interim cash dividend for the year ended						
December 31, 2016 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Third interim cash dividend for the year ended						
December 31, 2016 (Rs. 2.00 per ordinary share)	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	(8,301,785)	(8,301,785)
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit-net of tax	-	-	-	-	57,830	57,830
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit-net of tax	-	-	-	-	45,272	45,272
Transfer to statutory reserve	-	-	1,442,705	-	(1,442,705)	-
<b>Balance as at December 31, 2016</b>	11,450,739	57,687	16,469,798	6,000	46,490,244	74,474,468
<b>Changes in equity during the year ended December 31, 2017:</b>						
<b>Total comprehensive income for the year ended December 31, 2017</b>						
Net profit for the year ended December 31, 2017	-	-	-	-	12,733,636	12,733,636
Effect of re-measurement of defined benefit plan-net of deferred tax	-	-	-	-	(965,870)	(965,870)
Effect of translation of net investment in foreign operating branches	-	173,267	-	-	-	173,267
	-	173,267	-	-	11,767,766	11,941,033
<b>Transactions with owners recognized directly in equity</b>						
Final cash dividend for the year ended						
December 31, 2016 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended						
December 31, 2017 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Second interim cash dividend for the year ended						
December 31, 2017 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Third interim cash dividend for the year ended						
December 31, 2017 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
	-	-	-	-	(8,015,516)	(8,015,516)
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit-net of tax	-	-	-	-	54,937	54,937
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit-net of tax	-	-	-	-	188,380	188,380
Transfer to statutory reserve	-	-	1,273,364	-	(1,273,364)	-
<b>Balance as at December 31, 2017</b>	11,450,739	230,954	17,743,162	6,000	49,212,447	78,643,302

The annexed notes 1 to 44 and annexures I to IV form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

## 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 1,248 (2016: 1,148) branches in Pakistan including 117 (2016: 77) Islamic banking branches, 1 branch (2016:1) in Karachi Export Processing Zone and 1 Wholesale banking branch (2016: 1) in Bahrain. The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is 'AA+'. Short term rating of the Bank is 'A1+'.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it's registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 - Tipu Block, Main Boulevard, New Garden Town, Lahore.

## 2 a) 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 IV 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. 110.4172 per US Dollar has been used for 2017 and 2016, as it was the prevalent rate on reporting date.

## b) 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 5.3);
- Certain operating fixed assets (Note 5.5);
- Staff retirement and other benefits (Note 5.7);
- Non-banking assets acquired in satisfaction of claims (Note 5.8); and
- Derivative financial instruments (Note 5.14.2).

## 3 STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) & Securities and Exchange Commission of Pakistan (SECP). In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, repealed Companies Ordinance, 1984 and the directives issued by SBP and SECP differ from requirements of IFRSs and IFASs, the provisions of and directives issued under the Banking Companies Ordinance, 1962, repealed Companies Ordinance, 1984 and the directives issued by SBP and SECP shall prevail.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

- 3.2** During the year on May 30, 2017, the Companies Act, 2017 (the Act) was enacted which replaced the Companies Ordinance, 1984. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 23 of 2017 dated October 04, 2017 has advised that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.3** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard (IFRS 7) 'Financial Instruments Disclosure', 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.
- 3.4** IFRS 8 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these unconsolidated financial statements is based on the requirements laid down by SBP.
- 3.5** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS10 (Consolidated Financial Statements) and section 237 of the repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.6** 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 for 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.
- 3.7** **New and amended standards and interpretations became effective during the year**
- During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, the amendments, interpretations and improvements did not have any material effect on the unconsolidated financial statements of the Bank.
- 3.8** **New Companies Act, 2017 and new Accounting Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective**
- 3.8.1** The Companies Act, 2017 applicable for period beginning on January 01, 2018 requires certain additional disclosures and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land and building to bring it in line with the requirements of IAS 16 - Property, plant and equipment.
- 3.8.2** The State Bank of Pakistan has issued BPRD Circular No. 02 of 2018 dated January 25, 2018 'Revised Forms of Annual Financial Statements' effective from the accounting year ended December 31, 2018. The 'Revised Forms of Annual Financial Statements' have changed / added certain disclosures.
- 3.8.3** The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018:
- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Bank's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Bank's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Bank's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Bank is assessing the potential impact on its financial statements resulting from the adoption of IFRS 15.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, 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. The Bank is currently awaiting instructions from SBP as applicability of IAS 39 (as explained in note 3.3) was deferred by SBP till further instructions.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Bank's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any (specific) borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Bank's financial statements.

#### 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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:

##### i) 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'.

##### ii) 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.

##### iii) 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 and 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.

##### iv) 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.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### v) 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.

### vi) 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'.

### vii) 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 34.

### viii) 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).

## 5 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. Significant accounting policies are enumerated as follows:

### 5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

### 5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

#### (a) Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as mark-up expense.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### (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 Sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Profit 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. 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.

## 5.3 Investments

5.3.1 The Bank at the time of purchase classifies its investment portfolio, other than investment in subsidiary, into the following categories:

### a) Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin.

### b) Held-to-maturity

These are debt securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

### c) Available-for-sale

These are investments, other than those in subsidiary, that do not fall under the 'held-for-trading' or 'held-to-maturity' categories.

5.3.2 Investments are initially recognized at fair value which, in case of investments other than 'held-for-trading', includes transaction cost associated with the investments. Transaction cost on 'held-for-trading' investments are expensed as incurred.

All 'regular way' purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require settlement within the time frame generally established by regulation or convention in the market place.

5.3.3 In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held-to-maturity' and investments in subsidiaries, are carried at market value. Investments classified as 'held-to-maturity' are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Bank's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

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.

**5.3.4** Investments in subsidiaries are stated at cost less impairment.

### 5.4 Advances

#### a) Loans and advances

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

#### b) Net investment in finance lease

Leases, where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including un-guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

#### c) Islamic financing and related assets

The Bank provides Islamic financing and related assets mainly through Business Musharakah, Murabaha, Ijarah, Diminishing Musharakah and Salam. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of profit thereon. The profit on such financings is recognised in accordance with the principles of Islamic Shariah. The Bank determines specific and general provisions against Islamic financing and related assets in accordance with the requirements of the Prudential Regulations issued by the SBP. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against Islamic financing and related assets. Islamic financing and related assets are written off when there are no realistic prospects of recovery.

### 5.5 Operating 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 11.2. 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.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

### b) Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.3. 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.

## 5.6 Taxation

### a) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments, where considered necessary relating to prior years, including those arising from assessments finalized during the year.

### b) Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the reporting date between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the periods when the difference will reverse, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

## 5.7 Staff retirement and other benefits

### 5.7.1 Staff retirement schemes

#### a) For employees who opted for the 2002 scheme introduced by the management

An approved pension scheme (defined benefit scheme) under which the benefits on the basis of frozen basic salary, service length and age as on June 30, 2002 are payable to all employees whose date of joining the Bank is on or before July 01, 1992, i.e., who have completed ten years of continuous service as on June 30, 2002.

During the year, the pensioners were given an 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:

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

- 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.

### c) Benevolent Fund

Until December 31, 2008 the bank operated a contributory benevolent fund, which was discontinued for active employees. The beneficiaries as on that date were also given an option to settle their monthly grant with a lump sum payment. Those who have not opted for the lump sum option will continue to receive benevolent grant (defined benefit scheme).

### d) Post-retirement medical benefits

The Bank provides post-retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

## 5.7.2 Other long term benefit

### Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees. 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.

## 5.8 Non-banking assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation (excluding land). Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of assets' account 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.

## 5.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the profit and loss account on accrual 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'.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 5.10 Impairment

#### a) Available-for-sale equity securities

The Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant and prolonged decline in the fair value of these investments below their cost. The 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 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 statement of financial position 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.

### 5.11 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified losses on non-funded exposure is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

### 5.12 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 unconsolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

### 5.13 Foreign currencies

#### a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date. Foreign bills purchased are valued at spot rate and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

#### b) Foreign operations

The assets and liabilities of foreign operating branches are translated to Pakistan Rupee (PKR) at exchange rates prevailing at reporting date. The results of foreign operations are translated at the average exchange rate for the period.

#### c) Translation gains and losses

Translation gains and losses arising on revaluation of net investments in foreign operations are taken to equity under "Exchange Translation Reserve" through Other Comprehensive Income and on disposal are recognised in profit and loss account. Regular translation gains and losses are taken to profit and loss account.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

## 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.

## 5.14 Financial instruments

### 5.14.1 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.

### 5.14.2 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.

## 5.15 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.

## 5.16 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.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### c) **Islamic financing and related assets**

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha and Salam income is recognised on deferred income basis.

### d) **Fees, commission and brokerage**

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.

## 5.17 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:

### **Business segments**

#### a) **Corporate & investment banking**

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Bank. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all bank related matters.

#### b) **Trading and sales (Treasury)**

This segment undertakes the Bank's treasury and money market activities.

#### c) **Commercial & retail banking**

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and islamic) customers.

#### d) **Others**

Others includes functions which cannot be classified in any of the above segments.

## 5.18 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		12,281,484	11,886,845
Foreign currencies		881,144	1,061,186
		13,162,628	12,948,031
<b>Remittances in transit</b>		513,673	291,364
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	37,791,773	32,998,864
Foreign currency current account	6.2	1,247	9,620
		37,793,020	33,008,484
Foreign currency deposit accounts			
Non-remunerative	6.1	3,898,776	2,813,207
Remunerative	6.3	11,667,460	8,435,565
		15,566,236	11,248,772
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		18,156,411	15,439,067
<b>National Prize Bonds</b>		175,414	267,999
		85,367,382	73,203,717

**6.1** 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.

**6.2** This represents US Dollar settlement account maintained with SBP.

**6.3** This represents special cash reserve maintained with SBP. The return on this account is declared by SBP on a monthly basis and as at December 31, 2017 carries mark-up at the rate of 0.37% (2016: 0%).

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>7 BALANCES WITH OTHER BANKS</b>		
<b>Outside Pakistan</b>		
On current accounts	326,579	271,111
On deposit accounts	322,186	408,812
	648,765	679,923

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lending	8.1	1,000,000	2,091,970
Repurchase agreement lendings (Reverse Repo)	8.2 & 8.8	5,779,431	7,220,782
Musharaka lendings	8.3	1,100,000	700,000
Mudaraba lending	8.4	600,000	500,000
Bai muajjal placement	8.5	214,968	–
Certificates of investment	8.6	70,000	70,000
	8.7	8,764,399	10,582,752
Provision against lendings to financial institutions	8.6 & 8.9	(70,000)	(70,000)
		<u>8,694,399</u>	<u>10,512,752</u>

- 8.1** This represents local currency call money lending at the mark-up rate of 5.90% (2016: foreign currency lending at the rate of 0.65%) per annum, maturing on January 02, 2018.
- 8.2** These are short-term local currency lendings to financial institutions against government securities as shown in note 8.8 below. These carry mark-up at the rate of 5.95% to 6.10% (2016: 5.90% to 6.20%) per annum, maturing on January 02, 2018.
- 8.3** These represent local currency lendings by Islamic banking business under Musharaka agreement at profit of 5.83% to 5.85% (2016: 5.00%) per annum, maturing on various dates, latest by January 05, 2018.
- 8.4** This represents local currency lending by Islamic banking business under Mudaraba agreement at profit of 5.80% (2016: 5.55%) per annum, maturing on January 12, 2018.
- 8.5** This represents local currency lending by Islamic banking business under Bai Muajjal agreement with the State Bank of Pakistan at profit of 5.46% (2016: Nil) per annum, maturing on June 21, 2018.
- 8.6** This represent local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2016: Rs. 70 million).

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>8.7 Particulars of lendings</b>		
In local currency	8,764,399	8,490,782
In foreign currencies	–	2,091,970
	<u>8,764,399</u>	<u>10,582,752</u>

	December 31, 2017			December 31, 2016		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
<b>8.8 Securities held as collateral against lending to Financial Institutions</b>						
Market Treasury Bills	800,000	–	800,000	1,220,782	–	1,220,782
Pakistan Investment Bonds	5,000,000	–	5,000,000	6,000,000	–	6,000,000
	<u>5,800,000</u>	<u>–</u>	<u>5,800,000</u>	<u>7,220,782</u>	<u>–</u>	<u>7,220,782</u>

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>8.9 Particulars of provision</b>		
Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	<u>70,000</u>	<u>70,000</u>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Note	December 31, 2017			December 31, 2016		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
<b>9. INVESTMENTS</b>						
<b>9.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	24,706,169	–	24,706,169	–	–	–
Pakistan Investment Bonds	119,940	–	119,940	102,531	–	102,531
	24,826,109	–	24,826,109	102,531	–	102,531
<b>Available-for-sale securities</b>						
Market Treasury Bills	290,064,860	75,614,442	365,679,302	202,224,770	23,995,274	226,220,044
Pakistan Investment Bonds	63,758,497	100,297,935	164,056,432	144,961,948	53,343,313	198,305,261
Ordinary shares of listed companies / certificates of close-ended mutual funds	14,815,012	–	14,815,012	14,493,083	–	14,493,083
Ordinary shares of unlisted companies	2,500,169	–	2,500,169	2,500,169	–	2,500,169
Investment in related parties						
Listed shares	8,142,520	–	8,142,520	8,142,520	–	8,142,520
Unlisted shares	1,093,449	–	1,093,449	997,894	–	997,894
Sukuk bonds	5,465,894	–	5,465,894	5,423,031	–	5,423,031
GOP Sukuk	9,562,817	1,543,073	11,105,890	10,550,356	–	10,550,356
GOP Ijara Sukuk	2,845,696	–	2,845,696	2,148,084	–	2,148,084
Foreign Currency Bonds (US\$)	4,996,009	–	4,996,009	4,734,946	–	4,734,946
Term finance certificates (TFCs)	3,707,217	–	3,707,217	4,340,267	–	4,340,267
	406,952,140	177,455,450	584,407,590	400,517,068	77,338,587	477,855,655
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	73,454,137	–	73,454,137	83,222,932	–	83,222,932
GOP Sukuk	1,108,143	–	1,108,143	1,051,562	–	1,051,562
GOP Ijara Sukuk	–	–	–	100,000	–	100,000
Foreign Currency Bonds (US\$)	–	–	–	1,595,719	–	1,595,719
TFCs and Sukuk Bonds	346,102	–	346,102	358,879	–	358,879
	74,908,382	–	74,908,382	86,329,092	–	86,329,092
<b>Subsidiary</b>						
ABL Asset Management Company Limited	500,000	–	500,000	500,000	–	500,000
<b>Investment at cost</b>	507,186,631	177,455,450	684,642,081	487,448,691	77,338,587	564,787,278
Provision for diminution in the value of investments	9.3	(2,705,403)	(2,705,403)	(2,696,599)	–	(2,696,599)
<b>Investment (cost net of provisions)</b>	504,481,228	177,455,450	681,936,678	484,752,092	77,338,587	562,090,679
Surplus / (deficit) on revaluation of 'held-for-trading' securities - net	9.9	1,782	1,782	(713)	–	(713)
Surplus on revaluation of 'available-for-sale' securities - net	20.3	15,803,706	16,143,606	25,895,586	1,878,996	27,774,582
<b>Total investments at market value</b>	520,286,716	177,795,350	698,082,066	510,646,965	79,217,583	589,864,548

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>9.2 Investments by segments</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills	9.2.1 - 9.2.3	390,385,471	226,220,044
Pakistan Investment Bonds	9.2.1 & 9.2.2	237,630,509	281,630,724
Foreign Currency Bonds (US\$)	9.2.1 & 9.2.4	4,996,009	6,330,665
GOP Ijara Sukuk	9.2.1	2,845,696	2,248,084
GOP Sukuk	9.2.1	12,214,033	11,601,918
<b>Fully paid up ordinary shares of listed companies / certificates of close-ended mutual funds</b>			
	9.4	22,957,532	22,635,603
<b>Fully paid up ordinary shares of unlisted companies</b>			
	9.5	3,593,618	3,498,063
<b>Term Finance Certificates (TFCs) and Sukuk Bonds</b>			
Term Finance Certificates			
Listed	9.6	2,399,462	2,455,310
Unlisted	9.6	1,453,857	2,043,836
Sukuk Bonds	9.7	5,665,894	5,623,031
<b>Subsidiary</b>			
	9.5	500,000	500,000
<b>Investments at cost</b>			
		684,642,081	564,787,278
Provision for diminution in the value of investments	9.3	(2,705,403)	(2,696,599)
<b>Investments (cost net of provisions)</b>			
		681,936,678	562,090,679
Surplus / (deficit) on revaluation of 'held-for-trading' securities	9.9	1,782	(713)
Surplus on revaluation of 'available-for-sale' securities	20.3	16,143,606	27,774,582
<b>Total investments at market value</b>		<b>698,082,066</b>	<b>589,864,548</b>

### 9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Coupon Rate / Yield	Redemption Period	Frequency
Market Treasury Bills	January, 2018 to April, 2018	5.70% - 6.19%	On maturity	At maturity
Pakistan Investment Bonds	March, 2018 to August, 2031	7.00% - 13.00%	On maturity	Half Yearly
Foreign Currency Bonds (US\$)	September, 2025	8.25%	On maturity	Half Yearly
GOP Ijara Sukuk	December, 2018 to June, 2020	6M MTB minus 0.50%	On maturity	Half Yearly
GOP Sukuk	December, 2019 to October, 2021	5.50% - 6.75%	On maturity	Half Yearly

**9.2.2** Included herein are Market Treasury Bills having a book value of Rs. 75,442.036 million (2016: Rs. 23,816.042 million) and Pakistan Investment Bonds having a book value of Rs. 100,297.935 million (2016: Rs. 53,343.313 million), given as collateral against repurchase agreement borrowings from financial institutions.

**9.2.3** Included herein are Market Treasury Bills having a book value of Rs. 172.406 million (2016: Rs. 179.232 million), held by the SBP against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2017	December 31, 2016
Rupees in '000							
<b>9.2.4 Investment in Foreign Currency Bonds</b>							
Euro Dollar Bond (\$45,000,000)	8.250%	30-Sep-15	30-Sep-25	01-Apr-18	10 Years	4,996,009	4,734,946
Euro Dollar Bond (\$10,500,000)	6.875%	01-Jun-07	01-Jun-17	30-May-17	10 Years	–	1,083,920
Euro Dollar Bond (\$5,000,000)	6.875%	01-Jun-07	01-Jun-17	30-May-17	10 Years	–	511,799
						4,996,009	6,330,665
						2,705,403	2,696,599
Rupees in '000							
<b>9.3 Particulars of provision</b>							
Opening balance						2,696,599	2,777,721
Charge for the year						22,581	78,582
Reversals						(13,777)	(3,676)
Net charge						8,804	74,906
Net reversal on disposal of shares						–	(156,028)
Closing balance	9.3.1					2,705,403	2,696,599
<b>9.3.1 Particulars of provision in respect of type and segment</b>							
<b>By type:</b>							
<b>Available-for-sale securities</b>							
Ordinary shares / certificates of mutual funds						2,264,790	2,264,790
Ordinary shares of unlisted companies						71,563	49,982
Sukuk Bonds						22,948	22,948
						2,359,301	2,337,720
<b>Held-to-maturity securities</b>							
TFCs and Sukuk Bonds						346,102	358,879
						2,705,403	2,696,599
<b>By Segment:</b>							
<b>Fully Paid up Shares</b>							
Ordinary shares of listed companies						2,264,790	2,264,790
Ordinary shares of unlisted companies						71,563	49,982
						2,336,353	2,314,772
<b>Term Finance Certificates and Sukuk Bonds</b>							
Sukuk Bonds						222,948	222,948
Term Finance Certificates						146,102	158,879
						369,050	381,827
						2,705,403	2,696,599

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Name of Company / Mutual Fund	Cost per share / certificates Rupees	2017		2016	
		No. of shares / certificates	Total Cost Rupees in '000	No. of shares / certificates	Total Cost Rupees in '000
<b>9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds</b>					
<b>Available for Sale</b>					
Agritech Limited	16.16	16,601,113	268,289	16,601,113	268,289
Attock Petroleum Limited	419.20	1,338,450	561,076	1,338,450	561,076
Dolmen City REIT	11.00	41,441,000	455,851	41,441,000	455,851
Engro Fertilizer Limited	69.80	8,150,000	568,831	8,150,000	568,831
Fatima Fertilizer Company Limited	24.39	62,700,000	1,528,975	62,700,000	1,528,975
Fauji Fertilizer Company Limited	103.62	15,481,600	1,604,159	15,481,600	1,604,159
Habib Bank Limited	168.01	6,622,992	1,112,707	6,622,992	1,112,707
Habib Metropolitan Bank Limited	27.96	10,000,000	279,598	10,000,000	279,598
Hub Power Company Limited - related party	36.51	112,000,000	4,089,011	112,000,000	4,089,011
Kot Addu Power Co. Limited - related party	46.06	88,000,000	4,053,509	88,000,000	4,053,509
MCB Bank Limited	199.83	1,125,500	224,907	-	-
Nishat Chunian Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Nishat Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Orix Leasing Pakistan Limited	35.00	2,772,062	97,022	-	-
Pakistan Oil Field Limited	404.83	9,106,350	3,686,501	9,106,350	3,686,501
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	9,562,740	1,995,359
Pakistan State Oil Company Limited	270.43	1,783,800	482,384	1,486,500	482,384
PICIC Growth Mutual Fund	13.54	6,677,717	90,436	6,677,717	90,436
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Saif Power Limited	18.00	13,889,000	250,002	13,889,000	250,002
Trust Investment Bank Limited	10.00	5,000,000	50,000	5,000,000	50,000
United Bank Limited	158.01	6,064,800	958,277	6,064,800	958,277
			22,957,532		22,635,603

Name of Company	Percentage of Holding	No. of shares	Break-up Value per share Rupees	Paid up Value per share Rupees	Dec. 31, 2017 Cost Rupees '000	Based on audited accounts as at	Name of Chief Executive/Managing Agent

### 9.5 Investment in Un-Listed Shares

Arabian Sea Country Club Limited - related party	6.45%	500,000	0.70	10	5,000	30-Jun-14	Mr. Arif Ali Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	21.48	10	355,000	30-Jun-17	Mr. Maqsood Ahmed Basraa
Central Depository Company of Pakistan Limited	1.00%	1,060,900	36.72	10	40,300	30-Jun-17	Mr. Aftab Ahmed Diwan
Eastern Capital Limited	-	500,000	-	-	5,000	-	Under liquidation
First Women Bank Limited	2.21%	7,734,927	9.96	10	21,200	31-Dec-16	Ms. Tahira Raza
Habib Allied Holding Limited - related party	9.50%	5,874,525	179.09	£1	1,035,922	31-Dec-16	Mr. Abbas Hasan
ISE Towers REIT Management Company Limited*	0.83%	3,034,603	12.13	10	30,346	30-Jun-17	Mr. Mian Ayyaz Afzal
LSE Financial Services Limited*	0.66%	843,975	18.29	10	8,440	30-Jun-17	Mr. Farid Malik
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	2,266,609	24.62	10	1,527	30-Jun-17	Mr. Haider Wahab
Nishat Hotels and Properties Limited	9.84%	94,497,049	9.60	10	944,970	30-Jun-17	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) - related party	3.33%	1,000	228,378	1,000	1,000	31-Mar-17	Mr. Muhammad Khan Khichi
Pakistan Mortgage Refinancing Company Limited	-	-	-	-	12,240	31-Dec-16	Mr. N.K. Rupan
Security General Insurance Company Limited	18.22%	12,401,871	140.51	10	1,075,653	31-Dec-16	Mr. Farrukh Aleem
SME Bank Limited	0.32%	774,351	0.09	10	5,250	31-Dec-16	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank Financial Telecommunication	0.01%	10	499,351	€ 125	1,770	31-Dec-16	Mr. Gottfried Leibbrandt
1 Link (Guarantee) Limited - related party	-	-	-	-	50,000	-	-
					3,593,618		
ABL Assets Management Company Limited- subsidiary	100.00%	50,000,000	36.67	10	500,000	31-Dec-17	Mr. Alee Khalid Ghaznavi
					4,093,618		

\*These shares have been transferred as per the requirements of The Stock Exchanges (Corporation, Demutualization and integration) Act, 2012.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2017	2016		2017	2016
Rupees in '000					
<b>9.6 Detail of investment in TFCs</b>					
<b>Listed</b>					
Habib Bank Limited	15,000	15,000	100,000	1,499,100	1,499,700
Bank Al Falah Limited TFC V	64,618	64,618	5,000	322,508	322,638
JS TFC II	37,500	37,500	5,000	89,063	131,250
MCB Bank Limited TFC (Formerly NIB Bank Limited TFC II)	76,800	76,800	5,000	383,462	383,616
Telecard Limited	75,888	75,888	5,000	105,329	118,106
				2,399,462	2,455,310
<b>Unlisted</b>					
Faysal Bank Limited (Chief Executive: Mr. Yousaf Hussain)	–	70,000	5,000	–	174,650
Dewan Farooque Spinning Mills Limited (Chief Executive: Mr. Ishtiaq Ahmed)	25,000	25,000	5,000	30,274	30,274
Khairpur Sugar Mills Limited (Chief Executive: Muhammad Mubeen Jumani)	13 1 5 1	13 1 5 1	55,536 55,538 337,000 337,077	454	454
Bachani Sugar Mills Limited (Chief Executive: Mr. Najmuddin Ansari)	23 1 14 13 1	23 1 14 13 1	135,227 135,236 1,526,874 655,656 655,657	10,044	10,044
Bank Al-Habib TFC V (Chief Executive: Mr. Mansoor Ali Khan)	107,000	107,000	5,000	534,679	534,894
Standard Chartered Bank TFC III (Chief Executive: Mr. Shazad Dada)	–	75,000	5,000	–	375,000
Askari Bank Limited TFC V (Chief Executive: Mr. Syed M. Husaini)	120,000	120,000	5,000	599,281	599,520
Jahangir Siddiqi & Company Limited (Chief Executive: Mr. Suleman Lalani)	63,800	63,800	5,000	279,125	319,000
				1,453,857	2,043,836

Name of Sukuk Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2017	2016
Rupees in '000							

### 9.7 Detail of Investment in Sukuk Bonds

Liberty Power Tech. Limited I	3 MK+3%	18-Mar-09	01-Apr-21	01-Apr-18	Quarterly	1,198,582	1,485,408
Liberty Power Tech. Limited II	3 MK+3%	30-Nov-10	31-Dec-21	01-Apr-18	Quarterly	134,329	166,199
Quetta Textile Mills Limited*	6 MK+1.75%	26-Sep-08	20-Mar-20	25-Mar-16	Quarterly	22,948	22,948
Shahraj Fabrics Pvt Limited*	6 MK +2.10%	08-Mar-08	08-Mar-13	08-Mar-13	Half Yearly	200,000	200,000
K- Electric Limited	3 MK + 1.00%	17-Jun-15	17-Jun-22	16-Mar-18	Quarterly	223,035	248,476
Neelam Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	29-Jun-16	29-Jun-26	29-Jun-18	Half Yearly	1,200,000	1,200,000
Neelam Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	27-Oct-16	29-Jun-26	27-Apr-18	Half Yearly	1,400,000	1,400,000
Meezan Bank's Sukuk	6 MK+0.5%	22-Sep-16	22-Sep-26	01-Mar-18	Half Yearly	900,000	900,000
Dubai Islamic Bank Pakistan	6 MK+0.5%	14-Jul-17	14-Jul-27	14-Jul-18	Half Yearly	387,000	–
						5,665,894	5,623,031

\*These Sukuk Bonds have been classified as loss and fully provided.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Name of Security	2017		2016	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>9.8 Quality of 'available-for-sale' Securities</b>				
<b>Government Securities</b>				
Market treasury bills	365,643,722	Un Rated	226,247,239	Un Rated
Pakistan Investment Bonds	166,864,554	Un Rated	203,533,463	Un Rated
<b>Listed TFCs</b>				
Habib Bank Limited	1,485,849	AA+	1,503,449	AAA
MCB Bank Limited TFC (Formerly NIB Bank Limited TFC II)	389,427	AAA	387,972	A+
Bank Alfalah Limited - TFC V	328,246	AA	331,119	AA-
JS TFC II	89,416	AA+	131,329	AA+
<b>Unlisted TFCs</b>				
Faysal Bank Limited	–	–	174,650	AA-
Bank Al-Habib Limited TFC V	534,679	AA	534,893	AA
Standard Chartered Bank	–	–	375,000	AAA
Askari Bank Limited TFC V	599,281	AA-	599,520	AA-
Jahangir Siddiqi & Company Limited	279,125	**	319,000	**
<b>Unlisted Shares</b>				
Arabian Sea Country Club Limited* - related party	5,000	**	5,000	**
Atlas Power Limited*	355,000	AA-&A1+	355,000	AA-&A1+
Central Depository Company of Pakistan Limited	40,300	**	40,300	**
Eastern Capital Limited*	5,000	**	5,000	**
First Women Bank Limited*	21,200	A-&A2	21,200	A-&A2
Habib Allied Holding Limited* - related party	1,035,922	**	990,367	**
ISE Towers REIT Management Company Limited	30,346	**	30,346	**
LSE Financial Services Limited	8,440	**	8,440	**
NIFT* - related party	1,527	**	1,527	**
Nishat Hotels and Properties Limited*	531,545	A-&A2	531,545	A-&A2
Nishat Hotels and Properties Limited	413,425	A-&A2	413,425	A-&A2
Pakistan Mortgage Refinance Company Limited	12,240	**	12,240	**
PASSCO* - related party	1,000	**	1,000	**
Security General Insurance Company Limited	1,075,653	AA-	1,075,653	AA-
SME Bank Limited*	5,250	B&B	5,250	B&B
SWIFT	1,770	**	1,770	**
1 Link (Guarantee) Limited - related party	50,000	**	–	**
<b>Listed Shares / Certificates</b>				
Agritech Limited	80,847	**	210,502	**
Attock Petroleum Limited	700,116	**	916,330	**
Dolmen City REIT	455,851	RR1	450,464	RR1
Fatima Fertilizer Company Limited	1,936,176	AA-&A1+	2,313,003	AA-&A1+
Fauji Fertilizer Company Limited	1,224,749	AA&A1+	1,615,815	AA&A1+
Habib Bank Limited	1,106,636	AAA&A1+	1,809,733	AAA&A1+
Hub Power Company Limited* - related party	5,541,900	AA+&A1+	7,519,932	AA+&A1+
Hub Power Company Limited - related party	4,650,100	AA+&A1+	6,309,828	AA+&A1+
Kot Addu Power Co. Limited.* - related party	4,743,200	AA+&A1+	6,934,400	AA+&A1+
MCB Bank Limited	238,966	AAA&A1+	–	–
Nishat Chunian Power Limited*	987,300	**	1,664,400	**
Nishat Power Limited*	1,020,000	A+&A1	1,922,700	A+&A1
Orix Leasing Pakistan Limited	115,068	AA+&A1+	–	–
Pakistan Oilfield Limited*	2,097,144	**	1,886,674	**
Pakistan Oilfield Limited	3,314,396	**	2,981,763	**
Pakistan Petroleum Limited*	1,969,064	**	1,799,516	**

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Name of Security	2017		2016	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Pakistan State Oil Company Limited	522,850	AA&A1+	645,453	AA&A1+
PICIC Growth Mutual Fund	189,313	**	203,403	**
Pioneer Cement Limited	6,740	**	15,173	**
Saif Power Limited	401,809	A+&A1	493,893	A+&A1
United Bank Limited	1,140,000	AAA&A1+	1,448,881	AAA&A1+
Trust Investment Bank Limited	7,150	**	18,700	**
Habib Metropolitan Bank Limited	345,000	AA+&A1+	370,000	AA+&A1+
Engro Fertilizer Limited	551,918	AA-&A1+	554,037	AA-&A1+
<b>Sukuk Bonds</b>				
Liberty Power Tech Limited I	1,198,582	A+	1,485,408	A+
Liberty Power Tech Limited II	134,329	A+	166,199	A+
Quetta Textile Mills Limited	22,948	**	22,948	**
K- Electric Limited	222,501	AA+	250,988	AA+
Neelum Jhelum Hydropower Company (Pvt) Limited	2,600,000	AAA	2,600,000	AAA
Meezan Bank's Sukuk	900,000	AA-	900,000	AA-
Dubai Islamic Bank Pakistan	387,000	A+	-	-
GOP Ijara Sukuk	2,861,151	**	2,196,404	**
GOP Sukuk	11,290,159	**	10,858,893	**
<b>Foreign Currency Bonds (US\$)</b>				
Euro Bonds	5,515,525	**	5,177,620	**
* Strategic Investments of the Bank				
** Ratings are not available				
		<b>Note</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
			<b>Rupees in '000</b>	

### 9.9 Unrealized (loss) / gain on revaluation of investments classified as held-for-trading

Market Treasury Bills		(1,691)	-
Pakistan Investment Bonds		3,473	(713)
		1,782	(713)

### 10 ADVANCES

Loans, cash credits, running finances, etc.			
In Pakistan		373,157,869	334,047,662
Outside Pakistan		4,499,177	7,876,267
		377,657,046	341,923,929
Islamic financing and related assets	A-IV. 2	4,662,326	605,138
Net investment in finance lease - in Pakistan	10.2	2,380,573	2,131,845
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,466,333	1,997,152
Payable outside Pakistan		1,585,373	1,687,999
		4,051,706	3,685,151
<b>Advances - gross</b>	10.1	388,751,651	348,346,063
Provision for non-performing advances	10.3 & 10.4	(16,702,236)	(18,720,563)
General provision	10.4	(11,701)	(63,309)
		(16,713,937)	(18,783,872)
<b>Advances - net of provision</b>		372,037,714	329,562,191

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>10.1 Particulars of advances (Gross)</b>		
<b>10.1.1</b> In local currency	378,173,382	321,381,700
In foreign currencies	10,578,269	26,964,363
	<u>388,751,651</u>	<u>348,346,063</u>
<b>10.1.2</b> Short term (for up to one year)	134,497,900	183,305,141
Long term (for over one year)	254,253,751	165,040,922
	<u>388,751,651</u>	<u>348,346,063</u>

	December 31, 2017				December 31, 2016			
	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							
<b>10.2 Net investment in finance lease</b>								
Lease rentals receivable	548,697	1,335,126	194,666	2,078,489	548,277	1,191,271	123,062	1,862,610
Residual value	63,787	375,705	178,991	618,483	66,446	319,475	164,983	550,904
Minimum lease payments	612,484	1,710,831	373,657	2,696,972	614,723	1,510,746	288,045	2,413,514
Financial charges for future periods	(37,398)	(142,759)	(136,242)	(316,399)	(28,902)	(117,424)	(135,343)	(281,669)
Present value of minimum lease payments	575,086	1,568,072	237,415	2,380,573	585,821	1,393,322	152,702	2,131,845

**10.3** Advances include Rs. 18,051.749 million (2016: Rs. 20,431.609 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2017								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other assets especially mentioned	39,805	-	39,805	1,054	-	1,054	1,054	-	1,054
Substandard	492,961	-	492,961	122,297	-	122,297	122,297	-	122,297
Doubtful	107,934	-	107,934	53,967	-	53,967	53,967	-	53,967
Loss	17,411,049	-	17,411,049	16,524,918	-	16,524,918	16,524,918	-	16,524,918
	<u>18,051,749</u>	<u>-</u>	<u>18,051,749</u>	<u>16,702,236</u>	<u>-</u>	<u>16,702,236</u>	<u>16,702,236</u>	<u>-</u>	<u>16,702,236</u>

Category of Classification	December 31, 2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other assets especially mentioned	60,180	-	60,180	1,804	-	1,804	1,804	-	1,804
Substandard	636,905	-	636,905	156,972	-	156,972	156,972	-	156,972
Doubtful	473,854	-	473,854	236,927	-	236,927	236,927	-	236,927
Loss	19,260,670	-	19,260,670	18,324,860	-	18,324,860	18,324,860	-	18,324,860
	<u>20,431,609</u>	<u>-</u>	<u>20,431,609</u>	<u>18,720,563</u>	<u>-</u>	<u>18,720,563</u>	<u>18,720,563</u>	<u>-</u>	<u>18,720,563</u>

**10.3.1** 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.

**10.3.2** The Bank has participated in government guaranteed syndicated long term loan facilities, granted to Power Holding (Pvt.) Limited, with the Bank's share being Rs. 9,348 million and rs. 5,000 million. State bank of Pakistan has extended relaxation against classification of these exposures vide Letter no. BPRD/ BRD (Policy)/ 2017/26852 dated November 16, 2017 till December 31, 2017; with instructions to recognize mark-up on receipt basis.



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017			December 31, 2016		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
<b>10.4 Particulars of provision against non-performing advances</b>							
Opening balance		18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266
Charge for the year		365,854	–	365,854	1,841,422	–	1,841,422
Reversals	10.5	(2,281,184)	(51,608)	(2,332,792)	(2,168,601)	(8,180)	(2,176,781)
Net reversal		(1,915,330)	(51,608)	(1,966,938)	(327,179)	(8,180)	(335,359)
Amounts written off	10.6	(102,997)	–	(102,997)	(45,035)	–	(45,035)
Closing balance		16,702,236	11,701	16,713,937	18,720,563	63,309	18,783,872
<b>10.4.1</b>							
In local currency		16,442,940	11,701	16,454,641	18,474,931	63,309	18,538,240
In foreign currencies		259,296	–	259,296	245,632	–	245,632
		16,702,236	11,701	16,713,937	18,720,563	63,309	18,783,872

**10.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 32.5 million (2016: Rs. 188.472 million).

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>10.6 Particulars of write-offs</b>			
<b>10.6.1</b>	Against provisions	102,997	45,035
	Directly charged to Profit and Loss account	–	–
		102,997	45,035
<b>10.6.2</b>	Write-offs of Rs. 500,000 and above	102,997	44,637
	Write-offs of below Rs. 500,000	–	398
		102,997	45,035

### 10.7 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, 2017 is given in Annexure-'I'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

### 10.8 Particulars of loans and advances to directors, related parties, etc.

Details of loans and advances to associates, subsidiary and other related parties are given in note 39.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>11 OPERATING FIXED ASSETS</b>			
	11.1	3,061,424	3,290,221
	11.2	43,904,506	28,475,682
	11.3	1,361,099	991,318
		48,327,029	32,757,221
<b>11.1 Capital work-in-progress</b>			
		2,530,114	2,381,725
		72,255	683,215
		459,055	225,281
		3,061,424	3,290,221

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

## 11.2 Property and equipment

Description	Note	Cost / Revaluation			Accumulated Depreciation			Net book Value At December 31, 2017	Annual rate of depreciation %		
		At January 1, 2017	Addition / (Deletions)	Revaluation Surplus / Adjustments	Write-off	At December 31, 2017	Charge / (Reversal) / Exchange and other adjustments			Revaluation Surplus / Adjustments	Write-off
Land-Freehold	11.4	12,157,409	2,146,874	976,787	-	15,281,070	-	-	-	15,281,069	-
Land-Leasehold	11.4	3,303,825	716,833	7,047,978	-	11,068,636	-	-	-	11,068,636	-
Buildings-Freehold	11.4	5,514,533	980,765	-	-	6,260,977	256,493	(895,616)	-	6,260,977	5
Buildings-Leasehold	11.4	3,097,922	639,744	523,975	-	4,261,641	143,361	(428,787)	-	4,261,641	5
Building improvements (rented premises)		2,622,036	880,062	-	-	3,501,922	383,625	-	-	1,997,095	20
Furniture and fixtures		1,400,514	284,548	-	-	1,675,822	168,474	-	-	874,675	10
Electrical, office and computer equipments		9,818,440	2,055,662	-	-	11,631,268	6,321,899	1,112,411	-	7,194,647	14.28 - 50
Vehicles		819,019	66,427	-	-	824,980	448,947	140,568	-	555,393	20
<b>Total</b>		38,733,698	7,770,915	8,548,740	-	54,506,316	2,204,932	(1,324,403)	-	10,601,810	43,904,506
			(312,716)	(234,321)			(302,456)	(234,321)			42

Rupees in '000

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Description	Note	Cost / Revaluation				Accumulated Depreciation				Net book Value At December 31, 2016	Annual rate of depreciation %		
		At January 1, 2016	Addition/ (Deletions)	Revaluation Surplus	Write-off	At December 31, 2016	Charge / (Reversal) Exchange and other adjustments	Revaluation Surplus	Write-off			At December 31, 2016	
		Rupees in '000											
Land-Freehold	11.4	10,485,685	1,671,724	-	-	12,157,409	-	-	-	-	12,157,409	-	
Land-Leasehold	11.4	3,250,052	53,773	-	-	3,303,825	-	-	-	-	3,303,825	-	
Buildings-Freehold	11.4	5,093,176	421,357	-	-	5,514,533	643,107	230,337	-	-	873,444	4,641,089	5
Buildings-Leasehold	11.4	2,917,601	180,321	-	-	3,097,922	142,119	143,307	-	-	285,426	2,812,496	5
Building improvements (rented premises)		2,171,449	450,764 (177)	-	-	2,622,036	1,335,598 (177)	278,225	-	-	1,613,646	1,008,390	20
Furniture and fixtures		1,201,410	203,125 (3,596)	-	(425)	1,400,514	579,899	138,631 (3,496)	-	(380)	714,654	685,860	10
Electrical, office and computer equipments		8,323,806	1,578,492 (80,581)	-	(3,277)	9,818,440	5,403,067	1,001,165 (79,060)	-	(3,273)	6,321,899	3,496,541	14.28 - 50
Vehicles		722,522	148,912 (52,415)	-	-	819,019	345,186	144,379 (40,618)	-	-	448,947	370,072	20
<b>Total</b>		34,165,701	4,708,468 (136,769)	-	(3,702)	38,733,698	8,448,976	1,986,044 (123,351)	-	(3,653)	10,258,016	28,475,682	
<b>11.3 Intangible assets</b>													
		Cost				Accumulated Amortization				Net book value at	Annual Rate of amortization %		
Description		At January 1, 2017	Addition (Deletions)	At December 31, 2017	At January 1, 2017	Amortization	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2017			
Computer software		2,012,378	677,527	2,689,905	1,021,060	307,746	1,328,806	1,361,099	14.28				
		Rupees in '000											
Description		At January 1, 2016	Addition (Deletions)	At December 31, 2016	At January 1, 2016	Amortization	December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2016	Annual Rate of amortization %		
Computer software		1,550,810	461,568	2,012,378	763,558	257,502	1,021,060	991,318	14.28				

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

- 11.4** Bank arranged for valuation of Land and Building 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)	12,590,895
- Building	7,037,227

- 11.5** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			

- |             |   |      |        |        |
|-------------|---|------|--------|--------|
| <b>11.6</b> | Incremental depreciation charged during the year transferred to profit & loss account | 20.1 | 84,520 | 88,968 |
|-------------|---|------|--------|--------|

- |             |   |  |        |        |
|-------------|---|--|--------|--------|
| <b>11.7</b> | Restriction / discrepancy in the title of property having a net book value of |  | 59,131 | 45,401 |
|-------------|---|--|--------|--------|

- 11.8** The gross carrying amount of fully depreciated / amortized assets that are still in use:

	286,863	224,775
Furniture and fixtures	4,464,328	3,804,924
Electrical, office and computer equipments	285,809	46,122
Vehicles	282,187	209,492
Intangible assets - software	1,200,646	1,033,016
Leasehold Improvements		

Amount of fully depreciated assets includes depreciation of Rs. 145.56 million (2016: Rs. 106.12 million) of under Rs.10,000 items which are fully depreciated in the month of purchase.

	December 31, 2017	December 31, 2016
Rupees in '000		

- |             |   |         |         |
|-------------|---|---------|---------|
| <b>11.9</b> | The carrying amount of property and equipment that have retired from active use | 353,461 | 361,307 |
|-------------|---|---------|---------|

- 11.10** The details of disposals of assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "II".

- 11.11** Information relating to sale of operating fixed assets (otherwise than through a regular auction) made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, as required by SBP's BSD Circular No. 4 dated February 17, 2006, is given in Annexure "II".

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>12 OTHER ASSETS</b>			
Mark-up / return / interest receivable			
in local currency		15,530,697	17,621,002
in foreign currencies		266,574	289,597
Advances, deposits, advance rent and other prepayments		943,391	832,110
Advance taxation (payments less provisions)		4,752,964	3,956,145
Stationery and stamps in hand		196,230	184,587
Unrealized gain on forward foreign exchange contracts		2,227,080	–
Due from the employees' retirement benefit schemes			
benevolent fund	34.4	112,061	106,116
pension fund	34.4	3,692,032	4,614,727
Receivable from SBP - customers encashments		15,476	9,979
ATM / POS settlement account		1,331,063	1,161,359
Non-banking assets acquired in satisfaction of claims	12.1	3,584,030	3,476,351
Suspense account		517,113	922,303
Excise duty		11	11
Others		133,098	118,060
		33,301,820	33,292,347
Provision held against other assets	12.2	(747,062)	(926,951)
Other assets (net of provision)		32,554,758	32,365,396

12.1 These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.8.

	December 31, 2017			December 31, 2016		
	Specific	General	Total	Specific	General	Total
Rupees in '000						

### 12.2 Provision against Other Assets

Opening balance	695,044	231,907	926,951	1,250,830	186,858	1,437,688
Charge for the year	23,620	44,000	67,620	29,951	45,049	75,000
Reversals	(20,189)	(204,289)	(224,478)	–	–	–
Net charge / (reversal)	3,431	(160,289)	(156,858)	29,951	45,049	75,000
Written off / adjusted	(19,645)	(3,386)	(23,031)	(585,737)	–	(585,737)
Closing balance	678,830	68,232	747,062	695,044	231,907	926,951

### 13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Rupees in '000		

### 14 BILLS PAYABLE

In Pakistan	7,835,467	9,848,795
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## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016	
Rupees in '000				
<b>15</b>	<b>BORROWINGS</b>			
	In Pakistan	206,150,246	103,487,046	
	Outside Pakistan	17,406,137	22,881,829	
		<u>223,556,383</u>	<u>126,368,875</u>	
<b>15.1</b>	<b>Particulars of borrowings with respect to currencies</b>			
	In local currency	206,150,246	103,487,046	
	In foreign currencies	17,406,137	22,881,829	
		<u>223,556,383</u>	<u>126,368,875</u>	
<b>15.2</b>	<b>Details of borrowings (Secured / Unsecured)</b>			
	<b>Secured</b>			
	Borrowings from State Bank of Pakistan			
	Repurchase agreement borrowings	15.3	169,225,901	55,099,808
	Under export refinance scheme	15.4	13,583,114	11,334,860
	Long term financing facility	15.5	10,597,665	6,149,320
	Financing Facility for Storage of Agriculture Produce (FFSAP)	15.6	5,477	16,430
			<u>193,412,157</u>	<u>72,600,418</u>
	Repurchase agreement borrowings from Financial Institutions	15.7	7,674,798	23,803,676
	<b>Unsecured</b>			
	Call borrowings	15.8	20,246,997	29,873,171
	Trading liability		1,976,436	–
	Overdrawn nostro accounts		104,823	63,459
	Musharaka Borrowing	15.9	100,000	–
	Other borrowings		41,172	28,151
			<u>22,469,428</u>	<u>29,964,781</u>
			<u>223,556,383</u>	<u>126,368,875</u>

**15.3** These represent local currency borrowings from the SBP against government securities, carrying mark-up at the rate of 5.82% to 5.86% (2016: 5.90%) per annum, maturing on January 05, 2018.

**15.4** 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% (2016: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.

**15.5** 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 repayments to SBP correspond the respective repayment from customers. The borrowing carries mark-up at the rate of 4.50%, 3.50% and 3.00% (2016: 4.50%, 3.50% and 3.00%) per annum for financing upto 3 years, 5 years & 10 years respectively.

**15.6** These represent borrowings from the SBP under scheme of financing facility for storage of agricultural products. The financing is available for a maximum period of 10 years. The borrowing carries mark-up rate at the rate of 2.00% (2016: 2.50% to 3.50%) per annum.

**15.7** These represent borrowings in local and foreign currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 5.60% to 5.80% (2016: 5.50% to 5.85%) per annum for local currency borrowings, and at the rate of 2.80% to 2.85% (2016: Nil) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by February 27, 2018.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

**15.8** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 5.71% (2016: 5.55% to 6%) per annum for local currency borrowings, and at the rate of 1.92% to 4.39% (2016: 1.50% to 4.15%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by August 13, 2018.

**15.9** This represents unsecured local currency borrowing by Islamic banking business under Musharaka agreement at profit of 5.85% (2016: Nil) per annum, maturing on January 02, 2018.

	Note	December 31, 2017	December 31, 2016
<b>Rupees in '000</b>			
<b>16</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
	<b>Customers</b>		
	Fixed deposits	185,545,256	176,919,972
	Savings deposits	233,494,351	212,372,097
	Current accounts - remunerative	107,441,601	97,923,756
	- non - remunerative	303,716,739	248,775,260
		830,197,947	735,991,085
	<b>Financial Institutions</b>		
	Remunerative deposits	40,924,068	63,861,798
	Non - remunerative deposits	12,618,694	5,257,951
		883,740,709	805,110,834
<b>16.1</b>	<b>Particulars of deposits</b>		
	In local currency	805,097,680	747,297,221
	In foreign currencies	78,643,029	57,813,613
		883,740,709	805,110,834
<b>17</b>	<b>DEFERRED TAX (LIABILITY) / ASSET - NET</b>		
	<b>Deferred debits arising in respect of</b>		
	Provision against:		
	Investments	19,093	19,093
	Other assets	38,959	38,959
	Off-balance sheet obligations	14,824	14,824
	Advances	46,869	55,572
	Post retirement medical benefits	42,980	42,980
	Worker's welfare fund	1,183,246	915,389
		1,345,971	1,086,817
	<b>Deferred credits arising due to</b>		
	Surplus on revaluation of operating fixed assets	20.1 (1,208,989)	(591,639)
	Surplus on revaluation of non-banking assets	20.2 (25,789)	(13,930)
	Surplus on revaluation of investments	20.3 (5,650,262)	(9,721,104)
	Actuarial gains	(93,888)	(613,973)
	Accelerated tax depreciation / amortization	(1,295,641)	(1,119,852)
	Excess of investment in finance lease over written down value of leased assets	(13,206)	(13,206)
		(8,287,775)	(12,073,704)
		17.1 (6,941,804)	(10,986,887)

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Balance as at January 01, 2016	Recognised in Profit and Loss Account	Recognised in Other Comprehensive Income / Equity	Balance as at December 31, 2016	Recognised in Profit and Loss Account	Recognised in Other Comprehensive Income / Equity	Balance as at December 31, 2017
Rupees in '000							
<b>17.1 Reconciliation of deferred tax</b>							
<b>Deferred debits arising in respect of</b>							
Provision against:							
Investments	19,093	-	-	19,093	-	-	19,093
Other assets	38,959	-	-	38,959	-	-	38,959
Off-balance sheet obligations	14,824	-	-	14,824	-	-	14,824
Advances	149,497	(93,925)	-	55,572	(8,703)	-	46,869
Post retirement medical benefits	42,980	-	-	42,980	-	-	42,980
Worker's welfare fund	747,457	167,932	-	915,389	267,857	-	1,183,246
	<u>1,012,810</u>	<u>74,007</u>	<u>-</u>	<u>1,086,817</u>	<u>259,154</u>	<u>-</u>	<u>1,345,971</u>
<b>Deferred credits arising due to</b>							
Surplus on revaluation of operating fixed assets	(622,777)	31,138	-	(591,639)	29,582	(646,932)	(1,208,989)
Surplus on revaluation of non-banking assets	-	-	(13,930)	(13,930)	-	(11,859)	(25,789)
Surplus on revaluation of investments	(7,752,326)	-	(1,968,778)	(9,721,104)	-	4,070,842	(5,650,262)
Actuarial gains	(458,519)	-	(155,454)	(613,973)	-	520,085	(93,888)
Accelerated tax depreciation / amortization	(1,073,439)	(46,413)	-	(1,119,852)	(175,789)	-	(1,295,641)
Excess of investment in finance lease over written down value of leased assets	(13,206)	-	-	(13,206)	-	-	(13,206)
	<u>(9,920,267)</u>	<u>(15,275)</u>	<u>(2,138,162)</u>	<u>(12,073,704)</u>	<u>(146,207)</u>	<u>3,932,136</u>	<u>(8,287,775)</u>
Deferred Tax (Liability) / Asset - Net	<u>(8,907,457)</u>	<u>58,732</u>	<u>(2,138,162)</u>	<u>(10,986,887)</u>	<u>112,947</u>	<u>3,932,136</u>	<u>(6,941,804)</u>

**17.2** Through Finance Act 2007, a new section 100A read with the 7th Schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The Schedule simplifies the taxation of banking companies and is applicable from the tax year 2009 (financial year ended on December 31, 2008).

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable			
in local currency		2,269,141	2,471,163
in foreign currencies		264,305	167,682
Accrued expenses		1,690,887	2,259,926
Branch adjustment account		272,344	150,070
Unrealized loss on forward foreign exchange contracts		-	308,138
Provision for:			
gratuity	34.4	511,919	255,291
employees' medical benefits	34.4	1,240,250	1,298,380
employees' compensated absences	34.4	570,128	698,964
Unclaimed dividends		246,259	215,914
Dividend payable		18,292	20,237
Provision against off-balance sheet obligations	18.1	306,342	557,958
Retention money payable		264,520	191,657
Security deposits		662,862	554,178
Sundry deposits		2,064,111	2,125,685
Workers' welfare fund payable	18.2	3,380,704	2,630,712
Others		3,159,333	2,050,574
		<u>16,921,397</u>	<u>15,956,529</u>



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>18.1 Provision against off-balance sheet obligations</b>		
Opening balance	557,958	571,231
Charge for the year	12,459	11,113
Reversals	(264,075)	(24,386)
Net reversal	(251,616)	(13,273)
Closing balance	306,342	557,958

The above provision includes provisions made against letters of guarantee issued by the Bank.

- 18.2** The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Bank maintains its provision in respect of WWF and shall revisit the position on periodic basis.

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>18.3 Particulars of other liabilities</b>		
In local currency	16,552,269	15,763,637
In foreign currencies	369,128	192,892
	16,921,397	15,956,529

## 19 SHARE CAPITAL

### 19.1 Authorized capital

December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
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, 2017	December 31, 2016	Ordinary shares	December 31, 2017	December 31, 2016
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 965,879,110 (84.35%) [2016: 965,879,110 (84.35%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus arising on revaluation of:			
operating fixed assets	20.1	16,004,075	6,832,802
non-banking assets	20.2	1,575,632	1,313,080
investments	20.3	10,493,344	18,053,478
Surplus on revaluation of assets - net of tax		<u>28,073,051</u>	<u>26,199,360</u>
<b>20.1 Surplus on revaluation of operating fixed assets</b>			
Surplus as at January 1, 2017		7,424,441	7,513,409
Surplus on revaluation during the year		9,873,143	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(54,938)	(57,830)
Related deferred tax liability		(29,582)	(31,138)
	11.6	(84,520)	(88,968)
Surplus on revaluation as at December 31, 2017		17,213,064	7,424,441
Related deferred tax liability:			
Revaluation surplus as at January 1, 2017		(591,639)	(622,777)
Deferred tax liability on revaluation surplus		(646,932)	–
Deferred tax on incremental depreciation transferred to profit and loss account		29,582	31,138
	17	(1,208,989)	(591,639)
		<u>16,004,075</u>	<u>6,832,802</u>
<b>20.2 Surplus on revaluation of non-banking assets</b>			
Surplus as at January 1, 2017		1,327,010	–
Surplus on revaluation during the year		463,489	1,373,016
Surplus realised on disposal		(187,088)	(43,911)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,294)	(1,361)
Related deferred tax liability		(696)	(734)
		(1,990)	(2,095)
Surplus on revaluation as at December 31, 2017		1,601,421	1,327,010
Related deferred tax liability:			
Revaluation surplus as at January 1, 2017		(13,930)	–
Deferred tax liability on revaluation surplus		(12,555)	(14,903)
Deferred tax on surplus on disposal		–	239
Deferred tax on incremental depreciation transferred to profit and loss account		696	734
	17	(25,789)	(13,930)
		<u>1,575,632</u>	<u>1,313,080</u>
<b>20.3 Surplus / (deficit) on revaluation of 'available-for-sale' securities</b>			
Federal Government Securities			
Market Treasury Bills		(35,580)	27,195
Pakistan Investment Bonds		2,808,122	5,214,810
Term Finance Certificates		(1,194)	16,666
Sukuk Bonds		199,191	359,452
Shares / Certificates - Listed		12,653,552	21,713,786
Foreign Currency Bonds (US\$)		519,515	442,673
	9.1	16,143,606	27,774,582
Related deferred tax liability	17	(5,650,262)	(9,721,104)
		<u>10,493,344</u>	<u>18,053,478</u>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>21 CONTINGENCIES AND COMMITMENTS</b>		
<b>21.1 Direct credit substitutes</b>		
Guarantees in favor of:		
Banks and financial institutions	6,187,865	5,397,846
<b>21.2 Transaction-related contingent liabilities</b>		
Guarantees in favor of:		
Government	96,140	341,738
Others	19,427,128	20,555,816
	19,523,268	20,897,554
<b>21.3 Trade-related contingent liabilities</b>	59,545,681	65,473,604
<b>21.4 Claims against the Bank not acknowledged as debt</b>	8,638,605	6,815,687
<b>21.5</b> The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>21.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	95,038,705	63,017,979
Sale	41,580,643	38,469,943
<b>21.7 Commitments in respect of:</b>		
Civil works	1,350,056	704,903
Acquisition of operating fixed assets	1,713,991	885,447
	3,064,047	1,590,350
<b>21.8 Commitments in respect of operating lease</b>		
Not later than one year	1,120,394	972,962
Later than one year and not later than five years	3,405,724	3,027,123
Later than five years	1,753,793	2,062,169

### 21.9 Other Contingencies

**21.9.1** The income tax assessments of the Bank have been finalized upto and including tax year 2017 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2017, income tax authorities made certain add backs with aggregate tax impact of Rs. 24,332 million (2016: 21,223 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher forums against unfavorable decisions. Pending finalization of appeals / references no provision has been made by the Bank on aggregate sum of Rs. 24,332 million (2016: 21,223 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 2016 and created an arbitrary demand of Rs. 1,326 million (2016: 1,429 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. 1,326 million (2016: 1,429 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 2014 thereby creating arbitrary aggregate demand of Rs. 893 million (2016: 890 million). The Bank's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 893 million (2016: 890 million).

**21.9.2** 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.

**21.9.3** 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 has filed appeals before the Appellate Board and Constitutional Petitions in the High Court of Sindh, Karachi. The Honourable High Court has granted relief to the Bank by way of interim orders. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligors who transact internationally. These obligors 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 obligors 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, Obligors 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.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 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 5.14.2. The risk management framework of derivative instruments is given in note 41.

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>23 MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances:		
Customers	23,721,333	21,332,160
On investments in:		
Available-for-sale securities	34,616,633	27,447,249
Held-to-maturity securities	6,158,839	15,129,288
Held-for-trading securities	840,195	399,575
	41,615,667	42,976,112
On deposits with financial institutions	26,889	9,648
On securities purchased under resale agreements	221,763	147,324
On certificates of investment	2,675	-
On call money lendings	93,088	63,639
On wakala lendings	4,189	28,045
On mudaraba lendings	5,634	21,328
On bai muajjal placement	5,916	-
On musharaka lendings	11,603	14,332
	<u>65,708,757</u>	<u>64,592,588</u>
<b>24 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	23,924,732	23,609,425
Long term borrowings	277,636	240,637
Securities sold under repurchase agreements	7,256,991	5,022,492
Call money borrowings	898,155	763,764
Brokerage and commission	165,393	174,305
Other short term borrowings	1,607,587	1,534,724
	<u>34,130,494</u>	<u>31,345,347</u>
<b>25 FEE, COMMISSION AND BROKERAGE INCOME</b>		
Core fees, commission and brokerage	3,820,556	3,907,989
Account maintenance charges	96,846	106,146
	<u>3,917,402</u>	<u>4,014,135</u>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>26</b>	<b>GAIN / (LOSS) ON SALE OF SECURITIES</b>		
Shares - listed		-	31,323
- unlisted		-	(20,374)
Open Ended Mutual Funds		-	63,572
Market Treasury Bills		10,143	(37,115)
Pakistan Investment Bonds		631,201	2,635,029
Sukuk Bonds		(301)	1,180
		<u>641,043</u>	<u>2,673,615</u>

<b>27</b>	<b>OTHER INCOME</b>		
Rent received on Bank's property		6,780	5,179
Gain on sale of operating fixed assets		53,012	36,489
Gain on sale of non-banking asset / other assets	27.1	80,419	12,104
Recovery from written off loans / others		183,158	48,445
		<u>323,369</u>	<u>102,217</u>

**27.1** This includes gain on sale of a non-banking asset, amounting to Rs. 73.350 million (2016: net loss of Rs. 15.994 million).

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>28</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances, etc.	28.1	11,055,549	10,655,942
Charge for defined benefit plan - net	28.1 & 34	57,796	135,858
Contribution to defined contribution plan - provident fund		297,696	272,490
Non-executive directors' fees, allowances and other expenses		16,950	13,500
Rent, taxes, insurance, electricity, etc.		2,719,922	2,478,410
Legal and professional charges		115,305	105,275
Communications		371,256	357,206
Repairs and maintenance		542,354	533,774
Stationery and printing		248,987	230,250
Advertisement and publicity		586,254	467,054
Auditors' remuneration	28.2	17,563	16,483
Depreciation / amortization	11.2 & 11.3	2,512,678	2,193,546
Security service charges		1,179,531	1,180,029
Travelling, conveyance and fuel expenses		182,785	198,365
Entertainment		136,585	113,112
Computer expenses		1,104,976	1,129,657
Subscription		195,128	151,804
Donations	28.3	54,209	41,878
Others	28.4	28,023	21,010
		<u>21,423,547</u>	<u>20,295,643</u>

**28.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Fifty nine (59) employees (2016: 78) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 141 million (2016: Rs. 157 million) to cover additional retirement benefits in respect of such employees.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>28.2 Auditors' remuneration</b>		
Annual audit	6,110	5,850
Annual audit overseas business unit*	1,629	1,535
Half year review	2,535	2,360
Special certifications and miscellaneous services	5,024	4,577
Sales tax	653	1,210
Out-of-pocket expenses	1,612	951
	<b>17,563</b>	<b>16,483</b>

\*This includes audit fee amounting to Bahraini Dinar 4,350 (2016: 4,250) relating to Wholesale Bahrain Branch.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Naeem Mukhtar (Chairman/ Non-Executive Sponsor Director) and Dr. Muhammad Akram Sheikh are directors in National Management Foundation (LUMS) and Quality School Foundation, respectively.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
Acumen Fund Pakistan		-	10,000
Agha Khan Hospital & Medical College Foundation		-	1,000
Altaf Mahmood Foundation		1,000	500
Anjuman Himayat-i-Islam	28.3.1	4,577	4,900
Bakhtawar Amin Memorial Trust Hospital		-	1,000
Baluchistan Residential Colleges		989	-
Chaman (Center for Mentally Challenged Children)		1,695	-
Command Improvement Fund (Pakistan Navy - for Abdul Sattar Edhi Hockey Stadium)		1,000	-
Deaf and Dumb Welfare Association		-	5,763
DHQ Teaching Hospital Sargodha		-	1,375
Fountain House Mental Health Association		-	500
Government Hospital Gawadar		923	-
International Islamic University		-	4,000
Liver Foundation Trust		1,000	-
Markaz-e-Umeed		-	500
Muhammad Usman Zafar (Surgical Treatment in United Kingdom for Cerebral Diplegia)		-	1,000
National Management Foundation (LUMS)		30,000	-
Bolan Cricket Stadium		500	-
Punjab Food Authority		4,500	-
Quality Schools Foundation		-	10,000
Saleem Memorial Hospital		5,000	-
Sukkur Institute of Business Administration		1,000	-
Taj Medical Complex & Hamdard University		25	-
Tamir Welfare Organization		2,000	1,000
Vocational Training Institute (VTI), Chiniot		-	340
		<b>54,209</b>	<b>41,878</b>

**28.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

**28.4** This includes canteen expenses amounting to Rs. 25.114 million (2016: Rs. 20.264 million).

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>29</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by SBP	41,642	437
	Workers' welfare fund	417,574	479,803
	Education cess	31,022	29,610
	Depreciation - non-banking assets	18,938	19,696
	Other assets written off	5,254	51
		<u>514,430</u>	<u>529,597</u>

<b>30</b>	<b>TAXATION</b>		
	Current - for the year	7,295,083	8,513,243
	- for prior year	30.1 962,923	949,657
		<u>8,258,006</u>	<u>9,462,900</u>
	Deferred - current	(112,947)	(58,732)
		<u>8,145,059</u>	<u>9,404,168</u>

**30.1** The amount represents super tax levied on taxable income of the Bank for tax year 2017 vide Finance Act, 2017 (2016: for the tax year 2016 vide Finance Act, 2016).

		December 31, 2017	December 31, 2016
Rupees in '000			
<b>30.2</b>	<b>Relationship between tax expense and accounting profit</b>		
	Accounting profit for the year	20,878,695	23,831,218
	Tax on income @ 35% (2016: 35%)	7,307,543	8,340,926
	Effect of permanent differences	-	(2,711)
	Prior year charge	962,923	949,657
	Others	(125,407)	116,296
	Tax charge for the year	<u>8,145,059</u>	<u>9,404,168</u>

<b>31</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Profit after taxation	12,733,636	14,427,050
Number of Shares			
	Weighted average number of ordinary shares outstanding during the year	1,145,073,830	1,145,073,830
Rupees			
	Earnings per share - basic and diluted	11.12	12.60

There is no dilution effect on basic earnings per share.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>32</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	6 85,367,382	73,203,717
	Balances with other banks	7 648,765	679,923
	Overdrawn nostro accounts	15.2 (104,823)	(63,459)
		<u>85,911,324</u>	<u>73,820,181</u>

**32.1** Reconciliation of movement of liabilities to cash flows arising from financing activities:



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Liabilities		Equity			Total
	Dividend payable	Unclaimed dividends	Share Capital	Reserves	Unappropriated profit	
	Rupees in '000					
Balance as at January 01, 2017	20,237	215,914	11,450,739	16,533,485	46,490,244	74,710,619
Changes from Financing cash flows						
Dividend paid	(7,980,807)	(6,309)	-	-	-	(7,987,116)
Total changes from financing cash flows	(7,980,807)	(6,309)	-	-	-	(7,987,116)
Liability related						
Dividend accrued	8,015,516	-	-	-	-	8,015,516
Unclaimed dividend	(36,654)	36,654	-	-	-	-
Total liability related changes	7,978,862	36,654	-	-	-	8,015,516
Total equity related other changes	-	-	-	1,446,631	2,722,203	4,168,834
<b>Balance as at December 31, 2017</b>	<b>18,292</b>	<b>246,259</b>	<b>11,450,739</b>	<b>17,980,116</b>	<b>49,212,447</b>	<b>78,907,853</b>

	Note	December 31, 2017	December 31, 2016
		Numbers	

### 33 STAFF STRENGTH

Permanent		10,637	10,430
Temporary / on contractual basis / trainee		438	286
Bank's own staff strength at the end of the year		11,075	10,716
Outsourced	33.1	319	295
<b>Total staff strength</b>		<b>11,394</b>	<b>11,011</b>
<b>Average number of employees</b>		<b>11,203</b>	<b>10,628</b>

33.1 This excludes outsourced security guards, janitorial and tea service staff.

### 34 DEFINED BENEFIT PLANS

#### 34.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme – funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

#### 34.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme / plans are:

	December 31, 2017	December 31, 2016
	Numbers	
Pension fund	1,193	1,262
Gratuity fund	10,686	10,715
Benevolent fund	88	95
Post retirement medical benefits	10,637	10,430
Employees' compensated absences	10,637	10,782
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
Pension fund	2,022	1,926
Post retirement medical benefits	2,017	2,017

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 34.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2017 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2017	December 31, 2016
<b>Withdrawal rate</b>			
Pension fund		Low	Low
Gratuity fund		High	High
Benevolent fund		High	High
Post retirement medical benefits		High	High
Employees' compensated absences		High	High
<b>Mortality rate</b>			
		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
<b>Discount rate</b>	Yield on investments in Government Bonds	8.25%	8.00%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	8.25%	8.00%
Gratuity fund	Yield on investments in Government Bonds	8.25%	8.00%
Benevolent fund	Yield on investments in Government Bonds	8.25%	8.00%
<b>Expected rate of salary increase</b>	Rate of salary increase	6.25%	6.00%

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.

	Note	December 31, 2017				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000						
<b>34.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits</b>						
Present value of defined benefit obligations	34.6	1,979,453	2,531,300	8,036	1,240,250	570,128
Fair value of plan's / scheme's assets	34.7	(5,671,485)	(2,019,381)	(232,158)	-	-
Net (asset) / liability		(3,692,032)	511,919	(224,122)	1,240,250	570,128
Benefit of the surplus not available to the Bank		-	-	112,061	-	-
Net (asset) / liability		(3,692,032)	511,919	(112,061)	1,240,250	570,128
Rupees in '000						
	Note	December 31, 2016				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Present value of defined benefit obligations	34.6	2,001,618	2,285,523	8,776	1,298,380	698,964
Fair value of plan's / scheme's assets	34.7	(6,616,345)	(2,030,232)	(221,007)	-	-
Net (asset) / liability		(4,614,727)	255,291	(212,231)	1,298,380	698,964
Benefit of the surplus not available to the Bank		-	-	106,115	-	-
Net (asset) / liability		(4,614,727)	255,291	(106,116)	1,298,380	698,964

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences

Rupees in '000

### 34.5 Movement in (receivable from) / payable to defined benefit plans

Opening balance		(4,614,727)	255,291	(106,116)	1,298,380	698,964
(Reversal) / charge for the year	34.9	(363,776)	306,687	(16,978)	129,178	37,189
Other comprehensive losses / (income)		1,286,471	250,516	11,033	(62,068)	–
Contribution to the fund / benefits paid		–	(300,575)	–	(125,240)	(166,025)
Closing balance		(3,692,032)	511,919	(112,061)	1,240,250	570,128

	Note	December 31, 2016				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences

Rupees in '000

Opening balance		(3,799,170)	561,455	(96,406)	1,217,945	761,498
(Reversal) / charge for the year	34.9	(328,106)	279,051	(17,353)	125,283	123,480
Other comprehensive losses / (income)		(487,451)	(62,336)	7,643	97,990	–
Contribution to the fund / benefits paid		–	(522,879)	–	(142,838)	(186,014)
Closing balance		(4,614,727)	255,291	(106,116)	1,298,380	698,964

December 31, 2017

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
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Rupees in '000

### 34.6 Reconciliation of present value of defined benefit obligations

Opening balance	2,001,618	2,285,523	8,776	1,298,380	698,964
Current service cost	–	280,153	–	29,182	37,697
Interest cost	149,272	173,464	604	98,861	49,276
Benefits paid	(271,434)	(234,443)	(2,455)	(125,240)	(166,025)
VRS / settlement loss	5,402	6,111	–	1,135	21,856
Actuarial loss / (gain)	94,595	20,492	1,111	(62,068)	(71,640)
Closing balance	1,979,453	2,531,300	8,036	1,240,250	570,128

December 31, 2016

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
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Rupees in '000

Opening balance	1,971,233	2,043,833	12,355	1,217,945	761,498
Current service cost	–	258,156	–	25,602	37,270
Interest cost	163,046	176,572	950	103,187	68,535
Benefits paid	(319,203)	(163,849)	(3,598)	(142,838)	(186,014)
VRS / settlement loss / (gain)	13,820	6,847	–	(3,506)	29,337
Actuarial loss / (gain)	172,722	(36,036)	(931)	97,990	(11,662)
Closing balance	2,001,618	2,285,523	8,776	1,298,380	698,964

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

		December 31, 2017				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
<b>34.7</b>	<b>Reconciliation of fair value of plan assets</b>					
	Opening balance	6,616,345	2,030,232	221,007	-	-
	Expected return on plan assets	518,450	153,041	17,582	-	-
	Bank's contribution	-	300,576	-	-	-
	Benefits paid	(271,434)	(234,443)	(2,455)	-	-
	Actuarial loss	(1,191,876)	(230,025)	(3,976)	-	-
	Closing balance	5,671,485	2,019,381	232,158	-	-
		December 31, 2016				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
	Opening balance	5,770,403	1,482,378	205,166	-	-
	Expected return on plan assets	504,972	162,523	18,303	-	-
	Bank's contribution	-	522,879	-	-	-
	Benefits paid	(319,203)	(163,849)	(3,598)	-	-
	Actuarial gain	660,173	26,301	1,136	-	-
	Closing balance	6,616,345	2,030,232	221,007	-	-
		December 31, 2017				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
<b>34.8</b>	<b>Composition of fair value of plan assets</b>					
	Equity securities	2,827,493	517,952	23,561	-	-
	Government securities	-	304,383	-	-	-
	Cash and cash equivalents	2,843,992	1,197,046	208,597	-	-
		5,671,485	2,019,381	232,158	-	-
<b>34.8.1</b>	<b>Fair value of Bank's financial instruments included in plan assets</b>					
	Shares of ABL	2,827,493	517,952	23,561	-	-
	Term deposit receipts	2,408,733	972,064	164,907	-	-
	Bank balances with ABL	435,259	224,982	43,690	-	-
		5,671,485	1,714,998	232,158	-	-

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	3,904,747	726,584	33,051	–	–
Cash and cash equivalents	2,711,598	1,303,648	187,956	–	–
	<u>6,616,345</u>	<u>2,030,232</u>	<u>221,007</u>	<u>–</u>	<u>–</u>
Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	3,635,454	726,584	33,051	–	–
Term deposit receipts	2,351,708	1,268,030	161,045	–	–
Bank balances with ABL	359,890	35,618	26,911	–	–
	<u>6,347,052</u>	<u>2,030,232</u>	<u>221,007</u>	<u>–</u>	<u>–</u>
	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
<b>34.9 Charge for defined benefit plan</b>					
Current service cost	–	280,153	–	29,182	37,697
Interest cost	–	20,423	–	98,861	49,276
Net interest	(369,178)	–	(16,978)	–	–
VRS loss	5,402	6,111	–	1,135	21,856
Actuarial gain recognised	–	–	–	–	(71,640)
	<u>(363,776)</u>	<u>306,687</u>	<u>(16,978)</u>	<u>129,178</u>	<u>37,189</u>
	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	–	258,156	–	25,602	37,270
Interest cost	–	14,048	–	103,187	68,535
Net interest	(341,926)	–	(17,353)	–	–
VRS loss / (gain)	13,820	6,847	–	(3,506)	29,337
Actuarial gain recognised	–	–	–	–	(11,662)
	<u>(328,106)</u>	<u>279,051</u>	<u>(17,353)</u>	<u>125,283</u>	<u>123,480</u>
	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
<b>34.10 Actuarial gain/(losses) recognized in other comprehensive income</b>					
Actuarial (loss) / gain on obligations	(94,594)	(20,491)	(1,112)	62,068	–
Actuarial loss on assets	(1,191,877)	(230,025)	(3,976)	–	–
Asset ceiling adjustment	–	–	(5,945)	–	–
Actuarial (loss) / gain in OCI	<u>(1,286,471)</u>	<u>(250,516)</u>	<u>(11,033)</u>	<u>62,068</u>	<u>–</u>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Actuarial (loss) / gain on obligations	(172,722)	36,035	931	(97,990)	–
Actuarial gain on assets	660,173	26,301	1,136	–	–
Asset ceiling adjustment	–	–	(9,710)	–	–
Actuarial gain / (loss) in OCI	487,451	62,336	(7,643)	(97,990)	–

	December 31, 2017	December 31, 2016
	Numbers	

### 34.11 Actual (loss) / return on plan assets

Pension fund	(673,427)	1,165,145
Gratuity fund	(76,984)	188,824
Benevolent fund	13,607	19,439

	Pension fund				
	2017	2016	2015	2014	2013
	Rupees in '000				

### 34.12 Five year data of defined benefit plan and experience adjustments

Present value of defined benefit obligation	1,979,453	2,001,618	1,971,233	2,877,345	2,810,086
Fair value of plan assets	(5,671,485)	(6,616,345)	(5,770,403)	(7,252,046)	(6,591,550)
Surplus	(3,692,032)	(4,614,727)	(3,799,170)	(4,374,701)	(3,781,464)
Experience adjustments on plan obligations / assets					
Actuarial loss on obligation	(94,595)	(172,722)	(152,852)	(316,213)	(25,739)
Actuarial (loss) / gain on assets	(1,191,876)	660,173	(854,480)	478,030	340,760

	Gratuity fund				
	2017	2016	2015	2014	2013
	Rupees in '000				

Present value of defined benefit obligation	2,531,300	2,285,523	2,043,833	1,725,573	1,486,417
Fair value of plan assets	(2,019,381)	(2,030,232)	(1,482,378)	(1,727,942)	(1,438,351)
Deficit / (surplus)	511,919	255,291	561,455	(2,369)	48,066
Experience adjustments on plan obligations / assets					
Actuarial (loss) / gain on obligation	(20,492)	36,036	(167,783)	(93,984)	92,014
Actuarial (loss) / gain on assets	(230,025)	26,301	(168,935)	137,284	15,526

	Benevolent fund				
	2017	2016	2015	2014	2013
	Rupees in '000				

Present value of defined benefit obligation	8,036	8,776	12,355	10,469	10,894
Fair value of plan assets	(232,158)	(221,007)	(205,166)	(197,461)	(174,403)
Surplus	(224,122)	(212,231)	(192,811)	(186,992)	(163,509)
Experience adjustments on plan obligations / assets					
Actuarial (loss) / gain on obligation	(1,111)	931	(4,376)	(2,203)	(6,973)
Actuarial (loss) / gain on assets	(3,976)	1,136	(10,841)	5,247	4,593

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Post retirement medical				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	1,240,250	1,298,380	1,217,945	970,060	951,480
Fair value of plan assets	-	-	-	-	-
Deficit	1,240,250	1,298,380	1,217,945	970,060	951,480
Experience adjustments on plan obligations					
Actuarial gain / (loss) on obligation	62,068	(97,990)	(243,936)	(21,931)	483,192
	Employees' compensated absences				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	570,128	698,964	761,498	755,785	820,067
Fair value of plan assets	-	-	-	-	-
Deficit	570,128	698,964	761,498	755,785	820,067
Experience adjustments on plan obligations					
Actuarial gain / (loss) on obligation	71,640	11,662	(45,712)	(47,308)	186,066

### 34.13 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, 2018 would be as follows, subject to Note 42.2:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Expected (reversal) / charge for the next year	(299,954)	386,040	(18,490)	156,432	98,359

Description	+1%	-1%	+1% Salary	-1% Salary	+10%	-10%	1 Year	1 Year
	Discount Rate	Discount Rate	Increase Rate	Increase Rate	withdrawal Rate	withdrawal Rate	Mortality age set back	Mortality age set forward
	Rupees in 000'							

### 34.14 Sensitivity analysis

Pension fund	2,122,754	1,854,112	-	-	1,979,544	1,979,362	1,980,905	1,978,007
Gratuity fund	2,373,809	2,709,990	2,721,886	2,360,944	2,544,727	2,516,687	2,530,129	2,532,464
Benevolent fund	7,535	8,607	-	-	-	-	7,285	8,787
Post retirement medical	1,157,857	1,332,850	1,294,657	1,184,859	1,233,364	1,246,745	1,240,595	1,238,996
Leave compensated absences	539,492	604,789	607,962	536,143	564,009	576,546	568,098	572,152

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.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 34.15 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.

### 35 DEFINED CONTRIBUTION PLAN

The Bank has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>35.1 Employee provident fund</b>			
Size of the fund		7,357,060	7,786,324
Investments made (cost)	35.2	6,316,994	6,221,275
Percentage of investment made		85.86%	79.90%
Fair value of investment		7,231,275	7,714,681
<b>35.2 Breakup of investment - Cost</b>			
Investment in shares (Listed securities)		1,435,991	1,435,991
Market treasury bills		4,561,832	4,475,025
Pakistan investment bonds		298,719	289,807
Open ended mutual funds		20,452	20,452
		<u>6,316,994</u>	<u>6,221,275</u>
<b>35.3 Number of employees - Employees provident fund</b>			
			<b>Numbers</b>
Number of employees at the end of the year		<u>10,236</u>	<u>9,369</u>
Average number of employees during the year		<u>10,105</u>	<u>9,299</u>



## Notes to the Unconsolidated Financial Statements

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	Note	President / Chief Executive		Non-Executive Directors		Executives	
		2017	2016	2017	2016	2017	2016
Rupees in '000							
<b>36</b>	<b>COMPENSATION OF DIRECTORS AND EXECUTIVES</b>						
Fees	36.1	–	–	16,950	13,500	–	–
Managerial remuneration		11,400	13,519	–	–	1,481,874	1,307,858
Charge for defined benefit plans		928	4,922	–	–	190,727	190,813
Contribution to defined contribution plan		950	1,126	–	–	123,440	107,712
Rent and house maintenance		6,840	8,128	–	–	843,943	714,313
Utilities		2,280	2,526	–	–	295,507	259,039
Medical		2,362	2,526	–	–	325,071	280,775
Bonus	36.2	17,000	22,000	–	–	549,803	525,589
Conveyance and others		3,293	3,163	–	–	780,849	705,354
		<u>45,053</u>	<u>57,910</u>	<u>16,950</u>	<u>13,500</u>	<u>4,591,214</u>	<u>4,091,453</u>
Number of persons		<u>1</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>1,628</u>	<u>1,370</u>

**36.1** This represents meeting fee paid to directors (other than two sponsor directors) for attending meetings of the Board of Directors and Board Committees held during the year.

**36.2** Excluding the retiring President/ CEO, whose term completed on December 31, 2016, was paid bonus of Rs. 35 million.

### 37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'Held-to-Maturity'. Quoted securities classified as 'Held-to-Maturity' are carried at amortized cost. Fair value of unquoted equity investments other than investment in subsidiary is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision / reversal for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 41.2.4 and 41.3.

In the opinion of the management, the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

The table below presents, by valuation methods, the financial and non-financial assets carried at fair values. Valuation of investments and non-banking assets is carried out as per guidelines specified by the SBP. The Bank has adopted revaluation model (as per IAS 16) in respect of land and building.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Rupees in '000</b>								
<b>37.1 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES</b>								
<i>On balance sheet financial instruments</i>								
<i>Financial assets measured at fair value</i>								
<i>Held-for-trading securities</i>								
Market Treasury Bills	-	24,704,478	-	24,704,478	-	-	-	-
Pakistan Investment Bonds	-	123,415	-	123,415	-	101,819	-	101,819
	-	24,827,893	-	24,827,893	-	101,819	-	101,819
<i>Available-for-sale securities</i>								
Market Treasury Bills	-	365,643,722	-	365,643,722	-	226,247,239	-	226,247,239
Pakistan Investment Bonds	-	166,864,554	-	166,864,554	-	203,520,070	-	203,520,070
Ordinary shares of listed companies / certificates of close-ended mutual funds	33,346,294	-	-	33,346,294	42,084,599	-	-	42,084,599
Ordinary shares of unlisted companies	-	-	3,522,055	3,522,055	-	-	3,448,081	3,448,081
Sukuk Bonds	-	14,373,811	5,219,911	19,593,722	-	13,306,369	5,151,607	18,457,976
Foreign Currency Bonds (US\$)	-	5,515,525	-	5,515,525	-	5,177,620	-	5,177,620
Term Finance Certificates	-	2,292,939	1,413,084	3,706,023	-	2,353,869	2,003,063	4,356,932
	33,346,294	554,690,551	10,155,050	598,191,895	42,084,599	450,605,167	10,602,751	503,292,517
<i>Financial liabilities measured at fair value</i>								
<i>Held-for-trading securities</i>								
Pakistan Investment Bonds	-	1,976,436	-	1,976,436	-	-	-	-
<i>Non – financial assets measured at fair value</i>								
Operating fixed assets	-	36,872,324	-	36,872,324	-	22,914,819	-	22,914,819
Non-banking assets	-	3,584,030	-	3,584,030	-	3,476,351	-	3,476,351
<i>Off balance sheet financial instruments</i>								
Foreign exchange contracts – Purchase	-	95,038,705	-	95,038,705	-	63,017,979	-	63,017,979
Foreign exchange contracts – Sale	-	41,580,643	-	41,580,643	-	38,469,943	-	38,469,943

The valuation techniques used for above assets are same as disclosed in note 5.3, 5.5, 5.8 and 5.14.2 of these financial statements.

	Level 3	
	December 31, 2017	December 31, 2016
<b>Rupees in '000</b>		
<b>37.1.1 Reconciliation of Investments measured at fair value</b>		
Opening balance	10,602,751	7,091,019
Total (losses) for the period:		
Included in profit or loss	(21,582)	(37,097)
Purchases	482,555	4,523,735
Settlements	(908,674)	(974,906)
Closing balance	10,155,050	10,602,751

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

For the year ended December 31, 2017						
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commercial and Retail Banking	Other	Elimination	Total
Rupees in '000						
Total income	27,541,596	41,357,556	50,150,587	748,614	(45,217,794)	74,580,559
Total expenses	(23,153,530)	(35,358,023)	(42,836,573)	(5,716,591)	45,217,794	(61,846,923)
Net income / (loss)	4,388,066	5,999,533	7,314,014	(4,967,977)	-	12,733,636
Segment assets (gross)	400,890,640	692,542,154	898,771,802	143,752,585	(870,008,666)	1,265,948,515
Segment non performing loans	1,955,663	-	519,333	15,576,753	-	18,051,749
Segment provision required	720,077	-	417,106	15,576,754	-	16,713,937
Segment liabilities	397,834,210	692,542,154	897,377,822	21,250,240	(870,008,666)	1,138,995,760
Segment return on net assets (ROA) (%)*	6.51%	6.93%	5.82%	-	-	-
Segment cost of funds (%)*	5.56%	5.45%	3.07%	-	-	-

For the year ended December 31, 2016						
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commercial and Retail Banking	Other	Elimination	Total
Rupees in '000						
Total income	25,948,197	44,559,811	41,608,990	1,529,790	(37,843,709)	75,803,079
Total expenses	(21,585,449)	(34,224,417)	(37,123,994)	(6,285,878)	37,843,709	(61,376,029)
Net income / (loss)	4,362,748	10,335,394	4,484,996	(4,756,088)	-	14,427,050
Segment assets (gross)	371,284,006	572,327,815	822,485,324	138,227,090	(812,901,066)	1,091,423,169
Segment non performing loans	3,220,882	-	1,557,545	15,653,182	-	20,431,609
Segment provision required	1,917,869	-	1,216,565	15,649,438	-	18,783,872
Segment liabilities	367,051,366	572,327,815	820,893,276	20,900,529	(812,901,066)	968,271,920
Segment return on net assets (ROA) (%)*	7.04%	8.38%	5.03%	-	-	-
Segment cost of funds (%)*	5.59%	5.43%	2.26%	-	-	-

\* The segment return on net assets and cost of funds are based on average assets and average liabilities for the year.

### 39 RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its parent, subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel including their associates

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Nature of related party transactions	December 31, 2017					December 31, 2016						
	Parent	Associated		Key Management personnel	Other related parties	Parent	Associated		Key Management personnel	Other related parties		
		Directors	Companies*				Subsidiary	Directors			Companies*	Subsidiary
<b>Rupees in '000</b>												
<b>Loans:</b>												
Loans at the beginning of the year	-	24,137	4,383,200	-	253,417	17,991,914	-	36,637	1,774,626	-	264,941	5,379,463
Loans given during the year	-	63,948	-	-	155,728	66,822,844	-	27,681	5,642,759	-	80,198	71,307,904
Loans repaid / adjustment during the year	-	(71,056)	(841,450)	-	(156,471)	(78,849,569)	-	(40,181)	(3,034,185)	-	(91,722)	(58,695,453)
Loans at the end of the year	-	17,029	3,541,750	-	252,674	5,965,189	-	24,137	4,383,200	-	253,417	17,991,914
<b>Deposits:</b>												
Deposits at the beginning of the year	403	53,177	258,264	25,508	42,152	13,249,519	-	40,868	102,902	57,482	22,837	9,572,394
Deposits received during the year	6,779,403	491,942	41,648,556	884,938	569,875	157,490,029	654	5,505,258	10,566,219	965,420	406,337	94,959,394
Deposits repaid during the year	(6,778,604)	(210,530)	(41,807,971)	(871,793)	(550,138)	(157,458,644)	(251)	(5,492,949)	(10,410,857)	(997,394)	(387,022)	(91,282,269)
Deposits at the end of the year	1,202	334,589	98,849	38,653	61,889	13,280,904	403	53,177	258,264	25,508	42,152	13,249,519
Nostro balances	-	-	-	-	-	-	-	-	35,968	-	-	-
Investments in shares	-	-	4,836,429	500,000	-	4,106,035	-	-	4,790,874	500,000	-	4,055,035
Other receivables	-	12,631	27,810	1,908	81,472	95,567	-	6,363	37,246	1,553	81,029	243,311
Net receivable from staff retirement benefit funds	-	-	-	-	-	3,255,453	-	-	-	-	-	4,419,506
Non funded exposure	-	-	423,881	-	-	6,416	-	-	550	-	-	17,421

Nature of related party transactions	December 31, 2017					December 31, 2016						
	Parent	Associated		Key Management personnel	Other related parties	Parent	Associated		Key Management personnel	Other related parties		
		Directors	Companies*				Subsidiary	Directors			Companies*	Subsidiary
<b>Rupees in '000</b>												
Mark-up earned	-	1,115	280,274	-	13,037	569,400	-	1,535	232,676	-	15,889	806,191
Dividend Income	-	-	840,000	-	-	817,253	-	-	1,400,000	-	-	792,637
Capital gain	-	-	-	-	-	-	-	-	-	-	-	25,362
Sales commission	-	-	-	7,887	-	-	-	-	-	6,441	-	-
Fee commission / bank charges	2	17	1,029	370	64	733	-	36	1,969	299	76	413
Other income**	-	-	4,036	3,443	-	706	-	-	3,709	1,939	-	180
Mark-up expense on deposits	-	2,457	3,184	1,204	512	381,989	-	1,259	10,569	1,332	553	369,984
Directors' meeting fee	-	16,950	-	-	-	-	-	13,500	-	-	-	-
Remuneration	-	43,175	-	-	359,911	-	-	58,137	-	-	343,659	-
Other charges***	-	-	31,082	-	-	103,364	-	-	11,368	-	-	93,898
Rent expense****	-	-	11,193	-	-	-	-	-	8,893	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	-	212,116	-	-	-	-	-	185,416

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 on the basis of common directorship.

\*\*Other income includes rental income from two offices located at Pakistan Stock Exchange (Islamabad) building rented out to Associated Company (Ibrahim Fibers Limited ) at market value and with prior permission of State Bank of Pakistan.

\*\*\* Other charges with Associated Companies include donation to National Management Foundation amounting to Rs. 30 million and with Other related parties include payments to NIFT amounting to Rs. 99.48 Million.

\*\*\*\* Rent sharing expense of ABL Branch with associated company (Ibrahim Fibers 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, 2017; Movable assets were disposed of for Rs.166,000 to the key management personnel of the Bank. The assets were fully depreciated.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

## 40 CAPITAL ASSESSMENT AND ADEQUACY

### 40.1 Capital Adequacy

#### 40.1.1 Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO), Risk Management Committee (RMC) and Management Committee (MANCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (BRMC) and Strategic Planning and Monitoring Committee (SPMC).

#### Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Bank through Internal Capital Adequacy Assessment Process (ICAAP) and Advance Stress Testing assesses overall capital adequacy on a periodic basis in relation to Bank's risk profile. Utilizing sensitivity and stress analysis techniques, bank assesses adequacy of Bank's total capital against adverse shocks with respect to credit risk, market risk, operational risk, concentration risk, interest rate risk, liquidity risk, country risk, reputational risk and strategic risk. Further, Bank formulates its strategy, including need assessment for raising additional capital for maintaining adequate capital under stressed conditions.

#### 40.1.2 Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 has asked the Banks to raise their minimum paid up capital to Rs. 10 billion free of losses.

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked banks to maintain the minimum Capital Adequacy Ratio (CAR) of 11.275% on standalone as well as on consolidated basis till December 31, 2017. Subsequently, a phase in arrangement has been put in place whereby the banks are required to maintain the following ratios on an ongoing basis:

	Year end as of December, 31				
	2015	2016	2017	2018	2019
Common Equity Tier-1 - CET1	6.00%	6.00%	6.00%	6.00%	6.00%
Additional Tier-1	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	7.50%	7.50%	7.50%	7.50%	7.50%
<b>Total Capital</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
*Capital Conservation Buffer - CCB	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	<b>10.25%</b>	<b>10.65%</b>	<b>11.275%</b>	<b>11.90%</b>	<b>12.50%</b>

\* Consisting of CET1 only.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 22.39% respectively as at December 31, 2017.

The Bank has complied with all externally imposed capital requirements as at year end.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 40.1.3 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

### 40.1.4 Capital Structure - Basel III transition

State Bank of Pakistan vide BPRD circular # 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

#### Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after regulatory deductions.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of Tier 1 capital). Bank has also implemented transitional standards of Basel III up to the extent of 80% as at December 31, 2017 as per road map laid down by SBP through BPRD Circular #6 dated August 15, 2013.

The required capital is achieved by the Bank through:

- (a) enhancement in the risk profile of asset mix at the existing volume level;
- (b) ensuring better recovery management; and
- (c) maintain acceptable profit margins.

### 40.1.5 Leverage Ratio

The leverage ratio of the Bank as on December 31, 2017 is 4.68% (2016: 5.13%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2017; Total Tier 1 capital of the Bank amounts to Rs. 71,682,627 thousands (2016: Rs. 67,785,376 thousands) whereas the total exposure measure amounts to Rs. 1,532,543,176 thousands (2016: Rs. 1,321,677,834 thousands).

Shift in leverage ratio is mainly due to increase in assets as of December 31, 2017.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

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

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>40.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017</b>		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully Paid-up Capital/ Capital deposited with SBP	11,450,739	11,450,739
Balance in Share Premium Account	-	-
Reserve for issue of Bonus Shares	-	-
General/ Statutory Reserves	17,749,162	16,475,798
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits/ (losses)	49,212,447	46,490,244
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
<b>CET 1 before Regulatory Adjustments</b>	78,412,348	74,416,781
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
<b>Total regulatory adjustments applied to CET1 (Note 40.2.1)</b>	(6,729,721)	(6,631,405)
<b>Common Equity Tier 1</b>	a 71,682,627	67,785,376
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 instruments plus any related share premium		
of which: Classified as equity	-	-
of which: Classified as liabilities	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which:		
instrument issued by subsidiaries subject to phase out	-	-
<b>AT1 before regulatory adjustments</b>	-	-
<b>Total regulatory adjustment applied to AT1 capital (Note 40.2.2)</b>	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>	-	-
<b>Additional Tier 1 capital recognized for capital adequacy</b>	b -	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	(c=a+b) 71,682,627	67,785,376
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III		
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which:		
instruments issued by subsidiaries subject to phase out	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	11,701	63,309
Revaluation Reserves	23,582,703	19,411,299
of which: Revaluation reserves on Property	14,243,627	5,329,586
of which: Unrealized Gains/losses on AFS	9,339,076	14,081,713
Foreign Exchange Translation Reserves	230,954	57,687
Undisclosed/Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	23,825,358	19,532,295
<b>Total regulatory adjustment applied to T2 capital (Note 40.2.3)</b>	(594,970)	(1,008,517)
Tier 2 capital (T2) after regulatory adjustments	23,230,388	18,523,778
Tier 2 capital recognized for capital adequacy	23,230,388	18,523,778
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
<b>Total Tier 2 capital admissible for capital adequacy</b>	(d) 23,230,388	18,523,778
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	(e=c+d) 94,913,015	86,309,154
<b>Total Risk Weighted Assets</b>	(f) 423,992,718	414,229,849
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
CET1 to total RWA	(a/f) 16.91%	16.36%
Tier-1 capital to total RWA	(c/f) 16.91%	16.36%
Total capital to RWA	(e/f) 22.39%	20.84%

## Notes to the Unconsolidated Financial Statements

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	December 31, 2017	December 31, 2016
	Rupees in '000	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	7.28%	6.65%
of which: capital conservation buffer requirement	1.275%	0.65%
of which: countercyclical buffer requirement	-	-
of which: D-SIB or G-SIB buffer requirement	-	-
CET1 available to meet buffers (as a percentage of risk weighted assets)	9.63%	9.71%
<b>National minimum capital requirements prescribed by SBP</b>		
CET1 minimum ratio	6.00%	6.00%
Tier 1 minimum ratio	7.50%	7.50%
Total capital Minimum Ratio (Inclusive of 1.275% CCB for 2017)	11.275%	10.65%

Regulatory Adjustments and Additional Information	December 31, 2017		December 31, 2016	
	Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
	Rupees in '000			

### 40.2.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	-	-	-	-
2	All other intangibles (net of any associated deferred tax liability)	(1,451,469)	-	(1,348,895)	-
3	Shortfall in provisions against classified assets	(886,726)	-	(936,149)	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
5	Defined-benefit pension fund net assets	(2,953,626)	(738,406)	(2,768,836)	(1,845,891)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(960,911)	-	(694,412)	-
7	Cash flow hedge reserve	-	-	-	-
8	Investment in own shares/ CET1 instruments	-	-	-	-
9	Securitization gain on sale	-	-	-	-
10	Capital shortfall of regulated subsidiaries	-	-	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(426,989)	(106,747)	(783,113)	(522,075)
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
15	Amount exceeding 15% threshold	-	-	-	-
16	of which: significant investments in the common stocks of financial entities	-	-	-	-
17	of which: deferred tax assets arising from temporary differences	-	-	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-	-	-
20	Any other deduction specified by SBP (mention details)	-	-	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	(50,000)	-	(100,000)	-
22	<b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>(6,729,721)</b>	<b>-</b>	<b>(6,631,405)</b>	<b>-</b>

### 40.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-	-	-
24	Investment in own AT1 capital instruments	-	-	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-	-



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Regulatory Adjustments and Additional Information	December 31, 2017		December 31, 2016	
	Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
Rupees in '000				
26				
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27				
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	(50,000)	-	(100,000)	-
29				
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
30				
Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	(50,000)	-	(100,000)	-
<b>40.2.3 Tier 2 Capital: regulatory adjustments</b>				
31				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	(50,000)	-	(100,000)	-
32				
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33				
Investment in own Tier 2 capital instrument	-	-	-	-
34				
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(544,970)	(136,243)	(908,517)	(605,678)
35				
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36				
Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(594,970)	-	(1,008,517)	-
		Note	December 31, 2017	December 31, 2016
Rupees in '000				
<b>40.2.4 Additional Information</b>				
Risk Weighted Assets subject to pre-Basel III treatment				
37				
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	40.5		309,897,584	290,905,734
(i)				
of which: deferred tax assets				
(ii)				
of which: Defined-benefit pension fund net assets			738,406	1,845,891
(iii)				
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity			-	-
(iv)				
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity			-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
38				
Non-significant investments in the capital of other financial entities			8,353,070	9,501,642
39				
Significant investments in the common stock of financial entities			1,575,653	1,575,653
40				
Deferred tax assets arising from temporary differences (net of related tax liability)			-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
41				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)			11,701	63,309
42				
Cap on inclusion of provisions in Tier 2 under standardized approach			-	-
43				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			-	-
44				
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2017	Reference
	Rupees in '000		
<b>40.3 Capital Structure Reconciliation</b>			
<b>40.3.1 Step 1</b>			
<b>Assets</b>			
Cash and balances with treasury banks	85,367,382	85,367,382	
Balances with other banks	648,765	648,765	
Lendings to financial institutions	8,694,399	8,694,399	
Investments	698,082,066	698,082,066	
Advances	372,037,714	372,037,714	
Operating fixed assets	48,327,029	48,327,029	
Deferred tax assets	-	-	
Other assets	32,554,758	32,554,758	
<b>Total assets</b>	<b>1,245,712,113</b>	<b>1,245,712,113</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	7,835,467	7,835,467	
Borrowings	223,556,383	223,556,383	
Deposits and other accounts	883,740,709	883,740,709	
Sub-ordinated loans	-	-	
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	6,941,804	6,941,804	
Other liabilities	16,921,397	16,921,397	
<b>Total liabilities</b>	<b>1,138,995,760</b>	<b>1,138,995,760</b>	
Share capital/ Head office capital account	11,450,739	11,450,739	
Reserves	17,980,116	17,980,116	
Unappropriated/ Unremitted profit/ (losses)	49,212,447	49,212,447	
Minority Interest	-	-	
Surplus on revaluation of assets	28,073,051	28,073,051	
<b>Total Equity</b>	<b>106,716,353</b>	<b>106,716,353</b>	
<b>Total liabilities &amp; equity</b>	<b>1,245,712,113</b>	<b>1,245,712,113</b>	
<b>40.3.2 Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks	85,367,382	85,367,382	
Balanced with other banks	648,765	648,765	
Lending to financial institutions	8,694,399	8,694,399	
Investments	698,082,066	698,082,066	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	971,959	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which :Reciprocal cross holdings in CET1	-	960,911	d
of which :Reciprocal cross holdings in Tier2	-	-	e
of which: others (mention details)	-	-	f
Advances	372,037,714	372,037,714	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB"	-	886,726	g
general provisions reflected in Tier 2 capital	-	11,701	h
Fixed Assets	48,327,029	48,327,029	
of which: Intangibles	-	1,459,094	i
Deferred Tax Assets	-	-	
of which: DTAs excluding those arising from temporary differences	-	-	j
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	k
Other assets	32,554,758	32,554,758	
of which: Goodwill	-	-	l
of which: Defined-benefit pension fund net assets	-	3,692,032	m
<b>Total assets</b>	<b>1,245,712,113</b>	<b>1,245,712,113</b>	

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2017	Reference
	Rupees in '000		
<b>Liabilities &amp; Equity</b>			
Bills payable	7,835,467	7,835,467	
Borrowings	223,556,383	223,556,383	
Deposits and other accounts	883,740,709	883,740,709	
Sub-ordinated loans	–	–	
of which: eligible for inclusion in AT1	–	–	n
of which: eligible for inclusion in Tier 2	–	–	o
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	6,941,804	6,941,804	
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	7,625	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	s
Other liabilities	16,921,397	16,921,397	
<b>Total liabilities</b>	<b>1,138,995,760</b>	<b>1,138,995,760</b>	
Share capital	11,450,739	11,450,739	
of which: amount eligible for CET1	–	11,450,739	t
of which: amount eligible for AT1	–	–	u
Reserves	17,980,116	17,980,116	
of which: portion eligible for inclusion in CET1:Share Premium	–	–	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	–	17,749,162	w
of which: portion eligible for inclusion in Tier 2	–	230,954	x
Unappropriated profit / (losses)	49,212,447	49,212,447	y
Minority Interest	–	–	
of which: portion eligible for inclusion in CET1	–	–	z
of which: portion eligible for inclusion in AT1	–	–	aa
of which: portion eligible for inclusion in Tier 2	–	–	ab
Surplus on revaluation of assets	28,073,051	28,073,051	
of which: Revaluation reserves on Property	–	14,243,627	ac
of which: Unrealized Gains / Losses on AFS	–	9,339,076	
In case of Deficit on revaluation (deduction from CET1)	–	–	ad
<b>Total liabilities &amp; Equity</b>	<b>106,716,353</b>	<b>106,716,353</b>	
		<b>Component of regulatory capital reported by bank</b>	<b>Source reference number from step 2</b>
		Rupees in '000	

### 40.3.3 Step 3

#### Common Equity Tier 1 capital (CET1): Instruments and reserves

1	Fully Paid-up Capital / Capital deposited with SBP	11,450,739	(t)
2	Balance in Share Premium Account	–	(v)
3	Reserve for issue of Bonus Shares	–	
4	General / Statutory Reserves	17,749,162	(w)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	–	–
6	Unappropriated / unremitted profits/(losses)	49,212,447	(y)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	–	(z)
8	<b>CET 1 before Regulatory Adjustments</b>	<b>78,412,348</b>	
	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Component of regulatory capital reported by bank	Source reference number from step 2
Rupees in '000		
9 Goodwill (net of related deferred tax liability)	–	(l) - (p)
10 All other intangibles (net of any associated deferred tax liability)	1,451,469	(i) - (q)
11 Shortfall of provisions against classified assets	886,726	(g)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	{(j) - (s)} * x%
13 Defined-benefit pension fund net assets	2,953,626	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	960,911	(d)
15 Cash flow hedge reserve	–	
16 Investment in own shares/ CET1 instruments	–	
17 Securitization gain on sale	–	
18 Capital shortfall of regulated subsidiaries	–	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	–	(ad)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	426,989	(a) - (ae) - (ah)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	(b) - (af) - (ai)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	(k)
23 Amount exceeding 15% threshold	–	
24 of which: significant investments in the common stocks of financial entities	–	
25 of which: deferred tax assets arising from temporary differences	–	
26 National specific regulatory adjustments applied to CET1 capital	–	
27 Investment in TFCs of other banks exceeding the prescribed limit	–	
28 Any other deduction specified by SBP (mention details)	–	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	50,000	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	6,729,721	
<b>Common Equity Tier 1</b>	<b>71,682,627</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
31 Qualifying Additional Tier-1 instruments plus any related share premium	–	
32 of which: Classified as equity	–	(u)
33 of which: Classified as liabilities	–	(n)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	–	(x)
35 of which: instrument issued by subsidiaries subject to phase out	–	
36 <b>AT1 before regulatory adjustments</b>	–	
<b>Additional Tier 1 Capital: regulatory adjustments</b>	–	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	–	
38 Investment in own AT1 capital instruments	–	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	–	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	(ae)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(af)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	–	

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Component of regulatory capital reported by bank	Source reference number from step 2
Rupees in '000		
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44 Total of Regulatory Adjustment applied to AT1 capital	-	
45 Additional Tier 1 capital	-	
46 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	71,682,627	
<b>Tier 2 Capital</b>		
47 Qualifying Tier 2 capital instruments under Basel III	-	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	(o)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(ab)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	11,701	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	14,243,627	portion of (ac)
54 of which: portion pertaining to AFS securities	9,339,076	
55 Foreign Exchange Translation Reserves	230,954	(x)
56 Undisclosed / Other Reserves (if any)	-	
57 <b>T2 before regulatory adjustments</b>	23,825,358	
<b>Tier 2 Capital: regulatory adjustments</b>		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	50,000	
59 Reciprocal cross holdings in Tier 2 instruments	-	(e)
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	544,970	(ah)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ai)
63 Amount of Regulatory Adjustment applied to T2 capital	594,970	
64 Tier 2 capital (T2)	23,230,388	
65 Tier 2 capital recognized for capital adequacy	23,230,388	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	23,230,388	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	94,913,015	

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 40.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares
1	Issuer	Allied Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	ABL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	<b>Regulatory treatment</b>	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Group and standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739
9	Par value of instrument	10
10	Accounting classification	Shareholders equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/ coupon	N/A
18	Coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Rank inferior to all creditors including depositors.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 40.5 Risk Weighted Exposures

The capital requirements for the Bank as per the major risk categories are indicated below:

	Capital Requirements		Risk Weighted Assets	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Rupees in '000				
<b>CREDIT RISK</b>				
<b>On-Balance sheet</b>				
<b>Portfolios subject to standardized approach (Simple)</b>				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	2,413,170	1,394,047	21,402,839	13,089,649
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
Claims on Multilateral Development Banks	-	-	-	-
Claims on Public Sector Entities in Pakistan	447,347	775,219	3,967,597	7,279,047
Claims on Banks	768,523	682,757	6,816,165	6,410,863
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	21,038	20,842	186,587	195,700
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	193,091	224,911	1,712,559	2,111,838
Claims on Corporates (excluding equity exposures)	16,348,644	14,589,448	144,999,059	136,990,123
Claims categorized as retail portfolio	1,243,911	971,387	11,032,471	9,121,009
Claims fully secured by residential property	299,487	270,475	2,656,201	2,539,676
Past Due loans:	54,431	85,671	482,757	804,423
Investments in premises, plant and equipment and all other fixed assets	5,284,360	3,344,987	46,867,935	31,408,326
All other assets	795,843	942,128	7,058,471	8,846,274
	27,869,845	23,301,872	247,182,641	218,796,928
<b>Off- Balance Sheet</b>				
<b>Non Market related Exposures</b>				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	2,105,645	2,981,216	18,675,343	27,992,640
Performance related contingencies	780,418	616,547	6,921,670	5,789,172
Trade Related contingencies/Other Commitments with original maturity of one year or less	939,669	557,430	8,334,091	5,234,088
	3,825,732	4,155,193	33,931,104	39,015,900
<b>Market related Exposures</b>	153,116	82,354	1,358,017	773,275
<b>Equity Exposure Risk in the Banking Book</b>				
Unlisted equity investments (other than that deducted from capital) held in banking book	390,482	347,650	3,463,253	3,264,319
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,285,830	2,728,123	20,273,436	25,616,179
Significant investments and deferred tax assets above 15% threshold	415,950	366,268	3,689,133	3,439,133
	3,092,262	3,442,041	27,425,822	32,319,631
<b>Total Credit Risk (A)</b>	34,940,955	30,981,460	309,897,584	290,905,734
<b>MARKET RISK</b>				
<b>Capital Requirement for portfolios subject to Standardized Approach</b>				
Interest rate risk	227,077	197,890	2,013,985	1,858,118
Equity position risk etc.	3,618,064	4,095,913	32,089,261	38,459,281
Foreign exchange risk	15,135	538,820	134,232	5,059,344
	3,860,276	4,832,623	34,237,478	45,376,743
<b>OPERATIONAL RISK</b>				
<b>Capital Requirement for operational risks</b>	9,003,951	8,301,395	79,857,656	77,947,372
<b>Total Risk Weighted Assets</b>	47,805,182	44,115,478	423,992,718	414,229,849

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Capital Adequacy Ratios	December 31, 2017		December 31, 2016	
	Required	Actual	Required	Actual
CET1 to total RWA	6.0%	16.91%	6.0%	16.36%
Tier-1 capital to total RWA	7.5%	16.91%	7.5%	16.36%
Total capital to total RWA (Inclusive of 1.275% CCB for 2017)	11.275%	22.39%	10.65%	20.84%

## 41. RISK MANAGEMENT

The Risk Management Framework (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, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

### Categories of Risk

The Bank generates most of its revenue by accepting following types of risks:

**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.

**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 is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for 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.



# Notes to the Unconsolidated Financial Statements

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## 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.

### 41.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

#### The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

#### Sovereign Credit Risk

When the Bank lends to public sector borrowers, it prefers obtaining a full sovereign guarantee or the equivalent from the Government of Pakistan (GOP). However, certain public sector enterprises have a well defined cash flow stream and appropriate business model, based on which the lending is secured through collaterals other than GOP guarantee.

#### Counterparty credit risk on its private sector advances

Each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk. Financial analysis is further strengthened through use of separate financial spread sheet templates that have been designed for manufacturing / trading concerns, financial institutions and insurance companies.

#### Counter Party Credit Risk on Interbank Limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is A.

#### Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

#### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located all over the country.

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### Risk Analytics

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of Borrower, Group and Sector exposure limits and risk profile benchmarks.

### Internal Risk Rating Models

The Bank has developed internal risk rating models to assign credit risk ratings to its Corporate, Financial Institutions, SME and Consumer borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The rating models have been automated through the Bank's Risk Assessment and Management System (RAMS), and are given due weightage while extending credit to these asset classes. The Bank has also implemented a Facility Risk Rating Model to complement the Obligor Risk Rating Models.

### Stress Testing

The Bank conducts stress testing of its existing advances portfolio. On a quarterly basis, an extensive stress testing activity is conducted by giving shocks to all assets of the Bank in line with SBP requirements and assessing its resulting affect on capital adequacy. The major shock being applied relate to the deterioration in internal ratings of the obligors, adverse shift of regular borrowers to non-performing status, default by large borrowers or group of borrowers and their resultant impact on the provisioning requirements and capital adequacy.

### Automated System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an automated system in the form of a 'Watch-List' category has been instituted to cover the gap between Regular and Substandard categories. Identification of an account on the said 'Watch-List' triggers the lending branch to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that the 'Watch-List' category of accounts is part of the Bank's Regular portfolio and does not require any provisioning.

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved. The Bank has also implemented an Early Warning Alert engine that relays email alerts to users based on breach of defined triggers.

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2017, the coverage ratio was 92.59% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the Note 5 and 10 to these financial statements. The movement in specific and general provision held is given in Note 10.4 to these financial statements.

### Portfolio Diversification

Efficient diversification has been a key consideration for maintaining healthy advances portfolio. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advances portfolio is significantly diversified. Power, Gas, Petroleum, Chemical, Commodity, Textiles and Financial Sector are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
<b>41.1.1 Segmental Information</b>						
<b>41.1.1.1 Segments by class of business</b>						
Agriculture, Forestry and Hunting	61,558,861	15.84%	48,763,264	5.52%	1,367,900	0.57%
Basic metals (iron, steel)	2,705,732	0.70%	406,894	0.05%	3,449,034	1.44%
Cement/clay & ceramics	14,416,693	3.71%	1,131,525	0.13%	6,227,925	2.60%
Chemical & pharmaceutical	20,702,251	5.33%	7,627,740	0.86%	3,629,067	1.51%
Construction	8,108,971	2.09%	26,705,938	3.02%	4,394,720	1.83%
Education	115,335	0.03%	20,966,870	2.37%	55,461	0.02%
Financial	20,487,988	5.27%	53,542,976	6.06%	143,541,269	59.84%
Fishing	–	0.00%	9,564	0.00%	–	0.00%
Footwear & leather garments	1,148,700	0.30%	584,437	0.07%	510,891	0.21%
Furniture & sports goods	1,275,838	0.33%	351,981	0.04%	5,577	0.00%
Grains, food and beverages	11,719,839	3.01%	5,107,635	0.58%	39,448	0.02%
Health & social welfare	55,713	0.01%	6,494,928	0.73%	50,463	0.02%
Hotel, restaurant & clubs	1,400,000	0.36%	1,066,729	0.12%	960	0.00%
Individuals	9,916,565	2.55%	356,719,817	40.36%	5,463,051	2.28%
Machinery & equipment	1,864,567	0.48%	1,465,090	0.17%	1,922,789	0.80%
Manufacture of transport equipment	389,289	0.10%	1,020,939	0.12%	99,084	0.04%
Paper & paper boards	6,218,078	1.60%	878,861	0.10%	1,969,615	0.82%
Petroleum products	10,515,762	2.71%	38,479,576	4.35%	8,824,756	3.68%
Power, gas, water & sanitary	122,133,670	31.42%	35,955,932	4.07%	8,486,247	3.54%
Printing, publishing & allied	114,390	0.03%	607,593	0.07%	110,197	0.05%
Real estate, renting, and business activities	4,790,686	1.23%	41,784,299	4.73%	–	0.00%
Rubber & plastic	778,824	0.20%	175,402	0.02%	41,385	0.02%
Sugar	6,034,307	1.55%	847,610	0.10%	19,600	0.01%
Textile - Manufacture of madeup & ready made garments	21,251,761	5.47%	1,335,119	0.15%	573,861	0.24%
Textile - Finishing	14,557,321	3.74%	414,955	0.05%	5,434,753	2.27%
Textile - Spinning	13,299,514	3.42%	385,411	0.04%	118,344	0.05%
Textile - Weaving	1,731,836	0.45%	101,972	0.01%	211,476	0.09%
Transport, storage & communication	14,112,816	3.63%	6,536,849	0.74%	6,829,587	2.85%
Wholesale & retail trade	8,579,749	2.21%	26,068,685	2.95%	70,277	0.03%
Others	8,766,595	2.26%	198,202,118	22.43%	36,410,988	15.18%
	<b>388,751,651</b>	<b>100.00%</b>	<b>883,740,709</b>	<b>100.00%</b>	<b>239,858,725</b>	<b>100.00%</b>

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
<b>41.1.1.2 Segments by sector</b>						
Public / Government	149,693,772	38.51%	213,549,024	24.16%	26,886,670	11.21%
Private	239,057,879	61.49%	670,191,685	75.84%	212,972,055	88.79%
	<b>388,751,651</b>	<b>100.00%</b>	<b>883,740,709</b>	<b>100.00%</b>	<b>239,858,725</b>	<b>100.00%</b>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017		December 31, 2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
<b>41.1.1.3 Details of non-performing advances and specific provisions by class of business segment</b>				
Agriculture, Forestry and Hunting	547,602	494,710	565,045	461,329
Basic metals (iron, steel)	229,849	229,849	276,595	263,962
Cement / clay & ceramics	75,089	75,089	75,089	75,089
Chemical & pharmaceutical	714,158	714,158	742,476	741,228
Construction	148,384	147,259	199,756	199,756
Education	123	123	184	184
Financial	72,454	72,454	72,454	72,454
Footwear & leather garments	75,014	74,419	125,404	125,404
Furniture & sports goods	266,103	266,103	230,858	230,711
Grains, food & beverages	1,766,277	1,760,202	2,082,302	1,916,022
Health & social welfare	5,984	5,984	13,857	13,857
Hotel, restaurant & clubs	7,664	7,664	7,664	7,664
Individuals	449,729	448,329	452,019	446,503
Machinery & equipment	1,206,611	1,206,611	1,233,588	1,233,588
Manufacture of transport equipment	211,014	211,014	227,009	227,009
Paper & paper boards	210,574	210,574	213,624	213,624
Petroleum products	1,201,469	309,149	1,904,067	967,918
Power, gas, water & sanitary	637,015	637,015	637,015	637,015
Printing, publishing & allied	10,838	10,838	11,558	11,558
Real estate, renting, and business activities	–	–	12,595	12,595
Rubber & plastic	235,068	235,068	333,813	278,477
Sugar	51,216	51,216	250,716	250,716
Textile - Manufacture of made up & ready made garments	2,966,776	2,966,776	3,103,092	3,099,772
Textile - Finishing	2,889,512	2,869,986	3,025,954	2,997,506
Textile - Spinning	1,352,423	1,343,415	1,383,501	1,374,354
Textile - Weaving	60,493	49,563	45,385	45,385
Transport, storage & communication	468,945	140,024	484,439	149,673
Wholesale & retail trade	1,096,493	1,071,495	1,267,062	1,257,189
Others	1,094,872	1,093,149	1,454,488	1,410,021
	<b>18,051,749</b>	<b>16,702,236</b>	<b>20,431,609</b>	<b>18,720,563</b>

	December 31, 2017		December 31, 2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				

### 41.1.1.4 Details of non-performing advances and specific provisions by sector

Public/ Government	135,180	135,180	136,180	136,180
Private	17,916,569	16,567,056	20,295,429	18,584,383
	<b>18,051,749</b>	<b>16,702,236</b>	<b>20,431,609</b>	<b>18,720,563</b>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Rupees in '000				
<b>43.1.1.5 Geographical Segment Analysis</b>				
Pakistan operations	19,970,350	1,222,791,490	102,259,363	239,472,586
Middle East	625,772	18,352,995	2,195,867	386,139
Karachi Export Processing Zone	282,573	4,567,628	2,261,123	-
	908,345	22,920,623	4,456,990	386,139
	20,878,695	1,245,712,113	106,716,353	239,858,725

### 41.1.2 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

#### 41.1.2.1 Credit Risk: Disclosures for portfolio subject to Standardized Approach and supervisory risk weights in IRB approach Basel II specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

#### Selection of ECAIs

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

**Sovereigns Exposures:** For foreign currency claims on sovereigns, the Bank uses sovereign ratings issued by Moody's, Standard & Poor's and Fitch.

**Exposures to Multilateral Development Banks (MDBs):** For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

**Exposures to Public Sector Entities (PSEs):** For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

**Bank Exposures:** For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

**Corporate Exposures:** Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (excluding equity exposures).

#### Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

## Notes to the Unconsolidated Financial Statements

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### Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below

#### Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+ A-1	A-1+	A-1+
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### Types of exposures and ECAI's used

December 31, 2017

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	Yes	-	-	-	-
SME's	-	-	-	-	-
Securitized	-	-	-	-	-
Public Sector	-	-	-	-	-
Enterprises	-	-	-	Yes	Yes

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### Credit exposures subject to Standardized Approach

Exposures	Rating Category	December 31, 2017		December 31, 2016			
		Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	59,159,663	102,523	59,057,140	54,508,815	54,656	54,454,159
	2	34,980,938	–	34,980,938	24,223,266	–	24,223,266
	3, 4	3,612,121	–	3,612,121	622,183	–	622,183
	5, 6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less	–	186,358,145	176,900,699	9,457,446	89,458,349	78,588,422	10,869,927
Retail	–	17,416,875	1,444,080	15,972,795	14,619,728	1,532,754	13,086,974
Public sector entities	1	26,178,963	7,320,678	18,858,285	30,722,880	7,111,859	23,611,021
Others	–	889,244,934	5,449,000	883,795,934	771,815,714	2,940,062	768,875,652
Unrated	–	203,153,403	82,997,396	120,156,007	199,679,751	65,980,924	133,698,827
Total		1,420,105,042	274,214,376	1,145,890,666	1,185,650,686	156,208,677	1,029,442,009

#### 41.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments, and units in open ended mutual funds, therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank and other reputable financial institutions etc.

#### 41.2 Equity Position Risk in the Banking Book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for long term revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain and dividend to support the Bank's business activities.

##### Classification of investments

Under SBP's directives, equity investment may be classified as 'held-for-trading', 'available-for-sale - further categorized between strategic and non-strategic' or 'investment in subsidiaries and associates'. Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted.

##### Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in subsidiaries are accounted for in accordance with the relevant International Accounting Standard as applicable in Pakistan.

The unrealized surplus / (deficit) arising on revaluation of the bank's 'held-for-trading' investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income currently.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### Composition of equity investments

	Held-for-trading	Available-for-sale	Investment in Subsidiary
	Rupees in '000		
Equity Investments - Publicly Traded	–	22,957,532	–
Equity Investments - Others	–	3,593,618	500,000
Total Value	–	26,551,150	500,000

No cumulative gain (2016: Rs. 74,521 million) was realized from sale of equity securities / certificates of close ended mutual funds and units of open end mutual funds; however unrealized gain of Rs. 12,653.552 million (2016: Rs. 21,713.786 million) was recognized in the statement of financial position in respect of available-for-sale securities.

#### 41.2.1 Market Risk

The Bank is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price 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.

#### Market Risk Pertaining to the Trading Book

##### Trading Book

A trading book 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 managed.

The Bank's trading book includes securities classified as 'Held-for-Trading', 'Open Ended Mutual Fund' and 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 listed equity)
- ii) Held-to-maturity securities

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 and equity price 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



## Notes to the Unconsolidated Financial Statements

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### 41.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. 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 net foreign currency exposure is in US Dollars. 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.

	December 31, 2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
Rupees in '000				
Pakistani Rupee	1,197,945,310	1,038,022,140	(53,340,095)	106,583,075
United States Dollar	46,967,686	92,784,942	45,931,305	114,049
Great Britain Pound	319,361	5,307,053	4,988,957	1,265
Japanese Yen	10,415	761	(10,568)	(914)
Euro	371,402	2,856,405	2,487,262	2,259
Other Currencies	97,939	24,459	(56,861)	16,619
	47,766,803	100,973,620	53,340,095	133,278
	1,245,712,113	1,138,995,760	-	106,716,353

	December 31, 2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
Rupees in '000				
Pakistani Rupee	1,007,255,936	883,165,215	(24,548,036)	99,542,685
United States Dollar	60,635,370	77,346,299	17,751,459	1,040,530
Great Britain Pound	659,677	4,976,104	4,354,546	38,119
Japanese Yen	12,130	3,814	(7,407)	909
Euro	330,648	2,777,338	2,486,134	39,444
Other Currencies	51,987	3,150	(36,696)	12,141
	61,689,812	85,106,705	24,548,036	1,131,143
	1,068,945,748	968,271,920	-	100,673,828

### 41.2.3 Equity Position Risk

The Board, based on the recommendations of ALCO, approves exposure limits applicable to investments in Trading and Banking Book. Equity securities are perpetual assets and are classified under either Held-for-Trading Portfolio or Available-for-Sale Portfolio.

#### Concentration Risk

ALCO is responsible for making investment decisions regarding capital market investments, whereas limit setting with respect to portfolio, sector and scrip wise limits is done by BRMC / BOD to guard against concentration risk. Further, these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits whereas limit monitoring is done by Market & Liquidity Risk Division on a daily basis and breaches (if any) are promptly reported with proper reason.

#### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Capital Market Unit both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent.

# Notes to the Unconsolidated Financial Statements

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## 41.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

Effective Yield / Interest rate	December 31, 2017										Not exposed to Yield/ Interest Risk	
	Total	Exposed to Yield/ Interest risk										
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	85,367,382	11,667,460	-	-	-	-	-	-	-	-	-	73,699,922
Balances with other banks	648,765	322,186	-	-	-	-	-	-	-	-	-	326,579
Lendings to financial institutions	8,694,399	8,479,431	214,968	-	-	-	-	-	-	-	-	-
Investments	698,082,066	211,571,387	1,016,250	79,117,349	1,230,820	13,005,883	32,892,588	2,475,774	37,368,348	-	-	-
Advances	372,037,714	53,932,976	91,386,416	10,135,038	2,017,304	4,478,787	12,601,656	-	1,386,888	-	-	-
Other assets	19,749,938	-	-	-	-	-	-	-	-	-	-	19,749,938
	1,184,580,264	285,973,440	92,617,634	89,252,387	3,308,124	17,484,620	45,494,244	2,475,774	132,531,675	-	-	-
<b>Liabilities</b>												
Bills payable	7,835,467	-	-	-	-	-	-	-	-	-	-	7,835,467
Borrowings	223,556,383	184,037,908	5,134,424	4,208,111	424,410	3,107,351	9,000,689	-	-	-	-	-
Deposits and other accounts	883,740,709	105,727,292	86,400,260	247,648,340	1,974,761	335,926	273,883	-	243,625,347	-	-	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	10,897,896	-	-	-	-	-	-	-	-	-	-	10,897,896
	1,126,030,455	289,765,200	91,534,684	251,856,451	2,399,171	3,443,277	9,274,572	-	262,358,710	-	-	-
<b>On-balance sheet gap</b>	58,549,809	(3,791,760)	1,082,950	(62,604,064)	908,953	14,041,343	36,219,672	2,475,774	(129,827,035)	-	-	-
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of forward exchange contracts - purchase	35,038,705	47,065,184	6,075,063	18,844	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale	(41,580,643)	(22,932,197)	(2,531,882)	(650,603)	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	53,458,062	24,132,987	3,543,181	(231,759)	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	112,007,871	20,341,227	4,626,131	(162,835,823)	908,953	14,041,343	36,219,672	2,475,774	(129,827,035)	-	-	-
<b>Cumulative yield / interest risk sensitivity gap</b>	112,007,871	20,341,227	292,181,034	129,345,211	189,098,117	203,139,460	239,359,132	241,834,906	-	-	-	-

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

Mismatch of Interest Rate Sensitive Assets and Liabilities  
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.

Effective Yield / Interest rate	December 31, 2016										Not exposed to Yield/Interest Risk	
	Total	Exposed to Yield/ Interest risk					Above 10 years	Over 5 to 10 years	Over 3 to 5 years	Over 2 to 3 years		Over 1 to 2 years
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years						
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	73,203,717	8,435,565	-	-	-	-	-	-	-	-	-	64,768,152
Balances with other banks	679,923	333,002	-	-	-	-	-	-	-	-	-	346,921
Lendings to financial institutions	10,512,752	10,012,752	500,000	-	-	-	-	-	-	-	-	-
Investments - net	589,864,548	71,498,837	141,710,196	74,462,778	16,556,423	111,061,010	73,945,349	8,378,159	44,180,039	2,420,904	45,650,853	2,420,904
Advances - net	329,562,191	61,349,372	109,941,612	37,263,753	71,174,385	4,632,421	2,879,691	31,572,489	2,173,708	3,555,327	5,019,233	3,555,327
Other assets - net	22,759,481	-	-	-	-	-	-	-	-	-	-	22,759,481
	1,026,582,612	151,629,528	252,151,808	111,726,531	87,730,808	115,683,431	76,825,240	39,950,648	46,353,747	5,976,231	136,544,640	136,544,640
<b>Liabilities</b>												
Bills payable	9,948,795	-	-	-	-	-	-	-	-	-	-	9,948,795
Borrowings	126,368,875	87,235,061	13,721,226	-	15,148,588	4,209,001	199,752	1,731,008	4,124,229	-	-	-
Deposits and other accounts	805,110,884	95,128,635	205,872,981	225,074,398	69,751,195	7,436,987	1,627,872	350,100	193,358	-	-	199,675,308
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,732,271	-	-	-	-	-	-	-	-	-	-	12,732,271
	954,060,775	182,363,696	219,594,207	225,074,398	84,899,793	11,645,988	1,827,624	2,081,108	4,317,587	222,256,374	222,256,374	222,256,374
<b>On-balance sheet gap</b>	<b>72,521,837</b>	<b>(30,734,168)</b>	<b>32,557,601</b>	<b>(113,347,867)</b>	<b>2,831,015</b>	<b>104,047,443</b>	<b>74,997,616</b>	<b>37,869,540</b>	<b>42,036,160</b>	<b>5,976,231</b>	<b>(83,711,734)</b>	<b>(83,711,734)</b>
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of forward exchange contracts - purchase	63,017,979	20,680,281	21,891,192	319,207	20,127,299	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale	(38,469,943)	(15,855,348)	(14,653,890)	(193,735)	(7,766,880)	-	-	-	-	-	-	-
Off-balance sheet gap	24,548,036	4,824,933	7,237,212	125,472	12,360,419	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	97,069,873	(25,909,235)	39,794,813	(113,222,395)	15,191,434	104,047,443	74,997,616	37,869,540	42,036,160	5,976,231	180,781,607	180,781,607
Cumulative yield / interest risk sensitivity gap	97,069,873	(25,909,235)	13,885,578	(94,145,383)	29,077,012	19,902,060	94,899,676	132,769,216	174,803,376	180,781,607	180,781,607	180,781,607
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.												
<b>41.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities</b>												
<b>Reconciliation to total assets</b>												
	December 31, 2017	December 31, 2016	Reconciliation to total liabilities						December 31, 2017	December 31, 2016	(Rupees in '000)	
Balance as per Statement of Financial Position	1,245,712,113	1,068,945,748	Balance as per Statement of Financial Position						1,138,995,760	968,271,920		
Less: Non financial assets	48,327,029	32,757,221	Less: Non financial liabilities						6,941,804	10,986,887		
Operating fixed assets	12,804,820	9,605,915	Deferred tax liability						6,023,501	3,224,258		
Other assets	61,131,849	42,363,136	Other liabilities						12,965,305	14,211,145		
Total financial assets	1,184,580,264	1,026,582,612	Total financial liabilities						1,126,030,455	954,060,775		

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### 41.3 Liquidity Risk

Liquidity Risk is the risk that the Bank is unable to fund its current obligations and operations in the most cost efficient manner. Bank's Board of Directors have delegated the responsibility to ALCO for ensuring that Bank's policy for liquidity management is adhered to on a continual basis. ALCO uses gap analysis based on "maturity schedule" to assess Bank's liquidity risk and devise strategies accordingly. Bank also has in place triggers and limits to monitor liquidity risk on a periodic basis and uses stress testing & scenario analysis to assess adequacy of Bank's liquid assets. Bank also complies with SBP's instructions on Liquidity Standards as prescribed under the Basel III Framework.

Bank has in place a robust Liquidity Crisis Contingency Plan to deal with any liquidity crisis in the most efficient and effective manner.

#### 41.3.1 Liquidity Coverage Ratio

The purpose of this disclosure is to provide the information pursuant to Basel III Liquidity Standards issued under BPRD circular # 08 dated June 23, 2016. This supplements the disclosure in the Risk Management sections as well as related information in the Notes to the Financial Statements. This public disclosure should be read in conjunction with the Bank's Financial Statements as of December 31, 2017.

The Liquidity Coverage Ratio "LCR" ensures that Allied Bank Limited (the "Bank") maintains sufficient unencumbered High-Quality Liquid Assets ("HQLA") to survive a significant liquidity stress scenario over a 30-day horizon. LCR reporting to SBP commenced from January 31, 2017 on a monthly basis. Minimum requirement is set at 90% as of December 31, 2017 and shall increase to 100% by December 31, 2018.

#### Liquidity Management Framework

Daily liquidity management is carried out centrally by the Asset and Liability Management ("ALM") Desk in Treasury Group which regulates the day to day liquidity needs of the Bank. Funding and liquidity management strategies are regularly discussed during Asset and Liability Committee "ALCO" meetings. Such discussions include analysis on composition of deposits and tenure, funding gaps and concentration, monitoring of short and long-term liquidity ratios (including LCR and NSFR). The Bank utilizes internal Management Action Triggers and Limits which act as early warning indicators and safeguards to ensure sufficient liquidity buffers at all times. Additionally, external and internal liquidity stress tests are performed to evaluate available liquidity under a range of adverse scenarios and to identify potential vulnerabilities in portfolios. The Bank also has in place contingency funding plans that identify specific management action that can be invoked in times of liquidity crisis.

#### Funding Sources & Drivers of LCR

The Bank holds a funding base that is driven by Current and Savings Account "CASA" and Term Deposits from retail, affluent and corporate customers. This is complemented by wholesale funding from operational & non-operational deposits held by commercial clients of the Bank and funding from interbank market. Bank's LCR is sensitive to changes in (a) balance sheet movements resulting from retail, commercial and corporate loan/deposits activities as well as inter-bank borrowing and lending; (b) maturity movements in the balance sheet and balances falling into and out of the 30-day tenor; (c) HQLA movements driven by changes in Government Securities and Balances held with SBP.

#### Liquidity Risk Mitigation Techniques

The Bank uses the following tools to identify and mitigate Liquidity Risk:

- Gap Analysis
- Liquidity Ratio
- Liquidity Stress Testing
- Liquidity Contingency Plan
- Risk Control Limits (RCLs)

#### Composition of High Quality Liquid Assets ("HQLA")

The Bank holds an adequate portfolio of HQLA that are available to meet the liquidity needs under stress scenarios. The HQLA comprise primarily of Level 1 securities in the form of Cash and Treasury Balances, Unencumbered Fixed Income Securities issued by Government of Pakistan in local currency and Foreign Currency Debt securities issued by Government of Pakistan. Level 1 securities are included at 100% of their market value in the portfolio of HQLA. Level 2A Assets (weight 85%) consist of marketable securities held with a 20% risk weight under Basel Framework standardized approach for credit risk, whereas level 2B Assets include marketable corporate debt securities (weight 85%) and non-financial common equity shares (weight 50%).

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

### Currency Mismatch

The Bank predominately operates in the Pakistani Rupee. FCY exposures are maintained within pre-defined thresholds and liquidity for each foreign currency is managed by utilizing interbank market through currency swaps.

### Derivative Exposures

Derivative flows comprise mainly of foreign exchange flows driven by swaps, forwards and spots. Such derivative positions are marked-to market in the computation of net outflows.

### Quantitative Disclosure

The data presented in the quantitative disclosure is a simple average of quarterly LCR, wherein quarterly LCR is a simple average of monthly observations. In the first quarter of 2017, Bank's LCR was 149%. The average LCR decreased through to the second quarter to 140% due to reduction in HQLA partially off-set by decrease in Net Cash Outflows. Average third quarter LCR was 138% and fourth quarter LCR increased to 142% due to increase in HQLA as well as decrease in Net Cash Outflows. In all quarters, Bank's LCR remained well above the regulatory minimum requirement of 90%.

	TOTAL UNWEIGHTED <sup>a</sup> VALUE (average)	TOTAL WEIGHTED <sup>b</sup> VALUE (average)
	Rupees in '000	
<b>High Quality Liquid Assets</b>		
1 Total high quality liquid assets (HQLA)		375,217,205
<b>Cash Outflows</b>		
2 Retail deposits and deposits from small business customers of which:	480,317,451	48,031,745
2.1 stable deposit	-	-
2.2 Less stable deposit	480,317,451	48,031,745
3 Unsecured wholesale funding of which:	352,150,219	208,647,326
3.1 Operational deposits (all counterparties)	2,464,162	616,040
3.2 Non-operational deposits (all counterparties)	322,104,197	180,449,426
3.3 Unsecured debt	27,581,860	27,581,860
4 Secured wholesale funding		-
5 Additional requirements of which:	18,173,421	2,307,935
5.1 Outflows related to derivative exposures and other collateral requirements	114,140	114,140
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and liquidity facilities	18,059,281	2,193,795
6 Other contractual funding obligations	11,847,756	11,847,756
7 Other contingent funding obligations	161,867,717	4,053,924
<b>Total Cash Outflows</b>		<b>274,888,686</b>
<b>Cash Inflows</b>		
8 Secured lending	4,783,292	-
9 Inflows from fully performing exposures	18,282,922	10,437,560
10 Other Cash inflows	1,800,875	1,071,187
<b>Total Cash Inflows</b>	<b>24,867,089</b>	<b>11,508,747</b>
<b>TOTAL ADJUSTED VALUE</b>		
Total HQLA		375,217,205
Total Net Cash Outflows		263,379,939
Liquidity Coverage Ratio		142.46%

a Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

b Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

#### 41.3.2 Net Stable Funding Ratio

Net Stable Funding Ratio "NSFR" ensures that Allied Bank Limited reduces funding risk over a longer time horizon by requiring the Bank to fund its activities with sufficiently stable sources of funding in order to mitigate the risk of future funding stress. NSFR reporting to SBP commenced from March 31, 2017 on a quarterly basis. Minimum requirement is set at 100%, effective from December 31, 2017 onwards.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

	Unweighted Value by Residual Maturity				Weighted Value
	No Maturity	< 6 months	6 months to < 1 yr	≥ 1 yr	
Rupees in '000					
<b>ASF Item</b>					
1 Capital:	105,152,423	–	–	–	105,152,423
1.1 Regulatory capital	78,412,349	–	–	–	78,412,349
1.2 Other capital instruments	26,740,074	–	–	–	26,740,074
2 Retail deposits and deposit from small business customers:					
2.1 Stable deposits	–	103,541,781	45,525,645	356,611,966	490,772,649
2.2 Less stable deposits	–	103,541,781	45,525,645	356,611,966	490,772,649
3 Wholesale funding:	–	164,672,401	49,614,751	163,774,164	255,974,339
3.1 Operational deposits	–	1,753,868	–	–	876,934
3.2 Other wholesale funding	–	162,918,534	49,614,751	163,774,164	255,097,405
4 Other liabilities:	–	227,823,537	7,902,236	19,531,482	23,482,599
4.1 NSFR derivative liabilities		2,203	–	–	–
4.2 All other liabilities and equity not included in other categories	–	227,821,334	7,902,236	19,531,482	23,482,599
<b>Total ASF</b>					<b>875,382,010</b>
<b>RSF Item</b>					
5 Total NSFR high-quality liquid assets (HQLA)				750,289,694	111,472,466
6 Deposits held at other financial institutions for operational purposes		648,765	–	–	324,383
7 Performing loans and securities:	–	100,455,851	54,458,900	245,842,393	273,472,913
7.1 Performing loans to financial institutions secured by Level 1 HQLA	–	5,994,399	–	–	577,943
7.2 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	5,255,954	968,080	18,132,318	19,404,752
7.3 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	48,415,106	16,455,263	167,626,906	174,918,055
7.4 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	40,790,392	20,047,870	57,057,524	67,506,522
7.5 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	–	–	16,987,687	3,025,645	11,065,641
8 Other assets:		29,491,106	6,984,206	55,977,897	74,247,613
8.1 Physical traded commodities, including gold					–
8.2 Assets posted as initial margin for derivative contracts					–
8.3 NSFR derivative assets				631	631
8.4 NSFR derivative liabilities before deduction of variation margin posted					–
8.5 All other assets not included in the above categories		29,490,475	6,984,206	55,977,897	74,246,982
9 Off-balance sheet items		66,611,146	43,843,560	41,739,010	7,609,686
<b>Total RSF</b>					<b>467,127,060</b>
<b>Net Stable Funding Ratio (%)</b>					<b>187.40%</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

## Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	73,203,717	73,203,717	-	-	-	-	-	-	-	-
Balances with other banks	679,923	679,923	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,512,752	10,012,752	500,000	-	-	-	-	-	-	-
Investments	569,864,548	69,682,302	137,611,676	11,398,034	107,974,826	112,896,911	74,850,697	10,252,919	62,776,279	2,420,904
Advances	329,562,191	63,211,304	36,299,580	33,405,466	49,969,528	32,238,429	31,396,100	61,975,675	14,838,788	6,227,321
Operating fixed assets	32,757,221	661,182	1,322,363	1,983,544	3,967,088	1,766,545	802,627	1,025,196	1,304,705	19,923,971
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	32,365,396	4,973,343	7,055,832	10,219,701	2,424,786	505,465	505,465	1,010,930	1,010,929	4,658,945
	1,068,945,748	222,424,523	182,789,451	57,006,745	164,336,228	147,407,350	107,554,889	74,264,720	79,930,701	33,231,141
<b>Liabilities</b>										
Bills payable	9,848,795	9,848,795	-	-	-	-	-	-	-	-
Borrowings	126,368,875	87,235,061	13,721,226	15,148,598	-	4,209,001	199,752	1,731,008	4,124,229	-
Deposits and other accounts	805,110,834	668,770,094	59,714,460	37,185,906	36,437,792	831,254	1,627,872	350,100	193,356	-
Deferred tax liabilities	10,986,887	1,167,853	2,306,758	242,521	1,870,322	1,497,840	1,271,349	265,544	1,102,711	1,261,989
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	15,956,529	3,455,674	6,000,910	1,670,583	686,064	499,805	589,309	950,390	2,103,794	-
	968,271,920	770,477,477	81,743,354	54,247,608	38,994,178	7,037,900	3,686,282	3,297,042	7,524,090	1,261,989
<b>Net assets / (liabilities)</b>	<b>100,673,828</b>	<b>(548,052,954)</b>	<b>101,046,097</b>	<b>2,759,137</b>	<b>125,342,050</b>	<b>140,369,450</b>	<b>103,866,607</b>	<b>70,967,678</b>	<b>72,406,611</b>	<b>31,969,152</b>
Share capital	11,450,739									
Reserves	16,533,485									
Unappropriated profit	46,490,244									
	74,474,468									
Surplus on revaluation of assets										
- net of tax	26,199,360									
	100,673,828									

41.3.3.1 When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.







# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2017

## 41.5 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

Further, detailed data of operational losses is being maintained, in conformance with regulatory guidelines. Major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Bank has also developed a Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

The Bank is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

## 42 NON ADJUSTING EVENT AFTER THE REPORTING DATE

**42.1** The Board of Directors of the Bank in its meeting held on February 21, 2018 has proposed a cash dividend in respect of 2017 of Rs. 1.75 per share (2016: cash dividend Rs. 1.75 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2017 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2018.

**42.2** The Bank is party to a Suo Moto case SMC No. 20/2016 in the Honorable Supreme Court of Pakistan. Through this case, the Honorable Supreme Court has taken up the matter relating to pension arrangements of certain privatized banks. Despite the banks' submission of being legally compliant, the Honorable Supreme Court of Pakistan concluded the Suo Moto case on February 13, 2018, by using judicial discretion and fixed the minimum pension at Rs. 8,000 per month from a prospective date and with 5 % indexation on an annual basis. The detailed judgment has not been issued by the Honorable Supreme Court to date, and therefore the Management is not in a position to work out the financial impact.

The unconsolidated financial statements of the Bank for the year ended December 31, 2017 do not include the effect of this adjustment which will be accounted for in the year ending December 31, 2018 as past service cost; once the plan is formally amended and approved upon receipt of aforementioned detailed judgment and related actuarial valuation.

## 43 GENERAL

**43.1** These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

**43.2** Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

## 44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 21, 2018 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## ANNEXURE I

## STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2017 TO 31st, DECEMBER 2017)

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		"Father's Name/ Husband's Name"	Outstanding Liabilities At The Beginning Of Year,				Principal Written-Off	Interest/ Mark-Up Written-Off	Other Finan- cial Relief Provided	Total 9+10+11
		Name Of Directors	Nic Nos.		Principal	Interest/ Mark-Up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12	
1	Plasticin Industries, Dina Nath Stop, 18-Km, Multan Road, Lahore	Muhammad Ali Mian Muhammad Saleem Mian	35202-6494170-9 35202-2559409-3	Mian Muhammad Yousef Mian Muhammad Yousef	12,996	-	1,980	14,976	2,996	-	0.638	3,634
2	Sukhaina Cotton Industries And Oil Mills, Bakherpur Road, Haji Pur, Faisal Jampur, Distt: Rajanpur	Jam Muhammad Akmal Muhammad Yasar	32402-1165039-7 32402-7252501-5	Haji Jam Muhammad Aslam Rana Faiz Muhammad	-	-	3,791	3,791	-	-	1,791	1,791
3	Bhatti Cotton Industries Bhatti Flour Mills New Bhatti Flour Mills Kehore Pecca Road, Dunyapur	Muhammad Saleem Bashir Ahmad Muhammad Aghar Muhammad Farim	36201-3318622-1 36201-9453324-9 36201-4778884-1 36201-5298547-7	Muhammad Bux Muhammad Bux Muhammad Bux Bashir Ahmad	4,207	-	8,804	13,011	-	-	4,022	40,22
4	Mari Petroleum Services, Near Coast Guard, Umerkot Road, Mirpur Khas	Panjo Khushal	44103-2084545-3 44103-2384055-5	Karaji Panjo	1,798	-	1,059	2,857	-	-	0.881	0,881
5	Khanpur CNG Filling Station, By Pass Road, Khan Pur	Malik Muhammad Akhter Malik Muhammad Akhter Muhammad Akram	31301-6575609-3 31301-1458042-7 31301-1458039-1	Haji Mukhtar Ahmed Alhaj Wasaya Haji Mukhtar Ahmed	4,982	-	1,963	6,945	-	-	0.947	0,947
6	Sh. Riaz Ahmad M. Aslam & Co., 75-Sabzi Mandi, Okara	Riaz Ahmed	35302-2963164-5	Abdul Ghafoor	1,099	-	0,773	1,872	-	-	0.622	0,622
7	Swiss Embroidery (Pvt) Ltd., 710-Neelum Block, Alama Iqbal Town, Lahore	Ghulam Mohyudin Mariam Altaf	35202-4443397-5 35202-2419157-8	Ghulam Hussain Aftab Ahmed Khan	5,999	-	4,117	10,116	-	-	2,615	2,615
8	Mir's International / Shamanic Corporation Shop No.20, Block 12-B, F-7 Markaz, Islamabad	Hamid Mir	61101-0943817-5	Gulzar Mir	58,048	-	23,924	81,972	-	-	14,824	14,824
9	Aff Builders & Developers House No.146, Phase I Near Aqel Kgi Acadmi, Qasimabad, Hyderabad	Arbab Abdul Jabbar	44302-6312874-3	Arbab Abdul Jabbar	4,980	-	2,704	7,684	-	-	1,767	1,767
10	Ikramul Haque Plot No.38, Hyderabad Road, Tando Aligh Yar	Ikram Ul Haq	41307-6415956-1	Manzoor Hussain	5,496	-	0,725	6,221	-	-	0,721	0,721
11	Seth Sateo House Shop No. 206-G, Ground Floor Panorama Shopping Plaza, Shahrah-E-Quaid-E-Azam, Lahore.	Zubair Bashir	35202-7992389-1	Muhammad Bashir	5,998	-	4,736	10,734	-	-	4,234	4,234
12	Unique Universal Trading Co. 32-Jail Road, Lahore	Ayaz Ahmed	270-72-558817	Muhammad Azeem	0,900	-	1,055	1,955	-	-	0,955	0,955
13	Ahmad Rice Mills Sargodha Road, Chakorra (Kunjah), Gujrat.	Malik Saadit Ahmed Luqman Ahmed Malik Sultan Ahmed	27634-2130075-1 34201-0385107-5 34201-0343360-7	Malik Basharat Ahmed Shahbaz Ahmed Shahbaz Ahmed	14,500	-	1,974	16,474	-	-	1,474	1,474
14	Attab Weaving Factory Chak No.363/Jb, Panisera Road, Gojra.	Attab Ahmed	33301-1331345-5	Haji Muhammad Tufail	5,669	-	4,483	10,152	-	-	3,952	3,952
15	Sanabi International 38-E Ist Floor Gci Centre Laquatt Pura Road, Vehari	Mr. Khalid Mehmood Fiaz Ahmed	36603-1089517-1 36603-1456984-5	Zaheer Ahmed Muhammad Yayat	14,497	-	7,983	22,480	-	-	5,790	5,790
16	Mazhar Hussain Khan Colony, Suraj Miani Road, Multan.	Mazhar Hussain	36302-5775503-1	Nazar Hussain	0,498	-	0,565	1,063	-	-	0,512	0,512
17	City Petroleum Services Haji Muhammad Munir & Sons Sahawal Road, 2, Obajula Road, Arif Wala.	Muhammad Anjad	36502-6450498-9	Ch. Muhammad Anjad	14,995	-	8,127	23,122	-	-	4,094	4,094
18	Malik Traders Link Girls College Road Road Layyah.	Malik Bashir Ahmed Malik Alan Ditta	32203-689069-5 32203-22543330-9	Malik Ganmoon Mu- hammad Hussain	1,950	-	1,568	3,518	-	-	0,518	0,518

## ANNEXURE I

Amount in Million

Sr. No.	Name And Address Of The Borrower	Name Of Individuals/Partners/Directors		"Father's Name/ Husband's Name"	Outstanding Liabilities At The Beginning Of Year.				Principal Written-Off	Interest/ Mark-Up Written-Off	Other Finan- cial 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	
19	Azad Corporation 63-B, Grain Market Khanewal	Samullah	36103-3456760-3	Muhammad Ashiq	2.198	-	2.038	4.236	-	-	1.436	
20	Towellers Limited, WSA-30, Block 1, F.B. Area, Karachi	Suriya Junaid Mehteen Obaid Mahjabeen Obaid Sana Obaid Hadeeb Obaid Abdul Jaleel Sharif Zeeshan K. Saitar Swaleha Alam	42301-6284653-6 42301-6191762-2 42301-1984041-4 42301-6253926-4 42301-7922857-4 42101-1870065-9 42301-1075346-1 42000-7672493-2	Shekh Muhammad Junaid (Husband) Shekh Muhammad Obaid (Late) Shekh Muhammad Obaid (Late) Shekh Muhammad Obaid (Late) Shekh Muhammad Obaid (Late) Abdul Hakeem Sharif (Late) Khurshid Ahmed Abdul Sattar (Late) Shahzada Misbah Alam	115.001	-	277.872	392.873	100.001	289.951	389.955	
21	Five Star Industries, P.O. Box No 59, Bypass Karachi Road, Bahawalpur	Ch. Inaaid Ali Mian Fikhar Ahmed Mr. Sana Ullah Ch. Ishaad Ul Haq	31202-8267785-3 35302-9164445-1 31202-0277044-1 31202-0327153-3	Ch. Qasim Ali Mian Derwash Ahmed Haji Sardar Khan Ch. Abdul Ghaloor	-	-	1.187	1.187	-	0.882	0.882	
22	Zahid Corporation, Street No.7, Near Modren Cotton Factory, Mud Darbari, Factory Area, Rahim Yar Khan	Shah Nawaz	31303-2451328-5	Jam Amir Bux	2.160	-	1.522	3.682	-	0.784	0.784	
23	Aftab Weaving Factory, Chak No.363/JB, Pansera Road, Gojra	Aftab Ahmad	33301-1331346-5	Haji Muhammad Tufail	5.669	-	4.483	10.152	-	3.952	3.952	
24	Molz Walf Associates B.No.-A/12-B Unit No.VIII, Latifabad, Hyderabad.	Abdul Shakoor	462-92-210944	Mangal Khan	1.116	-	4.157	5.273	-	3.092	3.092	
25	Quality Printers A-4, Rashid Square, Block-M, North Nazimabad, Karachi	Syed Mehmood Hussain Zaidi	519-51-165565	Syed Sharafat Hussain	0.482	-	2.098	2.580	-	1.153	1.153	
26	Hashmi Can Company Ltd. B-24, Textile Avenue, S.I.T.E., Karachi	Munawar A. Malik Zaher A. Malik Musarat Bano Malik Hunera Malik Naseer A. Malik Asif A. Mufti Shamsuddin Khan	515-41-00219-0 515-91-00220-2 515-50-00219-1 515-77-18459-7 505-8509356-6 501-45-71993-9 519-49-12854-2	Haji Nawab Ali Malik Haji Munawar Ali Malik Haji Munawar Ali Malik Haji Munawar Ali Malik Haji Nawab Ali Malik Zaratat A. Mufti Aziz uddin Khan	18.193	-	13.028	31.221	-	13.020	13.020	
27	Aif Old Tyre Merchant, Bajori Gate, Sarai Natak, Cherna Road, Peshawar	Muhammad Arif	17301-2387711-1	Gulif Alam	0.094	-	0.626	0.720	-	0.500	0.500	
28	Mukhtiar Ahmed Cotton Ginners, Main Road, Ubauro	Mukhtiar Ahmed	45105-6506836-5	Umerudin	1.410	-	1.279	2.689	-	1.223	1.223	
29	Mian Amin Trading Establishment, F-61, S.I.T.E., Karachi	Muhammad Anwar Mansoor	42201-1390365-1	Abdul Wahid	35.000	-	91.856	126.856	-	22.949	22.949	
30	All Bhai Construction Co. Address: House No.387 Model Town A, Bahawalpur.	Syed Abdul Sajid Shah	31202-8986889-5	Syed Abdul Majeed Shah	3.000	-	3.863	6.863	-	1.614	1.614	
31	Noor Trading Co. Address: Noor Trading Co., Khawaja Street, Chowk BCG, Multan.	Muhammad Zahid Akhtar	91509-0144792-9	Muhammad Akhtar Bhutta	2.991	-	1.359	4.350	-	0.576	0.576	
32	Kharal Zan Corporation Address: Chak No. 198 EB, Vehari.	Akmal Faiz	36603-5555471-5	Muhammad Nawaz	0.760	-	0.702	1.462	-	0.562	0.562	
33	Bhoori Cloth House Address: Sodar Bazar, Khan Pur	Abdul Ghaloor	31301-1447244-7	Haji Manzoor Ahmad	4.895	-	3.069	7.964	-	1.454	1.454	
34	New Aftab Garments 218-B, Panorama Centre, The Mall, Lahore	Muhammad Arshad	35202-6331139-5	Muhammad Shafi	0.598	-	0.989	1.587	-	0.809	0.809	
35	New Gents Shoes 1772-C, G-1, Rafiq Plaza Moti Bazar Maswiti Gate, Lahore	Mr. Umer Masood	35404-0983906-7	Masood Ahmed	4.000	-	2.063	6.063	-	2.063	2.063	
36	Siddique Ibrahim House No.151, Block G, Valencia Housing Society, Lahore	Muhammad Siddique Ibrahim	42201-4203157-5	Muhammad Ibrahim	6.759	-	10.156	16.915	-	1.408	1.408	
	<b>Total</b>				<b>362.998</b>	<b>-</b>	<b>502.678</b>	<b>865.616</b>	<b>102.997</b>	<b>397.788</b>	<b>500.785</b>	

## ANNEXURE II

as at December 31, 2017

as referred to in notes 11.10 &amp; 11.11 to the financial statements

## DISPOSAL OF FIXED ASSETS

Rupees in '000							
Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser	
<b>11.10</b>	<b>Electrical, Office &amp; Computer Equipments</b>						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Electrical Equipment	1,035.00	566.78	468.21	510.11	As Per Bank Policy	EFU GENERAL INSURANCE
	Electrical Equipment	1,040.73	1,015.95	24.78	150.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	2,690.13	2,562.03	128.12	825.00	As Per Bank Policy	ENERGY SOLUTIONS PVT LTD
	Electrical Equipment	1,003.70	1,003.70	-	225.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	1,094.06	1,094.06	-	150.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	1,171.50	1,171.50	-	380.00	As Per Bank Policy	ENERGY SOLUTIONS PVT LTD
	Electrical Equipment	1,015.00	1,015.00	-	150.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	1,015.24	1,015.25	-	150.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	1,169.50	1,169.50	-	150.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	2,971.43	2,971.43	-	990.00	As Per Bank Policy	ENERGY SOLUTIONS PVT LTD
	Electrical Equipment	1,407.12	1,407.11	-	300.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	1,256.22	1,256.22	-	100.00	As Per Bank Policy	M/S. SYS TECH ENGI NEERING
	Electrical Equipment	1,171.50	1,171.50	-	275.00	As Per Bank Policy	M/S. MUKYAS
	Electrical Equipment	4,988.00	4,988.00	-	1,050.00	As Per Bank Policy	ENERGY SOLUTIONS PVT LTD
	Electrical Equipment	1,150.00	1,150.00	-	570.00	As Per Bank Policy	ENERGY SOLUTIONS PVT LTD
	Electrical Equipment	717.74	350.32	367.41	555.00	As Per Bank Policy	EFU
	Long Life Equipment	1,145.69	1,145.69	-	52.10	As Per Bank Policy	INNOVATIVE PVT LTD
	Long Life Equipment	4,197.60	4,197.60	-	52.10	As Per Bank Policy	INNOVATIVE PVT LTD
	<b>Total</b>	<b>30,240.16</b>	<b>29,251.64</b>	<b>988.52</b>	<b>6,634.31</b>		
	<b>Vehicles</b>						
	Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
	Motor Vehicle	1,709.87	1,567.37	142.49	1,218.00	As Per Bank Policy	ZAHID QADRI
	Motor Vehicle	1,743.50	1,598.21	145.31	1,219.09	As Per Bank Policy	KHURRUM IMTIAZ
	Motor Vehicle	1,547.20	1,418.27	128.93	1,162.72	As Per Bank Policy	KHURRUM IMTIAZ
	Motor Vehicle	1,146.67	1,146.67	-	900.00	As Per Bank Policy	EFU
	Motor Vehicle	1,678.50	1,678.50	-	1,210.00	As Per Bank Policy	ADNAN NASEER
	Motor Vehicle	1,743.50	1,569.15	174.35	1,226.36	As Per Bank Policy	KHURRUM IMTIAZ
	Motor Vehicle	1,678.50	1,538.62	139.88	1,151.00	As Per Bank Policy	ZEEESHAN JAMIL
	Motor Vehicle	1,678.50	1,538.62	139.88	1,162.00	As Per Bank Policy	ZEEESHAN JAMIL
	Motor Vehicle	1,679.80	1,679.80	-	1,162.00	As Per Bank Policy	ADNAN NASEER
	Motor Vehicle	1,678.50	1,678.50	-	1,127.00	As Per Bank Policy	ZEEESHAN JAMIL
	Motor Vehicle	1,679.80	1,679.80	-	1,115.00	As Per Bank Policy	ZEEESHAN JAMIL
	Motor Vehicle	1,512.48	1,487.27	25.21	1,170.90	As Per Bank Policy	WAQAR AHMED KHAN
	Motor Vehicle	1,743.50	1,743.50	-	1,162.00	As Per Bank Policy	ADNAN NASEER
	Motor Vehicle	1,678.50	1,678.50	-	1,117.00	As Per Bank Policy	ADNAN NASEER
	Motor Vehicle	1,726.18	1,639.87	86.31	1,160.50	As Per Bank Policy	CH. BASHARAT ALI
	Motor Vehicle	1,592.17	1,273.74	318.43	1,192.53	As Per Bank Policy	IKRAM UL HAQ
	Motor Vehicle	1,726.32	1,294.74	431.58	1,203.64	As Per Bank Policy	EFU
	Motor Vehicle	1,529.02	1,376.11	152.90	1,117.00	As Per Bank Policy	ADNAN NASEER
	Motor Vehicle	1,529.02	1,529.02	-	1,210.00	As Per Bank Policy	ADNAN NASEER
	Motor Vehicle	1,529.02	1,529.02	-	1,066.00	As Per Bank Policy	ZEEESHAN JAMIL
	Motor Vehicle	1,720.05	1,118.03	602.02	1,264.55	As Per Bank Policy	KHURRUM IMTIAZ
	Motor Vehicle	10,237.83	7,678.37	2,559.46	3,412.61	As Per Bank Policy	TARIQ MAHMOOD
	Motor Vehicle	1,253.41	1,055.19	198.22	1,100.00	As Per Bank Policy	EFU
	Motor Vehicle	1,683.49	588.82	1,094.67	1,677.00	As Per Bank Policy	EFU
	Motor Vehicle	2,555.04	2,555.04	-	917.07	As Per Bank Policy	MR.MOHAMMAD SHAHZAD
	Motor Vehicle	2,750.00	2,750.00	-	1,880.00	Insurance Claim	SABRINA SADIA B MIAN
	Motor Vehicle	2,750.00	2,750.00	-	1,717.11	As Per Bank Policy	FARHAT ABBAS JAFRI
	Motor Vehicle	1,414.00	1,414.00	-	1,193.64	As Per Bank Policy	KHURRUM IMTIAZ
	Motor Vehicle	1,414.00	1,414.00	-	1,250.00	As Per Bank Policy	EFU
	<b>Total</b>	<b>58,308.37</b>	<b>51,968.73</b>	<b>6,339.64</b>	<b>37,464.72</b>		
	<b>Other Disposals</b>	<b>224,166.77</b>	<b>221,234.75</b>	<b>2,932.02</b>	<b>19,218.64</b>	As Per Bank Policy	MISCELLANEOUS
	<b>Grand Total</b>	<b>312,715.30</b>	<b>302,455.12</b>	<b>10,260.18</b>	<b>63,317.67</b>		

## ANNEXURE II

as at December 31, 2017

as referred to in notes 11.10 &amp; 11.11 to the financial statements

## DISPOSAL OF FIXED ASSETS

Rupees in '000						
Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
<b>11.11</b>	Items sold to Executives otherwise than through a Regular Auction					
	<b>Electrical, Office &amp; Computer Equipments</b>					
	106.93	106.90	-	10.69	As Per Bank Policy	RAHILA KHATRI
	106.90	106.90	-	10.69	As Per Bank Policy	JUNAID MAQSOOD
	194.04	194.04	-	19.40	As Per Bank Policy	TAHIR HASSAN QURESHI
	106.90	106.90	-	10.69	As Per Bank Policy	AZEEM AMJAD
	101.10	101.10	-	10.11	As Per Bank Policy	MUNAWAR RAZA SHAH
	101.10	101.10	-	10.11	As Per Bank Policy	MUHAMMAD KHALID IDREES
	101.10	101.10	-	10.11	As Per Bank Policy	RAB NAWAZ
	194.04	194.04	-	19.40	As Per Bank Policy	SHAHZAD SADIQ MUHAMMAD
	15.00	15.00	-	1.50	As Per Bank Policy	TAHIR YAQOOB BHATTI
	102.02	102.02	-	10.20	As Per Bank Policy	MOIN KHALID
	102.02	102.02	-	10.20	As Per Bank Policy	MUSA AYUB KHAN
	102.02	102.02	-	10.20	As Per Bank Policy	AGHA HUR ABBAS
	102.02	102.02	-	10.20	As Per Bank Policy	MUNIR DAAR
	102.02	102.02	-	10.20	As Per Bank Policy	ZUBAIR SHARIF
	15.00	15.00	-	1.92	As Per Bank Policy	KHURSHID ANWAR
	186.00	186.00	-	18.60	As Per Bank Policy	JAWAD BIN SHABBIR
	114.82	114.81	-	11.48	As Per Bank Policy	AAMIR ARSHAD
	114.82	114.81	-	11.48	As Per Bank Policy	FAISAL IQBAL GHORI
	114.82	114.82	-	11.48	As Per Bank Policy	TARIQ JAVED GHUMMAN
	129.20	129.20	-	12.92	As Per Bank Policy	KHURSHID ANWAR
	15.00	15.00	-	1.50	As Per Bank Policy	TARIQ MAHMOOD
	190.13	174.28	15.84	19.01	As Per Bank Policy	SHAFIQ UQAILI
	101.58	101.58	-	10.16	As Per Bank Policy	TAHIR YAQOOB BHATTI
	101.58	101.58	-	10.16	As Per Bank Policy	WASIF HAMEED
	63.50	63.50	-	6.35	As Per Bank Policy	MUHAMMAD KHALID IDREES
	69.90	69.90	-	6.99	As Per Bank Policy	MUHAMMAD RAFFAT
	87.40	87.40	-	8.74	As Per Bank Policy	TARIQ JAVED GHUMMAN
	87.40	87.40	-	8.74	As Per Bank Policy	TAHIR YAQOOB BHATTI
	58.00	58.00	-	5.80	As Per Bank Policy	RIAZ HUSSAIN
	58.00	58.00	-	5.80	As Per Bank Policy	NAVEED NASIM
	58.00	58.00	-	5.80	As Per Bank Policy	AHMAD MANSOOR
	58.00	58.00	-	5.80	As Per Bank Policy	MANSOOR ZAIGHUM
	58.00	58.00	-	5.80	As Per Bank Policy	FAISAL NADEEM
	30.00	30.00	-	3.00	As Per Bank Policy	MUHAMMAD TARIQ
	30.00	30.00	-	3.00	As Per Bank Policy	USAMA BIN NASEER
	30.00	30.00	-	3.00	As Per Bank Policy	MUNAWAR RAZA SHAH
	30.00	30.00	-	3.00	As Per Bank Policy	HAYAT MUHAMMAD RAFIQUE
	55.00	55.00	-	5.50	As Per Bank Policy	AKHTAR ABBAS
	30.00	30.00	-	3.00	As Per Bank Policy	SYED MUHAMMAD HAMMAD BUKHARI
	28.70	28.70	-	2.87	As Per Bank Policy	SYED RAFEH HASSAN
	28.70	28.70	-	2.87	As Per Bank Policy	TAHIR HUSSAIN BAKHTIAREE
	28.70	28.70	-	2.87	As Per Bank Policy	MUHAMMAD AKBAR
	28.70	28.70	-	2.87	As Per Bank Policy	MUHAMMAD SARWAR ALAM
	28.70	28.70	-	2.87	As Per Bank Policy	KHUSHI MUHAMMAD
	28.70	28.70	-	2.87	As Per Bank Policy	SHEIKH KHALID FAROOQ
	28.70	28.70	-	2.87	As Per Bank Policy	TANVEER AHMAD
	28.70	28.70	-	2.87	As Per Bank Policy	BARKAT ALI KHAN
	30.00	30.00	-	3.00	As Per Bank Policy	ABDUL KHALIQ
	127.53	127.53	-	12.75	As Per Bank Policy	MUHAMMAD IDREES
	96.35	96.35	-	9.64	As Per Bank Policy	MUHAMMAD IDREES
	65.00	65.00	-	6.50	As Per Bank Policy	QASIM NADEEM
	81.60	81.60	-	8.16	As Per Bank Policy	SHAFIQUE AHMED UQAILI
	65.00	65.00	-	6.50	As Per Bank Policy	JAWAD BIN SHABBIR
	65.00	65.00	-	6.50	As Per Bank Policy	SHAHID AMIR
	30.00	30.00	-	3.00	As Per Bank Policy	FAISAL RASHEED GHORI
	28.70	28.70	-	2.87	As Per Bank Policy	ATHER AFTAB PASHA
	28.70	28.70	-	2.87	As Per Bank Policy	SAJJAD HUSSAIN
	28.70	28.70	-	2.87	As Per Bank Policy	NAUMAN HAFEEZ
	28.70	28.70	-	2.87	As Per Bank Policy	SALMAN AKHTAR

## ANNEXURE II

as at December 31, 2017

as referred to in notes 11.10 &amp; 11.11 to the financial statements

Rupees in '000						
Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
	65.00	65.00	-	6.50	As Per Bank Policy	JAMIL KHAN
	30.00	30.00	-	3.00	As Per Bank Policy	ABRAR ALEEM
	30.00	30.00	-	3.00	As Per Bank Policy	DILDAR HUSSAIN
	30.00	30.00	-	3.00	As Per Bank Policy	MUHAMMAD HANIF
						CHUGTAI
	30.00	30.00	-	3.00	As Per Bank Policy	FAIZAN IRSHAD
	96.35	96.35	-	9.64	As Per Bank Policy	TAHIR HASSAN
						QURESHI
	84.80	84.80	-	8.48	As Per Bank Policy	OWAIS SHAHID
	65.00	65.00	-	6.50	As Per Bank Policy	SADIA SHAIKH
	81.50	81.50	-	8.15	As Per Bank Policy	TAHIR YAQOOB BHATTI
	30.00	30.00	-	3.00	As Per Bank Policy	KASHIF KALIM
	30.00	30.00	-	3.00	As Per Bank Policy	MUHAMMAD JUNAID
						SIDDIQUI
	30.00	30.00	-	3.00	As Per Bank Policy	IJAZ AJMAL
	30.00	30.00	-	3.00	As Per Bank Policy	SOHAIL SHAKIR DH
	30.00	30.00	-	3.00	As Per Bank Policy	MUHAMMAD ZIKRIA
	96.35	96.35	-	9.64	As Per Bank Policy	OWAIS SHAHID
	65.00	65.00	-	6.50	As Per Bank Policy	SAIRA SHAHID HUSSAIN
	85.00	85.00	-	8.50	As Per Bank Policy	MUJAHID ALI
	65.00	65.00	-	6.50	As Per Bank Policy	KHURAM ALI SYED
	96.00	96.00	-	9.60	As Per Bank Policy	SHAFIQ UQAILI
	26.40	26.40	-	2.64	As Per Bank Policy	MUNIR DAR
	96.35	96.35	-	9.64	As Per Bank Policy	MUHAMMAD RAFFAT
	30.00	30.00	-	3.00	As Per Bank Policy	KASHIF RAZA
	30.00	30.00	-	3.00	As Per Bank Policy	IJAZ BASHIR BHATTI
	65.00	65.00	-	6.50	As Per Bank Policy	EJAZ SHAMIM
	65.00	65.00	-	6.50	As Per Bank Policy	SYED HASAN JAFRI
	28.32	28.32	-	2.83	As Per Bank Policy	KHAWAJA SAFWAN
	65.00	65.00	-	6.50	As Per Bank Policy	SIRAJ QADIR
	93.80	93.80	-	9.38	As Per Bank Policy	AHMAD FAHEEM KHAN
	93.80	93.80	-	9.38	As Per Bank Policy	IMRAN MAQSOOD
	65.00	65.00	-	6.50	As Per Bank Policy	SCCELLINA NAWAZ
	28.32	28.32	-	2.83	As Per Bank Policy	MUHAMMAD ANWAR
	30.00	30.00	-	3.00	As Per Bank Policy	FARRUKH SAEED
	30.00	30.00	-	3.00	As Per Bank Policy	HAFIZ MOAZZAM
						HUSSAIN
	28.32	28.32	-	2.83	As Per Bank Policy	SHAH FAISAL
	85.00	74.38	10.62	28.33	As Per Bank Policy	TARIQ MAHMOOD
	30.00	30.00	-	3.00	As Per Bank Policy	GHULAM RASOOL
	30.00	8.75	21.27	22.50	As Per Bank Policy	MUHAMMAD HAMZA
						HAKIM
	244.20	40.74	203.50	193.35	As Per Bank Policy	SHAFIQ UQAILI
	101.00	101.00	-	10.10	As Per Bank Policy	TARIQ RASHID ANSARI
	95.00	95.00	-	9.50	As Per Bank Policy	ABDUL RAZZAK
<b>Vehicles</b>						
	10,237.83	7,678.37	2,559.46	3,412.61	As Per Bank Policy	TARIQ MAHMOOD
<b>Total</b>	16,996.58	14,185.89	2,810.69	4,297.15		



## ANNEXURE III

as at December 31, 2017

## LOCATION OF REVALUED PROPERTIES

Date of Purchase	Particulars	City Location
24.12.2013	PLOT # 8-D, F-8 MARKAZ ISLAMABAD	ISLAMABAD
29.12.2015	KHEWAT#224 KHATOONI SALAM SQUARE# 305 FOR NOOR HAYAT COLONY	SARGODHA
21.09.2017	PLOT 64-C KHYABAN E ITTEHAD DHA PHASE VI KARACHI	KARACHI
07.11.2008	DUBAI CHOWK BAHAWALPUR	BAHAWALPUR
18.12.2013	JOHAR TOWN LAHORE	LAHORE
01.10.1973	30-NAPIER ROAD, LAHORE	LAHORE
22.04.1985	ANARKALI LAHORE	LAHORE
25.01.1987	PLOT NO.7-E, MAIN BOULVARD, GULBERG LAHORE	LAHORE
16.08.1992	8-KASHMIR EGERTON ROAD LAHORE	LAHORE
16.08.1992	8-KASHMIR EGERTON ROAD LAHORE (PARKING)	LAHORE
23.09.1996	BANK SQUARE, MODEL TOWN, LAHORE	LAHORE
20.04.1994	NEW SADIQ BAZAR RAHIMYAR KHAN	RAHIM YAR KHAN
23.12.1970	GOLE CLOTH FAISALABAD	FAISALABAD
07.05.1990	PLOT AT SMALL INDUSTRIAL AREA SITE, SAHIWAL	SAHIWAL
20.07.1975	TRUNK BAZAR, RAWALPINDI	RAWALPINDI
05.06.1997	KASHMIR ROAD, RAWALPINDI	RAWALPINDI
20.07.2007	QANDHARI BAZAR, QUETTA	QUETTA
20.07.1975	ABL BLUE AREA BLDG, ISLAMABAD	ISLAMABAD
22.10.2005	JAIL ROAD, FAISALABAD	FAISALABAD
22.10.2005	SATYANA ROAD, FAISALABAD	FAISALABAD
06.10.2005	ABDALI ROAD MULTAN	MULTAN
31.12.2005	PEOPLES COLONY "D" GROUND, FAISALABAD	FAISALABAD
26.12.2008	INDUSTRIAL AREA, BADAMI BAGH (PECO ROAD)	LAHORE
17.05.2006	PHASE IV D.H.A LAHORE	LAHORE
24.05.2006	CIRCULAR ROAD, LAHORE	LAHORE
26.06.2006	CLIMAXABAD , G T ROAD GUJRANWALA	GUJRANWALA
30.06.2006	PLOT PHASE V-C, DHA, LAHORE	LAHORE
09.05.2006	F-10 ISLAMABAD	ISLAMABAD
05.09.2006	PLOT NO: 24, BLOCK -B, GULBERG-II, LAHORE	LAHORE
19.02.2007	GULGHASHT COLONY MULTAN	MULTAN
04.09.2007	GREEN TOWN LAHORE	LAHORE
09.05.2008	MASJID ROAD NAWABSHAH	NAWABSHAH
24.12.2008	SAFOORA GOTH, KARACHI	KARACHI
26.12.2008	INDUSTRIAL AREA, BADAMI BAGH (PECO ROAD)	LAHORE
31.08.2008	AMIN TOWN, FAISALABAD	FAISALABAD
18.10.2008	CHOWK BCG, MULTAN	MULTAN
18.09.2008	MAIN MARKET CHAKLALA-III,	RAWALPINDI
11.08.2008	MURREE ROAD SATELLITE TOWN RAWALPINDI (CHANDNI CHOWK RAWALPINDI)	RAWALPINDI
22.11.2008	DHA PHASE-II, ISLAMABAD	ISLAMABAD
12.12.2009	MAIN BRANCH, SHALIMAR LINK ROAD	LAHORE
16.10.2009	MODEL TOWN, D.G.KHAN	D.G.KHAN
27.08.2010	PORT QASIM, KARACHI	KARACHI
25.03.2011	JHANG ROAD, FAISALABAD	FAISALABAD
20.08.2011	SABZ PEER PASTUR SIALKOT	SIALKOT
16.03.2012	ADDA NANDI PUR SIALKOT	SIALKOT
24.12.2013	CHAK # 203/RB, MALIKPUR SHEIKHPURA ROAD MANAWALA	FAISALABAD
31.12.2013	CHAK # 68/RB, JARANWALA TEHSIL ADDA JOHAL BRANCH (0806)	FAISALABAD
30.09.2014	CHAK # 84/RB SHAH KOT TEHSIL SHAHKOT DISTT. NANKANA SAHIB	FAISALABAD
13.07.2015	PLOT NO.382/3 SHAHRAH-E-HALI QUETTA CANTT KNOWN AS IDBL QUETTA	QUETTA
22.10.2005	SATYANA ROAD, FAISALABAD	FAISALABAD
11.03.2015	BUILDING AT MOUSA CHINIOT-2 TEHSIL SARGODHA ROAD CHINIOT	FAISALABAD
09.12.2015	WATER SUPPLY ROAD SARGODHA (0887)	SARGODHA
02.08.1999	BUNGLOW NO 8-A QUAID-E-AZAM ROAD MULTAN CANTT.	MULTAN
31.12.2009	W.H. GROUND & IST FLOOR, MAUZA JAHANGIRABAD , MULTAN	MULTAN
24.12.2014	PLOT KHEWAT NO.322, KHATOONI NO. 324 SITUATED LIAQUAT PUR VEHARI( GREEN CROP PVT	VEHARI
01.11.2011	SADRA BADRA, DASKA, SIALKOT	SIALKOT

## ANNEXURE III

as at December 31, 2017

## LOCATION OF REVALUED PROPERTIES

Date of Purchase	Particulars	City Location
04.10.2013	CHAK # 214/RB, DHUDIWALA JARANWALA ROAD BRANCH (0100)	FAISALABAD
26.06.2007	MANDI FAIZABAD JARANWALA ROAD WAREHOUSE	GUJRANWALA
30.09.2014	LAND (9 MARLAS & 162 SQR FT, KHATA 70, KHASRA 156,) KATCHERY ROAD JHANG SAHIWAL	JHANG
28.02.2014	1-E, KHAYABAN-E-SEHAR DHA KARACHI	KARACHI
12.03.2015	LAND & BUILDING KHEWAT KHATOONI#45,KHASRA#727 CHAK 298-RB SANGAHILL DISTRICT	FAISALABAD
29.04.2015	PLOT AT CHAK # 208/RB, TEHSIL CITY DISTT. FAISALABAD(FOR EDEN VALLEY CHOWK BR,FSD	FAISALABAD
13.05.2015	PLOT MEASURING_01 KANAL 15 MARLAS SITUATED AT MOHALLAH NOORPURA KHADIM ALI ROAD	SIALKOT
08.10.2012	MALL ROAD RAWALPINDI	RAWALPINDI
30.06.2016	AGRICULTURE LAND 61 KANAL AND 18 MARLAS AT TATLAS AALI ROAD KAMONKI	GUJRANWALA
24.03.2007	PLOT ADJOINING CLIFTON COLONY, MOUZA NEILKOT, MAIN BOSAN RD, MULTAN	MULTAN
31.05.1992	B/O QILA GUJAR SINGH LAHORE	LAHORE
29.04.1982	SIRKI ROAD, QUETTA	QUETTA
23.06.1999	PLOT NO.B-7 FRUIT & VEGETABLE COMPLEX HAZAR GANJI QUETTA	QUETTA
13.12.2014	CHAK # 124/JB, TEHSIL & DISTT. FAISALABAD ( RAZABAD BRANCH FAISALABAD)	FAISALABAD
15.07.2014	MOUZA NOORPUR CHAK # 122/JB TEHSIL CITY DISTT. FAISALABAD	FAISALABAD
16.12.2016	BRANCH OF BHERA SARGODHA	SARGODHA
28.09.2017	BRANCH 0337 NAMAK MANDI CHOWK DALGRAM RWP	RAWALPINDI
09.03.2005	PLOT NO. 12 FT/4 FARERE TOWN, BATH ISLAND CLIFTON KARACHI	KARACHI
04.03.1979	SATELLITE TOWN, QUETTA	QUETTA
28.10.2014	PLOT # 27, BLOCK "J" WAPDA EMPLOYEE'S CO-OPERATIVE HOUSING SOCIETY LTD, FAISALABAD	FAISALABAD
19.12.2014	OPEN PLOT AT CHAK # 245 RB MOUZA ABBASPUR, TEHSIL SADDAR, DISTT. FAISALABAD	FAISALABAD
15.01.2015	PLOT # 4, BLOCK # 2, CHAK # 64MB, MANDI TOWN JAUHARABAD, DISTT. KHUSHAB	FAISALABAD
14.07.2015	LAHORE BUCHEKI TEHSIL & DISTRICT NANKANA SAHB	FAISALABAD
15.06.2015	ADDA FALABAD BRANCH, JHANG	JHANG
27.07.2016	PLOT NO 42/A, SECTOR XX, PHASE 111-C, DHA, LAHORE(PHASE III)	LAHORE WEST
10.11.2016	PLOT NO 97, SECTOR CC-2, PHASE VIII-C, DHA LAHORE	LAHORE WEST
03.03.2017	SECTOR MAIN KHYABAN E SIR SYED RAWALPINDI	RAWALPINDI
25.05.2017	COMMERCIAL PLOT # 3-A & 4-A SECTOR C MAIN BOULEVARD BAHRIA TOWN LAHORE	LAHORE
31.12.2017	PLOT # 14 BLOCK # A-3 MAHMOOD ALI KASURI ROAD GULBERG-3 LHR	LAHORE
01.12.2016	PLOT NO 3, SECTOR CCA, PHASE 2-C, DHA LAHORE	LAHORE WEST
19.08.2006	PROPERTY AT 200-B, UPPER MALL, LAHORE	LAHORE
03.01.2015	PLOT # Z-946, RAILWAY WORKSHOP ROAD, DHOKE RATTA, RAWALPINDI	RAWALPINDI
10.03.2015	POT#10-D FINANCE & TRADE CENTRE M.A JOHAR TOWN,LAHORE	LAHORE
13.04.2015	MOUZA KHUSHAB CHAK#223/RB. TEHSIL CITY DISTT. FAISALABAD	FAISALABAD
20.11.2015	PLOT BEARING KHEWAT NO.12847, KHATOONI NO.26056 CHAK 207 SHEIKUPURA FSD	FAISALABAD
02.02.2016	PULLI TOOP KHANA(0913)	SIALKOT
31.12.2015	PLOT KHATA#63/62,KHATOONI#317-321 10MARLA KOTLA BAQIR SHAH AHMEDPUR	BAHAWALPUR
18.12.2015	PLOT GT ROAD ALAHBAD WAZIRABAD FOR SHIFTING OF BR 0565	GUJRANWALA
05.02.2016	KHEWAT# 359, BLOCK A COMMERCIAL AREA SUKH CHAYN GARDENS LAHORE	LAHORE WEST
29.04.2016	KHEWAT#2016/2006,KHATOONI#2069 AT KOTHI# 7 CHK 439/EB FR BR 612 61	VEHARI
17.05.2016	PLOT BLOCK-C SHAH RUKN-E-ALAM COLONY,PHASE 1 MULTAN FOR BR 0249	MULTAN
07.01.2017	LAKAR MANDI BAZAR MAMUN KANJAN FOR SHIFTING OF BR 0506	JHANG
27.06.2016	COMMERCIAL PLOT#A-IV AT MAIN COMMERCIAL SEC D17/2 MARGALA VIEW 0650	ISLAMABAD
08.12.2016	PROPERTY FOR B/O LIAQAT SHAHEED ROAD BHALWAL	SARGODHA
22.06.2017	PLOT NO.B/30 & B/31 MAIN MARKET RD ZHOB	QUETTA
28.09.2017	PROPERTY AT SADDIQ WAHAB ROAD TIMBER MARKET KARACHI FOR BR 1036	KARACHI
20.12.2011	G.T.ROAD, HADBUST MOUZA ADOWAL TEHSIL & DISTT GUJRAT	GUJRAT
31.12.2017	PROPERTY BEARING PLOT # 151 BLOCK-Y DHA PASHE-III LAHORE	LAHORE
27.09.2017	GENERAL OFFICE COLONY BLOCK B MODEL TOWN B BAHAWALPUR FOR BR 0041	BAHAWALPUR
07.05.2015	OPEN CORNER PLOT AT MOUZA CHAPAL CHAK# 73/JB, TEHSIL SADDAR DISTT. FAISALABAD	JHANG
04.10.2016	CHAK 46 SHUMALI BLOCK X NEW SATELLITE TOWN SARGODHA CITY	SARGODHA
30.06.2016	PLOT NO 286, BLOCK H/2 M.A. JOHAR TOWN, LAHORE	LAHORE EAST
18.12.2017	KHEWAT # 31/31, KHATOONI # 54, KHASRA # 332, MOUZA SADRA KALAN	SIALKOT
10.09.1999	L.D.A. WASA BRANCH LAHORE	LAHORE
17.07.1975	BLDG AT M.W.T. GK-7, KARACHI	KARACHI
31.12.2013	PLOT # 52, SECTOR F, DHA PHASE-I, RAWALPINDI	RAWALPINDI

## ANNEXURE III

as at December 31, 2017

## LOCATION OF REVALUED PROPERTIES

Date of Purchase	Particulars	City Location
17.10.2016	PROPERTY CHAK 207 RB TEHSIL CITY DISTRICT FAISALABAD	FAISALABAD
30.12.1966	BUNGLOW NO.44-D PECHS, KARACHI	KARACHI
22.05.2009	PLOT NO: 163-C/II, KHAYABAN-E-SHAHEEN, PHASE-VIII, DHA,KARACHI	KARACHI
23.09.2013	PLOT -3 BABAR BLOCK NEW GARDEN TOWN LAHORE	LAHORE
31.07.2015	PLOT NO. 1118-A LDA AVENUE-1 RAIWAND ROAD LAHORE	LAHORE
15.09.2015	CHAK 212/RB GRAIN MARKET DIJKOT ROAD TEHSIL CITY DISTRICT FAISALABAD FOR BRANCH	FAISALABAD
26.11.2015	LAND BEARING KHEWAT NO 2235 KHATOONI NO 2277 SALEEM PARK SARGODHA CITY	SARGODHA
11.06.2016	041/1022 KHANEWAL ROAD 0311 MULTAN FOR CONSTRUCTION OF MDC MUL	MULTAN
29.09.2017	SHOP NO. 779, 780, 781 CHOUR HARPAL MOHALLAH MUHAMAMD ABAD RWP 0570	RAWALPINDI
10.11.2008	CHOWK SHAH ABBAS	MULTAN
29.12.1996	KHALID BIN WALEED ROAD BRANCH	KARACHI
22.05.2006	NEW SABZI MANDI SUPPER HIGHWAY KARACHI	KARACHI
29.12.2007	PLOT # Z-21, PHASE III DHA LAHORE	LAHORE
29.06.2007	JOHAR TOWN LAHORE M BLOCK	LAHORE
18.12.2007	KHAYABAN-E-ITTEHAD, DHA, KARACHI	KARACHI
21.03.2011	AIRLINE HOUSING SOCIETY, KHYABAN-E-JINNAH, LAHORE	LAHORE
25.08.2014	PLOT # 47-C, LANE-15, BUKHARI COMMERCIAL AREA, PHASE-VI, DHA, KARACHI	KARACHI
16.12.2014	PLOT # C-19-1LAKE CITY LAHORE	LAHORE
28.04.2016	PLOT NO.87,9TH COMMERCIAL STREET,PHASE IV DHA ,KARACHI	KARACHI
10.08.2016	PLOT 57-C NATIONAL HIGHWAY, DHA PHASE II KARACHI 200SQ. YARD	KARACHI SOUTH
22.12.2016	BLOCK 13-C GULSHAN E IQBAL KARACHI	KARACHI NORTH
20.03.1979	DADABHOY CENTRE KARACHI	KARACHI
09.08.1980	SHOP NO.5,7,8,10,11,12 KDA, SCHEME NO.24, GULSHAN IQBAL KARACHI UNIVERSITY ROAD	KARACHI
01.01.1985	TAJ COMPLEX KARACHI	KARACHI
05.06.1985	AMBER TOWER, KARACHI SHAHRAH-E-FAISAL	KARACHI
08.10.1986	BUFFER ZONE, KARACHI	KARACHI
17.12.1987	4-SHOPS AT BOATING BASIN, KARACHI	KARACHI
09.10.1988	ZAIBUNISA STREET, KARACHI	KARACHI
24.02.1992	SHOP NOS.9 & 10 TRADE TOWER KARACHI (BRANCH)	KARACHI
08.11.1993	HAIDRY, NORTH NAZIMBAD, BRANCH KARACHI	KARACHI
29.12.1994	ZAM ZAMA BUILDING KARACHI	KARACHI
27.11.1996	KHAYABAN-E-JAMI BRANCH (JAMI ARCADE)	KARACHI
29.06.1998	MASJID-E-TOOBA KARACHI (DHA)	KARACHI
11.08.1998	BLOCK K NORTH NAZIMABAD KARACHI (SB-4)	KARACHI
21.12.2005	NEW CHALI-BRANCH, KARACHI	KARACHI
30.09.1998	KHYABAN-E-BADAR, D.H.A. KARACHI	KARACHI
25.08.1999	SHOP NO. G-5, G-6 AND G-47 KEHKASHAN (JADE GARDEN CLIFTON) KARACHI	KARACHI
26.05.2000	P.I.B. COLONY BRANCH SHOP NO. 10-11,47 & 48, KARACHI	KARACHI
10.06.2000	S.I.T.E. BRANCH, B-12,KARACHI	KARACHI
27.08.2003	STOCK EXCHANGE BRANCH KARACHI	KARACHI
08.07.1999	CITIZEN COLONY, HYDERABAD 157/E	HYDERABAD
13.10.1973	BUNDER ROAD LARKANA	LARKANA
09.09.1992	SHAHDMAN COLONY BRANCH LAHORE	LAHORE
29.08.1994	SAMANABAD BRANCH LAHORE	LAHORE
27.12.1994	BRANDERTH ROAD BRANCH LAHORE	LAHORE
29.12.1997	AKBAR BAZAR SHEIKUPURA	SHEIKUPURA
20.12.1999	BANK SQUARE, GUJRANWALA	GUJRANWALA
19.09.1996	AHMEDPUR EAST BRANCH	BAHAWALPUR
28.06.1997	JINNAH COLONY FAISALABAD	FAISALABAD
29.07.1975	BLOCK NO.1, SARGODHA	SARGODHA
08.05.1994	GRAIN MARKET VEHARI	VEHARI
11.12.1997	ASGHAR MALL CHOWK RAWALPNDI	RAWALPINDI
15.08.1996	CAVALARY ROAD, NOWSHERA	NOWSHERA
17.08.1994	PLOT NO: 37, PESHAWER	PESHAWAR
14.11.1997	PLOT NO.16-B/1, PHASE V, HAYATABAD PESHAWER	PESHAWAR
29.07.1975	PLOT # 631 , MIRPUR A.K	MIRPUR A.K.

## ANNEXURE III

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## LOCATION OF REVALUED PROPERTIES

Date of Purchase	Particulars	City Location
24.10.1984	UPPER CHATTER, MUZAFFARABAD, A.K.	MIRPUR A.K.
09.09.2005	BROADWAY CLIFTON C.O.K.	KARACHI
27.06.2005	KOTWALI ROAD, FAISALABAD	FAISALABAD
30.06.2005	SUSAN ROAD / MADINA TOWN, FAISALABAD	FAISALABAD
19.08.2005	GARHHA CHINIOT, DISTT. JHANG	CHINIOT JHANG
10.11.2006	F-8 ISLAMABAD	ISLAMABAD
30.12.2006	FAISAL TOWN. LAHORE	LAHORE
14.09.2006	GARDEN TOWN, LAHORE	LAHORE
22.06.2006	WAHDAT COLONY PLAZA, LAHORE	LAHORE
22.08.2006	PLOT NO. 14 & 346, PHASE 6-C, BLOCK M.B, DHA LAHORE	LAHORE
01.09.2006	GHULAM MUHAMMAD ABAD, FAISALABAD	FAISALABAD
16.05.2007	BAGBANPURA LAHORE	LAHORE
25.11.2006	KARIMABAD BRANCH KARACHI	KARACHI
29.08.2006	F-11 ISLAMABAD	ISLAMABAD
30.12.2006	B/O ALLAMA IQBAL TOWN, LAHORE	LAHORE
08.11.2006	44/F AZIZ SHAHEED ROAD MULTAN	MULTAN
12.12.2006	SUPER MARKET (F-6) ISLAMABAD	ISLAMABAD
30.10.2006	G - 11 MARKAZ ISLAMABAD	ISLAMABAD
20.03.2007	SHAHRAH E NOOR MUHAMMAD HYDERABAD	HYDERABAD
09.09.2010	AISHA MANZIL, KARACHI.	KARACHI
22.06.2007	HYDER ROAD TOWNSHIP LAHORE	LAHORE
19.02.2008	SINDHI MUSLIM H.SOCIETY BR. KARACHI	KARACHI
29.06.2007	SHAHEEN CENTRE , CLIFTON, SCHON CIRCLE	KARACHI
12.09.2007	BOHRI BAZZAR SADDAR HYDERABAD	HYDERABAD
28.02.2009	SHERSHAH BRANCH KARACHI SITE	KARACHI
26.06.2007	MANDI FAIZABAD JARANWALA ROAD	NANKHANA SHAIB
17.05.2007	CHOWK RASHEEDABAD MULTAN	MULTAN
01.02.2011	G 8 ISLAMABAD	ISLAMABAD
28.04.2008	RASHID MNHAS ROAD, KARACHI (NEW)	KARACHI
03.05.2008	KHAYABAN-E-TANZEEM, KARACHI	KARACHI
05.05.2008	SALEH MOHAMMAD STREE BRANCH KARACHI	KARACHI
26.02.2008	STARGATE BRANCH KARACHI	KARACHI
29.08.2008	BINNORI TOWN KARACHI	KARACHI
12.09.2014	OCEAN MALL (SOFITEL TOWER) KHI	KARACHI
22.12.2008	BEADON ROAD, LAHORE	LAHORE
24.11.2008	I-9, ISLAMABAD (BRANCH LAND & BUILDING)	ISLAMABAD
11.12.2008	GULSHAN-E-MAYMAR, KARACHI.	KARACHI
07.01.2008	SUNSET BOULEVARD, KARACHI	KARACHI
19.08.2008	REGENCY APPARTMENT	KARACHI
19.06.2009	MUHAMMED BIN QASIM PARK BRANCH, SUKKUR	SUKKUR
10.08.2009	DHA PHASE-1 BRANCH, ISLAMABAD	ISLAMABAD
03.08.2009	MAIN TUFAIL ROAD BRANCH, LAHORE CANTT.	LAHORE
13.07.2009	PLOT NO: 1, BUNGLOW NO:110, AZIZ SHAHEED ROAD, SIALKOT CANTT	SIALKOT
03.08.2009	PLOT # 120 JINNAH AVENUE, HOUSING SCHEME NO 1, GDA , GAWADAR	GAWADAR
31.12.2009	HOSPITAL ROAD BRANCH, NAROWAL	NAROWAL
26.12.2009	OPEN PLOT NO:110-D, EME SECTOR DHA, LAHORE	LAHORE
31.12.2009	JHANG ROAD, MUZAFFARGARH	MULTAN
21.08.2006	OPEN PLOT NO:G-4, MAIN BOULEVARD, PHASE-I, DHA, LAHORE	LAHORE
23.07.2011	MARKAZ E 11/2 ISLAMABAD (BRANCH LAND & BUILDING)	ISLAMABAD
30.06.2011	PL KH # 1040/901-900, KH# 346, KHATOONI#595, PASRUR RD	SIALKOT
30.06.2011	PREEDY STREET, SADDAR, KARACHI	KARACHI
30.12.2011	WECHS, WAPDA TOWN, MULTAN	MULTAN
01.12.2011	SHAHI ROAD RAHIMYARKHAN	RAHIM YAR KHAN
29.09.2014	BAHADURABAD, KARACHI	KARACHI
30.12.2011	ISLAMABAD STOCK EXCHANGE	ISLAMABAD
30.12.2010	HEAD OFFICE BUILDING LAHORE	LAHORE

## ANNEXURE III

as at December 31, 2017

## LOCATION OF REVALUED PROPERTIES

Date of Purchase	Particulars	City Location
29.01.2013	MONTGOMERY BAZAR, PROPERTY # 18, KHATOONI NO.1618	FAISALABAD
06.07.2012	PLOT # 14,COMMERCIAL AREA, BLOCK-G,FIEDMC,INDUSTRIAL EST,FAISALABAD	FAISALABAD
23.10.2012	PEOPLES COLONY GUJRANWALA	GUJRANWALA
24.12.2013	PLOT # 19/1-8 MARKAZ ISLAMABAD	ISLAMABAD
28.02.2014	146-C, AL-MURTAZA COMMERCIAL LANE # 1-A, DHA KARACHI	KARACHI
30.06.2014	LAND KHEWAT 601 KHATOONI 620 AT LIAQUAT ROAD SHAIWAL FOR RHQ SAHIWAL AND BR 0727	SAHIWAL
11.09.2017	PLOT # 14 DHA PHASE VI - C, LAHORE	LAHORE
14.10.2014	PLOT # 48 & 53 DHA PHASE VI - C, LAHORE	LAHORE
28.12.2014	SOAN GARDENS, EMPLOYEES COOPERATIVE HOUSING SOCIETY, RAWALPINDI	RAWALPINDI
02.02.2015	PLOT # BXII-7S-58 AT RAKBA BHATIA NAGAR G.T ROAD, TEHSIL & DISTT. GUJRANWALA	GUJRANWALA
10.02.2014	LAND 88 KANAL AT MOUZA WASU ASTANA TEHSIL ATHARA HAZARI DISTRICT JHANG WAREHOUSE	JHANG
31.07.2015	PLOT NO. 1125-A LDA AVENUE-1 RAIWANDROAD LAHORE	LAHORE
10.11.2015	PLOT FOR SHIFTING OF CHAH-MIRAN BR 0763 EAST REGION LHR	LAHORE
1.12.2015	OPEN PLOT KHEWAT NO 1909/1821 & 1910/1822 MAIN ROAD LALLIAN, FAISALABAD, CHINIOT	FAISALABAD
26.02.2015	OPEN PLOT AT DHAMKE, LAHORE JARANWALA ROAD, DISTT. SHEIKHUPURA	GUJRANWALA
04.03.2015	PROPERTY# B-VII-352 (PT-1) MEASURING 14-MARLAS FOR SHIFTING B/O SAMBRIAL (0554)	GUJRANWALA
31.12.2015	PLOT 20, BLOCK B, BROADWAY DHA PHASE VIII LAHORE	LAHORE
15.01.2016	PLOT 185 CCA-4 DHA PHASE-VII-C LAHORE	LAHORE
19.11.2015	PLOT KHEWAT NO 1994, 1995 SITUATED AT MOUZA PANSERA TEHSIL SADDAR FAISALABAD	JHANG
30.12.2015	G.T ROAD WAN-RADHA-RAM HABIBABAD PATOKI	SAHIWAL
26.12.2015	PLOT AT SHAHRAH-E-AZAM PATTOKI FOR SHIFTING OF PATTOKI BRANCH (0300)	SAHIWAL
08.01.2016	KHEWAT#847,KHATOONI#1089,KHASRA#95/26 MOUZA RAJAN	MULTAN
01.03.2016	RENTED PRIMISES CHOWK YADGAR PESHAWAR (0304)	PESHAWAR
16.06.2015	LAND SITUATED AT E-78 MADNI CHOWK ATTOCK CITY, RWP	RAWALPINDI
17.08.2015	PLOT NO. B-17 SHAHRAH-E-GHALIB CLIFTON BLOCK NO.1. SHIREEN JINNAH COLONY KARACHI	KARACHI
17.11.2015	PLOT NO.45,NAYA NAZIMABAD,KHARACHI	KARACHI
09.05.2016	ISMAIL ROAD SITARA SAPNA CITY FAISALABAD	FAISALABAD
19.05.2016	QUAID-E-MILAT RD FOR SHIFTING GRAIN MARKET BR	BAHAWALPUR
11.05.2016	COMMERCIAL PLOT # 10 AT PARK ENCLAVE ISLAMABAD	ISLAMABAD
16.01.2017	SHOP NO.2-A &WALL FIXTURE 34 A AT SARDAR COOPERATIVE MARKET	KARACHI SOUTH
28.11.2016	PLOT NO 46 SECTOR Z-1 PHASE VIII-C DHA LAHORE	LAHORE WEST
03.07.2017	PLOT # 4AT CIVIC CENTRE JUBILEE TOWN LAHORE	LAHORE EAST
07.12.2016	PLOT NO.427,BLOCK-E PIA EMPLOYEES CO-OPERATIVE HOUSING SOCIETY LHR	LAHORE WEST
15.08.1994	ADAM ARCADE BRANCH, BHAHDURABAD, KARACHI	KARACHI
19.08.1998	CLOTH MARKET KARACHI (M.A.JINNAH ROAD)	KARACHI
12.07.1999	SAIMA TRADE TOWER, I.I. CHUNDRIGAR ROAD, KARACHI	KARACHI
05.08.1999	BUNGLOW NO. 33/4 BLOCK 7&8 BANGLORE TOWN, KARACHI + RARE PORTION	KARACHI
17.05.1995	BLDG AT 199 & 199/A UPPER MALL LAHORE	LAHORE
21.12.2005	SR -7 ALTAF HUSSAIN ROAD NEW CHALLI	KARACHI
30.04.2008	P #130/3 & 130/4-M INDUSTAL EAST KOT LAKHPAT, LHR	LAHORE
31.12.2009	PLOT NO. 39/4, PR-2, SITUATED AT GARDEN ROAD, KARACHI AREA 225 SQ.	KARACHI
31.12.2009	BUILDING SITUATED AT MOUZA/ CHAK NO. 239/RB FAISALABAD AREA 06 KANA, 08 MARLA	FAISALABAD
31.01.2014	G.T.ROAD 1934, 1935, 1942, MOUZA TEHSIL WAZIRABAD, GUJRANWALA	GUJRANWALA
31.03.2011	8TH FLOOR, M/S. JOFA TOWERS, KARACHI	KARACHI
31.12.2012	OFFICE NO: A-401, CITY TOWER LAHORE	LAHORE
12.09.2017	PROPERTY AT RANG PURA SIALKOT	SIALKOT
07.04.2017	BRANCH BALDIA ROAD OUTSDIDE GRAIN MARKET HASILPUR	BAHAWALPUR
21.09.2017	BRANCH 0108 AT G T ROAD KARAKORAM HIGHWAY HARIPUR	HARIPUR
03.10.2017	PLOT 18C STADIUM LANE PHASE V DHA KARACHI KHADDA MARKET	KARACHI
30.06.2017	PROPERTY 463 SHADMAN LAHORE	LAHORE
29.09.2017	RESIDENCE PLOT D-18 CHAUDARY KHALEEQ UZ ZAMAN RD CLIFTON KARACHI	KARACHI
28.09.2017	PROPERTY NO 12 SECTOR A DHA PHASE II ISLAMABAD FOR BR 0715	ISLAMABAD
27.09.2017	BA-02 LUCKY ONE MALL FOR OPEING OF NEW BRANCH F.B AREA KARACHI	KARACHI
13.12.2017	COMMERCIAL PLOTS NO. 20 & 21 BAHRIA ORCHARD RAIWIND LAHORE 1079	LAHORE
27.09.2017	PLOT AT UNIVERSITY ROAD SARGODHA FOR SHIFTING OF BRANCH 0798	SARGODHA
05.12.2017	PROPERTY KHEWAT # 478,KHATOONI # 1413,KHASRA # 2414 OF DAIWAL BR0966	KHUSHAB

**ANNEXURE III**

as at December 31, 2017

**LOCATION OF REVALUED PROPERTIES**

<b>Date of Purchase</b>	<b>Particulars</b>	<b>City Location</b>
12.07.2017	COMMERCIAL PLOT # 172 BLOCK CCA,PHASE 4C,DHA LAHORE	LAHORE
29.09.2017	PLOT PARAGON CITY BARKI ROAD LAHORE FOR SHIF. BR 1021	LAHORE
27.09.2017	PROPERTY AT GULSHAN E JAMAL FAISAL CANTONMENT KARACHI	KARACHI
31.12.2017	PROPERTY AT 870-C, B-BLOCK-2 PECH SOCIETY ALLAMA IQBAL ROAD 0663 KAR	KARACHI
31.12.2017	OPEN PLOT # 1474 DABGARI GATE KOHAT ROAD 0604 PESHAWAR CITY	PESHAWAR
31.12.2017	PLOT TELE GARDENS SCHEME SEC F-17 ISLAMABAD	ISLAMABAD
27.09.2017	MAIN RAILWAY ROAD OPPOSITE GALA MANDI KHANEWAL FOR SHIFT OF BR 0124	KHANEWAL
05.12.2017	PROPERT KHEWAT # 117, KHATOONI # 224, KHASRA # 1041 KAPOORWALI 0558	SIALKOT
13.07.2011	K# 6989/2571, 6991/2571, 6993/2571,SHEIKHUL BANDI, ABBT	ABBOTABAD
31.12.2017	COMMERCIAL SPACE SHOP 105 1ST FLOOR LEVEL 1 BAHRIA TOWN KARACHI	KARACHI

## ANNEXURE IV

### Islamic Banking Business

#### Shariah Board's Report

For the year ended December 31, 2017

In the name of Allah, the Beneficent, the Merciful

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

To form basis of our opinion as expressed in this report, Shari'ah compliance review of each class of transactions, the relevant documentation and process flows on sample basis was carried out. Besides, we have also reviewed the reports of the internal Shari'ah audit of ABL-IBG conducted during the year.

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

The business affairs of ABL-IBG, especially with reference to transactions, relevant documentation and procedures, performed during the year 2017 are in conformity with the principles and guidelines of Shari'ah issued by Shari'ah Board and State Bank of Pakistan.

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

ABL-IBG has put a mechanism in place in form of Internal Shari'ah Audit and Sharia'h Compliance reviews to ensure Shari'ah compliance in their overall operations and will keep its focus on continuous improvement to cater to the growing branch network over the coming years. The system within the bank is sound enough to ensure that amounts realized from prohibited sources, if any, is not made a part of the income. The bank recovered charity from customers on delayed payments and accordingly an amount of Rs. 0.023 million was granted to approved charitable institutions.

The Internal Shari'ah Audit Function plays a vital role in achieving the objective of ensuring Shari'ah compliance by evaluating the adherence to Shari'ah guidelines prescribed by Shari'ah Board, Resident Shari'ah Board Member and Shari'ah guidelines of Islamic banking division of SBP, in every activity under taken by the ABL-IBG.

Shari'ah Compliance Department (SCD) of the bank reviews the customer's business model before finalizing of the process flow of any facility. Factory visits and reviews of business processes and transactions are undertaken to ensure that the facility being offered to the customer is delivered through a process that ensures compliance with Shari'ah. Moreover, random physical inspections and concrete measures were taken to verify the purchases evidences and invoices of financing transactions, thus further improving the quality of internal controls.

Shari'ah Compliance Review of all IBG Branches/departments was conducted as a part of the Bank's efforts to strengthen the internal Shari'ah control mechanism. These reviews not only cover the transactions that the departments undertake but also include an evaluation of the Shari'ah knowledge of staff.

It is encouraging to note that IBG has aligned various staff facilities according to Shari'ah principles.

During the year 2017, ABL -IBG has successfully opened 40 new branches. Hence, the total branch network reached to 117 as on December 2017.

#### Review & Development:

**Asset Review:** During the year, financing portfolio has increased to Rs. 4,662 million, which mainly constitutes of Business Musharkah (56.69%), Ijarah (35.13%), Diminishing Musharkah (5.59%), staff Car Ijarah (2.05%) and Murabaha (0.54%). Besides, investment portfolio has also risen to Rs. 8,304 million mainly constituting of Government Ijarah Sukuk and Corporate Sukuk.

**Liability Review:** The total deposits of ABL-IBG have increased by 82% reaching to Rs. 15,547 million as at December 31, 2017 compared to Rs. 8,554 million as of last year.

**Profit Distribution Policy:** Shari'ah compliance also conducted review of the process of profit distribution and charging of losses to Mudharabah based remunerative deposits, which was reviewed and approved on monthly basis, is in conformity with the Shari'ah rules and principles and pool management guidelines of State Bank of Pakistan.

Following major milestones were achieved during the year 2017:

Following Policies and Procedures were approved during the year:-

- Islamic Trade Finance Manual
- Interbank Transactional Manual under Wa'ad
- Operational Risk Management Policy and Manual
- Market and Liquidity Risk policy and Manual
- Reputational Risk Management Framework

## ANNEXURE IV

### Islamic Banking Business Shariah Board's Report

For the year ended December 31, 2017

Following asset products were approved during the year:

- Musawamah
- Staff Car Ijarah
- Staff Home Musharakah
- Allied Islamic Car Ijarah

Besides the above, full scope review was carried out for the following policies and manuals:

- Procedural Manual IB Pool Management
- Islamic Banking Policy for Pool Management
- Islamic Banking Deposit Manual
- Islamic Banking Charter
- Manual for Conversion of Conventional Banking Branches to Islamic Banking Branches
- Service Level Agreement

Shari'ah compliance department has also structured 10 customized process flows for asset products and reviewed 2 customized solutions.

#### Staff Training

In order to enhance the Islamic banking knowledge and expertise, training on Islamic Banking concepts as well as on Islamic banking products were imparted to all staff of the Islamic Banking Group. Management Development Center of ABL, arranged various sessions and more than 225 employees attended these sessions. Moreover, 14 employees attended training session conducted by NIBAF and other reputed Islamic banking training institutes.

#### BOD and Executive Management Training/Orientation

In order to enhance Islamic banking knowledge and acumen, different training sessions for BOD and senior management were conducted by the Shariah Board.

#### Recommendations:

Following are some areas, which require continuous focus:

1. ABL-IBG has significantly improved in the area of product development during the year. We expect that ABL-IBG will continue its focus on introducing more products during 2018 besides working on further refinement of the existing products.
2. Bank's increased focus on customers' awareness regarding Islamic banking is well appreciated. It is recommended that such programs should be continued in future for Ulama/Shariah scholars as well.
3. Bank's policy of appointing new staff members for Islamic banking branches with inclination /commitment to the ideology of Islamic banking must be continued.
4. The Bank is actively pursuing training of its human resources about various aspects of Islamic Banking & Finance through training sessions/seminars. However, continuous focus must be maintained to improve the level of awareness through enhanced training mechanism for each level especially for IB Treasury Operations. This will ensure capacity building as well as address the possible Sharia'ah non-compliance risk.

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

**Mufti Muhammad Iftikhar Baig**  
Resident Member Shari'ah Board

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

**Mufti Ehsan Waquar**  
Chairman Shari'ah Board

**Date: February 21, 2018**



## ANNEXURE IV

## Islamic Banking Business

For the year ended December 31, 2017

- آپریشنل رسک مینجمنٹ پالیسی اور ہدایت نامہ
- مارکیٹ اینڈ لیکویٹی ریٹس رسک پالیسی اور ہدایت نامہ
- ریپیشنل رسک مینجمنٹ فریم ورک
- اثاثوں سے متعلق مندرجہ ذیل پراڈکٹس کو اس سال کے دوران منظور کیا گیا:
- مسادمہ
- اسٹاف کاراجارہ
- اسٹاف ہوم مشاگر
- الائیڈ اسلامک کاراجارہ
- اس کے علاوہ مندرجہ ذیل پالیسیوں اور رسک عملیوں کا مکمل جائزہ لیا گیا:
- اسلامک بینکنگ پول مینجمنٹ کا عملی ہدایت نامہ
- اسلامک بینکنگ پالیسی برائے پول مینجمنٹ
- ہدایت نامہ برائے اسلامک بینکنگ ڈیپازٹ
- اسلامک بینکنگ چارٹر
- کنٹریٹل بینکنگ برانچ کو اسلامک بینکنگ برانچ میں تبدیل کرنے کے لئے ہدایت نامہ
- سرورس لیول ایگریمنٹ

شرعیہ کمپلائنس ڈیپارٹمنٹ نے کسٹمرز کی ضرورت کے مطابق اثاثوں سے متعلقہ دس پراڈکٹس کو منظور کیا اور وہ تجارتی جائزہ لیا۔

## عملہ کی تربیت

اسلامی بینکاری سے متعلق معلومات اور مہارتوں میں نکھار پیدا کرنے کے لئے اسلامی بینکاری کے نظریات کے ساتھ ساتھ اسلامی بینکاری کی پراڈکٹس کے بارے میں اسلامی بینکنگ گروپ (IBG) کے تمام عملہ کو تربیت فراہم کی گئی۔ الائیڈ بینک کے مینجمنٹ ڈیپارٹمنٹ سنٹر کے تحت مختلف نشستوں کا انعقاد کیا جن میں 225 سے زائد ملازمین نے شرکت کی۔ اس کے علاوہ 14 ملازمین نے NIBAF اور اسلامی بینکنگ کی تربیت دینے والے دیگر معروف اداروں کی جانب سے فراہم کردہ تربیتی نشستوں میں بھی شرکت کی۔

## بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کے لئے فریڈنگ اتھارٹی پروگرام

اسلامک بینکنگ کی فہم اور معلومات میں اضافے کی پیش نظر، شرعیہ بورڈ کی جانب سے بورڈ آف ڈائریکٹرز اور اعلیٰ افسران کے لئے مختلف تربیتی نشستوں کا انعقاد کیا گیا۔

## تجارتی اسٹاف رشادت

مندرجہ ذیل کچھ معاملات کے لئے مسلسل توجہ درکار ہے:

1. ABL-IBG نے سال کے دوران پراڈکٹ ڈیولپمنٹ کے شعبے میں خاطر خواہ ترقی کی ہے۔ ہم امید کرتے ہیں کہ ABL-IBG اپنی موجودہ پراڈکٹس میں مزید بہتری لانے کے ساتھ ساتھ 2018 میں نئی پراڈکٹس متعارف کروانے پر بھی اپنی توجہ مرکوز رکھے گا۔
2. اسلامی بینکاری سے متعلق اپنے صارفین کو آگاہی فراہم کرنے کے حوالے سے بینک کی بڑھتی ہوئی دلچسپی قابل قدر ہے۔ یہ توجہ بڑی جاتی ہے کہ علماء اور شرعیہ کارکنوں کے لئے بھی مستقبل میں اس قسم کی نشستوں کا انعقاد جاری رکھا جائے۔
3. اسلامی بینکاری کے نظریہ سے وابستگی کی بنیاد پر اسلامی بینکاری کی برانچوں میں نئے عملہ کی تعیناتی کی پالیسی کو لازمی طور پر جاری رہنا چاہیے۔
4. بینک مختلف نشستوں اور سیمینارز کے ذریعے اپنے اسٹاف کو اسلامک بینکنگ اور فنانس کے مختلف پہلوؤں پر تربیت فراہم کر رہا ہے۔ تاہم اس سلسلے میں ہمہ وقت توجہ میز دل رکھنے کی ضرورت ہے اور فریڈنگ کے معیار کو بڑھاتے ہوئے ہر شعبے، خاص طور پر اسلامی بینکنگ کے شعبہ "ٹریڈنگ" کی اسلامک بینکنگ سے متعلق پیشہ ورانہ صلاحیتوں میں مزید بہتری لانے کی ضرورت ہے۔ اس سے عملے کی صلاحیتوں میں تقابلی اضافہ کے ساتھ ساتھ شرعی اصولوں کی خلاف ورزی کیے جانے والے خطرات کا بھی تدارک ہوگا۔

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

مفتی احسان وقار  
چیرمین شرعیہ بورڈ

مفتی محمود احمد  
ممبر شرعیہ بورڈ

مفتی محمد افتخار بیگ  
ریزیڈنٹ ممبر شرعیہ بورڈ

رپورٹ تاریخ: فروری 21, 2018

## ANNEXURE IV

## Islamic Banking Business

For the year ended December 31, 2017

## شریعیہ بورڈ کی رپورٹ

## اسلامک بینکنگ بزنس

شریعیہ بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2017

شریعیہ بورڈ کے نام سے جو بڑا امرہان، نہایت رحم کرنے والا ہے

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

ABL-IBG میں شریعیہ کمپلائنس کے حوالے سے وضع کردہ مجموعی نظام کے بارے میں رپورٹ پیش کرتے ہوئے شریعیہ بورڈ کو خوشی محسوس ہو رہی ہے۔

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

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

سال 2017 کے دوران ABL-IBG میں کئے گئے کاروباری معاملات بالخصوص لین دین کے معاملات، ان سے متعلقہ دستاویزات اور طریقہ کار شریعیہ بورڈ اور اسٹیٹ بینک آف پاکستان کی جانب سے جاری کردہ شرعی اصول و ضوابط سے مکمل مطابقت رکھتے ہیں۔

اس سال جموہلی سرگرمیوں کے لئے بنیادی طور پر بینک نے مراہجہ، جارہ، شرکت متناقصہ اور بزنس مشارکہ کو استعمال کیا۔ تجارتی طریقہ ہائے قبول سے اشتراکی طریقہ قبول کی طرف بتدریج منتقلی ایک حوصلہ افزا عمل ہے جس کے اسلامک بینکنگ انڈسٹری پر مثبت اثرات مرتب ہوں گے۔

ABL-IBG نے تمام معاملات میں شریعیہ کمپلائنس کو یقینی بنانے کے لئے انٹرنل آڈٹ اور شریعیہ کمپلائنس ریویو کی صورت میں ایک مؤثر نظام تشکیل دے رکھا ہے اور آئندہ سالوں میں بڑھتے ہوئے براؤنچ منٹ ورک کی ضروریات کے پیش نظر اس نظام میں مسلسل بہتری پر اپنی توجہ مرکوز کئے ہوئے ہے۔ بینک کے موجودہ نظام میں اس بات کو یقینی بنانے کی صلاحیت ہے کہ کسی بھی قسم کی ناجائز ذرائع سے حاصل ہونے والی رقم (اگر بالفرض ہوں) کو آمدنی کا حصہ نہ بننے دیا جائے۔ بینک نے صارفین کی جانب سے ادا کیے گئے تمام تاجری کی مد میں 0.023 ملین روپے صمدتہ وصول کر کے منظور شدہ فلاحی اداروں کو دیئے۔

انٹرنل شریعیہ آڈٹ کا شعبہ ABL-IBG کی جانب سے کی گئی سرگرمیوں کو شریعیہ بورڈ، ریویژنٹ شریعیہ بورڈ، ممبر اور اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈویژن کی جانب سے ملنے والی شرعی ہدایات سے ہم آہنگ کر کے شریعیہ کمپلائنس کے حصول کو یقینی بنانے میں اہم کردار ادا کرتا ہے۔

کسی بھی جموہلی سہولت کے لئے طریقہ کار وضع کرنے سے قبل بینک کا شریعیہ کمپلائنس ڈیپارٹمنٹ (SCD) صارف کے کاروبار کا جائزہ لیتا ہے۔ قیثری کے دورے کئے جاتے ہیں اور کاروبار کے طریقہ کار اور معاملات کا مکمل جائزہ لیا جاتا ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ صارف کو یہ سہولت جس طریقہ کار کے مطابق فراہم کی جارہی ہے وہ شرعی اصولوں سے مکمل مطابقت رکھتا ہے۔ اس کے علاوہ خریداریوں کے ثبوت اور لین دین کی رسیدوں کی جانچ کرنے کے لئے ایک مضبوط نظام کے ساتھ ساتھ وقتاً فوقتاً موقع پر جا کر معائنہ بھی کیا جاتا ہے جس کی وجہ سے انٹرنل کنٹرولز کے معیار میں مزید بہتری آتی ہے۔

بینک کے انٹرنل شریعیہ کنٹرول کے نظام کو مضبوط کرنے کے لئے اس سال اسلامک بینکنگ گروپ کی تمام براؤنچز کا شریعیہ کمپلائنس ریویو کیا گیا۔ تجارتی معاملات کی جانچ پڑتال کے ساتھ ساتھ اسٹاف کی شرعی معلومات کا جائزہ لینا بھی اس ریویو میں شامل ہے۔

یہ امر حوصلہ افزا ہے کہ IBG نے اسٹاف کو فراہم کی جانے والی مختلف جموہلی سہولیات کو شرعی اصولوں سے ہم آہنگ کر لیا ہے۔

سال 2017 کے دوران ABL-IBG نے کامیابی کے ساتھ 40 نئی برانچوں کا افتتاح کیا، چنانچہ دسمبر 2017 میں برانچوں کی تعداد 117 تک جا پہنچی ہے۔

## ریویو اینڈ دیوٹیلینٹ

## اہٹوں کا جائزہ (Review of Assets):

سال کے دوران جموہلی مجموعی حجم 6,662 ملین روپے تک بڑھ چکا ہے جس کا بیشتر حصہ یعنی (56.69%) بزنس مشارکہ، (35.13%) اجارہ، (5.59%) شرکت متناقصہ، (2.05%) اسٹاف کار اجارہ اور (0.54%) مراہجہ پر مشتمل ہے۔ دوسری جانب سرمایہ کاری کا مجموعی حجم بھی بڑھ کر 8,304 ملین ہو چکا ہے جس کا اکثر حصہ حکومتی اجارہ سکوک اور کارپوریٹ سکوک پر مشتمل ہے۔

## واجبات کا جائزہ (Review of Liabilities):

گزشتہ سال کے 8,554 ملین کے مقابلے میں ABL-IBG کے مجموعی ڈپازٹس 82 فیصد اضافے کے ساتھ اس سال 31 دسمبر 2017 میں 15,547 ملین روپے تک جا پہنچے ہیں۔

## تقسیم نفع کی پالیسی:

شریعیہ کمپلائنس نے مفاد میں کمی بنیاد پر قائم کئے گئے پیداواری کھاتوں (جن کا ماہانہ بنیادوں پر جائزہ اور منظوری لی جاتی ہے) میں نفع و نقصان کی تقسیم کے طریقہ کار کا بھی جائزہ لیا اور اس کو اسٹیٹ بینک آف پاکستان کی پولیٹیکنٹ کے حوالے سے ہدایات اور شرعی اصول و ضوابط سے ہم آہنگ پایا۔

سال 2017 میں مندرجہ ذیل اہم سنگ میل عبور کئے گئے:

دوران سال مندرجہ ذیل پالیسیوں اور حکمت عملیوں کی منظوری دی گئی۔

- ہدایت نامہ برائے اسلامک ٹریڈ فنانس

- وعدہ کی بنیاد پر انٹرنل بینک ٹرانزیکشنز کے لئے ہدایت نامہ

## ANNEXURE IV

### Islamic Banking Business Shariah Board Members' Profile

#### Mufti Ehsan Waqar Ahmed

Chairman Shariah Board

He is serving as Chairman Shariah Board of Allied Bank Limited, National Bank of Pakistan and Soneri Bank Ltd. He is also member Sharia'h board of NBP Fullerton Asset Management Limited (NAFA); a Subsidiary of National Bank of Pakistan. He has professional experience of more than 20 years at senior level management of various prestigious institutions. His unique blend of Educational combination gives him an ability to understand and correlate commercial transactions with Shariah principles. He graduated as a Mufti achieving Masters in Traditional Islamic Studies and acquired Masters in Economics & MBA in Finance. He has also accomplished his Bachelor in Legislation and Law (LLB).

He was member of Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institutions at Institute of Chartered Accountants of Pakistan and a member of Shariah Advisers Forum at State Bank of Pakistan. Furthermore, he is a frequent writer & contributes for different periodicals being issued both internationally and locally as well.

#### Mufti Mahmood Ahmad

Member Shariah Board

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

#### Mufti Muhammad Iftikhar Baig

Resident Shariah Board Member

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

## ANNEXURE IV

## Islamic Banking Business

The Bank is operating 117 Islamic banking branches at the end of December 31, 2017 (2016: 77).

## Statement of Financial Position

as at December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,093,706	624,008
Balances with other banks		31,209	40,870
Due from financial institutions		1,914,968	1,200,000
Investments		8,303,563	6,047,476
Islamic financing and related assets	A-IV. 2	4,662,326	605,138
Operating fixed assets		959,241	426,925
Deferred tax assets		-	-
Due from Head Office		-	-
Other assets		385,148	177,468
		<u>17,350,161</u>	<u>9,121,885</u>
<b>LIABILITIES</b>			
Bills payable		124,270	68,082
Due to financial institutions		500,000	-
Deposits and other accounts			
Current accounts -non-remunerative		3,494,591	1,425,226
Saving accounts		5,629,629	2,002,964
Term deposits		1,388,372	236,663
Deposit from Financial Institutions - remunerative		5,034,324	4,889,822
Deposits from Financial Institutions - non-remunerative		50	10
Deferred tax liability		-	-
Due to Head Office		65,013	77,954
Other liabilities		137,038	45,680
		<u>16,373,287</u>	<u>8,746,401</u>
<b>NET ASSETS</b>		<u>976,874</u>	<u>375,484</u>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		1,450,000	500,000
Accumulated Losses		(557,392)	(175,432)
		<u>892,608</u>	<u>324,568</u>
Surplus on revaluation of assets		84,266	50,916
		<u>976,874</u>	<u>375,484</u>
<b>CHARITY FUND</b>			
Opening balance		2	11
Additions during the year		22	5
Payments/ utilization during the year		(23)	(14)
Closing balance		<u>1</u>	<u>2</u>

## ANNEXURE IV

## Islamic Banking Business

## Profit and Loss Account

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
Rupees in '000		
Profit / return earned	707,065	372,181
Profit / return expensed	370,973	225,806
<b>Net profit / return</b>	<b>336,092</b>	<b>146,375</b>
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	43,396	20,165
Dividend income	-	637
(Loss) / income from dealing in foreign currencies	(1,097)	101
(Loss) / gain on sale of securities	(301)	63,572
Other income	74	57
<b>Total other income</b>	<b>42,072</b>	<b>84,532</b>
	<b>378,164</b>	<b>230,907</b>
<b>OTHER EXPENSES</b>		
Administrative expenses	760,124	377,829
<b>LOSS BEFORE TAXATION</b>	<b>(381,960)</b>	<b>(146,922)</b>
Unappropriated loss brought forward	(175,432)	(28,510)
<b>UNAPPROPRIATED LOSS CARRY FORWARD</b>	<b>(557,392)</b>	<b>(175,432)</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>7,332</b>	<b>7,332</b>

## ANNEXURE IV

## Islamic Banking Business

## Statement of Cash Flow

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(381,960)	(146,922)
Less: Dividend income	–	(637)
	(381,960)	(147,559)
<b>Adjustments for non-cash items:</b>		
Depreciation / amortization	262,838	31,543
Gain on sale of other asset	(47)	–
	262,791	31,543
	(119,169)	(116,016)
<b>(Increase) / decrease in operating assets</b>		
Due from financial institutions	(714,968)	(927,725)
Islamic financing and related assets	(4,203,950)	(465,155)
Other assets (excluding advance taxation)	(207,634)	(154,214)
	(5,126,552)	(1,547,094)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	56,188	56,626
Due to financial institutions	500,000	(18,500)
Deposits and other accounts	6,992,281	6,219,928
Other liabilities	91,359	3,737
	7,639,828	6,261,791
	2,394,107	4,598,681
Income tax paid	–	–
<b>Net cash flow generated from operating activities</b>	<b>2,394,107</b>	<b>4,598,681</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(2,292,081)	(4,911,286)
Net realization in 'held-to-maturity' securities	–	1,120,165
Due from Head Office	(12,941)	133,248
Dividend income received	–	637
Investments in operating fixed assets	(579,048)	(412,166)
<b>Net cash used in investing activities</b>	<b>(2,884,070)</b>	<b>(4,069,402)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase in Share Capital	950,000	–
Net cash used in financing activities	950,000	–
<b>Increase in cash and cash equivalents during the year</b>	<b>460,037</b>	<b>529,279</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>664,878</b>	<b>135,599</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>1,124,915</b>	<b>664,878</b>

## ANNEXURE IV

### Islamic Banking Business

#### Notes to the Annexure IV

for the year ended December 31, 2017

#### A-IV. 1 POOLS MANAGEMENT

Allied Bank Limited – Islamic Banking Group is maintaining the following pools for profit declaration & distribution under Mudaraba, Wakala and Musharka modes:

##### General Pool - PKR

Under the general deposits pool PKR, the Bank - IBG accepts PKR funds on Mudaraba basis from depositors (Rab-ul-Maal) where the Bank - IBG acts as Manager (Mudarib) and invests the funds in the Shariah compliant modes of financings, investments and placements. When investing funds, the 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 is charged to the pool except on the actual loss / write-off of such non-performing asset. 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. The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the profit weightages announced before the profit calculation period after charging of mudarib fee.

##### General Pool (s) - FCY (USD/EURO/GBP)

All FCY deposits are parked in these pool(s) and return is shared among FCY deposit holders, the weightages of these pool(s) are declared separately.

##### Specific Pools

Specific pool(s) are created where the customers desire to invest in high/low yield assets. Profit rates of these pool(s) are higher/ lower than 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 net return on the pool is arrived at after deduction of 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. The balance represents the distributable profit.

##### Parameters associated with risk & rewards:

Following are the considerations attached with risk & reward of modaraba based pools:

- Period, return, safety, security and liquidity of investment.
- Financing proposals under process at various stages and likely to be extended in the near future.
- Expected withdrawals of deposits according to the maturities affecting the deposit base.
- Expected amount of procurement of deposit during coming days as a result of concerted marketing efforts of ABL-IBG.
- Maturities of funds obtained from Principal Office, Islamic Banking Institutions and Shariah compliant organizations as regulated in Pakistan.
- Element of Risk attached to various types of investments.
- SBP rules & Shariah Clearance.

##### Treasury Pools

Treasury Pools are managed 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.

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.

The risk characteristic of each pool mainly depends on the assets and liability profile of each pool.

#### A-IV. 2 ISLAMIC FINANCING AND RELATED ASSETS

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
Business Musharka - Financings		2,643,053	–
Ijarah	A-IV. 2.1	1,637,694	105,602
Diminishing Musharaka	A-IV. 2.2	260,759	54,355
Staff Ijarah	A-IV. 2.3	95,523	–
Murabaha	A-IV. 2.4	25,297	445,181

## ANNEXURE IV

## Islamic Banking Business

## Notes to the Annexure IV

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>Gross Advance</b>	4,662,326	605,138
Provision held	–	–
<b>Advance-net of provision</b>	<b>4,662,326</b>	<b>605,138</b>
<b>A-IV. 2.1 Ijarah</b>		
Financings	1,590,172	61,562
Advances	28,835	32,530
Inventories	18,687	11,510
	<b>1,637,694</b>	<b>105,602</b>
<b>A-IV. 2.2 Diminishing Musharaka</b>		
Financing	105,560	–
Advance	155,199	54,355
	<b>260,759</b>	<b>54,355</b>
<b>A-IV. 2.3 Staff Ijarah</b>		
Financing	37,098	–
Advance	58,425	–
	<b>95,523</b>	<b>–</b>
<b>A-IV. 2.4 Murabaha</b>		
Financing	18,687	–
Advance	6,610	445,181
	<b>25,297</b>	<b>445,181</b>

## A-IV. 3. PROFIT / (LOSS) DISTRIBUTION TO DEPOSITOR'S POOL

Remunerative Depositor's Pool	Profit rate and weightage announcement period	Profit rate return earned on earning assets	Profit sharing ratio	Mudarib share	Profit rate return distributed to remunerative deposits (Savings and Fixed)	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib Share transferred through Hiba
				Rupees in '000			Rupees in '000
General Pool	Monthly	5.90%	50%	139,704	2.97%	8.30%	11,600

	December 31, 2017	December 31, 2016
	Rupees in '000	

## A-IV. 4 AVENUES / SECTORS WHERE MUDARABA BASED DEPOSITS HAVE BEEN DEPLOYED

Production & Transmission of Energy	2,643,053	503,181
Manufacturing	–	54,355
Chemicals & Allied Products	231,544	–
Petroleum and Gas	1,589,841	–
Leather / Leather products	5,106	–
Financial Institutions	51,414	–
Agriculture & Food Products	2,340	–
Transportation & Logistics	40,406	47,602
Others	98,622	–
<b>Total Gross Financing &amp; Related Assets</b>	<b>4,662,326</b>	<b>605,138</b>
GOP Ijarah Sukuk	2,861,151	2,296,489
Power/Energy Generation	4,155,412	2,850,987
Financial Institutions	1,287,000	2,100,000
<b>Total Investments &amp; Placements</b>	<b>8,303,563</b>	<b>7,247,476</b>
<b>Total Invested Funds</b>	<b>12,965,889</b>	<b>7,852,614</b>



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CONSOLIDATED  
**FINANCIAL STATEMENTS**

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for the year ended December 31, 2017



## Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2017

On behalf of the Board, we are pleased to present the consolidated annual report of Allied Bank Limited (holding company) and ABL Asset Management Company Limited (subsidiary company).

The operating results and appropriations, as recommended by the Board are given below:

	2017	2016	Growth
	Rs. in Million		%
Profit after tax for the year	12,926	14,700	(12)
Accumulated profits brought forward	47,632	42,285	13
Effect of re-measurement of defined benefit plans - net of tax	(966)	289	(434)
Transfer from surplus on revaluation of fixed assets - net of tax	55	58	(5)
Transferred from surplus on revaluation of non-banking assets - net of tax	188	45	318
<b>Profit available for appropriation</b>	<b>59,835</b>	<b>57,377</b>	<b>4</b>
Final cash dividend for the year ended December 31, 2016 at Rs. 1.75			
per share (2016: Year ended December 31, 2015 at Rs. 1.75 per share)	(2,004)	(2,004)	0
1st interim cash dividend for the year ended December 31, 2017			
at Rs. 1.75 per share (2016: Rs. 1.75 per share)	(2,004)	(2,004)	0
2nd interim cash dividend for the year ended December 31, 2017			
Rs. 1.75 per ordinary share (2016: Rs. 1.75 per share)	(2,004)	(2,004)	0
3rd interim cash dividend for the year ended December 31, 2017			
at Rs. 1.75 per ordinary share (2016: Rs. 2.00 per share)	(2,004)	(2,290)	(12)
Transfer to statutory reserves	(1,273)	(1,443)	(12)
<b>Accumulated profits carried forward</b>	<b>50,546</b>	<b>47,632</b>	<b>6</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>11.29</b>	<b>12.84</b>	<b>(12)</b>

### Pattern of shareholding

The pattern of shareholding as at December 31, 2017 is included in the Annual Report.

For and on behalf of the Board,

**Mohammad Naeem Mukhtar**

Chairman Board of Directors

**Tahir Hassan Qureshi**

Chief Executive Officer

Lahore

Dated: February 21, 2018

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
2nd Floor,  
Servis House  
2-Main Gulberg Jail Road,  
Lahore, Pakistan

## Auditors' Report

to the Members on Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Allied Bank Limited and its subsidiary company (the Group) as at 31 December 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flow and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Allied Bank Limited and its subsidiary company namely ABL Asset Management Company. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Allied Bank Limited and its subsidiary company as at 31 December 2017 and the results of their operations for the year then ended.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
(Kamran Iqbal Yousafi)

Lahore  
Date: 21 February, 2018

# Consolidated Statement of Financial Position

as at December 31, 2017

December 31, 2017	December 31, 2016		Note	December 31, 2017	December 31, 2016
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
773,028	662,974	Cash and balances with treasury banks	6	85,355,555	73,203,767
5,882	6,158	Balances with other banks	7	649,512	679,938
78,741	95,209	Lendings to financial institutions	8	8,694,399	10,512,752
6,333,467	5,351,748	Investments	9	699,323,690	590,924,972
3,369,769	2,991,127	Advances	10	372,080,555	330,271,881
437,938	296,904	Operating fixed assets	11	48,355,884	32,783,340
-	-	Deferred tax assets		-	-
297,626	295,857	Other assets	12	32,863,008	32,667,653
11,296,451	9,699,977			1,247,322,603	1,071,044,303
<b>LIABILITIES</b>					
70,962	89,196	Bills payable	14	7,835,467	9,848,795
2,024,652	1,144,468	Borrowings	15	223,556,383	126,368,875
8,003,301	7,291,347	Deposits and other accounts	16	883,702,056	805,090,074
-	-	Sub-ordinated loans		-	-
-	-	Liabilities against assets subject to finance lease		-	-
62,863	99,632	Deferred tax liabilities	17	6,941,206	11,001,128
156,112	153,238	Other liabilities	18	17,237,459	16,920,059
10,317,890	8,777,881			1,139,272,571	969,228,931
978,561	922,096	<b>NET ASSETS</b>		108,050,032	101,815,372
<b>REPRESENTED BY</b>					
103,704	103,704	Share capital	19	11,450,739	11,450,739
162,838	149,736	Reserves		17,980,116	16,533,485
457,774	431,380	Unappropriated profit		50,546,126	47,631,788
724,316	684,820			79,976,981	75,616,012
254,245	237,276	Surplus on revaluation of assets – net of tax	20	28,073,051	26,199,360
978,561	922,096			108,050,032	101,815,372

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Consolidated Profit and Loss Account

for the year ended December 31, 2017

December 31, 2017	December 31, 2016	Note	December 31, 2017	December 31, 2016
US \$ in '000			Rupees in '000	
595,112	585,146	Mark-up / return / interest earned	65,710,553	64,610,157
309,094	283,869	Mark-up / return / interest expensed	34,129,289	31,344,015
286,018	301,277	<b>Net mark-up / interest income</b>	31,581,264	33,266,142
(17,814)	(3,037)	Net reversal of provision against non-performing loans and advances	(1,966,938)	(335,359)
80	678	Provision for diminution in the value of investments	8,804	74,906
-	-	Bad debts written off directly	-	-
(17,734)	(2,359)		(1,958,134)	(260,453)
303,752	303,636	<b>Net mark-up / interest income after provisions</b>	33,539,398	33,526,595
<b>NON MARK-UP / INTEREST INCOME</b>				
41,284	40,537	Fee, commission and brokerage income	4,558,429	4,476,029
29,496	34,217	Dividend income	3,256,829	3,778,178
6,902	5,846	Income from dealing in foreign currencies	762,059	645,444
5,916	24,812	Gain on sale of securities	653,281	2,739,679
(379)	1,171	Unrealized (loss) / gain on revaluation of investments classified as 'held-for-trading' - net	(41,912)	129,343
2,897	908	Other income	319,926	100,260
86,116	107,491	<b>Total non-markup / interest income</b>	9,508,612	11,868,933
389,868	411,127		43,048,010	45,395,528
<b>NON MARK-UP / INTEREST EXPENSES</b>				
197,371	186,740	Administrative expenses	21,793,123	20,619,264
(1,421)	679	(Reversal) / Provision against other assets	(156,858)	75,000
(2,279)	(120)	Reversal against off-balance sheet obligations - net	(251,616)	(13,273)
4,708	4,860	Other charges	519,835	536,671
198,379	192,159	<b>Total non-markup / interest expenses</b>	21,904,484	21,217,662
-	-	Extra-ordinary / unusual items	-	-
191,489	218,968	<b>PROFIT BEFORE TAXATION</b>	21,143,526	24,177,866
<b>Taxation</b>				
66,920	77,656	Current	7,389,100	8,574,615
8,662	8,601	Prior year	956,441	949,657
(1,157)	(422)	Deferred	(127,786)	(46,542)
74,425	85,835		8,217,755	9,477,730
117,064	133,133	<b>PROFIT AFTER TAXATION</b>	12,925,771	14,700,136
431,380	382,951	Unappropriated profit brought forward	47,631,788	42,284,340
457,774	431,380	<b>PROFIT AVAILABLE FOR APPROPRIATION</b>	50,546,126	47,631,788
<b>In US\$</b>			<b>In Rupees</b>	
0.10	0.12	<b>Earnings per share - Basic and Diluted</b>	11.29	12.84

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Consolidated Statement of Comprehensive Income

for the year ended December 31, 2017

December 31, 2017		December 31, 2016					
US \$ in '000				December 31, 2017		December 31, 2016	
						Rupees in '000	
117,064	133,133	<b>Profit after taxation for the year</b>		12,925,771		14,700,136	
<b>Other comprehensive income:</b>							
<i>Items to be reclassified to profit and loss account in subsequent periods</i>							
Exchange differences on translation of net investment							
1,569	(102)	in foreign operating branches		173,267		(11,246)	
<i>Items not to be reclassified to profit and loss account in subsequent periods</i>							
(13,458)	4,023	Actuarial (loss) / gain relating to defined benefit plans		(1,485,955)		444,154	
4,710	(1,408)	Related deferred tax		520,085		(155,454)	
(8,748)	2,615			(965,870)		288,700	
109,885	135,646	<b>Comprehensive income transferred to equity</b>		12,133,168		14,977,590	
<i>Components of comprehensive income not reflected in equity</i>							
<i>Items to be reclassified to profit and loss account in subsequent periods</i>							
(105,337)	50,944	Net change in fair value of 'available-for-sale' securities		(11,630,976)		5,625,078	
36,868	(17,831)	Related deferred tax		4,070,842		(1,968,778)	
(68,469)	33,113			(7,560,134)		3,656,300	
41,416	168,759	<b>Total Comprehensive Income</b>		4,573,034		18,633,890	

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Statement of Cash Flow

for the year ended December 31, 2017

December 31, 2017	December 31, 2016	Note	December 31, 2017	December 31, 2016
US \$ in '000			Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
191,489	218,968	Profit before taxation	21,143,526	24,177,866
(29,218)	(34,217)	Less: Dividend income	(3,226,146)	(3,778,178)
162,271	184,751		17,917,380	20,399,688
<b>Adjustments for non-cash items</b>				
24,355	20,129	Depreciation / amortization	2,689,264	2,222,565
(17,814)	(3,037)	Reversal against non-performing loans and advances	(1,966,938)	(335,359)
80	678	Provision for diminution in the value of investments	8,804	74,906
379	(1,171)	Unrealized (gain) / loss on revaluation of 'held-for-trading' securities	41,912	(129,343)
(2,279)	(120)	Reversal of provision against off-balance sheet obligations	(251,616)	(13,273)
(1,421)	679	(Reversal) / provision against other assets	(156,858)	75,000
3,831	4,409	Provision for workers' welfare fund	422,979	486,877
(480)	(330)	Gain on sale of operating fixed assets	(53,012)	(36,471)
(728)	21	(Gain) / loss on sale of non-banking assets / other assets	(80,419)	2,294
5,923	21,258		654,116	2,347,196
168,194	206,009		18,571,496	22,746,884
<b>(Increase) / decrease in operating assets</b>				
16,468	(64,815)	Lendings to financial institutions	1,818,353	(7,156,661)
(225,947)	(2,507)	Net investments in 'held-for-trading' securities	(24,948,471)	(276,851)
(368,224)	(75,066)	Advances	(40,658,277)	(8,288,590)
(1,868)	38,209	Other assets (excluding advance taxation)	(206,298)	4,218,970
(579,571)	(104,179)		(63,994,693)	(11,503,132)
<b>Increase / (decrease) in operating liabilities</b>				
(18,234)	44,437	Bills payable	(2,013,328)	4,906,606
879,810	(104,626)	Borrowings	97,146,144	(11,552,534)
711,954	638,887	Deposits and other accounts	78,611,982	70,544,059
5,268	(2,012)	Other liabilities	581,647	(222,213)
1,578,798	576,686		174,326,445	63,675,918
1,167,421	678,516		128,903,248	74,919,670
(82,667)	(100,558)	Income tax paid	(9,127,888)	(11,103,317)
1,084,754	577,958	<b>Net cash flows generated from operating activities</b>	119,775,360	63,816,353
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(965,077)	(1,331,707)	Net investments in 'available-for-sale' securities	(106,561,084)	(147,043,339)
103,515	970,685	Net realizations from 'held-to-maturity' securities	11,429,857	107,180,271
30,817	32,078	Dividend received	3,402,747	3,541,998
(74,566)	(55,518)	Investments in operating fixed assets	(8,233,382)	(6,130,195)
728	453	Proceeds from sale of operating fixed assets	80,414	50,069
(904,583)	(384,009)	<b>Net cash flows used in investing activities</b>	(99,881,448)	(42,401,196)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(72,336)	(74,907)	Dividend paid	(7,987,116)	(8,271,033)
(72,336)	(74,907)	<b>Net cash flows used in financing activities</b>	(7,987,116)	(8,271,033)
1,569	(102)	Effect of translation of net investment in foreign operating branches	173,267	(11,246)
109,404	118,940	<b>Increase in cash and cash equivalents during the year</b>	12,080,063	13,132,878
674,964	549,468	<b>Cash and cash equivalents at beginning of the year</b>	74,527,584	60,670,689
(6,407)	151	<b>Effect of exchange rate changes on opening cash and cash equivalents</b>	(707,403)	16,679
777,961	668,559	<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	85,900,244	73,820,246

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Consolidated Statement of Changes in Equity

for the year ended December 31, 2017

	Capital Reserve		Revenue Reserve			Total
	Share Capital	Exchange Translation Reserve	Statutory Reserve	General Reserve	Un-appropriated Profit	
Rupees in '000						
<b>Balance as at January 01, 2016</b>	11,450,739	68,933	15,027,093	6,000	42,284,340	68,837,105
<b>Changes in equity during the year ended December 31, 2016:</b>						
<b>Total comprehensive income for the year ended December 31, 2016</b>						
Net profit for the year ended December 31, 2016	-	-	-	-	14,700,136	14,700,136
Effect of re-measurement of defined benefit plan-net of deferred tax	-	-	-	-	288,700	288,700
Effect of translation of net investment in foreign operating branches	-	(11,246)	-	-	-	(11,246)
	-	(11,246)	-	-	14,988,836	14,977,590
<b>Transactions with owners recognized directly in equity</b>						
Final cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended						
December 31, 2016 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Second interim cash dividend for the year ended						
December 31, 2016 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Third interim cash dividend for the year ended						
December 31, 2016 (Rs. 2.00 per ordinary share)	-	-	-	-	(2,290,148)	(2,290,148)
	-	-	-	-	(8,301,785)	(8,301,785)
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit-net of tax	-	-	-	-	57,830	57,830
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit-net of tax	-	-	-	-	45,272	45,272
Transfer to statutory reserve	-	-	1,442,705	-	(1,442,705)	-
<b>Balance as at December 31, 2016</b>	<b>11,450,739</b>	<b>57,687</b>	<b>16,469,798</b>	<b>6,000</b>	<b>47,631,788</b>	<b>75,616,012</b>
<b>Changes in equity during the year ended December 31, 2017:</b>						
<b>Total comprehensive income for the year ended December 31, 2017</b>						
Net profit for the year ended December 31, 2017	-	-	-	-	12,925,771	12,925,771
Effect of re-measurement of defined benefit plan-net of deferred tax	-	-	-	-	(965,870)	(965,870)
Effect of translation of net investment in foreign operating branches	-	173,267	-	-	-	173,267
	-	173,267	-	-	11,959,901	12,133,168
<b>Transactions with owners recognized directly in equity</b>						
Final cash dividend for the year ended						
December 31, 2016 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
First interim cash dividend for the year ended						
December 31, 2017 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Second interim cash dividend for the year ended						
December 31, 2017 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
Third interim cash dividend for the year ended						
December 31, 2017 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,879)	(2,003,879)
	-	-	-	-	(8,015,516)	(8,015,516)
Transferred from surplus on revaluation of operating fixed assets to un-appropriated profit-net of tax	-	-	-	-	54,937	54,937
Transferred from surplus on revaluation of non-banking assets to un-appropriated profit-net of tax	-	-	-	-	188,380	188,380
Transfer to statutory reserve	-	-	1,273,364	-	(1,273,364)	-
<b>Balance as at December 31, 2017</b>	<b>11,450,739</b>	<b>230,954</b>	<b>17,743,162</b>	<b>6,000</b>	<b>50,546,126</b>	<b>79,976,981</b>

The annexed notes 1 to 44 form an integral part of these consolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## 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 1,250 (2016: 1,148) branches in Pakistan including 117 (2016: 77) Islamic banking branches, 1 branch (2016:1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2016: 1) in Bahrain. The long term credit rating of the Bank assigned by the Pakistan Credit Rating Agency Limited (PACRA) is 'AA+'. Short term rating of the Bank is 'A1+'.

Ibrahim Holdings (Private) Limited is the parent company of the Bank and it's registered office is in Pakistan.

The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 - Tipu Block, Main Boulevard, New Garden Town, Lahore.

### Subsidiary Company

ABL Asset Management Company Limited ("the Company") is a public unlisted company, incorporated in Pakistan as a limited liability company on October 12, 2007 under the repealed Companies Ordinance, 1984. The Company has received certificate of commencement of business on 31 December, 2007. The Company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry out Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131[I] 2007 (the NBFC Rules). The Company has also obtained license to carry out business as Pension Fund Manager, under the Voluntary Pension System Rules, 2005. The registered office of the Company is situated at Plot no. 14, Main Boulevard, DHA Phase VI, Lahore (previously at 11-B Lalazar, M.T Khan Road Karachi). The Company is a wholly owned subsidiary of Allied Bank Limited (the Holding company). The management quality rating of the Company, as assigned by JCR-VIS Crediting Rating Company Limited, is AM2++ (Stable) in December 2017.

ABL Asset Management company is managing following funds:

ABL Income Fund	Launched on September 20, 2008
ABL Stock Fund	Launched on June 28, 2009
ABL Cash Fund	Launched on July 30, 2010
ABL Islamic Income Fund	Launched on July 30, 2010
ABL Government Securities Fund	Launched on November 30, 2011
ABL Islamic Stock Fund	Launched on June 12, 2013
ABL Pension Fund	Launched on August 20, 2014
ABL Islamic Pension Fund	Launched on August 20, 2014
ABL Islamic Financial Planning Fund	Launched on December 22, 2015
ABL Financial Planning Fund	Launched on December 31, 2015
ABL Islamic Dedicated stock fund	Launched on December 19, 2016

## 2 a) BASIS OF PRESENTATION

These consolidated financial statements consist of holding company and its subsidiary company for the year ended December 31, 2017.

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.

These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the currency of the primary economic environment in which the Bank operates and functional currency of the Bank, in that environment as well. The amounts are rounded to nearest thousand.

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

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

the users of financial statements. For the purpose of translation to US Dollar, spot rate of Rs. 110.4172 per US Dollar has been used for 2017 and 2016, 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.

### c) 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 5.3);
- Certain operating fixed assets (Note 5.5);
- Staff retirement and other benefits (Note 5.7);
- Non-banking assets acquired in satisfaction of claims (Note 5.8); and
- Derivative financial instruments (Note 5.14.2).

## 3 STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP) & Securities and Exchange Commission of Pakistan (SECP). In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, repealed Companies Ordinance, 1984 and the directives issued by SBP and SECP differ from requirements of IFRSs and IFASs, the provisions of and directives issued under the Banking Companies Ordinance, 1962, repealed Companies Ordinance, 1984 and the directives issued by SBP and SECP shall prevail.
- 3.2** During the year on May 30, 2017, the Companies Act, 2017 (the Act) was enacted which replaced the Companies Ordinance, 1984. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular No. 23 of 2017 dated October 04, 2017 has advised that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.3** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard (IFRS 7) 'Financial Instruments Disclosure', 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.
- 3.4** IFRS 8 'Operating Segments' is effective for the Group's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorisation in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these consolidated financial statements is based on the requirements laid down by SBP.
- 3.5** The Securities and Exchange Commission of Pakistan (SECP) vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS10 (Consolidated Financial Statements) and section 237 of the repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.
- 3.6** 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 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 3.7 New and amended standards and interpretations became effective during the year

During the year, certain amendments to standards, interpretations and improvements to accounting standards became effective, however, the amendments, interpretations and improvements did not have any material effect on the consolidated financial statements of the Group.

### 3.8 New Companies Act, 2017 and new Accounting Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

**3.8.1** The Companies Act, 2017 applicable for period beginning on January 01, 2018 requires certain additional disclosures and section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. This would require change in accounting policy relating to surplus on revaluation of land and building to bring it in line with the requirements of IAS 16 - Property, plant and equipment.

**3.8.2** The State Bank of Pakistan has issued BPRD Circular No. 02 of 2018 dated January 25, 2018 'Revised Forms of Annual Financial Statements' effective from the accounting year ended December 31, 2018. The 'Revised Forms of Annual Financial Statements' have changed / added certain disclosures.

**3.8.3** The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 1, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Group's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after January 1, 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on Group's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 1, 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on Group's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after July 1, 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group is assessing the potential impact on its financial statements resulting from the adoption of IFRS 15.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, 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. The Group is currently awaiting instructions from SBP as applicability of IAS 39 (as explained in note 3.3) was deferred by SBP till further instructions.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Group's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any (specific) borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after January 1, 2019 and are not likely to have an impact on Group's financial statements.

#### 4 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these consolidated 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:

##### i) Classification of investments

- In classifying investments as 'held-for-trading' the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held-to-maturity' the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

- 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'.

**ii) 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.

**iii) 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 and prolonged decline in the fair value below its cost. This determination of what is significant and prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

**iv) 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.

**v) 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.

**vi) 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'.

**vii) 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 34.

**viii) Fair value hierarchy of assets and liabilities**

The fair value of the assets and liabilities is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group categorizes fair value measurements within the following fair value hierarchy:

**a) Level 1**

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

**b) Level 2**

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## c) Level 3

These are input for the assets or liability that are not based on observable market data (unobservable Inputs).

## 5 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. Significant accounting policies are enumerated as follows:

### 5.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks (net of overdrawn nostro balances) in current and deposit accounts.

### 5.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

#### (a) Sale under re-purchase agreements

Securities sold subject to a re-purchase agreement are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued on a prorata basis and recorded as mark-up expense.

#### (b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as mark-up income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

In Bai Muajjal, the Group sells Sukuk on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period. Profit 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. 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.

### 5.3 Investments

5.3.1 The Group at the time of purchase classifies its investment portfolio, other than investment in subsidiary, into the following categories:

#### a) Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements and dealer's margin.

#### b) Held-to-maturity

These are debt securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### c) Available-for-sale

These are investments, other than those in subsidiary, that do not fall under the 'held-for-trading' or 'held-to-maturity' categories.

**5.3.2** Investments are initially recognized at fair value which, in case of investments other than 'held-for-trading', includes transaction cost associated with the investments. Transaction cost on 'held-for-trading' investments are expensed as incurred.

All 'regular way' purchases and sales of investments are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require settlement within the time frame generally established by regulation or convention in the market place.

**5.3.3** In accordance with the requirements of the SBP, quoted securities, other than those classified as 'held-to-maturity' and investments in subsidiaries, are carried at market value. Investments classified as 'held-to-maturity' are carried at amortized cost.

Unrealized surplus / (deficit) arising on revaluation of the Group's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position below equity. 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.

## 5.4 Advances

### a) Loans and advances

Loans and advances are stated net of general and specific provisions. Specific provision against loans is determined in accordance with the requirements of the Prudential Regulations and other directives issued by SBP and charged to the profit and loss account. General provision is maintained in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. Advances are written off when there are no realistic prospects of recovery.

### b) Net investment in finance lease

Leases, where the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the minimum lease payments, including un-guaranteed residual value, if any. Finance lease receivables are included in advances to the customers.

### c) Islamic financing and related assets

The Group provides Islamic financing and related assets mainly through Business Musharakah, Murabaha, Ijarah, Diminishing 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 income 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.



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 5.5 Operating 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 11.2. 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.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in surplus account as allowed under the provisions of the repealed Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

#### b) Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The cost of intangible assets is amortized over their estimated useful lives, using the straight line method. Amortization is charged from the month the assets are available for use at the rate stated in note 11.3. 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.

### 5.6 Taxation

#### a) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for current tax also includes adjustments, where considered necessary relating to prior years, including those arising from assessments finalized during the year.

#### b) 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

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

### 5.7 Staff retirement and other benefits

#### 5.7.1 Staff retirement schemes

##### a) For employees who opted for the lump sum pension 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 an 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 Bank 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 lump sum pension 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 Group is on or before July 01, 1992, i.e., who had completed ten years of continuous service as on June 30, 2002.

##### c) Benevolent Fund

Until December 31, 2008 the Group operated a contributory benevolent fund, which was discontinued for active employees. The beneficiaries as on that date were also given an option to settle their monthly grant with a lump sum payment. Those who have not opted for the lump sum option will continue to receive benevolent grant (Defined benefit scheme).

##### d) Post retirement medical benefits

The Group provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out using the Projected Unit Credit Method.

Annual contributions towards the defined benefit schemes are made on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income in the period of occurrence.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## 5.7.2 Other long term benefit

### Employees' compensated absences

Employees' entitlement to annual leave is recognized when they accrue to employees. 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.

## 5.8 Non-banking assets acquired in satisfaction of claims

Non-banking assets (NBA) acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation (excluding land). Revaluation by independent professionally qualified valuers, is carried out with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. Surplus arising on revaluation of NBA is credited to the 'surplus on revaluation of assets' account 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.

## 5.9 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognized separately as part of other liabilities and is accrued to the profit and loss account on accrual 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'.

## 5.10 Impairment

### a) Available-for-sale equity securities

The Group determines that 'available-for-sale' equity investments are impaired when there has been a significant and prolonged decline in the fair value of these investments below their cost. The determination of what is significant and prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price in 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 statement of financial position 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.

## 5.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified losses on non-funded exposure is recognized when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

Provisions are reviewed at the reporting date and are adjusted to reflect the current best estimate.

## 5.12 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 consolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

## Notes to the Consolidated Financial Statements

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### 5.13 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.

### 5.14 Financial instruments

#### 5.14.1 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.

#### 5.14.2 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.

### 5.15 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.

### 5.16 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

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

### b) Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

### c) Islamic financing and related assets

Profit on Business Musharakah financing is booked on accrual basis and is adjusted upon declaration of profit by Musharakah partners.

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha and Salam income is recognised on deferred income basis.

### d) Fee, commission and brokerage

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.

## 5.17 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional and management reporting structure. The Group's primary segment reporting is based on following business segments:

### Business segments

#### a) Corporate & investment banking

This segment offers a wide range of financial services to medium and large sized public and private sector entities and also covers overseas operation of the Group. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services on all Group related matters.

#### b) Trading and sales (Treasury)

This segment undertakes the Group's treasury and money market activities.

#### c) Commercial & retail banking

Commercial and retail banking provides services to commercial and retail customers including agriculture sector. It includes loans, deposits and other transactions with commercial and retail (conventional and Islamic) customers.

#### d) Others

Others includes functions which cannot be classified in any of the above segments.

## 5.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>6 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		12,269,658	11,886,895
Foreign currencies		881,144	1,061,186
		13,150,802	12,948,081
<b>Remittances in transit</b>		513,672	291,364
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	37,791,773	32,998,864
Foreign currency current account	6.2	1,247	9,620
		37,793,020	33,008,484
Foreign currency deposit accounts			
Non-remunerative	6.1	3,898,776	2,813,207
Remunerative	6.3	11,667,460	8,435,565
		15,566,236	11,248,772
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		18,156,411	15,439,067
<b>National Prize Bonds</b>		175,414	267,999
		85,355,555	73,203,767

**6.1** 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.

**6.2** This represents US Dollar settlement account maintained with SBP.

**6.3** This represents special cash reserve maintained with SBP. The return on this account is declared by SBP on a monthly basis and as at December 31, 2017 carries mark-up at the rate of 0.37% (2016: 0%).

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>7 BALANCES WITH OTHER BANKS</b>		
<b>In Pakistan</b>		
On current accounts	747	15
<b>Outside Pakistan</b>		
On current accounts	326,579	271,111
On deposit accounts	322,186	408,812
	649,512	679,938

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>8</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
Call money lending	8.1	1,000,000	2,091,970
Repurchase agreement lendings (Reverse Repo)	8.2 & 8.8	5,779,431	7,220,782
Musharaka lendings	8.3	1,100,000	700,000
Mudaraba lending	8.4	600,000	500,000
Bai muajjal placement	8.5	214,968	–
Certificates of investment	8.6	70,000	70,000
	8.7	8,764,399	10,582,752
Provision against lendings to financial institutions	8.6 & 8.9	(70,000)	(70,000)
		<u>8,694,399</u>	<u>10,512,752</u>

- 8.1** This represents local currency call money lending at the mark-up rate of 5.90% (2016: foreign currency lending at the rate of 0.65%) per annum, maturing on January 02, 2018.
- 8.2** These are short-term local currency lendings to financial institutions against government securities as shown in note 8.8 below. These carry mark-up at the rate of 5.95% to 6.10% (2016: 5.90% to 6.20%) per annum, maturing on January 02, 2018.
- 8.3** These represent local currency lendings by Islamic banking business under Musharaka agreement at profit of 5.83% to 5.85% (2016: 5.00%) per annum, maturing on various dates, latest by January 05, 2018.
- 8.4** This represents local currency lending by Islamic banking business under Mudaraba agreement at profit of 5.80% (2016: 5.55%) per annum, maturing on January 12, 2018.
- 8.5** This represents local currency lending by Islamic banking business under Bai Muajjal agreement with the State Bank of Pakistan at profit of 5.46% (2016: Nil) per annum, maturing on June 21, 2018.
- 8.6** This represent local currency classified certificates of investment and related provisioning, amounting to Rs. 70 million (2016: Rs. 70 million).

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>8.7</b>	<b>Particulars of lending</b>	
In local currency	8,764,399	8,490,782
In foreign currencies	–	2,091,970
	<u>8,764,399</u>	<u>10,582,752</u>

	December 31, 2017			December 31, 2016		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
Rupees in '000						
<b>8.8</b>	<b>Securities held as collateral against lending to Financial Institutions</b>					
Market Treasury Bills	800,000	–	800,000	1,220,782	–	1,220,782
Pakistan Investment Bonds	5,000,000	–	5,000,000	6,000,000	–	6,000,000
	<u>5,800,000</u>	<u>–</u>	<u>5,800,000</u>	<u>7,220,782</u>	<u>–</u>	<u>7,220,782</u>

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>8.9</b>	<b>Particulars of provision</b>	
Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	<u>70,000</u>	<u>70,000</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017			December 31, 2016		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
Rupees in '000							
<b>9</b>	<b>INVESTMENTS</b>						
<b>9.1</b>	<b>Investments by types</b>						
	<b>Held-for-trading securities</b>						
	Market Treasury Bills	24,706,169	-	24,706,169	-	-	-
	Pakistan Investment Bonds	119,940	-	119,940	102,531	-	102,531
	Units of open-ended mutual funds/ pension funds - related parties	1,785,318	-	1,785,318	1,390,368	-	1,390,368
	Sukuk bonds	-	-	-	40,000	-	40,000
		26,611,427	-	26,611,427	1,532,899	-	1,532,899
	<b>Available-for-sale securities</b>						
	Market Treasury Bills	290,064,860	75,614,442	365,679,302	202,224,770	23,995,274	226,220,044
	Pakistan Investment Bonds	63,758,497	100,297,935	164,056,432	144,961,948	53,343,313	198,305,261
	Ordinary shares of listed companies / certificates of close-ended mutual funds	14,815,012	-	14,815,012	14,493,083	-	14,493,083
	Ordinary shares of unlisted companies	2,500,169	-	2,500,169	2,500,169	-	2,500,169
	Investment in related parties						
	Listed shares	8,142,520	-	8,142,520	8,142,520	-	8,142,520
	Unlisted shares	1,093,449	-	1,093,449	997,894	-	997,894
	Sukuk bonds	5,465,894	-	5,465,894	5,423,031	-	5,423,031
	GOP Sukuk	9,562,817	1,543,073	11,105,890	10,550,356	-	10,550,356
	GOP Ijara Sukuk	2,845,696	-	2,845,696	2,148,084	-	2,148,084
	Foreign Currency Bonds (US\$)	4,996,009	-	4,996,009	4,734,946	-	4,734,946
	Term finance certificates (TFCs)	3,707,217	-	3,707,217	4,340,267	-	4,340,267
		406,952,140	177,455,450	584,407,590	400,517,068	77,338,587	477,855,655
	<b>Held-to-maturity securities</b>						
	Pakistan Investment Bonds	73,454,137	-	73,454,137	83,222,932	-	83,222,932
	GOP Sukuk	1,108,143	-	1,108,143	1,051,562	-	1,051,562
	GOP Ijara Sukuk	-	-	-	100,000	-	100,000
	Foreign Currency Bonds (US\$)	-	-	-	1,595,719	-	1,595,719
	TFCs and Sukuk Bonds	346,102	-	346,102	358,879	-	358,879
		74,908,382	-	74,908,382	86,329,092	-	86,329,092
	<b>Investment at cost</b>	508,471,949	177,455,450	685,927,399	488,379,059	77,338,587	565,717,646
	Provision for diminution in the value of investments	9.3	(2,705,403)	(2,705,403)	(2,696,599)	-	(2,696,599)
	<b>Investment (cost net of provisions)</b>		177,455,450	683,221,996	485,682,460	77,338,587	563,021,047
	(Deficit) / surplus on revaluation of 'held-for-trading' securities - net	9.10	(41,912)	(41,912)	129,343	-	129,343
	Surplus on revaluation of 'available-for-sale' securities - net	20.3	15,803,706	339,900	16,143,606	1,878,996	27,774,582
	<b>Total investments at market value</b>		177,795,350	699,323,690	511,707,389	79,217,583	590,924,972



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016	
Rupees in '000				
<b>9.2</b>	<b>Investments by segments</b>			
	<b>Federal Government Securities</b>			
	Market Treasury Bills	9.2.1 - 9.2.3	390,385,471	226,220,044
	Pakistan Investment Bonds	9.2.1 & 9.2.2	237,630,509	281,630,724
	Foreign Currency Bonds (US\$)	9.2.1 & 9.2.4	4,996,009	6,330,665
	GOP Ijara Sukuk	9.2.1	2,845,696	2,248,084
	GOP Sukuk	9.2.1	12,214,033	11,601,918
	<b>Fully paid up ordinary shares of listed companies / certificates of close-ended mutual funds</b>	9.4	22,957,532	22,635,603
	<b>Fully paid up ordinary shares of unlisted companies</b>	9.5	3,593,618	3,498,063
	<b>Investment in units of open-ended mutual funds</b>	9.6	1,785,318	1,390,368
	<b>Term Finance Certificates (TFCs) and Sukuk Bonds</b>			
	Term Finance Certificates			
	Listed	9.7	2,399,462	2,455,310
	Unlisted	9.7	1,453,857	2,043,836
	Sukuk Bonds	9.8	5,665,894	5,663,031
	<b>Investments at cost</b>		685,927,399	565,717,646
	Less: Provision for diminution in the value of investments	9.3	(2,705,403)	(2,696,599)
	<b>Investments (cost net of provisions)</b>		683,221,996	563,021,047
	(Deficit) / surplus on revaluation of 'held-for-trading' securities	9.1	(41,912)	129,343
	Surplus on revaluation of 'available-for-sale' securities	20.3	16,143,606	27,774,582
	<b>Total investments at market value</b>		<b>699,323,690</b>	<b>590,924,972</b>

### 9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Coupon Rate / Yield	Redemption Period	Frequency
Market Treasury Bills	January, 2018 to April, 2018	5.70% - 6.19%	On maturity	At maturity
Pakistan Investment Bonds	March, 2018 to August, 2031	7.00% - 13.00%	On maturity	Half Yearly
Foreign Currency Bonds (US\$)	September, 2025	8.25%	On maturity	Half Yearly
GOP Ijara Sukuk	December, 2018 to June, 2020	6M MTB minus 0.50%	On maturity	Half Yearly
GOP Sukuk	December, 2019 to October, 2021	5.50% - 6.75%	On maturity	Half Yearly

**9.2.2** Included herein are Market Treasury Bills having a book value of Rs. 75,442.036 million (2016: Rs. 23,816.042 million) and Pakistan Investment Bonds having a book value of Rs. 100,297.935 million (2016: Rs. 53,343.313 million), given as collateral against repurchase agreement borrowings from financial institutions.

**9.2.3** Included herein are Market Treasury Bills having a book value of Rs. 172.406 million (2016: Rs. 179.232 million), held by the SBP against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2017	December 31, 2016	
Rupees in '000								
<b>9.2.4 Investment in Foreign Currency Bonds</b>								
Euro Dollar Bond (\$45,000,000)	8.250%	30-Sep-15	30-Sep-25	01-Apr-18	10 Years	4,996,009	4,734,946	
Euro Dollar Bond (\$10,500,000)	6.875%	01-Jun-07	01-Jun-17	30-May-17	10 Years	–	1,083,920	
Euro Dollar Bond (\$5,000,000)	6.875%	01-Jun-07	01-Jun-17	30-May-17	10 Years	–	511,799	
						4,996,009	6,330,665	
						Note	December 31, 2016	December 31, 2015
Rupees in '000								
<b>9.3 Particulars of provision</b>								
Opening balance						2,696,599	2,777,721	
Charge for the year						22,581	78,582	
Reversals						(13,777)	(3,676)	
Net charge						8,804	74,906	
Net reversal on disposal of shares						–	(156,028)	
Closing balance						–	–	
						9.3.1	2,705,403	2,696,599
<b>9.3.1 Particulars of provision in respect of type and segment</b>								
<b>By type:</b>								
<b>Available-for-sale securities</b>								
Ordinary shares / certificates of mutual funds						2,264,790	2,264,790	
Ordinary shares of unlisted companies						71,563	49,982	
Sukuk Bonds						22,948	22,948	
						2,359,301	2,337,720	
<b>Held-to-maturity securities</b>								
TFCs and Sukuk Bonds						346,102	358,879	
						2,705,403	2,696,599	
<b>By Segment:</b>								
<b>Fully Paid up Shares</b>								
Ordinary shares of listed companies						2,264,790	2,264,790	
Ordinary shares of unlisted companies						71,563	49,982	
						2,336,353	2,314,772	
<b>Term Finance Certificates and</b>								
<b>Sukuk Bonds</b>								
Sukuk Bonds						222,948	222,948	
Term Finance Certificates						146,102	158,879	
						369,050	381,827	
						2,705,403	2,696,599	

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Name of Company / Mutual Fund	Cost per share / certificates  Rupees	December 31, 2017		December 31, 2016	
		No. of shares / certificates	Total Cost	No. of shares / certificates	Total Cost

### 9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

Available-for-sale					
Agritech Limited	16.16	16,601,113	268,289	16,601,113	268,289
Attock Petroleum Limited	419.20	1,338,450	561,076	1,338,450	561,076
Dolmen City REIT	11.00	41,441,000	455,851	41,441,000	455,851
Engro Fertilizer Limited	69.80	8,150,000	568,831	8,150,000	568,831
Fatima Fertilizer Company Limited	24.39	62,700,000	1,528,975	62,700,000	1,528,975
Fauji Fertilizer Company Limited	103.62	15,481,600	1,604,159	15,481,600	1,604,159
Habib Bank Limited	168.01	6,622,992	1,112,707	6,622,992	1,112,707
Habib Metropolitan Bank Limited	27.96	10,000,000	279,598	10,000,000	279,598
Hub Power Company Limited – related party	36.51	112,000,000	4,089,011	112,000,000	4,089,011
Kot Addu Power Co. Limited – related party	46.06	88,000,000	4,053,509	88,000,000	4,053,509
MCB Bank Limited	199.83	1,125,500	224,907	–	–
Nishat Chunian Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Nishat Power Limited	10.00	30,000,000	300,000	30,000,000	300,000
Orix Leasing Pakistan Limited	35.00	2,772,062	97,022	–	–
Pakistan Oil Field Limited	404.83	9,106,350	3,686,501	9,106,350	3,686,501
Pakistan Petroleum Limited	208.66	9,562,740	1,995,359	9,562,740	1,995,359
Pakistan State Oil Company Limited	270.43	1,783,800	482,384	1,486,500	482,384
PICIC Growth Mutual Fund	13.54	6,677,717	90,436	6,677,717	90,436
Pioneer Cement Limited	5.97	106,784	638	106,784	638
Saif Power Limited	18.00	13,889,000	250,002	13,889,000	250,002
Trust Investment Bank Limited	10.00	5,000,000	50,000	5,000,000	50,000
United Bank Limited	158.01	6,064,800	958,277	6,064,800	958,277
			22,957,532		22,635,603

Name of Company	Percentage of Holding	No. of shares	Break-up Value per share Rupees	Paid up Value per share Rupees	Dec. 31, 2017 Cost Rupees '000	Based on audited accounts as at	Name of Chief Executive/Managing Agent
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### 9.5 Investment in Un-Listed Shares

Arabian Sea Country Club Limited - related party	6.45%	500,000	0.70	10	5,000	30-Jun-14	Mr. Arif Ali Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	21.48	10	355,000	30-Jun-17	Mr. Maqsood Ahmed Basraa
Central Depository Company of Pakistan Limited	1.00%	1,060,900	36.72	10	40,300	30-Jun-17	Mr. Aftab Ahmed Diwan
Eastern Capital Limited	–	500,000	–	–	5,000	–	Under liquidation
First Women Bank Limited	2.21%	7,734,927	9.96	10	21,200	31-Dec-16	Ms. Tahira Raza
Habib Allied Holding Limited - related party	9.50%	5,874,525	179.09	£1	1,035,922	31-Dec-16	Mr. Abbas Hasan
ISE Towers REIT Management Company Limited*	0.83%	3,034,603	12.13	10	30,346	30-Jun-17	Mr. Mian Ayyaz Afzal
LSE Financial Services Limited*	0.66%	843,975	18.29	10	8,440	30-Jun-17	Mr. Farid Malik
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	2,266,609	24.62	10	1,527	30-Jun-17	Mr. Haider Wahab
Nishat Hotels and Properties Limited	9.84%	94,497,049	9.60	10	944,970	30-Jun-17	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) - related party	3.33%	1,000	228,378	1,000	1,000	31-Mar-17	Mr. Muhammad Khan Khichi
Pakistan Mortgage Refinancing Company Limited	–	–	–	–	12,240	31-Dec-16	Mr. N.K. Rupan
Security General Insurance Company Limited	18.22%	12,401,871	140.51	10	1,075,653	31-Dec-16	Mr. Farukh Aleem
SME Bank Limited	0.32%	774,351	0.09	10	5,250	31-Dec-16	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank Financial Telecommunication	0.01%	10	499,351	€ 125	1,770	31-Dec-16	Mr. Gottfried Leibbrandt
1 Link (Guarantee) Limited - related party	–	–	–	–	50,000	–	–
					3,593,618		

\*These shares have been transferred as per the requirements of The Stock Exchanges (Corporation, Demutualization and integration) Act, 2012.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2017	2016		2017	2016
					Rupees in '000
<b>9.6 Detail of investment in Open-Ended Mutual Funds</b>					
ABL Cash Fund- related party	981,386	985,822	10	10,050	10,100
ABL Income Fund- related party	82,550,409	63,562,919	10	828,241	645,566
ABL Stock Fund- related party	25,478,063	19,144,409	10	398,290	292,484
ABL Islamic Income Fund- related party	2,905,963	–	10	30,000	–
ABL Islamic Financial Planning Fund - related party	250,000	50,000	10	25,183	5,000
ABL Financial Planning Fund - related party	2,302,149	2,293,226	10	239,157	225,208
ABL Pension Fund - Equity Sub Fund - related party	300,000	300,000	10	56,527	38,644
ABL Pension Fund - Debt Sub Fund - related party	300,000	300,000	10	40,452	37,392
ABL Pension Fund - Money Market Sub Fund - related party	300,000	300,000	10	33,540	32,277
ABL Islamic Pension Fund - Equity Sub Fund - related party	300,000	300,000	10	57,037	39,270
ABL Islamic Pension Fund - Debt Sub Fund - related party	300,000	300,000	10	33,863	32,419
ABL Islamic Pension Fund - Money Market Sub Fund - related party	300,000	300,000	10	32,978	32,008
				<b>1,785,318</b>	<b>1,390,368</b>
<b>9.7 Detail of investment in TFCs</b>					
<b>Listed</b>					
Habib Bank Limited	15,000	15,000	100,000	1,499,100	1,499,700
Bank Al Falah Limited TFC V	64,618	64,618	5,000	322,508	322,638
JS TFC II	37,500	37,500	5,000	89,063	131,250
MCB Bank Limited TFC (Formerly NIB Bank Limited TFC II)	76,800	76,800	5,000	383,462	383,616
Telecard Limited	75,888	75,888	5,000	105,329	118,106
				<b>2,399,462</b>	<b>2,455,310</b>
<b>Unlisted</b>					
Faysal Bank Limited (Chief Executive: Mr. Yousaf Hussain)	–	70,000	5,000	–	174,650
Dewan Farooque Spinning Mills Limited (Chief Executive: Mr. Ishtiaq Ahmed)	25,000	25,000	5,000	30,274	30,274
Khairpur Sugar Mills Limited (Chief Executive: Muhammad Mubeen Jumani)	13	13	55,536		
	1	1	55,538		
	5	5	337,000		
	1	1	337,077	454	454
Bachani Sugar Mills Limited (Chief Executive: Mr. Najmuddin Ansari)	23	23	135,227		
	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	10,044	10,044
Bank Al-Habib TFC V (Chief Executive: Mr. Mansoor Ali Khan)	107,000	107,000	5,000	534,679	534,894
Standard Chartered Bank TFC III (Chief Executive: Mr. Shazad Dada)	–	75,000	5,000	–	375,000
Askari Bank Limited TFC V (Chief Executive: Mr. Syed M. Husaini)	120,000	120,000	5,000	599,281	599,520
Jahangir Siddiqi & Company Limited (Chief Executive: Mr. Suleman Lalani)	63,800	63,800	5,000	279,125	319,000
				<b>1,453,857</b>	<b>2,043,836</b>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Name of Sukuk Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2017	2016
Rupees in '000							
<b>9.8 Detail of Investment in Sukuk Bonds</b>							
Liberty Power Tech. Limited I	3 MK+3%	18-Mar-09	01-Apr-21	01-Apr-18	Quarterly	1,198,582	1,485,408
Liberty Power Tech. Limited II	3 MK+3%	30-Nov-10	31-Dec-21	01-Apr-18	Quarterly	134,329	166,199
Quetta Textile Mills Limited*	6 MK+1.75%	26-Sep-08	20-Mar-20	25-Mar-16	Quarterly	22,948	22,948
Shahraj Fabrics Pvt Limited*	6 MK +2.10%	08-Mar-08	08-Mar-13	08-Mar-13	Half Yearly	200,000	200,000
K- Electric Limited	3 MK + 1.00%	17-Jun-15	17-Jun-22	16-Mar-18	Quarterly	223,035	248,476
K-Electric Limited	3 MK +2.25%	19-Mar-14	19-Mar-17	19-Mar-17	Quarterly	-	40,000
Neelam Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	29-Jun-16	29-Jun-26	29-Jun-18	Half Yearly	1,200,000	1,200,000
Neelam Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	27-Oct-16	29-Jun-26	27-Apr-18	Half Yearly	1,400,000	1,400,000
Meezan Bank's Sukuk	6 MK+0.5%	22-Sep-16	22-Sep-26	01-Mar-18	Half Yearly	900,000	900,000
Dubai Islamic Bank Pakistan	6 MK+0.5%	14-Jul-17	14-Jul-27	14-Jul-18	Half Yearly	387,000	-
						<b>5,665,894</b>	<b>5,663,031</b>

\*These Sukuk Bonds have been classified as loss and fully provided.

Name of Security	2017		2016	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>9.9 Quality of 'available-for-sale' Securities</b>				
<b>Government Securities</b>				
Market treasury bills	365,643,722	Un Rated	226,247,239	Un Rated
Pakistan Investment Bonds	166,864,554	Un Rated	203,533,463	Un Rated
<b>Listed TFCs</b>				
Habib Bank Limited	1,485,849	AA+	1,503,449	AAA
MCB Bank Limited TFC (Formerly NIB Bank Limited TFC II)	389,427	AAA	387,972	A+
Bank Alfalah Limited - TFC V	328,246	AA	331,119	AA-
JS TFC II	89,416	AA+	131,329	AA+
<b>Unlisted TFCs</b>				
Faysal Bank Limited	-	-	174,650	AA-
Bank Al-Habib Limited TFC V	534,679	AA	534,893	AA
Standard Chartered Bank	-	-	375,000	AAA
Askari Bank Limited TFC V	599,281	AA-	599,520	AA-
Jahangir Siddiqi & Company Limited	279,125	**	319,000	**
<b>Unlisted Shares</b>				
Arabian Sea Country Club Limited* - related party	5,000	**	5,000	**
Atlas Power Limited*	355,000	AA-&A1+	355,000	AA-&A1+
Central Depository Company of Pakistan Limited	40,300	**	40,300	**
Eastern Capital Limited*	5,000	**	5,000	**
First Women Bank Limited*	21,200	A-&A2	21,200	A-&A2
Habib Allied Holding Limited* - related party	1,035,922	**	990,367	**
ISE Towers REIT Management Company Limited	30,346	**	30,346	**
LSE Financial Services Limited	8,440	**	8,440	**
NIFT* - related party	1,527	**	1,527	**
Nishat Hotels and Properties Limited*	531,545	A-&A2	531,545	A-&A2
Nishat Hotels and Properties Limited	413,425	A-&A2	413,425	A-&A2
Pakistan Mortgage Refinance Company Limited	12,240	**	12,240	**
PASSCO* - related party	1,000	**	1,000	**
Security General Insurance Company Limited	1,075,653	AA-	1,075,653	AA-
SME Bank Limited*	5,250	B&B	5,250	B&B
SWIFT	1,770	**	1,770	**
1 Link (Guarantee) Limited - related party	50,000	**	-	-

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Name of Security	2017		2016	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>Listed Shares / Certificates</b>				
Agritech Limited	80,847	**	210,502	**
Attock Petroleum Limited	700,116	**	916,330	**
Dolmen City REIT	455,851	RR1	450,464	RR1
Fatima Fertilizer Company Limited	1,936,176	AA-&A1+	2,313,003	AA-&A1+
Fauji Fertilizer Company Limited	1,224,749	AA&A1+	1,615,815	AA&A1+
Habib Bank Limited	1,106,636	AAA&A1+	1,809,733	AAA&A1+
Hub Power Company Limited *- related party	5,541,900	AA+&A1+	7,519,932	AA+&A1+
Hub Power Company Limited - related party	4,650,100	AA+&A1+	6,309,828	AA+&A1+
Kot Addu Power Co. Limited* - related party	4,743,200	AA+&A1+	6,934,400	AA+&A1+
MCB Bank Limited	238,966	AAA&A1+	-	-
<b>Listed Shares / Certificates</b>				
Nishat Chunian Power Limited*	987,300	**	1,664,400	**
Nishat Power Limited*	1,020,000	A+&A1	1,922,700	A+&A1
Orix Leasing Pakistan Limited	115,068	AA+&A1+	-	-
Pakistan Oilfield Limited*	2,097,144	**	1,886,674	**
Pakistan Oilfield Limited	3,314,396	**	2,981,763	**
Pakistan Petroleum Limited*	1,969,064	**	1,799,516	**
Pakistan State Oil Company Limited	522,850	AA&A1+	645,453	AA&A1+
PICIC Growth Mutual Fund	189,313	**	203,403	**
Pioneer Cement Limited	6,740	**	15,173	**
Saif Power Limited	401,809	A+&A1	493,893	A+&A1
United Bank Limited	1,140,000	AAA&A1+	1,448,881	AAA&A1+
Trust Investment Bank Limited	7,150	**	18,700	**
Habib Metropolitan Bank Limited	345,000	AA+&A1+	370,000	AA+&A1+
Engro Fertilizer Limited	551,918	AA-&A1+	554,037	AA-&A1+
<b>Investment in Mutual Funds</b>				
ABL Cash Fund- related party	10,129	AA(f)	10,153	AA(f)
ABL Income Fund- related party	847,454	A(f)	651,634	A(f)
ABL Stock Fund- related party	354,148	**	360,531	MFR 4-Star
ABL Islamic Income Fund- related party	30,178	A(f)	-	-
ABL Islamic Financial Planning Fund - related party	24,653	**	5,183	**
ABL Financial Planning Fund - related party	234,947	**	238,179	**
ABL Pension Fund - Equity Sub Fund - related party	46,799	**	56,527	**
ABL Pension Fund - Debt Sub Fund - related party	42,205	**	40,452	**
ABL Pension Fund - Money Market Sub Fund - related party	34,827	**	33,540	**
ABL Islamic Pension Fund - Equity Sub Fund - related party	48,198	**	57,037	**
ABL Islamic Pension Fund - Debt Sub Fund - related party	34,454	**	33,864	**
ABL Islamic Pension Fund - Money Market Sub Fund - related party	33,632	**	32,978	**
<b>Sukuk Bonds</b>				
Liberty Power Tech Limited I	1,198,582	A+	1,485,408	A+
Liberty Power Tech Limited II	134,329	A+	166,199	A+
Quetta Textile Mills Limited	22,948	**	22,948	**
K- Electric Limited	222,501	AA+	250,988	AA+
Neelam Jhelum Hydropower Company (Pvt) Limited	2,600,000	AAA	2,600,000	AAA
Meezan Bank's Sukuk	900,000	AA-	900,000	AA-
Dubai Islamic Bank Pakistan	387,000	A+	-	-
GOP Ijara Sukuk	2,861,151	**	2,196,404	**
GOP Sukuk	11,290,159	**	10,858,893	**

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Name of Security	2017		2016	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>Foreign Currency Bonds (US\$)</b>				
Euro Bonds	5,515,525	**	5,177,620	**
* Strategic Investments of the Bank				
** Ratings are not available				
	<b>Note</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>	
		<b>Rupees in '000</b>		
<b>9.10 Unrealized (loss) / gain on revaluation of investments classified as 'held-for-trading'</b>				
Market Treasury Bills		(1,691)	-	
Pakistan Investment Bonds		3,473	(713)	
ABL Cash Fund		79	55	
ABL Financial Planning Fund		(4,210)	12,971	
ABL Income Fund		19,213	6,067	
ABL Islamic Income Fund		178	-	
ABL Stock Fund		(44,144)	68,047	
ABL Islamic Financial Planning Fund		(530)	183	
ABL Pension Fund - Equity Sub Fund		(9,728)	17,882	
ABL Pension Fund - Debt Sub Fund		1,754	3,060	
ABL Pension Fund - Money Market Sub Fund		1,288	1,263	
ABL Islamic Pension Fund - Equity Sub Fund		(8,839)	17,767	
ABL Islamic Pension Fund - Debt Sub Fund		589	1,444	
ABL Islamic Pension Fund - Money Market Sub Fund		656	970	
Sukuk bonds		-	347	
		(41,912)	129,343	
<b>10 ADVANCES</b>				
Loans, cash credits, running finances, etc.				
In Pakistan		373,200,710	334,088,692	
Outside Pakistan		4,499,177	7,876,267	
		377,699,887	341,964,959	
Islamic financing and related assets		4,662,326	605,138	
Net investment in finance lease - in Pakistan	10.2	2,380,573	2,131,845	
Bills discounted and purchased (excluding treasury bills)				
Payable in Pakistan		2,466,333	2,665,812	
Payable outside Pakistan		1,585,373	1,687,999	
		4,051,706	4,353,811	
<b>Advances - gross</b>	10.1	388,794,492	349,055,753	
Provision for non-performing advances	10.3 & 10.4	(16,702,236)	(18,720,563)	
General provision	10.4	(11,701)	(63,309)	
		(16,713,937)	(18,783,872)	
<b>Advances - net of provision</b>		372,080,555	330,271,881	
<b>10.1 Particulars of advances (Gross)</b>				
<b>10.1.1</b> In local currency		378,216,223	322,091,390	
In foreign currencies		10,578,269	26,964,363	
		388,794,492	349,055,753	
<b>10.1.2</b> Short term (for up to one year)		134,497,900	183,305,212	
Long term (for over one year)		254,296,592	165,750,541	
		388,794,492	349,055,753	

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017				December 31, 2016			
	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								
<b>10.2 Net investment in finance lease</b>								
Lease rentals receivable	548,697	1,335,126	194,666	2,078,489	548,277	1,191,271	123,062	1,862,610
Residual value	63,787	375,705	178,991	618,483	66,446	319,475	164,983	550,904
Minimum lease payments	612,484	1,710,831	373,657	2,696,972	614,723	1,510,746	288,045	2,413,514
Financial charges for future periods	(37,398)	(142,759)	(136,242)	(316,399)	(28,902)	(117,424)	(135,343)	(281,669)
Present value of minimum lease payments	575,086	1,568,072	237,415	2,380,573	585,821	1,393,322	152,702	2,131,845

**10.3** Advances include Rs. 18,051.749 million (2016: Rs. 20,431.609 million) which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2017								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other assets especially mentioned	39,805	-	39,805	1,054	-	1,054	1,054	-	1,054
Substandard	492,961	-	492,961	122,297	-	122,297	122,297	-	122,297
Doubtful	107,934	-	107,934	53,967	-	53,967	53,967	-	53,967
Loss	17,411,049	-	17,411,049	16,524,918	-	16,524,918	16,524,918	-	16,524,918
	18,051,749	-	18,051,749	16,702,236	-	16,702,236	16,702,236	-	16,702,236

Category of Classification	December 31, 2016								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other assets especially mentioned	60,180	-	60,180	1,804	-	1,804	1,804	-	1,804
Substandard	636,905	-	636,905	156,972	-	156,972	156,972	-	156,972
Doubtful	473,854	-	473,854	236,927	-	236,927	236,927	-	236,927
Loss	19,260,670	-	19,260,670	18,324,860	-	18,324,860	18,324,860	-	18,324,860
	20,431,609	-	20,431,609	18,720,563	-	18,720,563	18,720,563	-	18,720,563

**10.3.1** 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.

**10.3.2** The Bank has participated in government guaranteed syndicated long term loan facilities, granted to Power Holding (Pvt.) Limited, with the Bank's share being Rs. 9,348 million and Rs. 5,000 million. State Bank of Pakistan has extended relaxation against classification of these exposures vide Letter No. BPRD/ BRD (Policy)/ 2017/ 26852 dated November 16, 2017 till December 31, 2017; with instructions to recognize mark-up on receipt basis.



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017			December 31, 2016		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
<b>10.4 Particulars of provision against non-performing advances</b>							
Opening balance		18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266
Charge for the year		365,854	–	365,854	1,841,422	–	1,841,422
Reversals	10.5	(2,281,184)	(51,608)	(2,332,792)	(2,168,601)	(8,180)	(2,176,781)
Net reversal		(1,915,330)	(51,608)	(1,966,938)	(327,179)	(8,180)	(335,359)
Amounts written off	10.6	(102,997)	–	(102,997)	(45,035)	–	(45,035)
Closing balance		16,702,236	11,701	16,713,937	18,720,563	63,309	18,783,872
<b>10.4.1</b>							
In local currency		16,442,940	11,701	16,454,641	18,720,563	63,309	18,783,872
In foreign currencies		259,296	–	259,296	–	–	–
		16,702,236	11,701	16,713,937	18,720,563	63,309	18,783,872

**10.5** This includes reversal of provision on account of a non performing loan, classified as loss, settled against Debt Property Swap amounting to Rs. 32.5 million (2016: Rs. 188.472 million).

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>10.6 Particulars of write-offs</b>			
<b>10.6.1</b>			
Against provisions		102,997	45,035
Directly charged to Profit and Loss account		–	–
		102,997	45,035
<b>10.6.2</b>			
Write-offs of Rs. 500,000 and above	10.7	102,997	44,637
Write-offs of below Rs. 500,000		–	398
		102,997	45,035

### 10.7 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, 2017 is given in Annexure "I" of the unconsolidated financial statements. However, these write-offs do not affect the Bank's right to recover debts from these customers.

### 10.8 Particulars of loans and advances to directors, related parties, etc.

Details of loans and advances to associates, subsidiary and other related parties are given in note 39.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	3,062,788	3,293,373
Property and equipment	11.2	43,927,333	28,493,367
Intangible assets	11.3	1,365,763	996,600
		48,355,884	32,783,340
<b>11.1 Capital work-in-progress</b>			
Civil works		2,530,114	2,381,725
Equipment		73,619	686,367
Advances to suppliers and contractors		459,055	225,281
		3,062,788	3,293,373



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

11.2	Property and equipment	Note	Cost / Revaluation			Accumulated Depreciation			Net book Value At December 31, 2016	Annual rate of depreciation %				
			At January 1, 2016	Addition/ (Deletions)	Revaluation Surplus / Adjustment	Write-off	At December 31, 2016	Charge / (Reversal) Exchange and other adjustments			Revaluation Surplus / Adjustment	Write-off	At December 31, 2016	
Rupees in '000														
	Land-Freehold	11.4	10,485,685	1,671,724	-	-	-	-	-	-	-	12,157,409	-	
	Land-Leasehold	11.4	3,250,052	53,773	-	-	-	-	-	-	-	3,303,825	-	
	Buildings-Freehold	11.4	5,093,176	421,357	-	-	5,514,533	643,108	230,337	-	-	873,445	4,641,088	5
	Buildings-Leasehold	11.4	2,917,601	180,321	-	-	3,097,922	142,119	143,307	-	-	285,426	2,812,496	5
	Building improvements (rented premises)		2,171,449	450,764 (177)	-	-	2,622,036	1,335,598	278,225 (177)	-	-	1,613,646	1,008,390	20
	Furniture and fixtures		1,205,812	203,816 (3,596)	(425)	-	1,405,607	582,346	139,106 (3,496)	(380)	-	717,576	688,031	10
	Electrical, office and computer equipments		8,351,639	1,586,117 (81,345)	(3,277)	-	9,853,134	5,419,584	1,005,717 (79,694)	(3,273)	-	6,342,334	3,510,800	14.28 - 50
	Vehicles		725,507	148,912 (52,415)	-	-	822,004	346,326	144,968 (40,618)	-	-	450,676	371,328	20
	Total		34,200,921	4,716,784 (137,533)	(3,702)	-	38,776,470	8,469,081	1,941,660 (123,985)	(3,653)	-	10,283,103	28,493,367	
11.3	Intangible assets													
	Computer software		2,033,515	681,082			2,714,597	1,036,915	311,919			1,348,834	1,365,763	14.28
	Computer software		1,567,587	465,928			2,033,515	775,705	261,210			1,036,915	996,600	14.28 - 33.33

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

- 11.4** Bank arranged for valuation of Land and Building 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)	12,590,895
- Building	7,037,227

- 11.5** Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			

<b>11.6</b>	Incremental depreciation charged during the year transferred to profit & loss account	20.1	84,520	88,968
<b>11.7</b>	Restriction / discrepancy in the title of property having a net book value of		59,131	45,401
<b>11.8</b>	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		286,863	224,775
	Electrical, office and computer equipments		4,464,328	3,806,128
	Vehicles		285,809	46,122
	Intangible assets - software		282,187	218,396
	Leasehold Improvements		1,200,646	1,033,016

Amount of fully depreciated assets includes depreciation of Rs. 145.56 million (2016: Rs. 106.12 million) of under Rs.10,000 items which are fully depreciated in the month of purchase.

	December 31, 2017	December 31, 2016
Rupees in '000		

- |             |   |         |         |
|-------------|---|---------|---------|
| <b>11.9</b> | The carrying amount of property and equipment that have retired from active use | 353,461 | 361,307 |
|-------------|---|---------|---------|
- 11.10** The details of disposals of assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "II" of unconsolidated financial statement.
- 11.11** Information relating to sale of operating fixed assets (otherwise than through a regular auction) made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, as required by SBP's BSD Circular No. 4 dated February 17, 2006, is given in Annexure "II" of unconsolidated financial statement.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>12 OTHER ASSETS</b>			
Mark-up / return / interest receivable			
in local currency		15,530,697	17,621,002
in foreign currencies		266,574	289,597
Advances, deposits, advance rent and other prepayments		1,257,201	1,135,333
Advance taxation (payments less provisions)		4,747,404	3,955,179
Stationery and stamps in hand		196,230	184,587
Unrealized gain on forward foreign exchange contracts		2,227,080	–
Due from the employees' retirement benefit schemes			
benevolent fund	34.4	112,061	106,116
pension fund	34.4	3,692,032	4,614,727
Receivable from SBP - customers encashments		15,476	9,979
ATM / POS settlement account		1,331,063	1,161,359
Non banking assets acquired in satisfaction of claims	12.1	3,584,030	3,476,351
Suspense account		517,113	922,303
Excise duty		11	11
Others		133,098	118,060
		<u>33,610,070</u>	<u>33,594,604</u>
Less: Provision held against other assets	12.2	(747,062)	(926,951)
Other assets (net of provision)		<u>32,863,008</u>	<u>32,667,653</u>

12.1 These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.8.

	December 31, 2017			December 31, 2016		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
<b>12.2 Provision against Other Assets</b>						
Opening balance	695,044	231,907	926,951	1,250,830	186,858	1,437,688
Charge for the year	23,620	44,000	67,620	29,951	45,049	75,000
Reversals	(20,189)	(204,289)	(224,478)	–	–	–
Net charge / (reversal)	3,431	(160,289)	(156,858)	29,951	45,049	75,000
Written off / adjusted	(19,645)	(3,386)	(23,031)	(585,737)	–	(585,737)
Closing balance	<u>678,830</u>	<u>68,232</u>	<u>747,062</u>	<u>695,044</u>	<u>231,907</u>	<u>926,951</u>

### 13 CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>14 BILLS PAYABLE</b>		
In Pakistan	7,835,467	9,848,795
<b>15 BORROWINGS</b>		
In Pakistan	206,150,246	103,487,046
Outside Pakistan	17,406,137	22,881,829
	<u>223,556,383</u>	<u>126,368,875</u>
<b>15.1 Particulars of borrowings with respect to currencies</b>		
In local currency	206,150,246	103,487,046
In foreign currencies	17,406,137	22,881,829
	<u>223,556,383</u>	<u>126,368,875</u>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>15.2 Details of borrowings (Secured / Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Repurchase agreement borrowings	15.3	169,225,901	55,099,808
Under export refinance scheme	15.4	13,583,114	11,334,860
Long term financing facility	15.5	10,597,665	6,149,320
Financing Facility for Storage of Agriculture Produce (FFSAP)	15.6	5,477	16,430
		193,412,157	72,600,418
Repurchase agreement borrowings from Financial Institutions	15.7	7,674,798	23,803,676
<b>Unsecured</b>			
Call borrowings	15.8	20,246,997	29,873,171
Trading liability		1,976,436	–
Overdrawn nostro accounts		104,823	63,459
Musharaka Borrowing	15.9	100,000	–
Other borrowings		41,172	28,151
		22,469,428	29,964,781
		223,556,383	126,368,875

**15.3** These represent local currency borrowings from the SBP against government securities, carrying mark-up at the rate of 5.82% to 5.86% (2016: 5.90%) per annum, maturing on January 05, 2018.

**15.4** 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% (2016: 1.00% to 2.00%) per annum. These borrowings are repayable within six months from the deal date.

**15.5** 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 repayments to SBP correspond the respective repayment from customers. The borrowing carries mark-up at the rate of 4.50%, 3.50% and 3.00% (2016: 4.50%, 3.50% and 3.00%) per annum for financing up-to 3 years, 5 years & 10 years respectively.

**15.6** These represent borrowings from the SBP under scheme of financing facility for storage of agricultural products. The financing is available for a maximum period of 10 years. The borrowing carries markup rate at the rate of 2.00% (2016: 2.50% to 3.50%) per annum.

**15.7** These represent borrowings in local and foreign currency from local and foreign interbank markets against government securities, carrying mark-up at the rate of 5.60% to 5.80% (2016: 5.50% to 5.85%) per annum for local currency borrowings, and at the rate of 2.80% to 2.85% (2016: Nil) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by February 27, 2018.

**15.8** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank markets, carrying mark-up at the rate of 5.71% (2016: 5.55% to 6%) per annum for local currency borrowings, and at the rate of 1.92% to 4.39% (2016: 1.50% to 4.15%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by August 13, 2018.

**15.9** This represents unsecured local currency borrowing by Islamic banking business under Musharaka agreement at profit of 5.85% (2016: Nil) per annum, maturing on January 02, 2018.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>16</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>			
Fixed deposits		185,545,256	176,919,971
Savings deposits		233,494,351	212,372,097
Current accounts - remunerative		107,441,601	97,923,755
- non - remunerative		303,716,739	248,775,261
		830,197,947	735,991,084
<b>Financial Institutions</b>			
Remunerative deposits		40,885,415	63,841,039
Non - remunerative deposits		12,618,694	5,257,951
		883,702,056	805,090,074
<b>16.1</b>	<b>Particulars of deposits</b>		
In local currency		805,059,027	747,276,461
In foreign currencies		78,643,029	57,813,613
		883,702,056	805,090,074
<b>17</b>	<b>DEFERRED TAX (LIABILITY) / ASSET - NET</b>		
<b>Deferred debits arising in respect of</b>			
Provision against:			
Investments		19,093	19,093
Other assets		38,959	38,959
Off-balance sheet obligations		14,824	14,824
Advances		46,869	55,572
Post retirement medical benefits		42,980	42,980
Worker's welfare fund		1,183,246	915,389
		1,345,971	1,086,817
<b>Deferred credits arising due to</b>			
Surplus on revaluation of operating fixed assets	20.1	(1,208,989)	(591,639)
Surplus on revaluation of non-banking assets	20.2	(25,789)	(13,930)
Surplus on revaluation of investments	20.3	(5,648,428)	(9,734,537)
Actuarial gains		(93,888)	(613,973)
Accelerated tax depreciation / amortization		(1,296,877)	(1,120,660)
Excess of investment in finance lease over written down value of leased assets		(13,206)	(13,206)
		(8,287,177)	(12,087,945)
	17.1	(6,941,206)	(11,001,128)

	Balance as at January 01, 2016	Recognised in Profit and Loss Account	Recognised in Other Comprehensive Income / Equity	Balance as at December 31, 2016	Recognised in Profit and Loss Account	Recognised in Other Comprehensive Income / Equity	Balance as at December 31, 2017
Rupees in '000							
<b>17.1</b>	<b>Reconciliation of deferred tax</b>						
<b>Deferred debits arising in respect of</b>							
Provision against:							
Investments	19,093	-	-	19,093	-	-	19,093
Other assets	38,959	-	-	38,959	-	-	38,959
Off-balance sheet obligations	14,824	-	-	14,824	-	-	14,824
Advances	149,497	(93,925)	-	55,572	(8,703)	-	46,869
Post retirement medical benefits	42,980	-	-	42,980	-	-	42,980
Worker's welfare fund	747,457	167,932	-	915,389	267,857	-	1,183,246
	1,012,810	74,007	-	1,086,817	259,154	-	1,345,971

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Balance as at January 01, 2016	Recognised in Profit and Loss Account	Recognised in Other Comprehensive Income / Equity	Balance as at December 31, 2016	Recognised in Profit and Loss Account	Recognised in Other Comprehensive Income / Equity	Balance as at December 31, 2017
Rupees in '000							
<b>Deferred credits arising due to</b>							
Surplus on revaluation of operating							
fixed assets	(622,777)	31,138	–	(591,639)	29,582	(646,932)	(1,208,989)
Surplus on revaluation of non-banking							
assets	–	–	(13,930)	(13,930)	–	(11,859)	(25,789)
Surplus on revaluation of investments	(7,753,187)	(12,572)	(1,968,778)	(9,734,537)	15,267	4,070,842	(5,648,428)
Actuarial gains	(458,519)	–	(155,454)	(613,973)	–	520,085	(93,888)
Accelerated tax depreciation /							
amortization	(1,074,629)	(46,031)	–	(1,120,660)	(176,217)	–	(1,296,877)
Excess of investment in finance							
lease over written down							
value of leased assets	(13,206)	–	–	(13,206)	–	–	(13,206)
	(9,922,318)	(27,465)	(2,138,162)	(12,087,945)	(131,368)	3,932,136	(8,287,177)
Deferred Tax (Liability) /							
Asset - Net	(8,909,508)	46,542	(2,138,162)	(11,001,128)	127,786	3,932,136	(6,941,206)

**17.2** Through Finance Act 2007, a new section 100A read with the 7th Schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The Schedule simplifies the taxation of banking companies and is applicable from the tax year 2009 (financial year ended on December 31, 2008).

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>18 OTHER LIABILITIES</b>			
Mark-up / return / interest payable			
in local currency		2,269,141	2,471,163
in foreign currencies		264,305	167,682
Accrued expenses		1,764,625	2,306,655
Branch adjustment account		272,344	150,070
Unrealized loss on forward foreign exchange contracts		–	308,138
Provision for:			
gratuity	34.4	511,919	255,291
employees' medical benefits	34.4	1,240,250	1,298,380
employees' compensated absences	34.4	571,757	700,997
Unclaimed dividends		246,259	215,914
Dividend payable		18,292	20,237
Provision against off-balance sheet obligations	18.1	306,342	557,958
Retention money payable		264,520	191,657
Security deposits		662,862	554,178
Sundry deposits		2,064,111	2,125,685
Workers welfare fund payable	18.2	3,415,609	2,660,212
Others		3,365,123	2,935,842
		<b>17,237,459</b>	<b>16,920,059</b>



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
<b>Rupees in '000</b>		
<b>18.1 Provision against off-balance sheet obligations</b>		
Opening balance	557,958	571,231
Charge for the year	12,459	11,113
Reversals	(264,075)	(24,386)
Net reversal	(251,616)	(13,273)
Closing balance	306,342	557,958

The above provision includes provisions made against letters of guarantee issued by the Bank.

- 18.2** The Supreme Court of Pakistan vide its order dated November 10, 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers' Welfare Fund (WWF) were not lawful. The Federal Board of Revenue has filed review petitions against this order, which are currently pending.

Legal advice obtained on the matter indicates that consequent to filing of these review petitions the judgment may not currently be treated as conclusive. Accordingly, the Group maintains its provision in respect of WWF and shall revisit the position on periodic basis.

	December 31, 2017	December 31, 2016
<b>Rupees in '000</b>		
<b>18.3 Particulars of other liabilities</b>		
In local currency	16,868,331	16,620,704
In foreign currencies	369,128	299,355
	17,237,459	16,920,059

## 19 SHARE CAPITAL

### 19.1 Authorized capital

December 31, 2017	December 31, 2016		December 31, 2017	December 31, 2016
<b>No. of shares</b>			<b>Rupees in '000</b>	
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, 2017	December 31, 2016	Ordinary shares	December 31, 2017	December 31, 2016
<b>No. of shares</b>			<b>Rupees in '000</b>	
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		
9,148,550	9,148,550	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		
8,400,000	8,400,000	in accordance with the share swap ratio stipulated therein.	84,000	84,000
1,145,073,830	1,145,073,830		11,450,739	11,450,739

Ibrahim Holdings (Private) Limited (holding company of the Bank), holds 965,879,110 (84.35%) [2016: 965,879,110 (84.35%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>20</b>	<b>SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Surplus arising on revaluation of:			
operating fixed assets	20.1	16,004,075	6,832,802
non-banking assets	20.2	1,575,632	1,313,080
securities investments	20.3	10,493,344	18,053,478
Surplus on revaluation of assets - net of tax		<u>28,073,051</u>	<u>26,199,360</u>
<b>20.1</b>	<b>Surplus on revaluation of operating fixed assets</b>		
Surplus as at January 1, 2017		7,424,441	7,513,409
Surplus on revaluation during the year		9,873,143	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(54,938)	(57,830)
		29,582	31,138
Related deferred tax liability	11.6	(84,520)	(88,968)
Surplus on revaluation as at December 31, 2017		<u>17,213,064</u>	<u>7,424,441</u>
Related deferred tax liability:			
Revaluation surplus as at January 1, 2017		(591,639)	(622,777)
Deferred tax liability on revaluation surplus		(646,932)	-
Deferred tax on incremental depreciation transferred to profit and loss account		29,582	31,138
	17	(1,208,989)	(591,639)
		<u>16,004,075</u>	<u>6,832,802</u>
<b>20.2</b>	<b>Surplus on revaluation of non-banking assets</b>		
Surplus as at January 1, 2017		1,327,010	-
Surplus on revaluation during the year		463,489	1,373,016
Surplus realised on disposal		(187,088)	(43,911)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,294)	(1,361)
Related deferred tax liability		(696)	(734)
		1,990	(2,095)
Surplus on revaluation as at December 31, 2017		<u>1,601,421</u>	<u>1,327,010</u>
Related deferred tax liability:			
Revaluation surplus as at January 1, 2017		(13,930)	-
Deferred tax liability on revaluation surplus		(12,555)	(14,903)
Deferred tax on surplus on disposal		-	239
Deferred tax on incremental depreciation transferred to profit and loss account		696	734
	17	(25,789)	(13,930)
		<u>1,575,632</u>	<u>1,313,080</u>
<b>20.3</b>	<b>Surplus / (deficit) on revaluation of 'available-for-sale' securities</b>		
Federal Government Securities			
Market Treasury Bills		(35,580)	27,195
Pakistan Investment Bonds		2,808,122	5,214,810
Term Finance Certificates		(1,194)	16,666
Sukuk Bonds		199,191	359,452
Shares / Certificates - Listed		12,653,552	21,713,786
Foreign Currency Bonds (US\$)		519,515	442,673
	9.1	<u>16,143,606</u>	<u>27,774,582</u>
Related deferred tax liability	17	(5,650,262)	(9,721,104)
		<u>10,493,344</u>	<u>18,053,478</u>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>21 CONTINGENCIES AND COMMITMENTS</b>		
<b>21.1 Direct credit substitutes</b>		
Guarantees in favor of:		
Banks and financial institutions	6,187,865	5,397,846
<b>21.2 Transaction-related contingent liabilities</b>		
Guarantees in favor of:		
Government	96,140	341,738
Others	19,427,128	20,555,816
	19,523,268	20,897,554
<b>21.3 Trade-related contingent liabilities</b>	59,545,681	65,473,604
<b>21.4 Claims against the Bank not acknowledged as debt</b>	8,638,605	6,815,687
<b>21.5</b>	The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.	

	December 31, 2017	December 31, 2016
Rupees in '000		
<b>21.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	95,038,705	63,017,979
Sale	41,580,643	38,469,943
<b>21.7 Commitments in respect of</b>		
Civil works	1,350,056	704,903
Acquisition of operating fixed assets	1,713,991	885,447
	3,064,047	1,590,350
<b>21.8 Commitments in respect of operating lease</b>		
Not later than one year	1,120,394	972,962
Later than one year and not later than five years	3,405,724	3,027,123
Later than five years	1,753,793	2,062,169
<b>21.9 Other Commitments</b>	61,551	61,551
<b>21.10 Other Contingencies</b>		

**21.10.1** The income tax assessments of the Group have been finalized upto and including tax year 2017 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2017, income tax authorities made certain add backs with aggregate tax impact of Rs. 24,344 million (2016: 21,235 million). As a result of appeals filed by the Group before appellate authorities, most of the add backs have been deleted. However, the Group and Tax Department are in appeals/references before higher forums against unfavorable decisions. Pending finalization of appeals/references no provision has been made by the Group on aggregate sum of Rs. 24,344 million (2016: 21,235 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 2016 and created an arbitrary demand of Rs. 1,440 million (2016: 1,439 million). The Group's appeals before Commissioner Inland Revenue - Appeals (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. 1,440 million (2016: 1,439 million).

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Tax authorities have also issued orders under Federal Excise Act, 2005/Sales Tax Act/Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2014 thereby creating arbitrary aggregate demand of Rs. 893 million (2016: 890 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. 893 million (2016: 890 million).

**21.10.2** As a result of default by Fateh Textile Mills to terms of compromise decree passed in August 2002 by the Honorable 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.

**21.10.3** 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 has filed appeals before the Appellate Board and Constitutional Petitions in the High Court of Sindh, Karachi. The Honorable High Court has granted relief to the Bank by way of interim orders. Based on merits of the appeals, the management is confident that these appeals shall be decided in favor of the Bank and therefore no provision has been made against the impugned penalty.

## 22 DERIVATIVE INSTRUMENTS

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury Group buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures
- Forward Contracts for Government Securities

### Forward Exchange Contracts

Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligors 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.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 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 5.14.2. The risk management framework of derivative instruments is given in note 41.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>23</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances:			
Customers		23,722,450	21,347,070
On investments in:			
Available-for-sale securities		34,616,633	27,447,249
Held-to-maturity securities		6,158,839	15,129,288
Held-for-trading securities		840,195	402,109
		41,615,667	42,978,646
On deposits with financial institutions		27,568	9,773
On securities purchased under resale agreements		221,763	147,324
On certificates of investment		2,675	–
On call money lendings		93,088	63,639
On wakala lendings		4,189	28,045
On mudaraba lendings		5,634	21,328
On bai muajjal placement		5,916	–
On musharaka lendings		11,603	14,332
		<u>65,710,553</u>	<u>64,610,157</u>
<b>24</b>	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits		23,923,527	23,608,093
Long term borrowings		277,636	240,637
Securities sold under repurchase agreements		7,256,991	5,022,492
Call money borrowings		898,155	763,764
Brokerage and commission		165,393	174,305
Other short term borrowings		1,607,587	1,534,724
		<u>34,129,289</u>	<u>31,344,015</u>
<b>25</b>	<b>FEE, COMMISSION AND BROKERAGE INCOME</b>		
Core fees, commission and brokerage	25.1	4,461,583	4,369,883
Account maintenance charges		96,846	106,146
		<u>4,558,429</u>	<u>4,476,029</u>

**25.1** The SECP vide circular 40 of 2016 dated 30 December 2016, further amended by circular 05 of 2017, prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses. As a result of these amendments the Management Company may charge selling and marketing expenses to funds under management (CISs) initially for three years (01 Jan 2017 till 31 December 2019) on open end equity, asset allocation and index funds only upto a maximum of 0.4% of average annual net assets of the Scheme.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
<b>Rupees in '000</b>			
<b>26</b>	<b>GAIN / (LOSS) ON SALE OF SECURITIES</b>		
Shares - Listed		–	31,323
- Unlisted		–	(20,374)
Open Ended Mutual Funds		12,238	129,636
Market Treasury Bills		10,143	(37,115)
Pakistan Investment Bonds		631,201	2,635,029
Sukuk Bonds		(301)	1,180
		<u>653,281</u>	<u>2,739,679</u>
<b>27</b>	<b>OTHER INCOME</b>		
Rent received on Bank's property		3,337	3,240
Gain on sale of operating fixed assets		53,012	36,471
Gain on sale of non-banking asset / other assets	27.1	80,419	12,104
Recovery from written off loans / others		183,158	48,445
		<u>319,926</u>	<u>100,260</u>

**27.1** This includes gain on sale of a non banking asset, amounting to Rs. 73.350 million (2016: net loss of Rs. 15.994 million).

	Note	December 31, 2017	December 31, 2016
<b>Rupees in '000</b>			
<b>28</b>	<b>ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances, etc.	28.1	11,264,100	10,761,294
Charge for defined benefit plan - net	28.1 & 34	57,796	137,631
Contribution to defined contribution plan - provident fund		303,795	276,440
Non-executive directors' fees, allowances and other expenses		18,300	14,700
Rent, taxes, insurance, electricity, etc.		2,742,674	2,499,332
Legal and professional charges		121,024	107,714
Communications		380,872	364,229
Repairs and maintenance		548,645	539,429
Stationery and printing		250,481	231,845
Advertisement and publicity		605,049	550,636
Auditors' remuneration	28.2	18,201	17,357
Depreciation / amortization	11.2 & 11.3	2,523,563	2,202,869
Security service charges		1,179,531	1,180,029
Travelling, conveyance and fuel expenses		192,942	198,758
Entertainment		139,632	146,425
Computer expenses		1,104,976	1,129,657
Subscription		259,310	184,600
Donations	28.3	54,209	41,878
Others	28.4	28,023	21,010
		<u>21,793,123</u>	<u>20,605,833</u>

**28.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Fifty nine (59) employees (2016: 78) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 141 million (2016: Rs. 157 million) to cover additional retirement benefits in respect of such employees.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>28.2</b>	<b>Auditors' remuneration</b>		
	Annual audit	6,448	6,150
	Annual audit overseas business unit*	1,629	1,535
	Half year review	2,610	2,435
	Special certifications and miscellaneous services	5,124	4,972
	Sales tax	653	1,210
	Out-of-pocket expenses	1,737	1,055
		<u>18,201</u>	<u>17,357</u>

\*This includes audit fee amounting to Bahraini Dinar 4,350 (2016: 4,250) relating to Wholesale Bahrain Branch.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Mr. Naeem Mukhtar (Chairman/ Non-Executive Sponsor Director) and Dr. Muhammad Akram Sheikh are directors in National Management Foundation (LUMS) and Quality School Foundation, respectively.

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
	Acumen Fund Pakistan	–	10,000
	Agha Khan Hospital & Medical College Foundation	–	1,000
	Altaf Mahmood Foundation	1,000	500
	Anjuman Himayat-i-Islam	28.3.1	4,900
	Bakhtawar Amin Memorial Trust Hospital	–	1,000
	Baluchistan Residential Colleges	989	–
	Chaman (Center for Mentally Challenged Children)	1,695	–
	Command Improvement Fund (Pakistan Navy-for Abdul Sattar Edhi Hockey Stadium)	1,000	–
	Deaf and Dumb Welfare Association	–	5,763
	DHQ Teaching Hospital Sargodha	–	1,375
	Fountain House Mental Health Association	–	500
	Government Hospital Gawadar	923	–
	International Islamic University	–	4,000
	Liver Foundation Trust	1,000	–
	Markaz-e-Umeed	–	500
	Muhammad Usman Zafar (Surgical Treatment in United Kingdom for Cerebral Diplegia)	–	1,000
	National Management Foundation (LUMS)	30,000	–
	Bolan Cricket Stadium	500	–
	Punjab Food Authority	4,500	–
	Quality Schools Foundation	–	10,000
	Saleem Memorial Hospital	5,000	–
	Sukkur Institute of Business Administration	1,000	–
	Taj Medical Complex & Hamdard University	25	–
	Tamir Welfare Organization	2,000	1,000
	Vocational Training Institute (VTI), Chiniot	–	340
		<u>54,209</u>	<u>41,878</u>

**28.3.1** This represents charitable expenses on account of sadqa & feeding to under privileged.

**28.4** This includes canteen expenses amounting to Rs. 25.114 million (2016: Rs. 20.264 million).

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>29</b>	<b>OTHER CHARGES</b>		
	Penalties imposed by SBP	41,642	437
	Workers' welfare fund	422,979	486,877
	Education cess	31,022	29,610
	Depreciation - non-banking assets	18,938	19,696
	Other assets written off	5,254	51
		<u>519,835</u>	<u>536,671</u>
<b>30</b>	<b>TAXATION</b>		
	Current - for the year	7,389,100	8,574,615
	- for prior year	30.1	956,441
		<u>8,345,541</u>	<u>9,524,272</u>
	Deferred - current	(127,786)	(46,542)
		<u>8,217,755</u>	<u>9,477,730</u>
<b>30.1</b>	The amount represents super tax levied on taxable income of the Bank for tax year 2017 vide Finance Act, 2017 (2016: for the tax year 2016 vide Finance Act, 2016).		

	Note	December 31, 2017	December 31, 2016
Rupees in '000			
<b>30.2</b>	<b>Relationship between tax expense and accounting profit</b>		
	Accounting profit for the year	<u>21,143,526</u>	<u>24,177,866</u>
	Tax on income @ 35% (2016: 35%)	7,400,234	8,462,253
	Effect of permanent differences	-	(2,711)
	Prior year charge	962,923	949,657
	Others	(125,407)	68,531
	Tax charge for the year	<u>8,237,750</u>	<u>9,477,730</u>
<b>31</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Profit after taxation	<u>12,925,771</u>	<u>14,700,136</u>
Number of Shares			
	Weighted average number of ordinary shares outstanding during the year	<u>1,145,073,830</u>	<u>1,145,073,830</u>
Rupees			
	Earnings per share - basic and diluted	<u>11.29</u>	<u>12.84</u>
	There is no dilution effect on basic earnings per share.		

	Note	December 31, 2017	December 31, 2016
<b>32</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	6	85,355,555
	Balances with other banks	7	649,512
	Overdrawn nostro accounts	15.2	(104,823)
		<u>85,900,244</u>	<u>73,820,246</u>



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 32.1 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Liabilities		Equity			Total
	Dividend payable	Unclaimed dividends	Share Capital	Reserves	Unappropriated profit	
Rupees in '000						
Balance as at January 01, 2017	20,237	215,914	11,450,739	16,533,485	47,631,788	75,852,163
Changes from Financing cash flows						
Dividend paid	(7,980,807)	(6,309)	-	-	-	(7,987,116)
Total changes from financing cash flows	(7,980,807)	(6,309)	-	-	-	(7,987,116)
Liability related						
Dividend accrued	8,015,516	-	-	-	-	8,015,516
Unclaimed dividend	(36,654)	36,654	-	-	-	-
Total liability related changes	7,978,862	36,654	-	-	-	8,015,516
Total equity related other changes	-	-	-	1,446,631	2,914,338	4,360,969
<b>Balance as at December 31, 2017</b>	<b>18,292</b>	<b>246,259</b>	<b>11,450,739</b>	<b>17,980,116</b>	<b>50,546,126</b>	<b>80,241,532</b>
			Note	December 31, 2017	December 31, 2016	
Rupees in '000						

### 33 STAFF STRENGTH

Permanent		10,805	10,582
Temporary / on contractual basis / trainee		438	286
Bank's own staff strength at the end of the year		11,243	10,868
Outsourced	33.1	319	295
<b>Total staff strength</b>		<b>11,562</b>	<b>11,163</b>
<b>Average number of employees</b>		<b>11,363</b>	<b>10,757</b>

33.1 This excludes outsourced security guards, janitorial and tea service staff.

### 34 DEFINED BENEFIT PLANS

#### 34.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme - funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

	December 31, 2017	December 31, 2016
Rupees in '000		

#### 34.2 Number of employees and beneficiaries under the schemes

The number of employees covered under the following defined benefit scheme / plans are:		
Pension fund	1,193	1,262
Gratuity fund	10,686	10,715
Benevolent fund	88	95
Post retirement medical benefits	10,637	10,430
Employees' compensated absences	10,805	10,927
In addition, the number of beneficiaries covered under the following defined benefit scheme / plans are:		
Pension fund	2,022	1,926
Post retirement medical benefits	2,017	2,017

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 34.3 Principal actuarial assumptions

The actuarial valuations were carried out for December 31, 2017 based on the Projected Unit Credit Method, using the following significant assumptions:

		December 31, 2017	December 31, 2016
<b>Withdrawal rate</b>			
Pension fund		Low	Low
Gratuity fund		High	High
Benevolent fund		High	High
Post retirement medical benefits		High	High
Employees' compensated absences		High	High
<b>Sources of estimation</b>			
		December 31, 2017	December 31, 2016
<b>Mortality rate</b>			
		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
<b>Discount rate</b>	Yield on investments in Government Bonds	8.25%	8.00%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	8.25%	8.00%
Gratuity fund	Yield on investments in Government Bonds	8.25%	8.00%
Benevolent fund	Yield on investments in Government Bonds	8.25%	8.00%
<b>Expected rate of salary increase</b>	Rate of salary increase	6.25%	6.00%

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.

	Note	December 31, 2017				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000						
<b>34.4 Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits</b>						
Present value of defined benefit obligations	34.6	1,979,453	2,531,300	8,036	1,240,250	571,757
Fair value of plan's / scheme's assets	34.7	(5,671,485)	(2,019,381)	(232,158)	-	-
Net (asset) / liability		(3,692,032)	511,919	(224,122)	1,240,250	571,757
Benefit of the surplus not available to the Bank		-	-	112,061	-	-
Net (asset) / liability		(3,692,032)	511,919	(112,061)	1,240,250	571,757
Rupees in '000						
	Note	December 31, 2016				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000						
Present value of defined benefit obligations	34.6	2,001,618	2,285,523	8,776	1,298,380	700,997
Fair value of plan's / scheme's assets	34.7	(6,616,345)	(2,030,232)	(221,007)	-	-
Net (asset) / liability		(4,614,727)	255,291	(212,231)	1,298,380	700,997
Benefit of the surplus not available to the Bank		-	-	106,115	-	-
Net (asset) / liability		(4,614,727)	255,291	(106,116)	1,298,380	700,997

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Note	December 31, 2017				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000						
<b>34.5 Movement in (receivable from) / payable to defined benefit plans</b>						
Opening balance		(4,614,727)	255,291	(106,116)	1,298,380	700,997
(Reversal) / charge for the year	34.9	(363,776)	306,687	(16,978)	129,178	38,016
Other comprehensive losses / (income)		1,286,471	250,516	11,033	(62,068)	-
Contribution to the fund / benefits paid		-	(300,575)	-	(125,240)	(167,256)
Closing balance		<u>(3,692,032)</u>	<u>511,919</u>	<u>(112,061)</u>	<u>1,240,250</u>	<u>571,757</u>
Rupees in '000						
<b>34.6 Reconciliation of present value of defined benefit obligations</b>						
Opening balance		(3,799,170)	561,455	(96,406)	1,217,945	763,257
(Reversal) / charge for the year	34.9	(328,106)	279,051	(17,353)	125,283	125,253
Other comprehensive losses / (income)		(487,451)	(62,336)	7,643	97,990	-
Contribution to the fund / benefits paid		-	(522,879)	-	(142,838)	(187,513)
Closing balance		<u>(4,614,727)</u>	<u>255,291</u>	<u>(106,116)</u>	<u>1,298,380</u>	<u>700,997</u>
Rupees in '000						
December 31, 2017						
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000						
<b>34.6 Reconciliation of present value of defined benefit obligations</b>						
Opening balance		2,001,618	2,285,523	8,776	1,298,380	700,997
Current service cost		-	280,153	-	29,182	38,524
Interest cost		149,272	173,464	604	98,861	49,276
Benefits paid		(271,434)	(234,443)	(2,455)	(125,240)	(167,256)
VRS / settlement loss		5,402	6,111	-	1,135	21,856
Actuarial loss / (gain)		94,595	20,492	1,111	(62,068)	(71,640)
Closing balance		<u>1,979,453</u>	<u>2,531,300</u>	<u>8,036</u>	<u>1,240,250</u>	<u>571,757</u>
Rupees in '000						
December 31, 2016						
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000						
Opening balance		1,971,233	2,043,833	12,355	1,217,945	763,257
Current service cost		-	258,156	-	25,602	39,043
Interest cost		163,046	176,572	950	103,187	68,535
Benefits paid		(319,203)	(163,849)	(3,598)	(142,838)	(187,513)
VRS / settlement loss / (gain)		13,820	6,847	-	(3,506)	29,337
Actuarial loss / (gain)		172,722	(36,036)	(931)	97,990	(11,662)
Closing balance		<u>2,001,618</u>	<u>2,285,523</u>	<u>8,776</u>	<u>1,298,380</u>	<u>700,997</u>
Rupees in '000						

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for the year ended December 31, 2017

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
<b>34.7 Reconciliation of fair value of plan assets</b>					
Opening balance	6,616,345	2,030,232	221,007	-	-
Expected return on plan assets	518,450	153,041	17,582	-	-
Bank's contribution	-	300,576	-	-	-
Benefits paid	(271,434)	(234,443)	(2,455)	-	-
Actuarial loss	(1,191,876)	(230,025)	(3,976)	-	-
Closing balance	5,671,485	2,019,381	232,158	-	-
	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Opening balance	5,770,403	1,482,378	205,166	-	-
Expected return on plan assets	504,972	162,523	18,303	-	-
Bank's contribution	-	522,879	-	-	-
Benefits paid	(319,203)	(163,849)	(3,598)	-	-
Actuarial gain	660,173	26,301	1,136	-	-
Closing balance	6,616,345	2,030,232	221,007	-	-
	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
<b>34.8 Composition of fair value of plan assets</b>					
Equity securities	2,827,493	517,952	23,561	-	-
Government securities	-	304,383	-	-	-
Cash and cash equivalents	2,843,992	1,197,046	208,597	-	-
	5,671,485	2,019,381	232,158	-	-
<b>34.8.1 Fair value of Bank's financial instruments included in plan assets</b>					
Shares of ABL	2,827,493	517,952	23,561	-	-
Term deposit receipts	2,408,733	972,064	164,907	-	-
Bank balances with ABL	435,259	224,982	43,690	-	-
	5,671,485	1,714,998	232,158	-	-

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for the year ended December 31, 2017

	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Equity securities	3,904,747	726,584	33,051	–	–
Cash and cash equivalents	2,711,598	1,303,648	187,956	–	–
	6,616,345	2,030,232	221,007	–	–
<b>Fair value of Bank's financial instruments included in plan assets</b>					
Shares of ABL	3,635,454	726,584	33,051	–	–
Term deposit receipts	2,351,708	1,268,030	161,045		
Bank balances with ABL	359,890	35,618	26,911	–	–
	6,347,052	2,030,232	221,007	–	–

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				

### 34.9 Charge for defined benefit plan

Current service cost	–	280,153	–	29,182	38,524
Interest cost	–	20,423	–	98,861	49,276
Net interest	(369,178)	–	(16,978)	–	–
VRS loss	5,402	6,111	–	1,135	21,856
Actuarial gain recognised	–	–	–	–	(71,640)
	(363,776)	306,687	(16,978)	129,178	38,016

	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Current service cost	–	258,156	–	25,602	39,043
Interest cost	–	14,048	–	103,187	68,535
Net interest	(341,926)	–	(17,353)	–	–
VRS loss / (gain)	13,820	6,847	–	(3,506)	29,337
Actuarial gain recognised	–	–	–	–	(11,662)
	(328,106)	279,051	(17,353)	125,283	125,253

	December 31, 2017				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				

### 34.10 Actuarial (loss) / gain recognized in other comprehensive income

Actuarial (loss) / gain on obligations	(94,594)	(20,491)	(1,112)	62,068	–
Actuarial loss on assets	(1,191,877)	(230,025)	(3,976)	–	–
Asset ceiling adjustment	–	–	(5,945)	–	–
Actuarial (loss) / gain in OCI	(1,286,471)	(250,516)	(11,033)	62,068	–

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for the year ended December 31, 2017

	December 31, 2016				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Actuarial (loss) / gain on obligations	(172,722)	36,035	931	(97,990)	–
Actuarial gain on assets	660,173	26,301	1,136	–	–
Asset ceiling adjustment	–	–	(9,710)	–	–
Actuarial gain / (loss) in OCI	487,451	62,336	(7,643)	(97,990)	–

	December 31, 2017	December 31, 2016
	Rupees in '000	

### 34.11 Actual (loss) / return on plan assets

- Pension fund	(673,427)	1,165,145
- Gratuity fund	(76,984)	188,824
- Benevolent fund	13,607	19,439

### 34.12 Five year data of defined benefit plan and experience adjustments

	Pension fund				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	1,979,453	2,001,618	1,971,233	2,877,345	2,810,086
Fair value of plan assets	(5,671,485)	(6,616,345)	(5,770,403)	(7,252,046)	(6,591,550)
Surplus	(3,692,032)	(4,614,727)	(3,799,170)	(4,374,701)	(3,781,464)
<b>Experience adjustments on plan obligations / assets</b>					
Actuarial loss on obligation	(94,595)	(172,722)	(152,852)	(316,213)	(25,739)
Actuarial (loss) / gain on assets	(1,191,876)	660,173	(854,480)	478,030	340,760

	Gratuity fund				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	2,531,300	2,285,523	2,043,833	1,725,573	1,486,417
Fair value of plan assets	(2,019,381)	(2,030,232)	(1,482,378)	(1,727,942)	(1,438,351)
Deficit / (surplus)	511,919	255,291	561,455	(2,369)	48,066
<b>Experience adjustments on plan obligations / assets</b>					
Actuarial (loss) / gain on obligation	(20,492)	36,036	(167,783)	(93,984)	92,014
Actuarial (loss) / gain on assets	(230,025)	26,301	(168,935)	137,284	15,526

	Benevolent fund				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	8,036	8,776	12,355	10,469	10,894
Fair value of plan assets	(232,158)	(221,007)	(205,166)	(197,461)	(174,403)
Surplus	(224,122)	(212,231)	(192,811)	(186,992)	(163,509)
<b>Experience adjustments on plan obligations / assets</b>					
Actuarial (loss) / gain on obligation	(1,111)	931	(4,376)	(2,203)	(6,973)
Actuarial (loss) / gain on assets	(3,976)	1,136	(10,841)	5,247	4,593

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for the year ended December 31, 2017

	Post retirement medical				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	1,240,250	1,298,380	1,217,945	970,060	951,480
Fair value of plan assets	-	-	-	-	-
Deficit	1,240,250	1,298,380	1,217,945	970,060	951,480
Experience adjustments on plan obligations					
Actuarial gain / (loss) on obligation	62,068	(97,990)	(243,936)	(21,931)	483,192

	Employees' compensated absences				
	2017	2016	2015	2014	2013
	Rupees in '000				
Present value of defined benefit obligation	571,757	700,997	763,257	755,785	820,067
Fair value of plan assets	-	-	-	-	-
Deficit	571,757	700,997	763,257	755,785	820,067
Experience adjustments on plan obligations					
Actuarial gain / (loss) on obligation	71,640	11,662	(45,712)	(47,308)	186,066

### 34.13 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, 2018 would be as follows, subject to Note 42.2:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Expected (reversal) / charge for the next year	(299,954)	386,040	(18,490)	156,432	98,359

Description	+1% Discount Rate	-1% Discount Rate	+1% Salary Increase Rate	-1% Salary Increase Rate	+10% withdrawal Rate	-10% withdrawal Rate	1 Year Mortality age set back	1 Year Mortality age set forward
		Rupees in 000'						

### 34.14 Sensitivity analysis

Pension fund	2,122,754	1,854,112	-	-	1,979,544	1,979,362	1,980,905	1,978,007
Gratuity fund	2,373,809	2,709,990	2,721,886	2,360,944	2,544,727	2,516,687	2,530,129	2,532,464
Benevolent fund	7,535	8,607	-	-	-	-	7,285	8,787
Post retirement medical	1,157,857	1,332,850	1,294,657	1,184,859	1,233,364	1,246,745	1,240,595	1,238,996
Leave compensated absences	539,492	604,789	607,962	536,143	564,009	576,546	568,098	572,152

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.

### 34.15 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.

## Notes to the Consolidated Financial Statements

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### 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.

### 35 DEFINED CONTRIBUTION PLAN

The Group has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	December 31, 2017	December 31, 2016				
Rupees in '000							
<b>35.1 Employee provident fund</b>							
Size of the fund		7,400,879	7,846,302				
Investments made (cost)	35.2	6,352,600	6,257,476				
Percentage of investment made		85.84%	80.67%				
Fair value of investment		7,264,490	7,756,913				
<b>35.2 Breakup of investment - Cost</b>							
Investment in shares (Listed securities)		1,468,812	1,435,991				
Market treasury bills		4,561,832	4,475,025				
Pakistan investment bonds		298,719	289,807				
Open ended mutual funds		20,452	56,653				
GOP Ijarah Sukuks		2,785	–				
		<u>6,352,600</u>	<u>6,257,476</u>				
<b>35.3 Number of employees - Employees provident fund</b>							
			<b>Number</b>				
Number of employees at the end of the year		10,236	9,521				
Average number of employees during the year		10,105	9,455				
	Note	President / Chief Executive	Non-Executive Directors	Executives			
		2017	2016	2017	2016		
Rupees in '000							
<b>36 COMPENSATION OF DIRECTORS AND EXECUTIVES</b>							
Fees	36.1	–	–	18,300	14,700	–	–
Managerial remuneration		11,400	13,519	–	–	1,528,975	1,356,942
Charge for defined benefit plans		928	4,922	–	–	191,117	191,929
Contribution to defined contribution plan		950	1,126	–	–	128,397	112,519
Rent and house maintenance		6,840	8,128	–	–	843,943	714,313
Utilities		2,280	2,526	–	–	295,507	259,039
Medical		2,362	2,526	–	–	325,071	280,775
Bonus	36.2	17,000	22,000	–	–	579,758	563,114
Conveyance and others		3,293	3,390	–	–	850,542	769,395
		<u>45,053</u>	<u>58,137</u>	<u>18,300</u>	<u>14,700</u>	<u>4,743,310</u>	<u>4,248,026</u>
Number of persons		1	1	11	11	1,683	1,415

**36.1** This represents meeting fee paid to directors (other than two sponsor directors) for attending meetings of the Board of Directors and Board Committees held during the year.

**36.2** Excluding the retiring President/ CEO, whose term completed on December 31, 2016, was paid bonus of Rs. 35 million.



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 37 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Group as 'Held-to-Maturity'. Quoted securities classified as 'Held-to-Maturity' are carried at amortized cost. Fair value of unquoted equity investments other than investment in subsidiary is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision / reversal for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 41.2.4 and 41.3.

In the opinion of the management, the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently re-priced.

The table below presents, by valuation methods, the financial and non-financial assets carried at fair values. Valuation of investments and non-banking assets is carried out as per guidelines specified by the SBP. The Bank has adopted revaluation model (as per IAS 16) in respect of land and building and non-banking assets.

	December 31, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total

Rupees in '000

#### 37.1 FAIR VALUE HIERARCHY OF ASSETS AND LIABILITIES

##### On balance sheet financial instruments

##### Financial assets measured at fair value

##### Held-for-trading securities

Market Treasury Bills	-	24,704,478	-	24,704,478	-	-	-	-
Units of open-ended mutual funds	-	123,415	-	123,415	1,520,077	-	-	1,520,077
Sukuk Bonds	1,741,623	-	-	1,741,623	-	40,347	-	40,347
Pakistan Investment Bonds	-	-	-	-	-	101,819	-	101,819
	1,741,623	24,827,893	-	26,569,516	1,520,077	142,166	-	1,662,243

##### Available-for-sale securities

Market Treasury Bills	-	365,643,722	-	365,643,722	-	226,247,239	-	226,247,239
Pakistan Investment Bonds	-	166,864,554	-	166,864,554	-	203,520,070	-	203,520,070
Ordinary shares of listed companies / certificates of close-ended mutual funds	33,346,294	-	-	33,346,294	42,084,599	-	-	42,084,599
Ordinary shares of unlisted companies	-	-	3,522,055	3,522,055	-	-	3,448,081	3,448,081
Sukuk Bonds	-	14,373,811	5,219,911	19,593,722	-	13,306,369	5,151,607	18,457,976
Foreign Currency Bonds (US\$)	-	5,515,525	-	5,515,525	-	5,177,620	-	5,177,620
Term Finance Certificates	-	2,292,939	1,413,084	3,706,023	-	2,353,869	2,003,063	4,356,932
	33,346,294	554,690,551	10,155,050	598,191,895	42,084,599	450,605,167	10,602,751	503,292,517

##### Financial liabilities measured at fair value

##### Held-for-trading securities

Pakistan Investment Bonds	-	1,976,436	-	1,976,436	-	-	-	-
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##### Non - financial assets measured at fair value

Operating fixed assets	-	36,872,324	-	36,872,324	-	22,914,819	-	22,914,819
Non-banking assets	-	3,584,030	-	3,584,030	-	3,476,351	-	3,476,351

##### Off balance sheet financial instruments

Foreign exchange contracts - Purchase	-	95,038,705	-	95,038,705	-	63,017,979	-	63,017,979
Foreign exchange contracts - Sale	-	41,580,643	-	41,580,643	-	38,469,943	-	38,469,943

The valuation techniques used for above assets are same as disclosed in note 5.3, 5.5, 5.8 and 5.14.2 of these financial statements.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	LEVEL 3	
	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>37.1.1 Reconciliation of Investments measured at Fair value</b>		
Opening balance	10,602,751	7,091,019
Total (losses) for the period:		
Included in profit or loss	(21,582)	(37,097)
Purchases	482,555	4,523,735
Settlements	(908,674)	(974,906)
Closing balance	10,155,050	10,602,751

### 38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	For the year ended December 31, 2017						
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commercial and Retail Banking	Other	Asset Management	Eliminations	Total
	Rupees in '000						
Total income	27,541,596	41,357,556	50,150,587	748,614	651,512	(45,227,777)	75,222,088
Total expenses	(23,153,530)	(35,358,023)	(42,836,573)	(5,716,591)	(459,378)	45,227,777	(62,296,318)
Net income / (loss)	4,388,066	5,999,533	7,314,014	(4,967,977)	192,134	-	12,925,770
Segment assets (gross)	400,890,640	692,542,154	898,771,802	143,752,585	2,151,050	(870,549,227)	1,267,559,004
Segment non performing loans	1,955,663	-	519,333	15,576,753	-	-	18,051,749
Segment provision required	720,077	-	417,106	15,576,754	-	-	16,713,937
Segment liabilities	397,834,210	692,542,154	897,377,822	21,250,240	317,372	(870,049,227)	1,139,272,571
Segment return on net assets (ROA) (%)*	6.51%	6.93%	5.82%	-	0.05%	-	-
Segment cost of funds (%)*	5.56%	5.45%	3.07%	-	0.00%	-	-

	For the year ended December 31, 2016						
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commercial and Retail Banking	Other	Asset Management	Eliminations	Total
	Rupees in '000						
Total income	25,948,197	44,559,811	41,608,990	1,529,790	672,564	(37,853,693)	76,465,659
Total expenses	(21,585,449)	(34,224,417)	(37,066,016)	(6,343,856)	399,478	37,853,693	(61,765,523)
Net income / (loss)	4,362,748	10,335,394	4,542,974	(4,814,066)	273,086	-	14,700,136
Segment assets (gross)	371,284,006	572,327,816	822,485,324	138,227,090	1,952,208	(812,754,719)	1,093,521,725
Segment non performing loans	3,220,882	-	1,557,545	15,653,182	-	-	20,431,609
Segment provision required	1,917,869	-	1,216,565	15,649,438	-	-	18,783,872
Segment liabilities	367,051,366	572,327,815	820,893,276	20,900,529	310,664	(812,254,719)	969,228,931
Segment return on net assets (ROA) (%)*	*7.04%	8.38%	5.03%	-	13.93%	-	-
Segment cost of funds (%)*	5.59%	5.43%	2.26%	-	-	-	-

\* The segment return on net assets and cost of funds are based on average assets and average liabilities for the year.

### 39 RELATED PARTY TRANSACTIONS

The Group has related party relationships with its parent, companies with common directorship, directors, employees benefit plans and key management personnel including their associates.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Nature of related party transactions	December 31, 2017					December 31, 2016				
	Parent	Directors	Associated Companies*	Key management personnel	Other related parties	Parent	Directors	Associated Companies*	Key management personnel	Other related parties
<b>Loans:</b>										
Loans at the beginning of the year	-	24,137	4,383,200	253,417	17,991,914	-	36,637	1,774,626	264,941	5,379,463
Loans given during the year	-	63,948	-	155,728	66,822,844	-	27,681	5,642,759	80,198	71,307,904
Loans repaid / adjustment during the year	-	(71,056)	(841,450)	(156,471)	(78,849,569)	-	(40,181)	(3,034,185)	(91,722)	(58,695,453)
Loans at the end of the year	-	17,029	3,541,750	252,674	5,965,189	-	24,137	4,383,200	253,417	17,991,914
<b>Deposits:</b>										
Deposits at the beginning of the year	403	53,177	258,264	42,152	13,249,519	-	40,868	102,902	22,837	9,572,394
Deposits received during the year	6,779,403	491,942	41,648,556	569,875	157,490,029	654	5,505,258	10,566,219	406,337	94,959,394
Deposits repaid during the year	(6,778,604)	(210,530)	(41,807,971)	(550,138)	(157,458,644)	(251)	(5,492,949)	(10,410,857)	(387,022)	(91,282,269)
Deposits at the end of the year	1,202	334,589	98,849	61,889	13,280,904	403	53,177	258,264	42,152	13,249,519
Nostro balances	-	-	-	-	-	-	-	35,968	-	-
Investments in shares	-	-	4,836,429	-	5,891,353	-	-	4,790,874	-	5,445,403
Other receivables	-	12,631	27,810	81,472	384,161	-	6,363	37,246	81,029	513,103
Net receivable from										
staff retirement benefit funds	-	-	-	-	3,255,453	-	-	-	-	4,419,506
Non funded exposure	-	-	423,881	-	6,416	-	-	550	-	17,421
<b>Income and Expenses:</b>										
Nature of related party transactions	December 31, 2017					December 31, 2016				
	Parent	Directors	Associated Companies*	Key management personnel	Other related parties	Parent	Directors	Associated Companies*	Key management personnel	Other related parties
Mark-up earned	-	1,115	280,274	13,037	559,400	-	1,535	232,676	16,258	806,191
Dividend Income	-	-	840,000	-	847,936	-	-	1,400,000	-	795,022
Capital gain / loss	-	-	-	-	-	-	-	-	-	25,362
Sales commission	-	-	-	-	52,139	-	-	-	-	11,597
Fee commission / bank charges	2	17	1,029	64	733	-	36	1,969	76	413
Management fee income	-	-	-	-	491,314	-	-	-	-	403,128
Other income**	-	-	4,036	-	706	-	-	3,709	-	180
Mark-up expense on deposits	-	2,457	3,184	512	381,989	-	1,259	10,569	553	369,984
Directors' meeting fee	-	18,300	-	-	-	-	14,700	-	-	-
Remuneration	-	43,318	-	377,245	-	-	58,137	-	369,445	-
Other charges***	-	-	31,082	-	103,364	-	-	11,368	-	93,898
Rent expense****	-	-	26,619	-	-	-	-	25,648	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	215,783	-	-	-	-	189,366

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 on the basis of common directorship.

\*\*Other income includes rental income from two offices located at Pakistan Stock Exchange (Islamabad) building rented out to Associated Company (Ibrahim Fibers Limited) at market value and with prior permission of State Bank of Pakistan.

\*\*\* Other charges with Associated Companies include donation to National Management Foundation amounting to Rs. 30 million and with Other related parties include payments to NIFT amounting to Rs. 99.48 Million.

\*\*\*\* Rent sharing expense of ABL Branch with associated company (Ibrahim Fibers 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, 2017; Movable assets were disposed off for Rs.166,000 to the key management personnel of the Bank. The assets were fully depreciated.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 40 CAPITAL ASSESSMENT AND ADEQUACY

#### 40.1 Capital Adequacy

##### 40.1.1 Objectives of Managing Capital

Capital Management aims to ensure that there is sufficient capital to meet the capital requirements of the Bank as determined by the underlying business strategy and the minimum requirements of the SBP. The Capital Management process is governed by the Bank's Asset & Liability Committee (ALCO), Risk Management Committee (RMC) and Management Committee (MANCO). Further, capital adequacy and management is overseen by the Board's Risk Management Committee (BRMC) and Strategic Planning and Monitoring Committee (SPMC).

##### Bank's capital management seeks:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- to achieve low overall cost of capital with appropriate mix of capital elements.

Bank through Internal Capital Adequacy Assessment Process (ICAAP) and Advance Stress Testing assesses overall capital adequacy on a periodic basis in relation to Bank's risk profile. Utilizing sensitivity and stress analysis techniques, bank assesses adequacy of Bank's total capital against adverse shocks with respect to credit risk, market risk, operational risk, concentration risk, interest rate risk, liquidity risk, country risk, reputational risk and strategic risk. Further, Bank formulates its strategy, including need assessment for raising additional capital for maintaining adequate capital under stressed conditions.

##### 40.1.2 Externally Imposed Capital Requirements

In order to strengthen the solvency of Banks / Development Financial Institutions (DFI), SBP through its BSD Circular No. 07 of 2009 dated April 15, 2009 has asked the Banks to raise their minimum paid up capital to Rs. 10 billion free of losses.

SBP through its BPRD Circular # 6 of 2013 dated August 15, 2013 has asked banks to maintain the minimum Capital Adequacy Ratio (CAR) of 11.275% on standalone as well as on consolidated basis till December 31, 2017. Subsequently, a phase in arrangement has been put in place whereby the banks are required to maintain the following ratios on an ongoing basis:

Year end as of December, 31

	2015	2016	2017	2018	2019
Common Equity Tier-1 - CET1	6.00%	6.00%	6.00%	6.00%	6.00%
Additional Tier-1	1.50%	1.50%	1.50%	1.50%	1.50%
Tier 1	7.50%	7.50%	7.50%	7.50%	7.50%
<b>Total Capital</b>	10.00%	10.00%	10.00%	10.00%	10.00%
*Capital Conservation Buffer - CCB	0.25%	0.65%	1.275%	1.90%	2.50%
<b>Total Capital plus CCB</b>	10.25%	10.65%	1.275%	11.90%	12.50%

\* Consisting of CET1 only.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 22.38% of its risk weighted exposure as at December 31, 2016.

The Bank has complied with all externally imposed capital requirements as at year end.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 40.1.3 Scope of Applications

The Basel Framework is applicable to the Bank both at the consolidated level (comprising of wholly owned subsidiary - ABL Asset Management Company Limited) and also on a stand alone basis.

### 40.1.4 Capital Structure - Basel III transition

State Bank of Pakistan vide BPRD circular # 6 dated August 15, 2013 revised and updated Basel II Framework in accordance with Basel III capital reforms and clarifications to further strengthen capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

#### Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc. after regulatory deductions.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of Tier 1 capital). Bank has also implemented transitional standards of Basel III up to the extent of 80% as at December 31, 2017 as per road map laid down by SBP through BPRD Circular #6 dated August 15, 2013.

The required capital is achieved by the Bank through:

- (a) enhancement in the risk profile of asset mix at the existing volume level;
- (b) ensuring better recovery management; and
- (c) maintain acceptable profit margins.

### 40.1.5 Leverage Ratio

The leverage ratio of the Group as on December 31, 2017 is 4.71% (2016: 5.17%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2017; Total Tier 1 capital of the Group amounts to Rs. 72,204,657 thousands (2016: Rs. 68,373,829 thousands) whereas the total exposure measure amounts to Rs. 1,534,209,065 thousands (2016: Rs. 1,323,107,729 thousands).

Shift in leverage ratio is mainly due to increase in assets as of December 31, 2017.

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

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017	December 31, 2016
	Rupees in '000	
<b>40.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017</b>		
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
Fully Paid-up Capital/ Capital deposited with SBP	11,450,739	11,450,739
Balance in Share Premium Account		
Reserve for issue of Bonus Shares		
General/ Statutory Reserves	17,749,162	16,475,798
Gain/(Losses) on derivatives held as Cash Flow Hedge		
Unappropriated/unremitted profits/ (losses)	50,546,126	47,631,788
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		
<b>CET 1 before Regulatory Adjustments</b>	79,746,027	75,558,325
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
<b>Total regulatory adjustments applied to CET1 (Note 40.2.1)</b>	(7,541,370)	(7,184,496)
<b>Common Equity Tier 1</b>	a 72,204,657	68,373,829
<b>Additional Tier 1 (AT 1) Capital</b>		
Qualifying Additional Tier-1 instruments plus any related share premium		
of which: Classified as equity	-	-
of which: Classified as liabilities		
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) of which:		
instrument issued by subsidiaries subject to phase out	-	-
<b>AT1 before regulatory adjustments</b>	-	-
<b>Total regulatory adjustments applied to CET1 (Note 40.2.2)</b>	-	-
<b>Additional Tier 1 capital after regulatory adjustments</b>		
<b>Additional Tier 1 capital recognized for capital adequacy</b>	b -	-
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	(c=a+b) 72,204,657	68,373,829
<b>Tier 2 Capital</b>		
Qualifying Tier 2 capital instruments under Basel III		
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) of which: instruments issued by subsidiaries subject to phase out	-	-
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	11,701	63,309
Revaluation Reserves	23,582,703	19,411,299
of which: Revaluation reserves on Property	14,243,627	5,329,586
of which: Unrealized Gains/losses on AFS	9,339,076	14,081,713
Foreign Exchange Translation Reserves	230,854	57,787
Undisclosed/Other Reserves (if any)	-	-
<b>T2 before regulatory adjustments</b>	23,825,358	19,532,295
<b>Total regulatory adjustment applied to T2 capital (Note 40.2.3)</b>	(1,045,475)	(1,172,272)
Tier 2 capital (T2) after regulatory adjustments	22,779,883	18,360,022
Tier 2 capital recognized for capital adequacy	22,779,883	18,360,022
Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
<b>Total Tier 2 capital admissible for capital adequacy</b>	(d) 22,779,883	18,360,022
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	(e=c+d) 94,984,540	86,733,851
<b>Total Risk Weighted Assets</b>	(f) 424,451,794	415,395,823
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
CET1 to total RWA (a/f)	17.01%	16.46%
Tier-1 capital to total RWA	(c/f) 17.01%	16.46%

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

		December 31, 2016	December 31, 2015
Rupees in '000			
Total capital to RWA	(e/f)	22.38%	20.88%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		7.275%	6.65%
of which: capital conservation buffer requirement		1.275%	0.65%
of which: countercyclical buffer requirement		–	–
of which: D-SIB or G-SIB buffer requirement		–	–
CET1 available to meet buffers (as a percentage of risk weighted assets)		9.74%	9.81%
National minimum capital requirements prescribed by SBP			
CET1 minimum ratio		6.00%	6.00%
Tier 1 minimum ratio		7.50%	7.50%
Total capital Minimum Ratio (Inclusive of 1.275% CCB for 2017)		11.275%	10.65%

Regulatory Adjustments and Additional Information	December 31, 2017		December 31, 2016	
	Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
Rupees in '000				

### 40.2.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	–	–	–	–
2	All other intangibles (net of any associated deferred tax liability)	(1,457,499)	–	(1,357,330)	–
3	Shortfall in provisions against classified assets	(886,726)	–	(936,149)	–
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	–	–	–	–
5	Defined-benefit pension fund net assets	(2,953,626)	(738,406)	(2,768,836)	(1,845,891)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(960,911)	–	(694,412)	–
7	Cash flow hedge reserve	–	–	–	–
8	Investment in own shares/ CET1 instruments	–	–	–	–
9	Securitization gain on sale	–	–	–	–
10	Capital shortfall of regulated subsidiaries	–	–	–	–
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	–	–	–	–
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(1,205,467)	(301,367)	(1,357,324)	(904,883)
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	–	–	–
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	–	–
15	Amount exceeding 15% threshold	–	–	–	–
16	of which: significant investments in the common stocks of financial entities	–	–	–	–
17	of which: deferred tax assets arising from temporary differences	–	–	–	–
18	National specific regulatory adjustments applied to CET1 capital	–	–	–	–
19	Investments in TFCs of other banks exceeding the prescribed limit	–	–	–	–
20	Any other deduction specified by SBP (mention details)	(77,141)	–	(70,445)	–
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	–	–	–	–
22	<b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>(7,541,370)</b>	<b>–</b>	<b>(7,184,496)</b>	<b>–</b>

### 40.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	–	–	–	–
24	Investment in own AT1 capital instruments	–	–	–	–
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	–	–	–	–

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

Regulatory Adjustments and Additional Information	December 31, 2017		December 31, 2016	
	Amount	Amounts subject to pre-basel III treatment	Amount	Amounts subject to pre-basel III treatment
	Rupees in '000			
26				
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-	-
27				
Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
28				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-	-	-
29				
Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-	-
30				
Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-	-	-
<b>40.2.3 Tier 2 Capital: regulatory adjustments</b>				
31				
Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
32				
Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33				
Investment in own Tier 2 capital instrument	-	-	-	-
34				
Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(1,045,475)	(261,369)	(1,172,272)	(781,515)
35				
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-	-
36				
Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	(1,045,475)	-	(1,172,272)	-
		Note	December 31, 2017	December 31, 2016
			Rupees in '000	
<b>40.2.4 Additional Information</b>				
Risk Weighted Assets subject to pre-Basel III treatment				
37				
Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	40.5		308,576,331	290,167,580
(i)				
of which: deferred tax assets				
(ii)			738,406	1,845,891
of which: Defined-benefit pension fund net assets				
(iii)				
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity			-	-
(iv)				
of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity			-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			-	-
38			10,088,564	11,011,566
Non-significant investments in the capital of other financial entities				
39			1,075,653	1,075,653
Significant investments in the common stock of financial entities				
40			-	-
Deferred tax assets arising from temporary differences (net of related tax liability)				
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
41				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)			11,701	63,309
42			-	-
Cap on inclusion of provisions in Tier 2 under standardized approach				
43			-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)				
44			-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach				



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2017	Reference
	Rupees in '000		
<b>40.3 Capital Structure Reconciliation</b>			
<b>40.3.1 Step 1</b>			
<b>Assets</b>			
Cash and balances with treasury banks	85,355,555	85,355,555	
Balances with other banks	649,512	649,512	
Lendings to financial institutions	8,694,399	8,694,399	
Investments	699,323,690	699,323,690	
Advances	372,080,555	372,080,555	
Operating fixed assets	48,355,884	48,355,884	
Deferred tax assets			
Other assets	32,863,008	32,863,008	
<b>Total assets</b>	<b>1,247,322,603</b>	<b>1,247,322,603</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	7,835,467	7,835,467	
Borrowings	223,556,383	223,556,383	
Deposits and other accounts	883,702,056	883,702,056	
Sub-ordinated loans	–	–	
Liabilities against assets subject to finance lease	–	–	
Deferred tax liabilities	6,941,206	6,941,206	
Other liabilities	17,237,459	17,237,459	
<b>Total liabilities</b>	<b>1,139,272,571</b>	<b>1,139,272,571</b>	
Share capital/ Head office capital account	11,450,739	11,450,739	
Reserves	17,980,116	17,980,116	
Unappropriated/ Unremitted profit/ (losses)	50,546,126	50,546,126	
Minority Interest	–	–	
Surplus on revaluation of assets	28,073,051	28,073,051	
<b>Total Equity</b>	<b>108,050,032</b>	<b>108,050,032</b>	
<b>Total liabilities &amp; equity</b>	<b>1,247,322,603</b>	<b>1,247,322,603</b>	
<b>40.3.2 Step 2</b>			
<b>Assets</b>			
Cash and balances with treasury banks	85,355,555	85,355,555	
Balanced with other banks	649,512	649,512	
Lending to financial institutions	8,694,399	8,694,399	
Investments	699,323,690	699,323,690	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold		2,250,943	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold			b
of which: Mutual Funds exceeding regulatory threshold			c
of which :Reciprocal cross holdings in CET1		960,911	d
of which :Reciprocal cross holdings in Tier2			e
of which: others (mention details)			f
Advances	372,080,555	372,080,555	
shortfall in provisions / excess of total EL amount over eligible provisions under IRB"		886,726	g
general provisions reflected in Tier 2 capital		11,701	h
Fixed Assets	48,355,884	48,355,884	
of which: Intangibles		1,465,124	i
Deferred Tax Assets			
of which: DTAs excluding those arising from temporary differences			j
of which: DTAs arising from temporary differences exceeding regulatory threshold			
Other assets	32,863,008	32,863,008	k
of which: Goodwill			l
of which: Defined-benefit pension fund net assets		3,692,032	m
<b>Total assets</b>	<b>1,247,322,603</b>	<b>1,247,322,603</b>	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2017	Reference
Rupees in '000			
<b>Liabilities &amp; Equity</b>			
Bills payable	7,835,467	7,835,467	
Borrowings	223,556,383	223,556,383	
Deposits and other accounts	883,702,056	883,702,056	
Sub-ordinated loans			
of which: eligible for inclusion in AT1			n
of which: eligible for inclusion in Tier 2			o
Liabilities against assets subject to finance lease			
Deferred tax liabilities	6,941,206	6,941,206	
of which: DTLs related to goodwill			p
of which: DTLs related to intangible assets		7,625	q
of which: DTLs related to defined pension fund net assets			r
of which: other deferred tax liabilities			s
Other liabilities	17,237,459	17,237,459	
Total liabilities	1,139,272,571	1,139,272,571	
<b>Share capital</b>			
of which: amount eligible for CET1	11,450,739	11,450,739	
of which: amount eligible for AT1		11,450,739	t
Reserves	17,980,116	17,980,116	
of which: portion eligible for inclusion in CET1:Share Premium			v
of which: portion eligible for inclusion in CET1 General/			
Statutory Reserve		17,749,162	w
of which: portion eligible for inclusion in Tier 2		230,954	x
Unappropriated profit / (losses)	50,546,126	50,546,126	y
Minority Interest			
of which: portion eligible for inclusion in CET1			z
of which: portion eligible for inclusion in AT1			aa
of which: portion eligible for inclusion in Tier 2			ab
Surplus on revaluation of assets	28,073,051	28,073,051	
of which: Revaluation reserves on Property		14,243,627	ac
of which: Unrealized Gains / Losses on AFS		9,339,076	
In case of Deficit on revaluation (deduction from CET1)			ad
Total liabilities & Equity	108,050,032	108,050,032	

Component of  
regulatory capital  
reported by bank

Source  
reference number  
from step 2

Rupees in '000

### 40.3.3 Step 3

#### Common Equity Tier 1 capital (CET1): Instruments and reserves

1 Fully Paid-up Capital / Capital deposited with SBP	11,450,739	(t)
2 Balance in Share Premium Account		(v)
3 Reserve for issue of Bonus Shares		
4 General / Statutory Reserves	17,749,162	(w)
5 Gain / (losses) on derivatives held as Cash Flow Hedge		
6 Unappropriated / unremitted profits/(losses)	50,546,126	(y)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)		(z)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>79,746,027</b>	
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)		(l) - (p)
10 All other intangibles (net of any associated deferred tax liability)	1,457,499	(i) - (q)
11 Shortfall of provisions against classified assets	886,726	(g)

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Component of regulatory capital reported by bank	Source reference number from step 2
Rupees in '000		
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		{(j) - (s)} * x%
13 Defined-benefit pension fund net assets	2,953,626	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	960,911	(d)
15 Cash flow hedge reserve		
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of property/ AFS		(ad)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	1,205,467	(a) - (ae) - (ah)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		(b) - (af) - (ai)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		(k)
23 Amount exceeding 15% threshold		
24 of which: significant investments in the common stocks of financial entities		
25 of which: deferred tax assets arising from temporary differences		
26 National specific regulatory adjustments applied to CET1 capital		
27 Investment in TFCs of other banks exceeding the prescribed limit		
28 Any other deduction specified by SBP (mention details)	77,141	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions		
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	7,541,370	
<b>Common Equity Tier 1</b>	<b>72,204,657</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(u)
33 of which: Classified as liabilities	-	(n)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(x)
35 of which: instrument issued by subsidiaries subject to phase out	-	
36 AT1 before regulatory adjustments	-	
Additional Tier 1 Capital: regulatory adjustments	-	
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier-1 capital	-	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	Component of regulatory capital reported by bank	Source reference number from step 2
Rupees in '000		
44 Total of Regulatory Adjustment applied to AT1 capital	–	
45 Additional Tier 1 capital	–	
<b>46 Additional Tier 1 capital recognized for capital adequacy</b>		
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	72,204,657	
<b>Tier 2 Capital</b>		
47 Qualifying Tier 2 capital instruments under Basel III	–	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	–	(o)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	–	(ab)
50 of which: instruments issued by subsidiaries subject to phase out	–	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	11,701	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	14,243,627	portion of (ac)
54 of which: portion pertaining to AFS securities	9,339,076	
55 Foreign Exchange Translation Reserves	230,954	(x)
56 Undisclosed / Other Reserves (if any)	–	
<b>57 T2 before regulatory adjustments</b>	23,825,358	
<b>Tier 2 Capital: regulatory adjustments</b>		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	–	
59 Reciprocal cross holdings in Tier 2 instruments	–	(e)
60 Investment in own Tier 2 capital instrument	–	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	1,045,475	(ah)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	(ai)
63 Amount of Regulatory Adjustment applied to T2 capital	1,045,475	
64 Tier 2 capital (T2)	22,779,883	
65 Tier 2 capital recognized for capital adequacy	22,779,883	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	22,779,883	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	94,984,540	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## 40.4 Main Features of Regulatory Capital Instruments

Sr. No.	Main Features	Common Shares
1	Issuer	Allied Bank Limited
2	Unique identifier (eg PSX Symbol or Bloomberg identifier etc.)	ABL
3	Governing law(s) of the instrument	Laws applicable in Pakistan
	<b>Regulatory treatment</b>	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group & solo	Group and standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	11,450,739
9	Par value of instrument	10
10	Accounting classification	Shareholders equity
11	Original date of issuance	N/A
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend/ coupon	N/A
18	Coupon rate and any related index/ benchmark	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Rank inferior to all creditors including depositors.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 40.5 Risk Weighted Exposures

The capital requirements for the Bank as per the major risk categories are indicated below:

	Capital Requirements		Risk Weighted Assets	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Rupees in '000				
<b>CREDIT RISK</b>				
<b>On-Balance sheet</b>				
<b>Portfolios subject to standardized approach (Simple)</b>				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	2,413,170	1,394,048	21,402,839	13,089,649
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
Claims on Multilateral Development Banks	-	-	-	-
Claims on Public Sector Entities in Pakistan	447,347	775,218	3,967,597	7,279,047
Claims on Banks	768,523	682,757	6,816,165	6,410,863
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	21,038	20,842	186,587	195,700
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	193,091	224,911	1,712,559	2,111,838
Claims on Corporates (excluding equity exposures)	16,344,205	14,587,829	144,959,692	136,974,917
Claims categorized as retail portfolio	1,247,534	974,665	11,064,602	9,151,781
Claims fully secured by residential property	299,487	270,475	2,656,201	2,539,676
Past Due loans:	54,431	85,671	482,757	804,423
Investments in premises, plant and equipment and all other fixed assets	5,286,933	3,346,870	46,890,760	31,426,012
All other assets	831,225	974,421	7,372,282	9,149,496
	27,906,984	23,337,707	247,512,041	219,133,402
<b>Off- Balance Sheet</b>				
<b>Non Market related Exposures</b>				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	2,105,645	2,981,216	18,675,343	27,992,640
Performance related contingencies	780,418	616,547	6,921,670	5,789,172
Trade Related contingencies/Other Commitments with original maturity of one year or less	939,669	557,430	8,334,091	5,234,088
	3,825,732	4,155,193	33,931,104	39,015,900
<b>Market related Exposures</b>	153,116	82,354	1,358,017	773,275
<b>Equity Exposure Risk in the Banking Book</b>				
Unlisted equity investments (other than that deducted from capital) held in banking book	369,114	338,688	3,273,739	3,180,171
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,233,836	2,702,512	19,812,297	25,375,699
Significant investments and deferred tax assets above 15% threshold	303,200	286,393	2,689,133	2,689,133
	2,906,150	3,327,593	25,775,169	31,245,003
Total Credit Risk (A)	34,791,982	30,902,847	308,576,331	290,167,580
<b>MARKET RISK</b>				
<b>Capital Requirement for portfolios subject to Standardized Approach</b>				
Interest rate risk	238,027	212,237	2,111,108	1,992,838
Equity position risk etc.	3,676,496	4,172,722	32,607,506	39,180,486
Foreign exchange risk	15,135	538,821	134,232	5,059,350
	3,929,658	4,923,780	34,852,846	46,232,674
<b>OPERATIONAL RISK</b>				
<b>Capital Requirement for operational risks</b>	9,135,300	8,413,028	81,022,617	78,995,569
<b>Total Risk Weighted Assets</b>	<b>47,856,940</b>	<b>44,239,655</b>	<b>424,451,794</b>	<b>415,395,823</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017		December 31, 2016	
	Required	Actual	Required	Actual
<b>Capital Adequacy Ratios</b>				
CET1 to total RWA	6.0%	16.46%	6.0%	16.46%
Tier-1 capital to total RWA	7.5%	16.46%	7.5%	16.46%
Total capital to total RWA (inclusive of 1.28% CCB for 2017)	11.275%	22.38%	10.65%	20.88%

## 41. RISK MANAGEMENT

The Risk Management Framework (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, to minimize adversity and to achieve improved outcomes and outputs based on informed decision making.

### Categories of Risk

The Bank generates most of its revenue by accepting following types of risks:

**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 behavior required or expected by stakeholders in commercial activities or the way in which business is conducted.

**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 is accountable for overall supervision of the risk management process. This is discharged by distributing responsibilities at Board level for their management and determining the manner in which risk authorities are set. The Board is also responsible for 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## 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.

### 41.1 Credit Risk

Credit risk, the potential default of one or more debtors, is a major source of risk for the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank's credit risk function is divided into Corporate and Financial Institutions Risk and Commercial, SME and Consumer Risk. The functions operate within an integrated framework of credit policies, guidelines and processes. The credit risk management activities are governed by the Credit Policy of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. The policy is supported by a comprehensive Credit Procedures Manual.

#### The Bank manages three principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Counterparty credit risk on its private sector advances
- iii) Counterparty credit risk on interbank limits

#### Sovereign Credit Risk

When the Group 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

When the Bank lends to private sector borrowers it does not benefit from sovereign guarantees or the equivalent. Consequently, each borrower's credit worthiness is analyzed on the Credit Application Package that incorporates a formalized and structured approach for credit analysis and directs the focus of evaluation towards a balanced assessment of credit risk with identification of proper mitigates. These risks include Industry Risk, Business Risk, Financial Risk, Security Risk and Account Performance Risk. Financial analysis is further strengthened through use of separate financial spread sheet templates that have been designed for manufacturing / trading concerns, financial institutions and insurance companies.

#### Counter party credit risk on interbank limits

In the normal course of its business, the Bank's Treasury utilizes products such as Reverse REPO and call lending to meet the needs of interbank borrowers and manage its exposure to fluctuations in market, interest and currency rates. Further, these products are also used to temporarily invest Bank's liquidity prior to disbursement. All of these financial instruments involve, to varying degrees, the risk that the counterparty in the transaction may be unable to meet its obligation to the Bank.

Reflecting a preference for minimizing exposure to counterparty credit risk, the Bank maintains eligibility criteria that link the exposure limits to counterparty credit ratings by external rating agencies. For example, the minimum rating for counterparties to be eligible for a banking relationship with the Bank is A.

#### Country Risk

The Bank has in place a Country Risk Management Framework which has been approved by the Board. This framework focuses on providing detailed roles and responsibilities with respect to country risk assessment as well as limit setting, exposure management and reporting of cross border exposure undertaken by the Bank. The Bank utilizes S&P, Fitch and Moody's country ratings as well as other macroeconomic and external risk factors in assigning a country risk limit. The Financial Institutions Division is responsible for monitoring of country exposure limits.

#### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Function constantly monitors the security and documentation risks inherent in the existing credit portfolio through four regional credit administration departments located all over the country.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## Risk Analytics

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of Borrower, Group and Sector exposure limits and risk profile benchmarks.

## Internal Risk Rating Models

The Bank has developed internal risk rating models to assign credit risk ratings to its Corporate, Financial Institutions, SME and Consumer borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The rating models have been automated through the Bank's Risk Assessment and Management System (RAMS), and are given due weightage while extending credit to these asset classes. The Bank has also implemented a Facility Risk Rating Model to complement the Obligor Risk Rating Models.

## Stress Testing

The Bank conducts stress testing of its existing advances portfolio. On a quarterly basis, an extensive stress testing activity is conducted by giving shocks to all assets of the Bank in line with SBP requirements and assessing its resulting affect on capital adequacy. The major shock being applied relate to the deterioration in internal ratings of the obligors, adverse shift of regular borrowers to non-performing status, default by large borrowers or group of borrowers and their resultant impact on the provisioning requirements and capital adequacy.

## Automated System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an automated system in the form of a 'Watch-List' category has been instituted to cover the gap between Regular and Substandard categories. Identification of an account on the said 'Watch-List' triggers the lending branch to carry out an assessment of the borrower's ability to rectify the identified problem / weakness within a reasonable time-frame, consider tighter structuring of facilities, confirm that there are no critical deficiencies in the existing security position and, if possible, arrange for strengthening of the same through obtaining additional collateral. It should however, be noted that the 'Watch-List' category of accounts is part of the Bank's Regular portfolio and does not require any provisioning.

In some cases, an account may even be downgraded directly from a Regular to Sub-Standard or worse on subjective basis based on the severity of the trigger involved. The Bank has also implemented an Early Warning Alert engine that relays email alerts to users based on breach of defined triggers.

## Management of Non-Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non-performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2017, the coverage ratio was 92.59% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the Note 5 and 10 to these financial statements. The movement in specific and general provision held is given in Note 10.4 to these financial statements.

## Portfolio Diversification

Efficient diversification has been a key consideration for maintaining healthy advances portfolio. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advances portfolio is significantly diversified. Power, Gas, Petroleum, Chemical, Commodity, Textiles and Financial Sector are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent

### 41.1.1 Segmental Information

#### 41.1.1.1 Segments by class of business

	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry and Hunting	61,558,861	15.83%	48,763,264	5.52%	1,367,900	0.57%
Basic metals (iron, steel)	2,705,732	0.70%	406,894	0.05%	3,449,034	1.44%
Cement/clay & ceramics	14,416,693	3.71%	1,131,525	0.13%	6,227,925	2.60%
Chemical & pharmaceutical	20,702,251	5.32%	7,627,740	0.86%	3,629,067	1.51%
Construction	8,108,971	2.09%	26,705,938	3.02%	4,394,720	1.83%
Education	115,335	0.03%	20,966,870	2.37%	55,461	0.02%
Financial	20,487,988	5.27%	53,504,323	6.05%	143,541,269	59.83%
Fishing	–	0.00%	9,564	0.00%	–	0.00%
Footwear & leather garments	1,148,700	0.30%	584,437	0.07%	510,891	0.21%
Furniture & sports goods	1,275,838	0.33%	351,981	0.04%	5,577	0.00%
Grains, food and beverages	11,719,839	3.01%	5,107,635	0.58%	39,448	0.02%
Health & social welfare	55,713	0.01%	6,494,928	0.73%	50,463	0.02%
Hotel, restaurant & clubs	1,400,000	0.36%	1,066,729	0.12%	960	0.00%
Individuals	9,959,407	2.56%	356,719,817	40.37%	5,463,051	2.28%
Machinery & equipment	1,864,567	0.48%	1,465,090	0.17%	1,922,789	0.80%
Manufacture of transport equipment	389,289	0.10%	1,020,939	0.12%	99,084	0.04%
Paper & paper boards	6,218,078	1.60%	878,861	0.10%	1,969,615	0.82%
Petroleum products	10,515,762	2.70%	38,479,576	4.35%	8,824,756	3.68%
Power, gas, water & sanitary	122,133,670	31.41%	35,955,932	4.07%	8,486,247	3.54%
Printing, publishing & allied	114,390	0.03%	607,593	0.07%	110,197	0.05%
Real estate, renting, and business activities	4,790,686	1.23%	41,784,299	4.73%	–	0.00%
Rubber & plastic	778,824	0.20%	175,402	0.02%	41,385	0.02%
Sugar	6,034,307	1.55%	847,610	0.10%	19,600	0.01%
Textile - Manufacture of madeup & ready made garments	21,251,761	5.47%	1,335,119	0.15%	573,861	0.24%
Textile - Finishing	14,557,321	3.74%	414,955	0.05%	5,434,753	2.27%
Textile - Spinning	13,299,514	3.42%	385,411	0.04%	118,344	0.05%
Textile - Weaving	1,731,836	0.45%	101,972	0.01%	211,476	0.09%
Transport, storage & communication	14,112,816	3.63%	6,536,849	0.74%	6,829,587	2.85%
Wholesale & retail trade	8,579,749	2.21%	26,068,685	2.95%	70,277	0.03%
Others	8,766,594	2.25%	198,202,118	22.43%	36,472,539	15.20%
	<u>388,794,492</u>	<u>100.00%</u>	<u>883,702,056</u>	<u>100.00%</u>	<u>239,920,276</u>	<u>100.00%</u>

	December 31, 2017					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent

#### 41.1.1.2 Segments by sector

	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	149,693,772	38.50%	213,549,024	24.17%	26,886,670	11.21%
Private	239,100,720	61.50%	670,153,032	75.83%	213,033,606	88.79%
	<u>388,794,492</u>	<u>100.00%</u>	<u>883,702,056</u>	<u>100.00%</u>	<u>239,920,276</u>	<u>100.00%</u>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017		December 31, 2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
<b>41.1.1.3 Details of non-performing advances and specific provisions by class of business segment</b>				
Agriculture, Forestry and Hunting	547,602	494,710	565,045	461,329
Basic metals (iron, steel)	229,849	229,849	276,595	263,962
Cement / clay & ceramics	75,089	75,089	75,089	75,089
Chemical & pharmaceutical	714,158	714,158	742,476	741,228
Construction	148,384	147,259	199,756	199,756
Education	123	123	184	184
Financial	72,454	72,454	72,454	72,454
Footwear & leather garments	75,014	74,419	125,404	125,404
Furniture & sports goods	266,103	266,103	230,858	230,711
Grains, food & beverages	1,766,277	1,760,202	2,082,302	1,916,022
Health & social welfare	5,984	5,984	13,857	13,857
Hotel, restaurant & clubs	7,664	7,664	7,664	7,664
Individuals	449,729	448,329	452,019	446,503
Machinery & equipment	1,206,611	1,206,611	1,233,588	1,233,588
Manufacture of transport equipment	211,014	211,014	227,009	227,009
Paper & paper boards	210,574	210,574	213,624	213,624
Petroleum products	1,201,469	309,149	1,904,067	967,918
Power, gas, water & sanitary	637,015	637,015	637,015	637,015
Printing, publishing & allied	10,838	10,838	11,558	11,558
Real estate, renting, and business activities	-	-	12,595	12,595
Rubber & plastic	235,068	235,068	333,813	278,477
Sugar	51,216	51,216	250,716	250,716
Textile - Manufacture of made up & ready made garments	2,966,776	2,966,776	3,103,092	3,099,772
Textile - Finishing	2,889,512	2,869,986	3,025,954	2,997,506
Textile - Spinning	1,352,423	1,343,415	1,383,501	1,374,354
Textile - Weaving	60,493	49,563	45,385	45,385
Transport, storage & communication	468,945	140,024	484,439	149,673
Wholesale & retail trade	1,096,493	1,071,495	1,267,062	1,257,189
Others	1,094,872	1,093,149	1,454,488	1,410,021
	<b>18,051,749</b>	<b>16,702,236</b>	<b>20,431,609</b>	<b>18,720,563</b>

	December 31, 2017		December 31, 2016	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
<b>41.1.1.4 Details of non-performing advances and specific provisions by sector</b>				
Public/ Government	135,180	135,180	136,180	136,180
Private	17,916,569	16,567,056	20,295,429	18,584,383
	<b>18,051,749</b>	<b>16,702,236</b>	<b>20,431,609</b>	<b>18,720,563</b>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

	December 31, 2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
<b>41.1.1.5 Geographical Segment Analysis</b>				
Pakistan operations	20,235,181	1,224,401,980	103,593,042	239,534,137
Middle East	625,772	18,352,995	2,195,867	386,139
Karachi Export Processing Zone	282,573	4,567,628	2,261,123	-
	908,345	22,920,623	4,456,990	386,139
	21,143,526	1,247,322,603	108,050,032	239,920,276

### 41.1.2 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

#### 41.1.2.1 Credit Risk: Disclosures for portfolio subject to Standardized Approach and supervisory risk weights in IRB approach Basel II specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Bank also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

#### Selection of ECAIs

The Bank selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

**Sovereigns Exposures:** For foreign currency claims on sovereigns, the Bank uses sovereign ratings issued by Moody's, Standard & Poor's and Fitch.

**Exposures to Multilateral Development Banks (MDBs):** For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

**Exposures to Public Sector Entities (PSEs):** For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

**Bank Exposures:** For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

**Corporate Exposures:** Ratings assigned by PACRA and JCR-VIS are used for claims on Corporates (excluding equity exposures).

#### Use of ECAI Ratings

The Bank prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below

#### Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+ A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

#### Types of exposures and ECAI's used

December 31, 2017

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	–	–	–	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	Yes	–	–	–	–
SME's	–	–	–	–	–
Securizations	–	–	–	–	–
Public sector enterprises	–	–	–	Yes	Yes

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### Credit exposures subject to Standardized Approach

Exposures	Rating Category	December 31, 2017		December 31, 2016			
		Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	59,159,663	102,523	59,057,139	54,549,163	54,656	54,494,507
	2	34,980,938	–	34,980,938	24,223,266	–	24,223,266
	3, 4	3,612,121	–	3,612,121	622,183	–	622,183
	5, 6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less	–	186,358,145	176,900,699	9,457,447	89,458,349	78,588,422	10,869,927
Retail	–	17,459,717	1,444,080	16,015,636	14,660,758	1,532,754	13,128,004
Public sector entities	1	26,178,963	7,320,678	18,858,285	30,722,880	7,111,859	23,611,021
Others	–	888,588,567	5,449,000	883,139,567	771,535,360	2,940,062	768,595,298
Unrated	–	203,114,038	82,997,396	120,116,641	199,656,475	65,980,924	133,675,551
Total		1,419,452,152	274,214,376	1,145,237,775	1,185,428,434	156,208,677	1,029,219,757

#### 41.1.2.2 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Simple Approach of Credit Risk Mitigation for the Banking Book. Since, the trading book of the Bank only comprises equity investments, and units in open ended mutual funds, therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the Bank's exposure on an obligor is secured by collateral that conforms with the eligibility criteria under the Simple Approach of CRM, then the Bank reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the simple approach of Credit Risk Mitigation. The Bank has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

Since no specific asset is available by way of security in the context of unfunded credit protection, the creditworthiness and reliability of the provider and the validity and enforceability of that party's obligations is of paramount importance. Therefore, unfunded credit protection is only "eligible" if it is provided by an appropriate counterparty which may include National Government, Central Bank and other reputable financial institutions etc.

#### 41.2 Equity Position Risk in the Banking Book

The Bank makes investment for variety of purposes. Some of the investment positions of equity holding are made for long term revenue generation as part of strategic initiatives, while other equity holdings are held to earn capital gain and dividend to support the Bank's business activities.

##### Classification of investments

Under SBP's directives, equity investment may be classified as 'held-for-trading', 'available-for-sale', - further categorized between strategic and non-strategic or 'investment in subsidiaries and associates'. Some of the equity investments are listed and traded in public through stock exchanges, while other investments are unlisted.

##### Policies, valuation and accounting of equity investments

In accordance with the requirements of the SBP, quoted securities are carried at market value whereas investments in subsidiaries are accounted for in accordance with the relevant International Accounting Standard as applicable in Pakistan.

The unrealized surplus / (deficit) arising on revaluation of the bank's 'held-for-trading' investment portfolio is taken to the profit and loss account. The surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment, if any, in their value.

Profit and loss on sale of investments is included in income currently.

## Notes to the Consolidated Financial Statements

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<b>Composition of equity investments</b>		
	<b>Held-for-trading</b>	<b>Available-for-sale</b>
	<b>Rupees in '000</b>	
Equity Investments - Publicly Traded	1,785,318	22,957,532
Equity Investments - Others	-	3,593,618
<b>Total Value</b>	<b>1,785,318</b>	<b>26,551,150</b>

The cumulative gain of Rs.12.239 million (2016: Rs. 140.585 million) was realized from sale of equity securities / certificates of close ended mutual funds and units of open end mutual funds; however unrealized gain of Rs. 12,653.552 million (2016: Rs. 21,713.786 million) was recognized in the statement of financial position in respect of available-for-sale securities.

### 41.2.1 Market Risk

The Bank is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price 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.

#### Market Risk Pertaining to the Trading Book

##### Trading Book

A trading book 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 managed.

The Bank's trading book includes securities classified as 'held-for-trading', 'Open Ended Mutual Fund' and 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 listed equity)
- ii) Held-to-maturity securities

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 and equity price 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 modeling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits). Stress testing is also conducted on various macro-economic scenarios to test the resilience of the Bank.

## Notes to the Consolidated Financial Statements

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### 41.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. 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 net foreign currency exposure is in US Dollars. 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.

	December 31, 2017			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	1,199,555,800	1,038,298,951	(53,340,095)	107,916,754
United States Dollar	46,967,686	92,784,942	45,931,305	114,049
Great Britain Pound	319,361	5,307,053	4,988,957	1,265
Japanese Yen	10,415	761	(10,568)	(914)
Euro	371,402	2,856,405	2,487,262	2,259
Other Currencies	97,939	24,459	(56,861)	16,619
	47,766,803	100,973,620	53,340,095	133,278
	<u>1,247,322,603</u>	<u>1,139,272,571</u>	<u>-</u>	<u>108,050,032</u>

	December 31, 2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	1,009,355,185	888,234,829	(24,536,359)	96,583,997
United States Dollar	60,635,370	73,234,391	17,746,280	5,147,259
Great Britain Pound	659,677	4,976,104	4,353,533	37,106
Japanese Yen	12,130	3,814	(7,410)	906
Euro	330,648	2,777,338	2,480,613	33,923
Other Currencies	51,293	2,455	(36,657)	12,181
	61,689,118	80,994,102	24,536,359	5,231,375
	<u>1,071,044,303</u>	<u>969,228,931</u>	<u>-</u>	<u>101,815,372</u>

### 41.2.3 Equity Position Risk

The Board, based on the recommendations of ALCO, approves exposure limits applicable to investments in Trading and Banking Book. Equity securities are perpetual assets and are classified under either Held-for-Trading Portfolio or Available-for-Sale Portfolio.

#### Concentration Risk

ALCO is responsible for making investment decisions regarding capital market investments, whereas limit setting with respect to portfolio, sector and scrip wise limits is done by BRMC / BOD to guard against concentration risk. Further, these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits whereas limit monitoring is done by Market & Liquidity Risk Division on a daily basis and breaches (if any) are promptly reported with proper reason.

#### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Capital Market Unit both ensure that through prudent trading strategy and use of equity futures, the equity price risk is mitigated, albeit to a certain extent.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## 41.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

	Effective Yield/ Interest rate	December 31, 2017										Not exposed to Yield/ Interest Risk	
		Total	Exposed to Yield/ Interest risk										
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Rupees in '000													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	0.00%	11,655,633	-	-	-	-	-	-	-	-	-	-	73,699,922
Balances with other banks		322,933	-	-	-	-	-	-	-	-	-	-	326,579
Lendings to financial institutions	5.65%	8,479,431	-	214,968	-	-	-	-	-	-	-	-	-
Investments	7.48%	699,323,690	211,571,388	252,245,167	79,117,349	1,290,820	13,005,893	32,892,588	2,475,774	-	-	-	37,368,348
Advances	6.58%	372,090,555	53,933,275	194,256,496	10,135,083	2,017,672	4,480,489	12,609,592	32,096	-	-	-	1,386,888
Other assets		19,748,030	-	-	-	-	-	-	-	-	-	-	19,748,030
		1,185,851,741	285,982,660	446,501,663	89,252,432	70,182,652	3,308,492	45,502,170	2,507,870	-	-	-	132,528,767
<b>Liabilities</b>													
Bills payable		7,835,467	-	-	-	-	-	-	-	-	-	-	7,835,467
Borrowings	5.14%	228,566,383	184,037,908	17,618,887	4,208,111	424,410	3,107,351	9,000,689	-	-	-	-	-
Deposits and other accounts	3.02%	883,702,056	105,725,557	186,422,669	247,648,340	1,974,761	335,926	273,893	-	-	-	-	243,625,347
Sub-ordinated loan		-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		10,972,907	-	-	-	-	-	-	-	-	-	-	10,972,907
		1,126,066,813	289,763,465	204,041,556	251,856,451	11,338,375	2,399,171	9,274,572	2,507,870	-	-	-	262,433,721
<b>On-balance sheet gap</b>		59,784,928	(3,800,805)	242,460,107	(162,604,019)	58,844,277	909,321	36,227,598	2,507,870	-	-	-	(129,903,954)
<b>Off-balance sheet financial instruments</b>													
Commitments in respect of forward exchange contracts - purchase													
		35,038,705	47,065,184	41,879,614	6,075,063	18,844	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale													
		(41,580,643)	(22,992,197)	(15,865,961)	(253,1892)	(250,600)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		53,458,062	24,132,987	26,013,653	3,643,181	(231,769)	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		113,242,990	20,332,182	269,473,760	4,644,669	58,844,277	909,321	36,227,598	2,507,870	-	-	-	-
<b>Cumulative yield / interest risk sensitivity gap</b>		113,242,990	20,332,182	289,805,942	233,450,611	130,614,633	190,368,431	240,639,074	243,146,944	-	-	-	-

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## Mismatch of Interest Rate Sensitive Assets and Liabilities

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.

Effective Yield/ Interest rate	December 31, 2016										Not exposed to Yield/ Interest Risk	
	Total	Exposed to Yield/ Interest risk										
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
	Rupees in '000											
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	79,203,767	8,435,615	-	-	-	-	-	-	-	-	-	64,768,152
Balances with other banks	679,938	333,017	-	-	-	-	-	-	-	-	-	346,921
Lendings to financial institutions	10,512,752	10,012,752	500,000	-	-	-	-	-	-	-	-	-
Investments - net	590,324,972	71,498,837	141,750,543	74,462,778	111,061,010	73,945,349	44,180,039	2,420,304	46,670,830	5,019,233	22,759,482	
Advances - net	330,271,881	62,018,033	109,941,613	71,174,390	37,263,817	4,632,795	2,880,516	2,187,810	3,578,394	5,999,298	139,564,718	
Other assets - net	22,759,482	152,298,254	252,192,156	87,730,813	111,726,595	115,693,805	76,825,865	46,367,849	5,999,298	-	-	
	1,028,352,792											
<b>Liabilities</b>												
Bills payable	9,848,795	-	-	-	-	-	-	-	-	-	-	9,848,795
Borrowings	126,368,875	87,235,061	13,721,226	15,148,598	-	4,209,001	199,752	4,124,229	-	-	-	-
Deposits and other accounts	805,090,074	95,126,630	205,854,226	69,751,195	225,074,398	7,436,987	1,627,872	350,100	193,358	-	-	199,675,308
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,027,141	-	-	-	-	-	-	-	-	-	-	13,027,141
	954,334,885	182,361,691	219,575,452	84,899,793	225,074,398	11,645,988	1,827,624	2,081,108	4,317,587	42,050,282	5,999,298	222,551,244
<b>On-balance sheet gap</b>	<b>74,017,907</b>	<b>(30,063,437)</b>	<b>32,616,704</b>	<b>2,831,020</b>	<b>(113,347,803)</b>	<b>104,047,817</b>	<b>74,998,241</b>	<b>37,872,331</b>	<b>42,050,282</b>	<b>5,999,298</b>	<b>(82,986,526)</b>	
<b>Off-balance sheet financial instruments</b>												
Commitments in respect of forward exchange contracts - purchase	63,017,979	20,680,281	21,891,192	20,127,239	319,207	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale	(98,469,943)	(15,655,348)	(14,653,980)	(7,766,880)	(193,735)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>24,548,036</b>	<b>4,824,933</b>	<b>7,237,212</b>	<b>12,360,419</b>	<b>125,472</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total yield / interest risk sensitivity gap</b>	<b>98,565,943</b>	<b>(25,238,504)</b>	<b>39,853,916</b>	<b>15,191,439</b>	<b>(113,222,331)</b>	<b>104,047,817</b>	<b>74,998,241</b>	<b>37,872,331</b>	<b>42,050,282</b>	<b>5,999,298</b>	<b>(82,986,526)</b>	
<b>Cumulative yield / interest risk sensitivity gap</b>	<b>98,565,943</b>	<b>(25,238,504)</b>	<b>14,615,412</b>	<b>29,806,851</b>	<b>(83,415,480)</b>	<b>20,632,937</b>	<b>95,630,578</b>	<b>133,502,909</b>	<b>175,553,171</b>	<b>181,552,469</b>	<b>(82,986,526)</b>	
Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.												
<b>41.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities</b>												
<b>Reconciliation to total assets</b>												
	December 31, 2017	December 31, 2016	Reconciliation to total liabilities					December 31, 2017	December 31, 2016	(Rupees in '000)		
Balance as per Statement of Financial Position	1,247,322,603	1,071,044,303	Balance as per Statement of Financial Position					1,139,272,571	969,228,931			
Less: Non financial assets	48,355,884	32,783,340	Less: Non financial liabilities					6,941,206	11,001,128			
Operating fixed assets	13,114,978	9,908,171	Deferred tax liability					6,264,552	3,892,918			
Other assets	61,470,862	42,691,511	Other liabilities					13,205,758	14,894,046			
Total financial assets	1,185,851,741	1,028,352,792	Total financial liabilities					1,126,066,813	954,334,885			



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

## Maturities of Assets and Liabilities – Based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2016									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	73,203,767	73,203,767	–	–	–	–	–	–	–	–
Balances with other banks	679,938	679,938	–	–	–	–	–	–	–	–
Lending to financial institutions	10,512,752	10,012,752	500,000	–	–	–	–	–	–	–
Investments	590,924,972	69,682,302	137,652,023	12,418,111	107,974,826	112,896,911	74,850,697	10,252,919	62,776,279	2,420,904
Advances	330,271,881	63,879,965	36,299,581	33,405,471	49,969,592	32,238,803	31,396,725	61,978,466	14,852,890	6,250,388
Operating fixed assets	32,783,340	661,783	1,323,571	1,985,356	3,970,712	1,773,793	809,875	1,028,389	1,305,889	19,923,972
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	32,667,653	5,086,972	7,169,379	10,257,362	2,462,206	505,465	505,465	1,010,930	1,010,929	4,658,945
	1,071,044,303	223,207,479	182,944,554	58,066,300	164,377,336	147,414,972	107,562,762	74,270,704	79,945,987	33,254,209
<b>Liabilities</b>										
Bills payable	9,848,795	9,848,795	–	–	–	–	–	–	–	–
Borrowings	126,368,875	87,235,061	13,721,226	15,148,598	–	4,209,001	199,752	1,731,008	4,124,229	–
Deposits and other accounts	805,090,074	668,749,334	59,714,460	37,185,906	36,437,792	831,254	1,627,872	350,100	193,356	–
Deferred tax liabilities	11,001,128	1,169,366	2,309,748	242,836	1,872,747	1,499,781	1,272,997	265,888	1,104,140	1,263,625
Sub-ordinated loan	–	–	–	–	–	–	–	–	–	–
Other liabilities	16,920,059	4,316,705	6,078,013	1,683,948	686,064	499,805	589,309	950,390	2,103,793	2,032
	969,228,931	771,319,261	81,823,447	54,271,288	38,996,603	7,039,841	3,689,930	3,297,386	7,525,518	1,265,657
<b>Net assets / (liabilities)</b>	<b>101,815,372</b>	<b>(548,111,782)</b>	<b>101,121,107</b>	<b>3,795,012</b>	<b>125,380,733</b>	<b>140,375,131</b>	<b>103,872,832</b>	<b>70,973,318</b>	<b>72,420,469</b>	<b>31,988,552</b>
Share capital	11,450,739									
Reserves	16,533,485									
Unappropriated profit	47,631,788									
	75,616,012									
Surplus on revaluation of assets	–									
– net of tax	26,199,360									
	101,815,372									

**41.3.1.1** When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.





## Notes to the Consolidated Financial Statements

for the year ended December 31, 2017

### 41.5 Operational Risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and the execution of legal, fiduciary and agency responsibilities.

In accordance with the BoD approved Operational Risk Policy, Bank maintains a system of internal controls designed to keep operational risk at appropriate levels, in view of the bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated to conform to industry best practice.

Further, detailed data of operational losses is being maintained, in conformance with regulatory guidelines. Major Operational Risk events are also analyzed from the control breaches perspective and mitigating controls are assessed on design and operating effectiveness. Quarterly updates on Operational Risk events are presented to senior management and Board's Risk Management Committee & BoD.

The Bank has also developed a Business Continuity Plan applicable to all its functional areas. The Bank updates functional BCPs on annual basis or at any process change.

The Bank is also implementing internationally accepted Integrated Framework on Internal Control issued by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

The Bank with permission of SBP is conducting a parallel run for Alternate Standardized Approach (ASA) for Basel II – Operational Risk Capital Charge Reporting, which signifies readiness of the Bank to move to advance approach.

### 42 NON ADJUSTING EVENT AFTER THE REPORTING DATE

**42.1** The Board of Directors of the Bank in its meeting held on February 21, 2018 has proposed a cash dividend in respect of 2017 of Rs. 1.75 per share (2016: cash dividend Rs. 1.75 per share). This appropriation will be approved in the forthcoming Annual General Meeting. The Consolidated financial statements of the Bank for the year ended December 31, 2017 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2018.

**42.2** The Bank is party to a Suo Moto case SMC No. 20/2016 in the Honorable Supreme Court of Pakistan. Through this case, the Honorable Supreme Court has taken up the matter relating to pension arrangements of certain privatized banks. Despite the banks' submission of being legally compliant, the Honorable Supreme Court of Pakistan concluded the Suo Moto case on February 13, 2018, by using judicial discretion and fixed the minimum pension at Rs. 8,000 per month from a prospective date and with 5 % indexation on an annual basis. The detailed judgment has not been issued by the Honorable Supreme Court to date, and therefore the Management is not in a position to work out the financial impact.

The consolidated financial statements of the Bank for the year ended December 31, 2017 do not include the effect of this adjustment which will be accounted for in the year ending December 31, 2018 as past service cost; once the plan is formally amended and approved upon receipt of aforementioned detailed judgment and related actuarial valuation.

### 43 GENERAL

**43.1** These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

**43.2** Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

### 44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 21, 2018 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Pattern of Shareholding

### Allied Bank Limited

Information for annual financial statements as on December 31, 2017.

#### 1 Issued, Subscribed and Paid-up Capital

ORDINARY SHARES	As on December 31, 2017		As on December 31, 2016	
	No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
Fully paid in cash	406,780,094	4,067,800,940	406,780,094	4,067,800,940
Increase in Share Capital	-	-	-	-
Issued as bonus shares	720,745,186	7,207,451,860	720,745,186	7,207,451,860
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
<b>Total</b>	<b>1,145,073,830</b>	<b>11,450,738,300</b>	<b>1,145,073,830</b>	<b>11,450,738,300</b>

#### 2 Major shareholding

Holding more than 5% of the total paid-up capital

Name of Shareholder	No. of Shares Held	Percentage Held
Ibrahim Holdings (Pvt) Ltd.	965,879,110	84.35

No. of Shareholders	From	Shareholdings	To	Total Shares Held
6161	1		100	237,121
9237	101		500	2,566,312
1188	501		1000	869,985
2201	1001		5000	4,761,142
411	5001		10000	2,998,849
143	10001		15000	1,790,735
82	15001		20000	1,482,428
62	20001		25000	1,399,327
30	25001		30000	829,007
24	30001		35000	793,013
19	35001		40000	723,474
15	40001		45000	641,628
11	45001		50000	531,173
9	50001		55000	476,514
7	55001		60000	399,633
5	60001		65000	311,322
4	65001		70000	275,196
5	70001		75000	367,400
2	75001		80000	158,000
5	80001		85000	415,455
4	85001		90000	351,063
9	95001		100000	893,100
3	100001		105000	304,270



## Pattern of Shareholding

Allied Bank Limited

No. of Shareholders	From	Shareholdings	To	Total Shares Held
3	105001		110000	318,400
3	110001		115000	334,771
1	115001		120000	118,944
4	120001		125000	485,100
1	125001		130000	127,500
1	135001		140000	136,956
2	145001		150000	300,000
2	150001		155000	304,127
1	155001		160000	157,600
3	160001		165000	489,000
2	165001		170000	335,500
2	175001		180000	355,450
1	180001		185000	181,820
1	190001		195000	192,800
1	195001		200000	200,000
1	210001		215000	210,500
2	215001		220000	431,600
1	220001		225000	220,900
1	225001		230000	228,569
4	235001		240000	947,137
1	245001		250000	250,000
1	250001		255000	253,000
1	270001		275000	273,600
1	295001		300000	300,000
1	305001		310000	309,100
1	315001		320000	319,300
4	345001		350000	1,385,400
1	355001		360000	358,000
1	375001		380000	378,000
1	400001		405000	404,852
6	495001		500000	2,999,045
1	500001		505000	503,100
1	530001		535000	534,900
1	580001		585000	580,500
2	595001		600000	1,195,200
1	605001		610000	610,000
1	610001		615000	615,000
1	650001		655000	652,500
1	700001		705000	700,500
1	725001		730000	726,642
1	820001		825000	822,151

## Pattern of Shareholding

Allied Bank Limited

No. of Shareholders	From	Shareholdings	To	Total Shares Held
1	845001		850000	845,500
1	895001		900000	900,000
1	960001		965000	964,400
1	995001		1000000	1,000,000
1	1015001		1020000	1,015,897
1	1090001		1095000	1,092,614
1	1095001		1100000	1,100,000
1	1100001		1105000	1,102,500
1	1145001		1150000	1,150,000
1	1150001		1155000	1,155,000
1	1250001		1255000	1,252,000
1	1255001		1260000	1,260,000
1	1325001		1330000	1,327,500
1	1430001		1435000	1,433,604
1	1495001		1500000	1,500,000
1	1765001		1770000	1,770,000
1	1900001		1905000	1,902,900
1	1995001		2000000	1,999,500
1	2135001		2140000	2,140,000
1	2640001		2645000	2,645,000
1	2770001		2775000	2,773,000
1	2850001		2855000	2,851,000
1	2885001		2890000	2,885,747
1	3090001		3095000	3,091,000
1	4295001		4300000	4,299,100
1	4675001		4680000	4,676,400
1	4770001		4775000	4,771,700
1	5325001		5330000	5,325,400
1	9755001		9760000	9,755,604
1	29995001		30000000	30,000,000
1	37385001		37390000	37,385,743
1	965875001		965880000	965,879,110
<b>19736</b>				<b>1,145,073,830</b>

## Categories of Shareholders

Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
<b>Parent, Associated Companies, Undertakings and Related Parties</b>			
Ibrahim Holdings (Private) Limited	1	965,879,110	84.3508
Trustees Of ABL Employees Superannuation	1	37,385,743	3.2649
Sub-Total	2	1,003,264,853	87.6157
<b>Directors, Chief Executive Officer, and their spouses and minor children</b>			
Mohammad Naeem Mukhtar	1	2,500	0.0002
Muhammad Waseem Mukhtar	1	2,500	0.0002
Sheikh Mukhtar Ahmed	1	2,500	0.0002
Abdul Aziz Khan	1	26,620	0.0023
Zafar Iqbal	1	2,500	0.0002
Dr. Muhammad Akram Sheikh	1	2,500	0.0002
Mubashir A. Akhtar & Taqdees Akhtar	1	2,500	0.0002
Sub-Total	7	41,620	0.0036
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>			
Samba Bank Limited	1	300,000	0.0262
National Bank Of Pakistan Ltd.	5	4,698,690	0.4103
Habib Metropolitan Bank Limited	1	580,500	0.0507
Bank Al Habib Limited	1	1,102,500	0.0963
Soneri Bank Limited - Ordinary Shares	1	2,851,000	0.2490
The Bank Of Khyber	1	216,000	0.0189
Mcb Bank Limited - Treasury	1	5,325,400	0.4651
First Dawood Investment Bank Limited	1	8,600	0.0008
Escorts Investment Bank Limited	1	77	0.0000
The Bank Of Punjab, Treasury Division.	1	1,999,500	0.1746
First Credit & Investment Bank Limited	1	15,000	0.0013
Sindh Bank Limited	1	3,091,000	0.2699
Trust Leasing Corporation Ltd.	1	200	0.0000
M/S. Al-Faysal Investment Bank	1	55	0.0000
M/S Standard Chartered Bank	1	22,118	0.0019
Habib Bank Limited-Treasury Division	1	4,299,100	0.3754
Sub-Total	20	24,509,740	2.1405

## Categories of Shareholders

### Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
<b>NIT AND ICP</b>			
IDBL (ICP UNIT)	1	762	0.0001
Investment Corpn. Of Pakistan	1	3,649	0.0003
M/S. Investment Corporation Of Pakistan	1	322	0.0000
Investment Corporation Of Pakistan	1	10,467	0.0009
<b>Sub-Total:</b>	<b>4</b>	<b>15,200</b>	<b>0.0013</b>
<b>Executives*</b>			
Other Employees	737	922,417	0.0806
<b>Sub-Total</b>	<b>739</b>	<b>926,962</b>	<b>0.0810</b>
<b>Insurance Companies</b>			
Premier Insurance Limited	1	99,100	0.0087
State Life Insurance Corp. Of Pakistan	1	2,885,747	0.2520
Efu General Insurance Limited	1	20,100	0.0018
Efu Life Assurance Ltd	1	7,500	0.0007
Alpha Insurance Co. Ltd.	1	121,000	0.0106
Habib Insurance Co.Limited	1	7,500	0.0007
Habib Insurance Company Limited	1	12,500	0.0011
Igi Life Insurance Limited	1	12,500	0.0011
Igi Life Insurance Limited	1	5,500	0.0005
Adamjee Life Assurance Company Ltd-Imf	1	845,500	0.0738
Adamjee Insurance Company Limited	1	2,773,000	0.2422
Gulf Insurance Company Limited.	1	723	0.0001
M/S. Orient Insurance Co.Ltd.,	1	404	0.0000
Jubilee General Insurance Company Limited	1	253,000	0.0221
<b>Sub-Total</b>	<b>14</b>	<b>7,044,074</b>	<b>0.6152</b>
<b>Modarabas And Mutual Funds</b>			
Descon Chemicals Limited Gratuity Fund	1	700	0.0001
M/S. Modaraba Al Mali	1	116	0.0000
First Fidelity Leasing Modaraba	1	614	0.0001
Golden Arrow Selected Stocks Fund Limite	1	237,500	0.0207
CDC - Trustee Atlas Stock Market Fund	1	1,150,000	0.1004
CDC - Trustee Akd Index Tracker Fund	1	37,162	0.0032
CDC - Trustee Akd Opportunity Fund	1	237,200	0.0207
CDC - Trustee Ubl Stock Advantage Fund	1	1,902,900	0.1662
CDC - Trustee Nafa Stock Fund	1	4,771,700	0.4167
CDC - Trustee Nafa Multi Asset Fund	1	319,300	0.0279
CDC - Trustee Apf-Equity Sub Fund	1	81,000	0.0071
CDC - Trustee Hbl - Stock Fund	1	726,642	0.0635
CDC - Trustee Nit-Equity Market Opportun	1	1,092,614	0.0954
CDC-Trustee Nafa Asset Allocation Fund	1	595,200	0.0520
Sindh General Provident Investment Fund	1	1,770,000	0.1546

\*CEO, COO, all Chiefs & the Group Heads are termed as Executives.

## Categories of Shareholders

Allied Bank Limited

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage %
CDC - Trustee Picic Stock Fund	1	39,000	0.0034
CDC - Trustee Ubl Asset Allocation Fund	1	500,000	0.0437
CDC - Trustee First Capital Mutual Fund	1	500	0.0000
M/S. First Tawakkal Modaraba	1	347	0.0000
Trustees-Ici M.S.D.C Superannuation Fund	1	35,000	0.0031
<b>Sub-Total</b>	<b>20</b>	<b>13,497,495</b>	<b>1.1787</b>
<b>Foreign Investors</b>			
Alpha Beta Finance Limited	1	220,900	0.0193
Tundra Pakistan Fund	1	900,000	0.0786
Tundra Frontier Opportunities Fund	1	1,100,000	0.0961
Tundra SustainABLE Frontier Fund	1	600,000	0.0524
Credit Agricole (Suisse) S.A. (759-5)	1	56,000	0.0049
The Bank Of New York Mellon	1	1	0.0000
Habib Bank Ag Zurich, Zurich,Switzerland	1	164,500	0.0144
Habib Bank Ag Zurich, Deira Dubai	1	2,645,000	0.2310
Viena Zainab	1	347,000	0.0303
Tariic Holding Company Bsc (Closed)	1	107,600	0.0094
Shokatali Mohamedali Alibhai	1	25,000	0.0022
Mohammad Tahir Butt	1	3,824	0.0003
<b>Sub-Total</b>	<b>12</b>	<b>6,169,825</b>	<b>0.5388</b>
<b>Others</b>	<b>164</b>	<b>45,910,539</b>	<b>4.0094</b>
<b>Individuals</b>	<b>18754</b>	<b>43,693,522</b>	<b>3.8158</b>
<b>Grand Total</b>	<b>19,736</b>	<b>1,145,073,830</b>	<b>100.0000</b>

All the trades in shares carried out by the Directors, Executives and their spouses and their minor children are reported as NIL during 2017.

## Glossary of Financial & Banking Terms

Allied Bank Limited

### Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

### Automated Teller Machine (ATM)

ATM is an e-banking delivery channel that enables the customers to perform financial transactions 24/7.

### Alternate Delivery Channels (ADCs)

ADCs are those access points that expand the reach of banking services beyond the traditional over the counter banking and includes internet banking, mobile banking, Point of Sale (POS) transactions, ATM, SMS and Phone banking.

### Basis point

One hundredth of a per cent i.e. 0.01 per cent. 100 basis points is 1 per cent. Used when quoting movements in interest rates or yields on securities.

### Breakup Value per share

Represents the total worth (equity) of the business per share, calculated as shareholders' equity or Net Assets excluding the impact of revaluation on fixed assets, divided by the total number of share outstanding at year end.

### Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

### Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash.

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan and Basel Committee.

### Call Money Rate

Interbank clean (without collateral) lending/borrowing rates are called Call Money Rates

### Common Equity Tier (CET) Capital

CET capital is sum of fully paid share capital, reserves and un-appropriated profit adjusted by regulatory adjustments as specified in Basel III.

### Consumer Price Index (CPI)

The CPI measure changes in the cost of buying a representative fixed basket of goods and generally indicates inflation rate in the country. (Source: Pakistan Bureau of Statistics)

### Coupon Rate

Coupon rate is interest rate payable on bond's par value at specific regular periods. In PIBs they are paid on bi-annual basis.

### Call Deposits

These include short notice and special notice deposits

### Current Deposits

Non-remunerative Chequing account deposits wherein withdrawals and deposit of funds can be made frequently by the account holders.

### Contingencies

A condition or situation existing at date of Statement of Financial Position where the outcome will be confirmed only by occurrence of one or more future events.

### CAGR

An abbreviation for Compound Annual Growth Rate.

### Corporate Governance

It is "the system by which companies are directed and controlled" by the Securities and Exchange Commission of Pakistan. It involves regulatory and market mechanisms, which govern the roles and relationships between a company's management, its board, its shareholders and other stakeholders.

### Defined Contribution

A post employment benefit plan under which entity and employee pays fixed contribution into a separate entity (a fund) and will have no legal or constructive obligation to pay further contribution if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods.

### Derivatives

A financial instrument or a contract where;

- Its value is dependent upon or derived from one or more underlying assets.
- Requires no or very little initial net investment
- It is settled at a future date.

### Defined Benefits

In a defined benefit plan, an employer typically guarantees a worker a specific lifetime annual retirement benefit, based on years of service, final rate of pay, age and other factors. The risks of paying for the plan rest entirely with the plan.

### Deferred Taxation

Sum set aside for tax in financial statements that will become payable / receivable in a financial year other than current financial year due to differences in accounting policies and applicable taxation legislations.

### Discount rate

Discount is the rate at which SBP provides three-day Repo facility to banks, acting as the lender of last resort.

### Dividend Payout Ratio

Dividends (cash dividend plus bonus shares) paid per share as a fraction of earnings per share (EPS).

### Dividend Yield Ratio

Dividend per share divided by the market value of share.

### Earnings Per Share

Profit after taxation divided by the weighted average number of ordinary shares in issue

## Glossary of Financial & Banking Terms

Allied Bank Limited

### Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

### Euro-pay, Master-card and Visa (EMV)

EMV is a global standard for cards equipped with computer chips and the technology used to authenticate chip-card transactions.

### Finance Lease

Finance lease is the one in which risk and rewards incidental to the ownership of the leased asset is transferred to lessee but not the actual ownership.

### Fixed Deposits

Deposits having fixed maturity dates and a rate of return.

### Forced Sale Value (FSV)

Forced Sale Value means the value which fully reflects the possibility of price fluctuations and can currently be obtained by selling the mortgaged / pledged assets in a forced / distressed sale conditions.

### Forward Exchange Contract

Forward contracts are agreements between two parties to exchange two designated currencies at a specific time in the future.

### Gross Domestic Product (GDP)

GDP is a monetary value of all the finished goods and services produced in a country in a specified time period. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a country.

### Guarantees

A promise to answer for the payment of some debt, or the performance of some duty, in case of the failure of another person, who is, in the first instance, liable to such payment or performance.

### Historical Cost Convention

Recording transactions at the actual value received or paid.

### Impairment

Impairment of an asset is an abrupt decrease of its fair value and measured in accordance with applicable regulations.

### Interest Rate Swap (IRS)

An Interest Rate Swap (the swap) is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'Notional Principal' amount on multiple occasions during a specified period. The swap is usually "fixed to floating" or "floating to floating" exchanges of interest rate. As per the contract, on each payment date during the swap period, the cash payments based on difference in fixed/floating or floating / floating rates are exchanged by the parties from one another. The party incurring a negative interest rate differential for that leg pays the other counter-party.

### Interest Spread

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

### Interest in Suspense

Interest suspended on non-performing loans and advances.

### KIBOR – (Karachi Interbank Offered Rate)

KIBOR is the interbank lending rate between banks in Pakistan and is used as a benchmark for lending.

### LIBOR (London Interbank Offered Rate)

An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association.

### Liquid Assets

An asset that can be converted into cash quickly and with minimal impact to the price received.

### Market Capitalization

Number of ordinary shares in issue multiplied by the market value of share as at any cut-off date.

### Market Treasury bills (MTBs)

MTBs are negotiable debt instrument issued by State Bank of Pakistan on behalf of Government of Pakistan with tenors available in 3 months, 6 months and one year maturities.

### Materiality

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.

### Non-Performing Loan

A non-performing loan is a loan that is in default or close to being in default. Loans become non-performing in accordance with provision of prudential regulations issued by SBP.

### Non Performing Loan-Substandard Category

Where markup/interest or principal is overdue by 90 days or more from the due date.

### Non Performing Loan-Doubtful Category

Where markup/interest or principal is overdue by 180 days or more from the due date.

### Non Performing Loan-Loss Category

Where mark-up/interest or principal is overdue by one year or more from the due date and Trade Bill (Import/ Export or Inland Bills) are not paid/adjusted within 180 days of the due date.

### Nostro Account

An account held with a bank outside Pakistan.

## Glossary of Financial & Banking Terms

Allied Bank Limited

### Net Interest Income

The difference between what a bank earns on interest bearing assets such as loans and securities and what it pays on interest bearing liabilities such as deposits, refinance funds and inter-bank borrowings.

### Off Balance Sheet Transactions

Transactions that are not recognized as assets or liabilities in the statement of financial position but which give rise to contingencies and commitments.

### Organization of the Petroleum Exporting Countries (OPEC)

OPEC is a permanent intergovernmental Organization whose objective is to co-ordinate and unify petroleum policies among member Countries.

### Pakistan Investment Bonds (PIBs)

They are the long term coupon yielding instruments of the Government of Pakistan with tenors available in 3, 5, 10, 15 and 20 years.

### Prudence

Inclusion of degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, so that assets or income are not overstated and liabilities or expenses are not understated.

### Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

### Risk Weighted Assets

On Balance Sheet assets and the credit equivalent of off Balance Sheet assets multiplied by the relevant risk weighting factors.

### Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

### Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

### Return on Average Equity

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

### Return on Average Assets

Profit after tax divided by the average assets.

### Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the otherparty in making financial and operating decisions.

### Revenue Reserve

Reserves set aside for future distribution and investment.

### Subsidiary Company

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

### Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

### Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

### Weighted Average Cost of Deposits

Percentage of the total interest expensed on average deposits of the bank for the period.



Notes

# AGM

On Monday,  
April 09, 2018 at 11:00 am  
Pearl Continental Hotel, Lahore.



Form of Proxy  
72<sup>nd</sup> Annual General Meeting  
Allied Bank Limited

I/We \_\_\_\_\_ S/o/ D/o/ W/o \_\_\_\_\_  
of \_\_\_\_\_ being a  
member of Allied Bank Limited and holder of \_\_\_\_\_ ordinary shares as per share Registered Folio No. \_\_\_\_\_  
and/or CDC Participant ID No. \_\_\_\_\_ and Account/sub-account No. \_\_\_\_\_ do hereby appoint Mr./Mrs./Miss \_\_\_\_\_  
Folio No./CDC No. \_\_\_\_\_ of \_\_\_\_\_ failing him/her, Mr./Mrs./Miss \_\_\_\_\_ Folio No./ CDC No. \_\_\_\_\_  
of \_\_\_\_\_ as my/our proxy and to attend, act and vote for me/us on my/our behalf at the 72<sup>nd</sup> Annual General Meeting of  
the Bank to be held on Monday, the April 9, 2018 and at any adjournment thereof in the same manner as I/we myself/ourselves would vote if personally  
present at such meeting.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

**Witness**

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_



Signature  
The signature should  
agree with the specimen  
registered with the Company

**Witness**

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

**IMPORTANT NOTES:**

1. A member entitled to attend and vote at a meeting is entitled to appoint another person as a proxy to attend, speak and vote for him/her. The proxy appointed should be a member of Allied Bank Limited.
2. For additional copies of the instrument of proxy, the shareholder may use photocopies of the instrument.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting. In calculating the 48 hours, no account shall be taken of any part of the day that is not a working day.
4. **For CDC Account holders/Corporate Entities:**
  - i) Attested copies of Computerized National Identity Cards (CNIC) or the Passport of the beneficial owners and the proxy shall be provided with proxy form.
  - ii) The proxy shall produce his/her original CNIC or Passport at the time of meeting.
  - iii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures shall be submitted along with proxy form to the company.
5. If a member appoints more than one proxy and more than one instrument of proxies are deposited with the Share Registrar, all such instruments of proxy shall be rendered invalid.
6. Members are requested to immediately notify changes in their registered address, if any, to Bank's Share Registrar M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, S.M.C.H. Society, Main Shahrah-e-Faisal Karachi, before start of the book closure so that entitlement, if any, be dispatched at the correct address.

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**Company Secretary  
Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore - Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)

پراکسی فارم  
72 واں سالانہ اجلاس عام  
الائیڈ بینک لمیٹڈ

میں مسمیٰ / مسماة \_\_\_\_\_ ولد / زوجہ \_\_\_\_\_ ساکن \_\_\_\_\_ ضلع \_\_\_\_\_  
بحیثیت ممبر الائیڈ بینک لمیٹڈ اور حامل عام حصص برطابق شیئر رجسٹر فوئیو نمبر \_\_\_\_\_ اور ایسی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر \_\_\_\_\_  
محترم / محترمہ \_\_\_\_\_ فوئیو نمبر \_\_\_\_\_ اور ایسی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر \_\_\_\_\_ عدم دستیابی  
کی صورت میں محترم / محترمہ \_\_\_\_\_ فوئیو نمبر \_\_\_\_\_ اور ایسی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_ کو اپنے / ہمارے ایما پر بطور مختار (پراکسی) مقرر کرتا /  
کرتی / کرتے ہیں تاکہ وہ میری جگہ میری / ہماری طرف سے بینک کو اجلاس عام جو تاریخ 9 اپریل 2018ء بروز جمعہ منعقد ہو رہا ہے میں اور یا اس کے کسی ملوثی شدہ اجلاس میں شرکت  
کرے، بات کرے اور حق رائے دہی استعمال کرے بالکل اس طرح جیسے اگر میں / ہم خود اس جگہ موجود ہوتا / ہوتے۔

گواہ نمبر 1 \_\_\_\_\_ میرے دستخط بتاریخ \_\_\_\_\_ 2018ء  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_  
دستخط \_\_\_\_\_  
گواہ نمبر 2 \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_  
دستخط \_\_\_\_\_

پانچ روپے کا ریونیو سٹیپ

دستخط بینک میں رجسٹرڈ نمونے  
سے مطابقت رکھنے چاہیے۔

اہم نوٹ:-

- 1) اجلاس میں شرکت کرنے، ووٹ دینے کے اہل رکن کو اپنا / اپنی پراکسی مقرر کر سکتا ہے، جس کو شرکت کرنے، بولنے اور ووٹ دینے کا حق حاصل ہوگا۔ مقررہ پراکسی کو الائیڈ بینک لمیٹڈ کا ممبر ہونا چاہیے۔
  - 2) اگر کوئی شراکت دار رضامندی پراکسی فارم استعمال کرنا چاہے تو وہ اس فارم کی فوئیو کا پی استعمال کر سکتا ہے۔
  - 3) پراکسی مقرر کئے جانے سے متعلق دستاویز (INSTRUMENT) اور پاور آف اٹارنی (POWER OF ATTORNEY) یا دیگر کوئی اور اتھارٹی جس کے تحت اس پر دستخط کئے گئے ہیں یا اس پاور آف اٹارنی کی نوٹری سے تصدیق شدہ نقل کو موثر ہونے کے لئے الائیڈ بینک لمیٹڈ کے رجسٹرڈ آفس میں اجلاس کے وقت سے کم از کم 48 گھنٹے قبل لازماً جمع کروانا ہوگی۔ واضح رہے کہ 48 گھنٹے میں چھٹی کا دن شامل نہیں ہوگا
  - 4) سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لیے:
- \* مستفید مالکان کو شناختی کارڈ / پاسپورٹ کی تصدیق شدہ نقل پراکسی فارم کے ساتھ جمع کروانا ہوگی۔
  - \* اجلاس کے موقع پر پراکسی اپنا اصل شناختی کارڈ یا پاسپورٹ مہیا کرے گا / کرے گی۔
  - \* کارپوریٹ ادارہ ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ مخصوص دستخط کے ساتھ پراکسی فارم کے ساتھ کمپنی کو جمع کروانا ہوگی۔
- 5) اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور شیئر رجسٹر کے پاس رکن کی طرف سے پراکسی فارم کی ایک سے زائد دستاویزات جمع کرائی جاتی ہیں تو پراکسی کی ایسی تمام دستاویزات کا عدم تصور ہوں گی۔
  - 6) ممبران سے درخواست ہے کہ وہ اپنے رجسٹرڈ پتہ میں تبدیلی سے، اگر کوئی ہو، بینک کے شیئر رجسٹر اری میسرز سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-B، ایس ایم سی ایچ سوسائٹی مین شاہراہ فیصل، کراچی کو فوری طور پر مطلع کریں۔ ایسی درخواستیں کتب کی بندش سے قبل پہنچ جانا چاہئیں تاکہ استحقاق، اگر کوئی ہو تو، درست پتہ پر روانہ کیا جاسکے۔



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**Company Secretary  
Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore - Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)

www.jamapunji.pk

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

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-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device



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\*Mobile apps are also available for download for android and ios devices

