

# INNOVATIVE DIVERSIFICATION



“Amidst evolving customer needs,  
gaining competitive advantage  
requires innovative diversification  
of products, services, business  
processes and human resource  
competencies to realize the  
immense opportunities of digital  
technologies.”

# Highlights 2016

**8%**

Growth

Total  
Assets

**2016 : 1,069.6**

(2015 : 991.7)

Rs. in Billion

**13%**

Growth

Total  
Equity

**2016 : 100.7**

(2015 : 89.2)

Rs. in Billion

**6%**

Growth

Loans &  
Investments

**2016 : 920.1**

(2015 : 865.9)

Rs. in Billion

**10%**

Growth

Total  
Deposits

**2016 : 805.1**

(2015 : 734.6)

Rs. in Billion

**11.2**

Non Mark-up  
Income

(2015 : 9.8)

Rs. in Billion

**14.4**

Profit  
after Tax

(2015 : 15.1)

Rs. in Billion

**12.6**

Earning per  
Share

(2015 : 13.2)

Rupees

**20.3**

Return on  
Equity

(2015 : 23.3)

Percentage

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## Consolidated Financial Statements of Allied Bank Limited

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# Vision

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

# Mission

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

# Core Values

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

# Strategic Objectives

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

# 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 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. Allied Bank offers full suite of banking products and services through a large network of 1,150 (Conventional:1,071; Islamic:77; Overseas:1; EPZ:1) online branches in over 475 cities and towns. The Bank also have vast network of 1,150 ATMs in more than 250 cities and towns across Pakistan. Ibrahim Holdings (Private) Limited is the parent company of the Bank & its registered office is in Pakistan.

### ABL Asset Management Company Limited

Incorporated in: October 12, 2007

Holding: 100%

### Bahrain-Wholesale Banking Branch

Registered in: December 29, 2011

Commencement of Operations in:

July 02, 2012

### Karachi-Export Processing Zone Branch

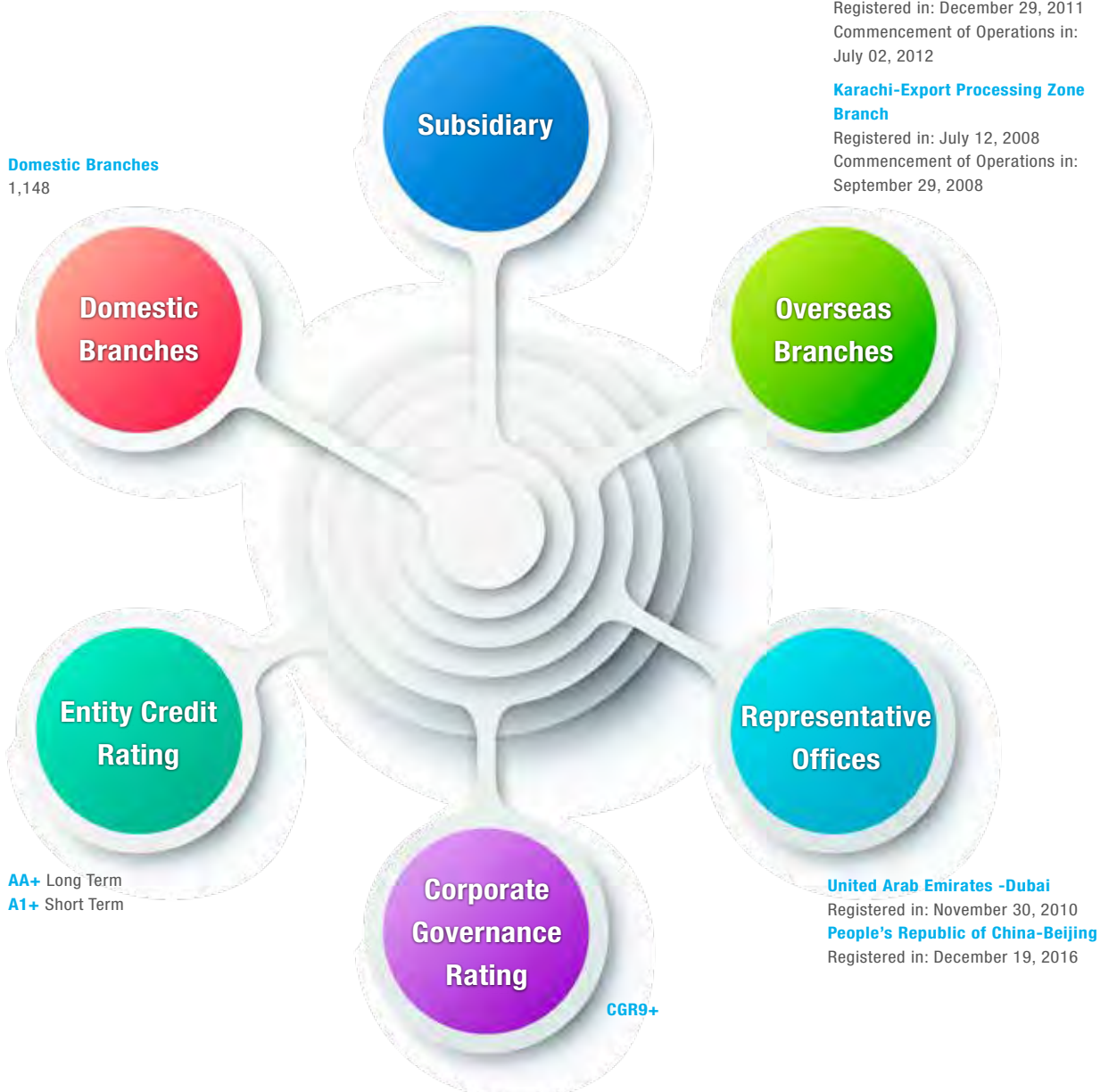
Registered in: July 12, 2008

Commencement of Operations in:

September 29, 2008

### Domestic Branches

1,148



## 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*

Muhammad Akram Sheikh

Mubashir A. Akhtar

## Human Resource & Remuneration Committee

Abdul Aziz Khan  
*Chairman*

Muhammad Waseem Mukhtar

Tahir Hassan Qureshi

## Shariah Board

Mufti Ehsan Waquar Ahmed  
*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

Technology Trade (Pvt.)  
Limited

## Website & Email

www.abl.com  
info@abl.com

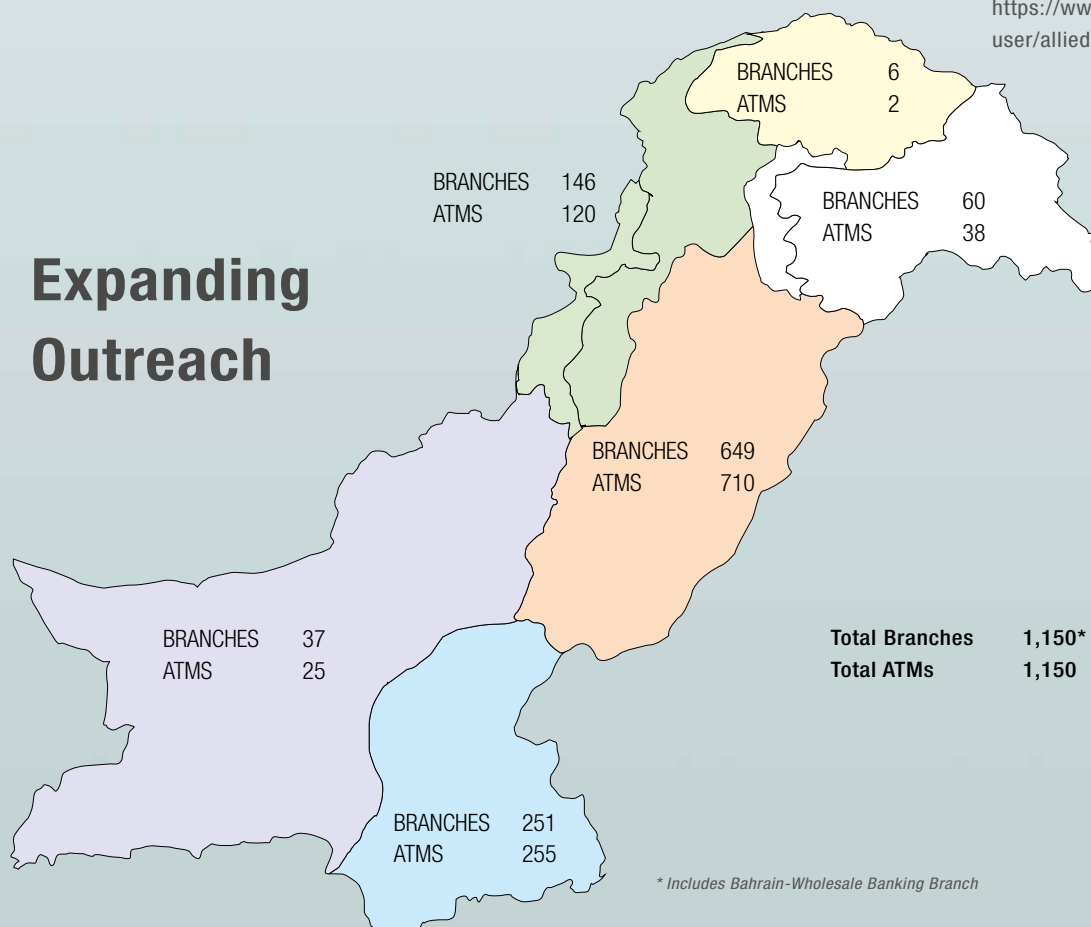
## Telephone Number

(+92-42) 35880043

## Social Media Links

[https://twitter.com/abl\\_pk](https://twitter.com/abl_pk)  
<https://www.facebook.com/alliedbankpk>  
<https://www.youtube.com/user/alliedbankltd>

## Expanding Outreach





# Key Milestones

- Reconstruction of Allied Bank of Pakistan Limited and handing over of its Management to Ibrahim Group.

## "Sharing wisdom, creating opportunities"

- Completed implementation of Oracle Financials Enterprise General Ledger.
- Merger of First Allied Bank Modaraba with Allied Bank Limited.
- Issued Listed Term Finance Certificates-I.
- Agreement with Temenos for acquisition of "T-24" banking solution.
- Introduced internet banking "Allied Direct".
- "Bank of the year 2006" by "The Banker" magazine published by Financial Times Business Limited, London, UK.
- "The Corporate Finance House of the Year, 2005-2006" award by CFA Association of Pakistan.

## "Crafting value, enhancing creativity..."

- Launched branch in Export Processing Zone-Karachi.
- "Deal of the Year 2008 – Pakistan" award by "The Banker", UK.
- "The Corporate Finance House of the Year, 2007-2008" award by the CFA Association of Pakistan.
- "Best Domestic Investment Bank in Pakistan 2008" by "The Asset" Magazine Hong Kong.
- "Best Equity House - Pakistan (2008)" in The Asset Asian Awards by "The Asset", Hong Kong.
- 2nd Position by Joint Committee of ICAP and ICMAP for the "Best Corporate Report Award".
- "Certificate of Merit" by the South Asian Federation Accountants (SAFA).

## "Rising to Challenges"

- "Best Domestic Bank – Pakistan" by "Asia Money".
- "Corporate Excellence Award" in financial institutions category for the second consecutive year by MAP.
- "Best Domestic Investment Bank in Pakistan 2010" by "The Asset", Hong Kong.
- "Corporate Finance Equity/Advisory House" by CFA Association of Pakistan.

04  
05

06

08  
09

10  
11

- Organizational re-structuring and re-branding by change of the name, from "Allied Bank of Pakistan Limited" to "Allied Bank Limited".
- Listing on all the three Stock Exchanges of Pakistan.
- Merger of Ibrahim Leasing Limited with Allied Bank Limited.
- Largest online network of over 700 branches around the country.

## "Because dreams never end..."

- Launched Asset Management Company-Wholly owned subsidiary.
- Ranked among the top 1,000 banks of the world by "The Banker", UK.
- "The Corporate Finance House of the Year, 2006-07" award by the CFA Association of Pakistan.
- 1st Position by Joint Committee of ICAP and ICMAP for the "Best Corporate Report Award".
- "Certificate of Merit" by the South Asian Federation Accountants (SAFA).

## "Delivering value to the people we serve..."

- Issued listed Term Finance Certificates –II.
- Best Domestic Investment Bank in Pakistan 2009 by "The Asset" Hong Kong.
- "Corporate Excellence Award" in financial institutions category by Management Association of Pakistan (MAP).
- "Best Bank" of 2009 by CFA Association of Pakistan.

## "aspire"

- Establishment of representative office in UAE-Dubai.
- License from Central Bank of Bahrain for "Wholesale Bank Branch".
- "Best Retail Bank in Pakistan – 2011" by "The Asian Banker".
- "Best Domestic Investment Bank of the Year - Pakistan" award by "The Asset" Hong Kong.
- "Highly Commended Islamic Project Finance Deal -2011" in the Assets Asian Awards 2011.
- "Bank of the Year in Pakistan" by "The Banker", UK.



### "Dreaming a dream together"

- Start of Operations of "Wholesale Bank Branch".
- Establishment of Islamic Banking Group.
- "Best Investment Bank in Pakistan – 2012" by "EUROMONEY" Magazine, UK.
- "Best Domestic Investment Bank, Pakistan-2012"; "Best Debt House, Pakistan-2012" and Best Deal, Pakistan-2012" by "The Asset", Hong Kong.

### "Expanding the possibilities"

- Achieved milestone of opening 1,000th branch during the year.
- Launched Islamic Banking.
- Launched smartphone application.
- Successfully migrated all branches to state of the art Temenos T24 core banking software.
- Awarded "Optimas Award – 2014 for Learning & Talent Development" by Workforce Magazine (USA).
- "Best Domestic Investment Bank in Pakistan – 2014" by "The Asset", Hong Kong.
- "Best Investment Bank in Pakistan – 2014" by the "EUROMONEY", UK.
- 2nd Position by Joint Committee of ICAP and ICMAP for the "Best Corporate Report Award".

### "Innovative Diversification"

- Ranked amongst top 3 primary dealers by State Bank of Pakistan.
- License to establish representative office in China-Beijing.
- Partnership with Mobilink to promote financial inclusion through enabling of domestic remittance services.
- Strategic Alliance with MasterCard to launch digital payment solutions.
- Pioneer launch of Pakistan's first PayPak Debit Card.
- "Best Corporate & Institutional Bank - Domestic, Pakistan" and "Best Loan House, Pakistan" by "The Asset", Hong Kong.

### Financial Calendar 2015

1st Quarter results issued on	April 23, 2015
2nd Quarter results issued on	August 05, 2015
3rd Quarter results issued on	October 22, 2015
Recommendation of Annual Results by the BOD	February 10, 2016
70th AGM Approved the Annual Results	March 28, 2016

12  
13

14  
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16

ABL

### "Apkai dil mai hamara Account"

- Implementation/ upgradation of Oracle Financials Enterprise (Version R-12).
- Completed implementation of Oracle Hyperion Planning (EPM/B1).
- Launched "Allied SMS Banking" Services.
- Awarded "Best Managed Bank Achievement Award 2013" by "The Asian Banker".
- "Best Domestic Investment Bank 2013 – Pakistan" by "The Asset", Hong Kong
- "Best Investment Bank in Pakistan – 2013" by "EUROMONEY", UK.
- Awarded "Certificate of Merit" for Annual Report 2013 by SAFA.
- 2nd position in "Corporate/Sustainability Reporting Awards 2013" from joint committee of ICAP/ICMAP.

### "The Bigger picture"

- Achieved Primary Dealer status for dealing in government securities from State Bank of Pakistan.
- Achieved milestone of installation of crossing 1,000 ATMs with industry leading uptimes.
- "Best Investment Bank in Pakistan-2015" by the "EUROMONEY", UK.
- "Strongest Bank by Balance Sheet in Pakistan award" by "The Asian Banker".
- "The Best Enterprise for Human Resource Development" by The Employers' Federation of Pakistan.
- "Best Corporate Finance House" and "Bank of the Year (Large Bank)" by CFA Society of Pakistan.
- 3rd Position by Joint Committee of ICAP and ICMAP for the "Best Corporate Report Award".

### Financial Calendar 2016

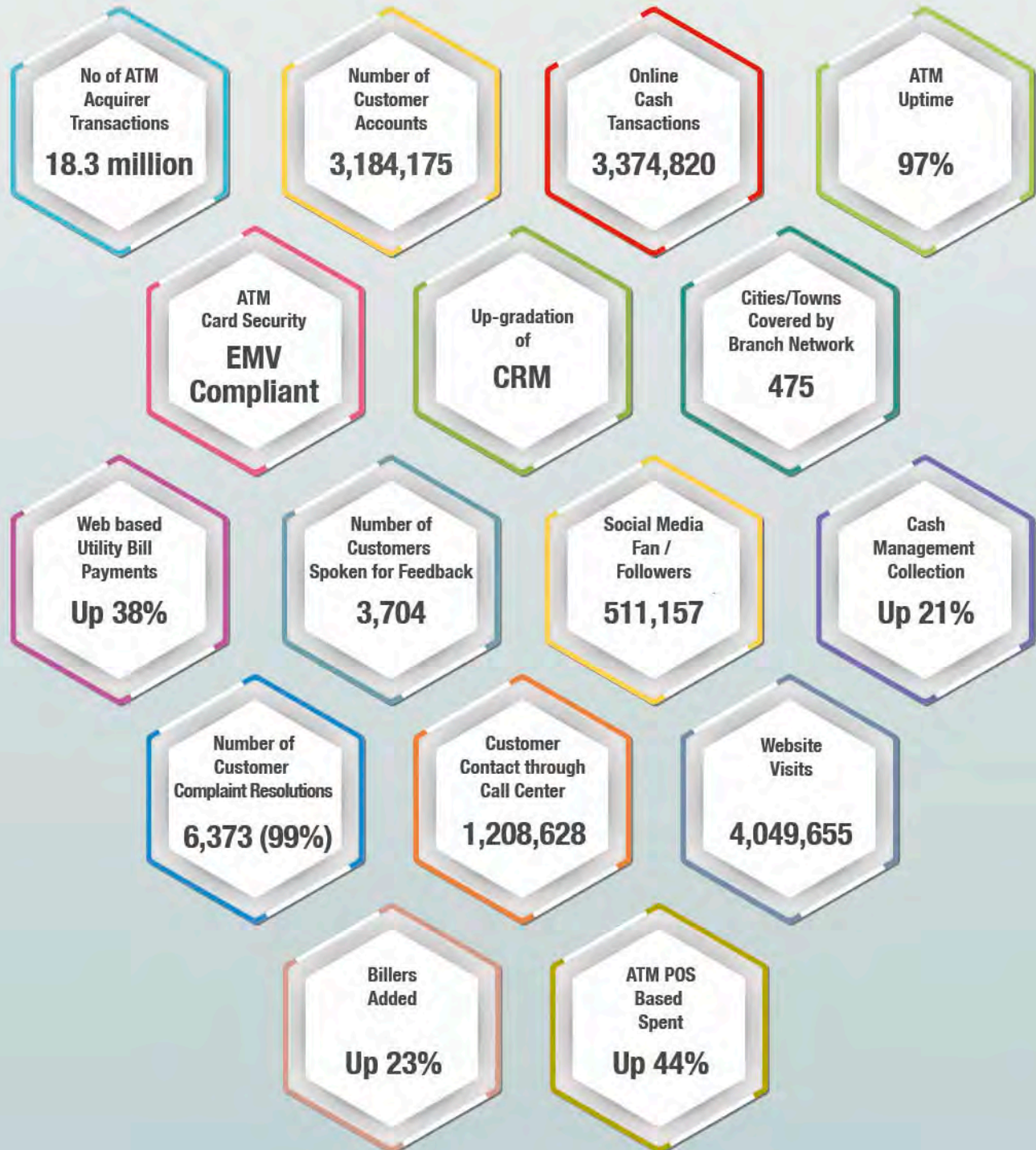
1st Quarter results issued on	April 26, 2016
2nd Quarter results issued on	August 10, 2016
3rd Quarter results issued on	October 21, 2016
Recommendation of Annual Results by the BOD	February 09, 2017
71st AGM Scheduled for Approval of Annual Results	March 28, 2017

# Human Resources





# Service Delivery



# Board of Directors

## Mohammad Naeem Mukhtar

*Chairman / Non-Executive Sponsor Director*

He is Chairman of the Board of Allied Bank since 2004. He is MBA from Cardiff Business School UK, Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (CText ATl) from The Textile Institute in Manchester UK. He has 31 years of experience of finance and 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 and Karachi Education Initiative and Member Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS). 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 55 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 19 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, HUBCO and Arabian Sea Country Club.

## Abdul Aziz Khan

*Non-Executive Director*

He has enriched and diversified experience of more than 53 years in the fields of General Banking, Credit, Lease Finance, Business Development and Administration including 9 years 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 50 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 (Hilal-e-Imtiaz) has over 51 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 Triconboston 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 31 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 & 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 & non-listed companies and financial institutions.

He is a Fellow member of Institute of Chartered Accountants in England & Wales (ICAEW) as well as Fellow of the Institute of Chartered Accountants of Pakistan (ICAP) and 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.

## 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 28 years including over 23 years of experience in the banking industry where he has held senior management positions. He has served on various Committees of the Institute of Chartered Accountants of Pakistan 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 Institute of Chartered Accountants of Pakistan (ICAP) and is Bank's nominee on the Boards of Directors of Habib Allied Holding Limited - UK, ABL Asset Management Company Limited and 1Link (Guarantee) Limited.





*Front Row (Left to Right)*

Muhammad Waseem Mukhtar  
 Sheikh Mukhtar Ahmad  
 Mohammad Naeem Mukhtar  
 Abdul Aziz Khan

*Back Row, (Left to Right)*

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

# Board Committees

## Audit Committee of the Board

Constitution:	Terms of Reference
<p><b>Zafar Iqbal</b> <i>Chairman</i></p> <p><b>Dr. Muhammad Akram Sheikh</b> <i>Member</i></p> <p><b>Mubashir A. Akhtar</b> <i>Member</i></p>	<p>Primary responsibilities of the Audit Committee of the Board (ACOB) are to determine appropriateness of measures taken by the Management to safeguard Bank's assets, review financial statements focusing on major judgmental areas, significant adjustments, going concern assumption, any change in accounting policies, compliance with applicable statutory and regulatory requirements and related party transactions. Recommend appointment of the external auditors and also coordinate with them to fulfill statutory and Code of Corporate Governance requirements. The Committee is inter-alia responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. ACOB is also responsible for keeping an oversight and quarterly review of the Internal Controls over Financial Reporting and review of all findings of SBP Inspection Report, Management Letter by external auditors and weaknesses identified in internal controls by Audit &amp; 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.</p>

## Board Risk Management Committee

Constitution:	Terms of Reference
<p><b>Sheikh Mukhtar Ahmad</b> <i>Chairman</i></p> <p><b>Muhammad Waseem Mukhtar</b> <i>Member</i></p> <p><b>Abdul Aziz Khan</b> <i>Member</i></p> <p><b>Tahir Hassan Qureshi</b> <i>Member</i></p>	<p>The primary functions of Board Risk Management Committee (BRMC) are the 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, the 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 the BRMC.</p>

## e-Vision Committee

Constitution:	Terms of Reference
<p><b>Mohammad Naeem Mukhtar</b> <i>Chairman</i></p> <p><b>Dr. Muhammad Akram Sheikh</b> <i>Member</i></p> <p><b>Mubashir A. Akhtar</b> <i>Member</i></p> <p><b>Tahir Hassan Qureshi</b> <i>Member</i></p>	<p>One of the key function of the e-Vision Committee is to provide strategic direction for e-banking and adoption of evolving technologies for providing new products and better services to its customers and to improve internal control environment. Review of strategic plans to improve IT infrastructure and automation of processes and systems including alternate delivery channels are within the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board with insights regarding international developments in the field of e-banking evolving technologies for adoption; keeping in view the Bank's requirements. It also oversees performance of Information Technology function.</p>



## Strategic Planning & Monitoring Committee

Constitution:	Terms of Reference
<b>Muhammad Waseem Mukhtar</b> <i>Chairman</i>	<p>The Strategic Planning &amp; 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, Retail Banking, Commercial Banking, Islamic Banking, Treasury, Finance, Banking Services, Corporate Affairs and Real-estate, Engineering &amp; Infrastructure functions of the Bank.</p>
<b>Abdul Aziz Khan</b> <i>Member</i>	
<b>Mubashir A. Akhtar</b> <i>Member</i>	
<b>Tahir Hassan Qureshi</b> <i>Member</i>	

## Human Resource and Remuneration Committee

Constitution:	Terms of Reference
<b>Abdul Aziz Khan</b> <i>Chairman</i>	<p>The Human Resource and 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 &amp; development budget and implementation of approved training &amp; development policy. The Committee nominates the Bank's directors and management personnel on the boards of other companies / subsidiaries. HRRC also recommends amendments in Human Resource related policies to the Board, besides monitoring performance of Human Resource Committee and Human Resource function.</p>
<b>Muhammad Waseem Mukhtar</b> <i>Member</i>	
<b>Tahir Hassan Qureshi</b> <i>Member</i>	

## Board of Directors and Board's Committees Attendance during 2016

Name	Board of Directors	Audit Committee of the Board	Board Risk Management Committee	Strategic Planning & Monitoring Committee	e-Vision Committee	Human Resource & Remuneration Committee
Mohammad Naeem Mukhtar	5/5	x	x	x	4/4	x
Sheikh Mukhtar Ahmad	4/5	x	4/4	x	x	x
Muhammad Waseem Mukhtar	2/5	x	4/4	9/9	x	6/6
Abdul Aziz Khan	5/5	x	3/4	8/9	x	6/6
Mubashir A. Akhtar	5/5	6/6	x	9/9	4/4	x
Dr. Muhammad Akram Sheikh	4/5	5/6	x	x	3/4	x
Zafar Iqbal	5/5	6/6	x	x	x	x
Tariq Mahmood (CEO)*	5/5	x	4/4	9/9	3/4	5/6
<b>Total Number of meetings held during 2016</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>9</b>	<b>4</b>	<b>6</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. | \* Term completed on December 31, 2016.

# Chairman's Message

2016 marked another challenging year for the world economy with stagnant global trade, subdued investment and heightened policy uncertainty.

According to IMF, global growth estimated at just 3.1% for 2016, is expected to slightly rebound to 3.4% in 2017.

Domestic demand in UK held up better than expected in the aftermath of the Brexit and activity rebounded strongly in the United States after a weak first half.

However, uncertainty surrounding the policy stance of the new U.S. administration may result in divergent possible outcomes around the aforementioned projections.

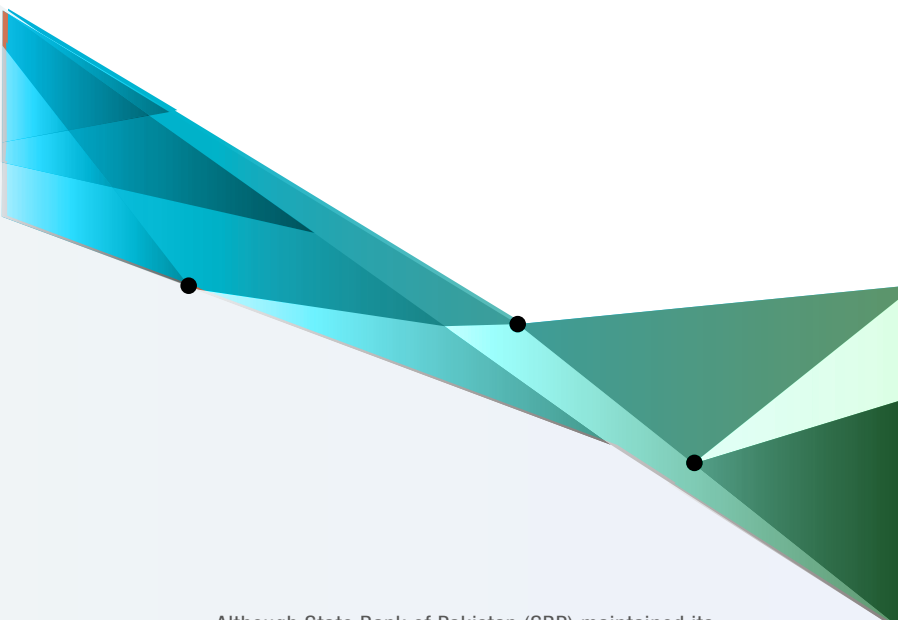
Significant realignments particularly in emerging and developing economies including rebalancing in China along with macroeconomic and operational fallout of volatile commodity markets led to a persistent decline in trade volumes. Depressed investment flows and changing regulatory/policy frameworks remain key challenges towards significant growth stimulus.

After witnessing significant dip with a low of US\$ 23 per barrel, oil prices recovered to US\$ 50-55 per barrel during 2016. OPEC and 11 Non-OPEC nations' decision to cut oil production by 1.2 million barrels a day partially assisted in reversing the prevailing global supply glut sentiments. Though proving to be a challenge for oil

exporting countries, depressed oil prices favored oil importing countries including Pakistan in the balance of payment as well as ingraining fiscal discipline.

Domestic challenges pertaining to socio-economic and business environment persisted during 2016; particularly relating to viable energy provision constraints, delicate security situation, rise in undocumented economy and broadening of tax base. Country needs to stay on course of macro-economic and structural reforms, which are critical for fiscal and economic sustainability and investment growth.

Despite these significant challenges, external factors driven primarily by lower global oil prices, Pakistan's macroeconomic indicators depicted positive trend with subdued inflation, strengthened foreign exchange reserves and slight boost in Foreign Direct Investment (FDI) primarily stemming from CPEC related projects and uptick in merger and acquisition activity in power, food and home appliances sectors. After a docile 2015 with just 2% growth, Pakistan Stock Exchange outperformed regional markets to increase by 46%; reaching all time high of 47,807 points during 2016 and subsequently crossing the 50,000 mark in early 2017. As Pakistan's entry in to MSCI's Emerging Market index in May 2017 draws nearer, capital markets depict a favorable short term outlook. Lack of growth in exports since FY 2013-14, remains major area of concern; while Pak Rupee's growing disparity between open market and inter-bank rates against US\$ is also depicting an ominous situation.



Although State Bank of Pakistan (SBP) maintained its accommodative monetary policy stance during the year, credit appetite broadly remained passive during the year, but displayed signs of recovery at end-December 2016. With unbanked population estimated at 87%, Pakistan ranks amongst the lowest in terms of Private Sector Credit to GDP ratio in the region which stands at meager 15% highlighting the major gap that exists between Banks – the financial intermediaries and the general public. The enormous size of undocumented economy in the country forces undocumented firms to rely on trade credits/loan sharks, which charge interest at unviable rates ranging between 36%-50%; significantly curtailing their growth potential. Despite numerous amnesty schemes, unwillingness by the businesses to register for tax purposes remains the key reason driving public away from banks for utilization of banking facilities.

Furthermore, withholding tax imposed on banking sector transactions has also aggravated the problem, with lack of broad based growth in private sector credit appetite amidst historically low benchmark rates.

With resultant pressure on mobilization of low / no cost deposits, banking sector margins continues to shrink accordingly; simultaneously affecting the sector's bottom line while reducing contribution towards the national exchequer. The continuation of the aforementioned taxation regime is becoming a challenge for the implementation for the National Financial Inclusion Strategy adopted by the government in 2015; envisaging formal financial access to 50% of the population by 2020.

Rising costs of doing business, maturity of high yielding government bonds and continuation of Super tax, also pose significant threat to industry profitability in the short term. In an effort to overcome the aforementioned challenges, Your Bank



# Chairman's Message (Contd.)

adopted a cautious approach for deriving stable performance while keeping in view long term strategic vision.

With continuous focus towards retention of 'Preferred Choice Bank' for valued customers, Your Bank undertook various ongoing strategic initiatives including gradual introduction of digital banking products/services suite, technology driven trade portal solutions, enhanced information security measures for products/services, upgrade of core-banking system, focused expansion in delivery channels, enhanced automation and centralization of workflows along with continuous induction and development of highly skilled human capital for the fast approaching digital age.

During 2016, Your Bank entered in to an agreement with the country's largest Telecommunication company for the launch of mobile wallet services; thereby initiating to facilitate financial inclusion.

Strategic partnership with MasterCard was also established by signing Memorandum of Understanding during the year; under this collaboration premium cards, digital payment and remittance products shall be introduced for the customers. Pakistan's low ranking in Global Connectivity Index 2016 highlights the vast potential in Digital Banking, while at the same time reflects the immense challenges towards transformation from infancy to pioneer stage.

Your Bank's superior asset quality, depicted by highest coverage ratio and one of the lowest infection ratio in the industry, diverse revenue streams and robust equity base contributed towards maintaining a strong Balance Sheet with stable profitability despite facing numerous challenges.

During the year, overall Balance Sheet and total Equity size of the Bank crossed the significant milestone of Rs.1,000 billion and Rs.100 billion mark respectively.

The drive to implement expansion in outreach was maintained during the year.

Your Bank added 100 new branches to expand its vast network across Pakistan to 1,150 branches with emphasis on maintaining mix of urban and rural branches.

In addition, by augmenting alternate delivery channels Your Bank achieved 1:1 coverage ratio with respect to its ATMs and branch network.

Deployment of 208 off-site ATMs at strategic locations keeping in view customers' convenience has enhanced the Bank's presence and brand image.

Globally, Islamic Banking continues to grow rapidly with steady strides in the domestic market as well. In order to cater to the needs of growing Islamic Banking segment, Your Bank has successfully expanded its network to dedicated 77 Islamic Banking branches across Pakistan in a span of approximately two years.

International footprint of Your Bank maintained its steady performance during the year with focus on augmenting trade and remittance based businesses.

During 2016, Your Bank achieved major milestone in its endeavors for international expansion when State Bank of Pakistan (SBP) and China Banking Regulatory Commission (CBRC) granted license for opening of Representative Office in China.

This will assist in harnessing the benefits from potential bilateral trade and business opportunities arising from CPEC.

Developing a highly skilled and capable workforce with upcoming Digital Age in perspective remains one of the key objectives of Your Bank.

Specialized in-house and external training programs were conducted to equip and reinforce the existing and

new workforce with modern banking and soft skills concepts; with emphasis on technology awareness. In an environment increasingly challenged by digital disruptions, persistent efforts are being made to develop a dynamic and progressive work force competent to deliver in the twenty first century.

In this regard, international training programs from the world's leading universities were also arranged for senior and middle management further enhancing knowledge base of the Bank.

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

Acknowledging the sound business and governance performance, Pakistan Credit Rating Agency (PACRA) maintained the long-term rating of Allied Bank at "AA+" and short term rating at "A1+". During 2016, JCR-VIS Credit Rating Company Limited upgraded Your Bank's Corporate Governance rating to "CGR-9+" indicating very high level of corporate governance.

## Future Outlook

Pakistan's economic growth outlook is expected to remain on track, crossing 5% in FY2016-17 driven by rising infrastructure spending, low commodity prices and gradually improving security situation boosting investor confidence. While sustained efforts have been made with relative success to accomplish economic reforms planning including Vision 2025, actual implementation is imperative for broad based economic growth. Considering the gravity of the situation especially with reference to the fiscal challenges, Your Bank intends to actively assist in the tax reforms agenda of the Government of Pakistan through

regular interaction with the relevant policy makers and submission of long term actionable points being mindful of the ground realities.

Legislative/fiscal reforms, provision of viable energy solutions and competitiveness of the private sector along with manpower development at the international level, remain the key areas where the focus of the reforms agenda needs to be maintained. The country's population is expected to double by 2050, major investment in population especially youth needs to be undertaken. Health, education, social awareness, women empowerment and nutrition are key areas where investment can augment future growth prospects. Provision of cost efficient and green sources of energy, water and security are entwined factors of production necessary for enhancing the country's overall competitiveness.

Pakistan's economy can harness the positive potential of Chinese flows resulting from China Pakistan Economic Corridor (CPEC), multi-billion infrastructure development projects focusing on uplift of power sector, industrial parks and economic zones; to raise living standards and share prosperity while mitigating the associated risks and challenges being posed to the protection of domestic industry.

In a business environment increasingly impacted by digital disruptions; information and communication technologies are gaining enhanced significance as new digital technologies persistently challenge conventional business models. Amidst these evolving customer needs, gaining competitive advantage over the peers requires innovative diversification of products, services, business processes and human

resource competencies to gradually realize the immense opportunities of digital technologies. Accordingly, the Omni channel business model being adopted by global banks is enabling seamless customer experience across conventional and digital channels. A new genre of industry is developing; facilitating diverse range of financial transactions while utilizing latest technology platforms. This combination of Finance and Technology (FinTech) is set to transform business of banking in years to come.

Your Bank's strategy envisions the rapid changes to the operating environment going forward. Investment in latest technology driven innovations facilitating deepening of relationships and higher share of customer wallet, pre-emptive risk management to mitigate evolving risks and transparent corporate governance are expected to facilitate in achieving the desired goals. Enhancing outreach remains a cornerstone of our strategy. While the Brick and Mortar branch model is being replaced by concept of "Smart Branches" globally, Pakistan's vast unbanked population still justifies conventional branch expansion plans; duly embedded in Bank's strategy. Your Bank shall further augment the unique initiative for provision of Bank managed warehouses to mitigate inherent risk associated with the pledge financing. Growth of Digital banking shall require enhancing the financial literacy of both the bankers and the banked population in Pakistan; the banking sector with its vast outreach and customer base can be the key facilitator in delivering this mindset change. Accordingly, in order to facilitate imparting of modern concepts, broadly covering areas of management structures, leadership, business strategies and technological

innovations, to Bank's employees as well as Obligors through a dedicated Management Development Complex shall be a major endeavor which Your Bank intends to undertake in future.

The financial inclusion gap remains extensive in Pakistan and only through wholeheartedly embracing technological advancements and innovation; much needed change can be accomplished.

Your Bank shall also be achieving a significant milestone of 75th anniversary during 2017. Growing exponentially since re-capitalization in 2004; strong emphasis needs to be maintained for capitalizing on successes of past years while pro-actively taking on the multi-faceted challenges ahead.

Lastly, I would like to express gratitude to all our stakeholders including Board of Directors for providing invaluable foresight, Securities and Exchange Commission of Pakistan and State Bank of Pakistan for continued support and guidance.

**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, 2016. The operating results and appropriations, as recommended by the Board are included in the appended table:

The Board of Directors has proposed a final cash dividend of Rs.1.75 per share (aggregate cash dividend of Rs.7.25 per share including interim dividends). This, together with the interim dividends declared during 2016, will be approved in the forthcoming Annual General Meeting.

## Macroeconomic Developments

Gradual consumption driven resurgence bolstered economic growth during FY 2015-16; with GDP growth recorded at 4.7% (FY 2014-15: 4.2%) being the highest in previous eight years. However, significant challenges including volatile security situation, stagnant energy shortages, tough regulatory environment, continuous pressure on exports and falling home remittances, low tax and private sector credit to GDP ratios, soaring budget deficit, persistently low foreign direct investment (FDI) prevailed during the period under review; ultimately hindering the Government's desired growth target of 5.5%. External operating environment on the contrary became favorable for the economy as the dip in international oil prices pushed inflation to 47-years' low of 2.9% during FY 2015-16. Amidst, contained balance of payment deficit, foreign exchange reserves reached all-time high of US\$24.1 billion during 2016. Sustained broad based growth remains contingent upon consolidating structural reforms along with focused approach towards enhanced competitiveness in the private sector in

sync with the rapidly changing economic and social landscape.

Despite the positive growth in overall GDP, the challenging operating environment for the banking sector continued during 2016; emanating from historically low benchmark interest rates coupled with low private sector credit appetite, resulted in further erosion in the interest rate spread to an all-time low of 5.02% as at end-December 2016. Depressed commodity prices along with sustained demand slump in key export markets; along with maturity of Rs 1,425 billion of high yielding government securities augmented the pressure on the yield on earning assets. Simultaneously aggressive withholding tax regime continued to concurrently impact the mobilization of low cost funding while remaining a major hindrance in financial inclusion of the unbanked population.

## Financial Performance

Your Bank's multi-faceted strategy of diversifying the business mix and sustained focus on deepening our low-cost deposit base enabled steady performance despite the aforementioned challenges. The Bank's core retail business continues to grow steadily, supported by an expanding network of 1,150 online branches and ATMs. The investments in relevant technologies geared towards enhancing our customer-centric approach, robust risk management framework and the right talent enabled sustained profitability during 2016. Focus on gradual introduction of Digital Banking products and services remain a key growth driver for future.

Despite the pressure on net spreads in an increasingly competitive market, volumetric growth of average earning assets along with increase in non-markup income enabled Your Bank in posting Profit after Tax of Rs.14,427 million as compared to Rs. 15,120 million in 2015. The promulgation of one-off super tax in Finance Act 2015 at the rate of 4%

of previous year's taxable income was unexpectedly maintained during the year, leading to additional prior year tax charge of Rs.950 million. Resultantly, effective tax rate stood at 39.5%. Excluding the impact of prior year tax charge, Profit after tax amounts to Rs. 15,377 million. The EPS of Your Bank stood at Rs.12.60 per share as compared to Rs.13.20 per share in 2015. Excluding the impact of prior year tax charge, the Bank's EPS improves to Rs.13.43 per share. During 2016, Return on Assets (ROA) and Return on Equity (ROE) stood at 1.4% and 20.3% respectively; excluding prior year tax charge, the ROA and ROE improves to 1.5% and 21.6% respectively. The Bank's ROA and ROE remained well-above September 2016 industry's average of 1.3% and 14.2% respectively.

Quality credit opportunities still remain elusive amidst intense competition due to relatively stagnant private sector credit appetite. Your Bank's Gross Advances accordingly grew by Rs.8,245 million to close at Rs.349,015 million. Surplus net resources were diverted towards investments which increased to Rs.589,865 million.

Despite the intense competition for low/no cost deposits and the sectorial challenges due to withholding tax regime for non-income tax return filers, the Bank posted healthy growth in deposits of 10% which reached Rs.805,111 million at end-December 2016 while at the same time improving the CASA percentage to 78% as at December 31, 2016 as compared to 73% as at December 31, 2015.

The overall Balance Sheet size of Your Bank surpassed Rs.1,000 billion mark and reached Rs.1,070 billion – an increase of 8% against 2015. Total Equity of the Bank also crossed the Rs.100 billion milestone and increased by 13% to close at Rs.100,674 million as compared to Rs.89,256 million as at December 31, 2015. Despite perpetual pressure on interest rate spreads and significant maturities in high yielding government bonds,



	Year ended December 31, 2016                      2015		Growth
	Rs. In Million		(%)
<b>Profit after tax for the year</b>	<b>14,427</b>	<b>15,120</b>	<b>-5%</b>
Accumulated profits brought forward	41,416	37,054	12%
Effect of re-measurement of defined benefit plans-net of tax	289	(1,043)	128%
Transfer from surplus on revaluation of non-banking assets to un-appropriated profit - net of tax	45	—	100%
Transfer from surplus on revaluation of fixed assets - net of tax	58	99	-42%
<b>Profit available for appropriation</b>	<b>56,235</b>	<b>51,230</b>	<b>10%</b>
Final cash dividend for the year ended December 31, 2015 at Rs. 1.75 per ordinary share(2015: Year ended December 31, 2014 at Rs. 2.00 per share)	(2,004)	(2,290)	-12%
1st interim cash dividend for the year ended December 31, 2016 at Rs. 1.75 per ordinary share (2015: Rs. 1.75 per share)	(2,004)	(2,004)	0%
2nd interim cash dividend for the year ended December 31, 2016 at Rs. 1.75 per share (2015: Rs. 1.75 per share)	(2,004)	(2,004)	0%
3rd interim cash dividend for the year ended December 31, 2016 at Rs. 2.00 per share (2015: Rs. 1.75 per share)	(2,290)	(2,004)	14%
Transfer to statutory Reserves	(1,443)	(1,512)	-5%
<b>Accumulated profits carried forward</b>	<b>46,490</b>	<b>41,416</b>	<b>12%</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>12.60</b>	<b>13.20</b>	<b>-5%</b>

the net mark-up income stood at Rs.33,261 million. The focused approach towards expansion in low/no cost deposit base contributed significantly towards stemming the possible higher deterioration in Net Interest Margin.

Your Bank's non-interest income increased by 15% in 2016 to close at Rs.11,210 million. Fee based income increased by 12% to reach Rs.4,014 million. The Bank's blue-chip equity portfolio continue to yield significant revenue streams with the dividend income increasing by 7% to reach Rs.3,776 million. Further capitalizing from Bank's "Primary Dealer" status, capital gains of Rs.2,598 million were realized from active interbank trading in government securities during 2016; as compared to Rs.769 million realized in 2015. The healthy growth in fee income and capital gains also compensated for lower income from dealing in foreign currency due to relatively stable Swap curve and lower other income due to booking of compensation for delayed tax refund of Rs.820 million in 2015 respectively.

Your Bank's continuous investment towards expansion of outreach, innovative technologies, Digital Banking platforms and Alternate Delivery Channels

along with related human resources costs resulted in administrative expenses to close the year at Rs. 20,309 million.

Utilizing the technology driven robust Risk Management Framework, Your Bank secured reversal in provision against advances of Rs. 335 million during 2016 as compared to reversal of Rs. 288 million in 2015. No benefit of FSV was taken while determining the provision against NPLs as allowed under BSD Circular No. 01 of 2011 dated October 21, 2011. The Loan Loss Coverage ratio of the Bank improved from 87.5% as at December 2015 to 91.9% as at December 31, 2016 while the infection ratio also reduced from 6.4% as at December 2015 to 5.9% as at December 2016. The asset quality ratios of the Bank remain one of the best within industry and well above the September 2016 average industry coverage ratio of 82.7% and infection ratio of 11.3% respectively. Net provision charge against investments amounted to Rs. 75 million as against Rs. 1,812 million last year; which was mainly on account of impairment against oil stocks.

Your Bank's Capital Adequacy Ratio (CAR) remains well above the requirements stipulated by State Bank of Pakistan. CAR under Basel III convention on standalone and consolidated basis stood at 20.84%

and 20.88% respectively, against requirement of 10.65%. The Bank's well capitalized position is reflected by strong Common Equity Tier ratio (CET) and Tier 1 ratio (CET1) which stood at 16.36% against requirement of 6.0% and 7.5% respectively.

## Sponsor Shareholding

During the year under review the shareholding of the sponsors comprising of 84.35% in Allied Bank Limited have been transferred to M/s Ibrahim Holdings (Private) Limited to form a group (the Group) under the Group Companies Registration Regulations, 2008 (the Regulations); accordingly Allied Bank Limited has become a subsidiary of M/s Ibrahim Holdings (Private) Limited. On February 2, 2017 the Bank and its subsidiary ABL Asset Management Company Limited were registered under the Regulations as Group with M/s Ibrahim Holdings (Private) Limited being the Holding Company.

## 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:

# Directors' Report (Contd.)

- 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 except note 5.1 (Change in accounting policies) of the appended 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 there from 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 year are attached.
- The value of investment of Pension Fund, Provident Fund and Gratuity Fund is Rs.6,119 million, Rs.7,715 million and Rs. 1,933 million respectively, as per audited accounts of these funds for the year ended December 31, 2016.
- 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, 2016.

## 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

Your 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 took several steps in 2016 to further strengthen the risk management framework, for example:

- Upgraded the loan origination module of Risk Assessment and Management System (RAMS) by automating credit approval workflows for agriculture financing products. With implementation of these modules, the Bank has achieved automation of its entire credit portfolio.
- Strengthened credit risk assessment through implementation of the facility risk rating model in RAMS. The model is embedded in the loan origination module and assigns risk rating to facilities, based on their inherent features and duly adjusts the same on the basis of the nature of offered collaterals.
- Integrated the technical plant visit assessment results with the Bank's Obligor Risk Rating (ORR) model, which ensures that due weightage of technical evaluation conducted by the technical appraisal team is seamlessly incorporated in the latest ORR of obligors.
- Developed an automated workflow for issuance of disbursement authorization certificates in RAMS. Through this initiative RM endeavors to make the credit disbursement process further transparent and efficient.
- Continued the trend of engaging with the obligors to provide them with latest insight on business management and strategies and accordingly, during 2016 organized 3 interactive seminars for corporate, commercial and SME obligors on the following topics:
  - Evolution of corporate governance and growth
  - Corporate governance and macroeconomic challenges for growth

Your 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.

## Entity Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term rating of Allied Bank at “AA+” (Double A Plus). The short term rating of the Bank remained at “A1+” (A One Plus).

## Corporate Governance Rating

JCR-VIS Credit Rating Company Limited has upgraded the Corporate Governance Rating of Allied Bank Limited as ‘CGR 9+’ from the previous rating of ‘CGR 9’. The upgraded rating denotes ‘very high level of corporate governance’. The rating is based on the continued commitment of the Board and management of Your Bank towards a sound governance framework.

## Board of Directors

As more fully 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 due to having prescribed education / experience.

The Board of Directors would like to place on record its sincere appreciation to the outgoing CEO Mr. Tariq Mahmood for his invaluable services. The Board of Directors also welcomes the incoming CEO Mr. Tahir Hassan Qureshi, having vast professional experience and prolonged association with the Bank.

## Performance evaluation Mechanism for the Board

Board of Directors (BOD), while ensuring regulatory compliance, is also vested with the fiduciary responsibility on behalf of the shareholders for protecting Bank’s interests, providing strategic direction and monitoring the achievement of strategic objectives. The Companies Ordinance 1984, Banking Companies Ordinance 1962 and SBP’s Prudential Regulations describes the role of the

Board along with Code of Corporate Governance (The Code) in which responsibilities and functions of the Board are well defined. As required under the Code, the Board, in 2014, put in place an effective mechanism for monitoring its performance.

In the year 2016, SBP vide BPRD Circular No. 11 dated August 22, 2016, issued detailed Guidelines regarding Performance Evaluation of Board of Directors. According to these Guidelines, Board of Directors was required to carry out its own performance evaluation, besides, the performance evaluation of different categories of the Board Members and the Board Committees.

As required under the above referred SBP circular, the Board reviewed Bank’s existing mechanism and decided to opt for in-house approach with quantitative technique. Accordingly, the Board Members 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.

Responses/Feedback from the directors on each of the categories (except Chairman) were compiled and submitted to the Chairman. The Chairman discussed the results/findings with each Individual Board Member. The authorized independent director communicated the feedback in respect of the Chairman for incorporation in consolidated Performance Report.

The said Report comprising of consolidated evaluation results and the Action Plan forwarded by the Chairman of the Board submitted to the Board of Directors for its consideration.

## 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

There have not been any material events that occurred subsequent to the date of the Statement of Financial Position that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

## Acknowledgments

On behalf of the Board and the Management, I would like to place on record my appreciation to our valuable customers and shareholders for their belief in Allied Bank, Securities and Exchange Commission of Pakistan, State Bank of Pakistan and other regulatory bodies for their guidance and support. I would also like to express my deep gratitude for the dedicated services and input made by the staff members in the continuous advancement and progression of the Bank.

For and on behalf of the Board of Directors,

**Tahir Hassan Qureshi**  
*Chief Executive Officer*

Place: Lahore  
Dated: February 09, 2017



عملی کے تحت اپنے کاروباری کمزوری کی وسعت و پھیلاؤ اور کم لاگت کے ڈیپازٹ کے حصول پر مسلسل ارتکاز کے باعث مستحکم کارکردگی دکھائی ہے۔ بینک کے ریشل کاروبار میں متوازن نمو کا تسلسل برقرار رہا جس کو 1,150 آن لائن برانچوں اور اسے ٹی ایبز کے وسیع نیٹ ورک کی مدد حاصل رہی۔ متعلقہ ٹیکنالوجی میں سرمایہ کاری سے اپنے صارفین پر مرکوز رسائی میں تیزی سے ترویج، رسک مینجمنٹ کا مضبوط ڈھانچہ اور درست صلاحیتوں کا استعمال سال 2016 میں مضبوط منافع کا باعث رہا۔ ڈیجیٹل بینکنگ کے اشیاء اور سروسز کو متعارف کروانا مستقبل کی نشوونما میں اہم سنگ میل ثابت ہوگا۔

ایک انتہائی مسابقتی مارکیٹ میں خالص سپر پیرڈاؤ کے باوجود اوسط پیداواری اثاثہ جات میں قابل قدر اضافہ اور غیر مارک اپ آمدنی میں بڑھوتی آپ کے بینک نے سال 2015 کے 15,120 ملین روپے کی پربنسٹ 14,427 ملین روپے کا بعد از ٹیکس منافع حاصل کیا ہے۔ فنانس ایکٹ 2015 میں پچھلے سال کی واجب الاٹیس آمدنی پر 4 فیصد کی شرح سے ایک مرتبہ کے عائد کردہ سپر ٹیکس کی موجودہ سال پر غیر متوقع اطلاق کے باعث پچھلے سال کے اضافی معین شدہ ٹیکس اخراجات میں 950 ملین روپے کا اضافہ ہوا، نتیجتاً بینک کی حقیقی ٹیکس کی شرح 39.5 فیصد رہی۔ پچھلے سال سے منسلک ٹیکس کے اخراجات کو منہاں کرنے کے بعد، بعد از ٹیکس منافع 15,377 ملین روپے رہا۔ آپ کے بینک فی حصص آمدنی 12.60 روپے رہی جبکہ سال 2015 میں یہ 13.20 روپے فی حصص تھی۔ سال 2016 کے دوران اثاثہ جات کی مد میں حاصل ہونے والی آمدنی کی شرح (ROA) اور سرمایہ سے حاصل آمدنی (ROE) کی شرح بالترتیب 1.4 فیصد اور 20.3 فیصد رہیں۔ پچھلے سال کے ٹیکس اخراجات کو خارج کرنے کے بعد ROA اور ROE میں بہتری کی شرح بالترتیب 1.5 فیصد اور 21.6 فیصد رہی۔ بینک کے ROA اور ROE کا تناسب ستمبر 2016 تک اس صنعت کے 1.3 فیصد اور 14.2 فیصد کے بالترتیب اوسط تناسب سے کافی بلند ہے۔

نجی شعبہ کی قرض کی استطاعت میں جمود کے باعث سخت مقابلہ کی فضاء میں معیاری قرضہ جات کے مواقع محدود رہے تاہم آپ کے بینک کے مجموعی قرضہ جات 8,245 ملین روپے کے اضافہ کے ساتھ 349,015 ملین روپے پر اختتام پذیر ہوئے۔ فاضل وسائل کو سرمایہ کاری میں مختص کرنے کی بدولت یہ اضافہ کے ساتھ 589,865 ملین روپے تک پہنچ گئی۔

کم یا بغیر لاگت کے ڈیپازٹ کے حصول میں سخت مقابلہ کی بھرپور نان فائیکلز پر لاگو شدہ وہولڈنگ ٹیکس کے نظام سے ورجیش داخلی

مشکلات کے باوجود بینک نے اپنے ڈیپازٹ کی مجموعی 10 فیصد کا قابل قدر اضافہ کیا ہے جو دسمبر 2016 تک 805,111 ملین روپے تک جا پہنچے ہیں۔ جبکہ اسی عرصہ میں CASA کے تناسب میں 31 دسمبر، 2015 کے 73 فیصد کی نسبت 31 دسمبر، 2016 تک 78 فیصد کی سطح تک اضافہ ریکارڈ کیا گیا۔

آپ کے بینک کے مجموعی میزانیہ کا حجم 1,000 ملین روپے کی حد کو عبور کر کے 1,070 ملین روپے تک جا پہنچا جو کہ سال 2015 کی نسبت 8 فیصد کا اضافہ ہے۔ بینک کی کل ایکٹیو نے 100 ملین روپے کے سنگ میل کو عبور کیا اور 13 فیصد اضافہ کیساتھ 100,674 ملین روپے تک جا پہنچی۔ نسبت 31 دسمبر، 2015 کے جب اس کا حجم 89,256 ملین روپے تھا۔

مارک اپ سپر پیرڈاؤ کی دباؤ اور زیادہ منافع کے حامل حکومتی بانڈز کی میچورٹی کے باوجود بینک کی خالص مارک اپ آمدنی 33,26 ملین روپے رہی۔ کم یا بغیر لاگت کے ڈیپازٹ کے فروغ پر بھرپور توجہ کے طریق عمل نے خالص مارک اپ مارجن میں تحلیل کے عمل کو خاطر خواہ تقویت دی۔

آپ کے بینک کی نان مارک اپ آمدنی سال 2016 میں 15 فیصد اضافہ کے ساتھ 11,210 ملین روپے پر اختتام پذیر ہوئی۔ Fee Based آمدنی 12 فیصد کے اضافہ کے ساتھ 4,014 ملین روپے رہی۔ آپ کے بینک کے اعلیٰ اور معیاری حصص کے میں سرمایہ کاری بدولت ڈیویڈنڈ کی آمدنی مسلسل قائم رہتے ہوئے، 7 فیصد اضافہ کے ساتھ 3,776 ملین روپے تک پہنچ گئی۔ مزید برآں بینک نے اپنی "پرائمری ڈیلر" کی حیثیت سے بھرپور استفادہ حاصل کرتے ہوئے سال 2016 کے دوران حکومتی سیکورٹیز کی انٹرنیٹ تجارت میں مستعدی کے باعث 2,598 ملین روپے کا کنٹریول گین ریکارڈ کیا۔ نسبت سال 2015 کے جب اس کا حجم 769 ملین روپے تھا۔ فیس آمدنی اور کنٹریول گین میں اضافہ نے نسبتاً مستحکم Swap Curve کی متاثرہ غیر ملکی کرنسی کے لین دین سے حاصل ہونے والی کم آمدنی اور پچھلے سال 2015 کی دیگر آمدنی میں موجود 820 ملین روپے کی رقم برائے ٹیکس کی قابل واپسی کی کمی کو کافی حد تک پورا کیا ہے۔

آپ کے بینک کی اپنی وسعت اور پھیلاؤ میں سرمایہ کاری، جدید ٹیکنالوجی، ڈیجیٹل بینکنگ کے مواقع اور متبادل ڈیجیٹل سہولتوں اور اس کے ساتھ ساتھ متعلقہ افرادی وسائل کی لاگت کے باعث انتظامی اخراجات کا سال کے اختتام تک 20,309 ملین روپے

تک پہنچ گیا۔

ٹیکنالوجی سے مزین، مضبوط رسک مینجمنٹ کے ڈھانچے کے استعمال کی وجہ سے آپ کے بینک نے قرضہ جات کیلئے مختص شدہ اخراجات کی مد میں سال 2016 کے دوران 335 ملین روپے کی تخفیف بہ نسبت سال 2015 کے جب اس تخفیف کا تعلق 288 ملین روپے تھا۔ 21 اکتوبر، 2011 کے جاری کردہ بی ایس ڈی سرکلر 01 کے مطابق غیر فعال قرضوں کیلئے متعین شدہ جبری قیمت فروخت (FSV) کے فوائد نہیں لیے گئے۔ قرضہ جات کی مد میں نقصان کی کوریج کا تناسب دسمبر 2015 کے 87.5 فیصد کی نسبت 31 دسمبر، 2016 پر اضافہ کے ساتھ 91.9 فیصد ہے۔ جبکہ انٹیلیجنس کا تناسب دسمبر 2015 کی 6.4 فیصد کی شرح سے کمی کے ساتھ دسمبر 2016 میں 5.9 فیصد رہا۔ بینک کے اثاثہ جات کے معیار کا تناسب پوری صنعت میں بہترین ہے اور ستمبر، 2016 تک صنعت کے اوسط کوریج اور انٹیلیجنس کے تناسب سے جو کہ بالترتیب 82.7 فیصد اور 11.3 فیصد ہیں کہیں بہتر ہے۔ سرمایہ کاری کی مد میں متنیخ اخراجات کا تعلق 75 ملین روپے رہا جبکہ پچھلے سال اس مد میں 1,812 ملین روپے مختص کئے گئے تھے جس کی بڑی وجہ تیل کے حصص کے نقصان کا اندراج تھا۔

آپ کے بینک کی CAR سٹیٹ بینک آف پاکستان کے مقررہ کردہ معیار سے بہت بلند ہے۔ Basel - III کے معاہدہ کے تحت CAR کی انفرادی اور اجتماعی بنیاد پر 10.65 فیصد کی مطلوبہ شرح کی نسبت یہ بالترتیب 20.84 فیصد اور 20.88 فیصد ہیں۔ بینک کی اس خوب مستحکم حالت کا مظہر اس کا مضبوط Common Equity Tier 1 کا تناسب اور CET-1 کا تناسب ہے جس کی شرح 16.36 فیصد رہی جبکہ مطلوبہ شرح بالترتیب 6.0 فیصد اور 7.5 فیصد تھی۔

ضامن حصہ داری:

زیر نظر عرصہ کے دوران الائیڈ بینک لمیٹڈ کے ضامن حصص کو جن کی شرح 84.35 فیصد ہے، میسرز ابراہیم ہولڈنگز (پرائیویٹ) لمیٹڈ کو منتقل کر دیا گیا تاکہ گروپ کمپنیز رجسٹریشن ریگولیشنز 2008 کے تحت ایک گروپ کی تشکیل کی جاسکے۔ چنانچہ الائیڈ بینک لمیٹڈ اب میسرز ابراہیم ہولڈنگز (پرائیویٹ) لمیٹڈ کی ایک ذیلی کمپنی کی حیثیت اختیار کر گیا ہے۔ 2 فروری، 2017 کو بینک اور اس کی ایک ذیلی کمپنی اے بی ایل ایسٹ مینجمنٹ کمپنی لمیٹڈ گروپ قوانین کے تحت میسرز ابراہیم ہولڈنگز (پرائیویٹ) لمیٹڈ کے بطور ہولڈنگ کمپنی کے تحت رجسٹر ہوئے۔



## ڈائریکٹرز جائزہ رپورٹ:

محترم حصص مالکان!

بورڈ آف ڈائریکٹرز کی جانب سے میں آپ کے بینک کے 31 دسمبر 2016 کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔ بورڈ کی طرف سے سفارش کردہ کاروباری نتائج اور تخصیص مندرجہ ذیل ہیں:

سال پر اختتام 31 دسمبر			
اضافہ فی صد	2015 ملین روپے	2016	
-5	15,120	14,427	منافع بعد از ٹیکس
12	37,054	41,416	گزشتہ جمع شدہ منافع
128	(1,043)	289	معین شدہ مفید منصوبوں کی تخصیص ثانی کے اثرات۔ نیٹ آف ٹیکس
100	-	45	غیر بینکنگ اثاثہ جات کی قدر و پیکش سے غیر تخصیص شدہ کو منتقلی۔ نیٹ آف ٹیکس
-42	99	58	پائیدار اثاثہ جات کی قدر و پیکش سے منتقلی۔ نیٹ آف ٹیکس
10	51,230	56,235	تصرف کیلئے دستیاب منافع
-12	(2,290)	(2,004)	سال تختہ 31 دسمبر، 2015 کا حتمی کیشن ڈیویڈنڈ 1.75 روپے فی حصص (2015: سال تختہ 31 دسمبر، 2014 کیشن ڈیویڈنڈ 2.00 روپے فی حصص)
0	(2,004)	(2,004)	پہلا عبوری کیشن ڈیویڈنڈ برائے سال تختہ 31 دسمبر، 2016 1.75 روپے فی حصص (2015: 1.75 روپے فی حصص)
0	(2,004)	(2,004)	دوسرا عبوری کیشن ڈیویڈنڈ برائے سال تختہ 31 دسمبر، 2016 1.75 روپے فی حصص (2015: 1.75 روپے فی حصص)
14	(2,004)	(2,290)	تیسرا عبوری کیشن ڈیویڈنڈ برائے سال تختہ 31 دسمبر، 2016 2.00 روپے فی حصص (2015: 1.75 روپے فی حصص)
-5	(1,512)	(1,443)	ضوابطی ریزرو میں منتقلی
12	41,416	46,490	آسے منتقل کیا گیا جمع شدہ منافع
-5	13.20	12.60	فی حصص آمدنی (EPS) روپے

امریکا کا اظہار تاریخ کے کم ترین مارک اپ ریٹ اور اس کے ساتھ نجی شعبہ کی قرضات جات میں کمی کی وجہ سے مارک اپ ریٹ میں مزید انحطاط سے ہوتا ہے جو دسمبر 2016 میں 5.02 فیصد کی کم ترین سطح تک جا پہنچا ہے۔

کساد بازاری سے متاثرہ اشیاء کی قیمتیں اور اہم برآمدات کی منڈی میں جاری زوال پذیر طلب اور اس کے ساتھ 1,425 بلین روپے کی زیادہ نفع کی حامل حکومتی سیکورٹیز کی میچورٹی کے باعث پیداواری اثاثہ جات کی آمدنی دباؤ کا شکار رہی۔ علاوہ ازیں دو ہولڈنگ ٹیکس کے جارحانہ نظام کی بدولت کم لاگت کے سرمایہ کے حصول میں درپیش اثرات جاری رہے جو کہ غیر بینکاری آبادی کی مالیاتی شمولیت میں رکاوٹ کا باعث بھی بننا ہے۔

### مالیاتی کارکردگی:

آپ کے بینک نے مندرجہ بالا چیلنجز کے باوجود اپنی کثیرالہجہ حکمت

میں کمزور شرائط، بڑھتا ہوا بجٹ خسارہ، متواتر انحطاط پذیر غیر بینکنگ براہ راست سرمایہ کاری شامل ہیں، جن کے باعث حکومت کو اپنے معین کردہ 5.5 فیصد کے معاشی ہدف کو حاصل کرنے میں دشواری ہوئی۔ اس کے برعکس بیرونی مالی ماحول معیشت کیلئے سازگار رہا اور تیل کی گرتی ہوئی قیمتوں کے باعث مالی سال 2015-16 میں افراط زر کی شرح 47 سال کی کم ترین سطح 2.9 فیصد پر رہی۔ ادائیگیوں کے توازن میں خسارہ پر قابو کی وجہ سے زرمبادلہ کے ذخائر سال 2016 میں 24.1 بلین امریکی ڈالر کی بلند ترین سطح پر رہے۔ وسیع الہیاد نشو و نما کا تسلسل اب بھی مجموعی ڈھانچے میں اصلاحات کا متقاضی ہے بشمول تیزی سے بدلتے ہوئے معاشی اور سماجی حالات میں نجی شعبہ میں مقابلہ کی مسابقت میں اضافہ کرنا۔

جی ڈی پی میں مجموعی طور پر مثبت نمو کے باوجود بینکنگ کے شعبہ کے عملی ماحول میں چیلنجز سال 2016 میں بھی برقرار رہے۔ اس

بورڈ آف ڈائریکٹرز نے 1.75 روپے فی حصص کا حتمی کیشن ڈیویڈنڈ تجویز کیا ہے۔ (مجموعی کیشن ڈیویڈنڈ 7.25 روپے فی حصص بشمول عبوری ڈیویڈنڈ)۔ اس تجویز اور سال 2016 کے دیگر مجوزہ ڈیویڈنڈ کی منظوری آنے والی سالانہ جنرل میٹنگ (عام اجلاس) میں دی جائے گی۔

### میکرو اکنامکس ارتقاء:

مالی سال 2015-16 میں بتدریج مصارف کی ترقی سے معاشی ترقی کو تقویت ملی، جی ڈی پی (GDP) کی نمو 4.7 فیصد ریکارڈ کی گئی (مالی سال 2014-15 : 4.2 فیصد) جو پچھلے آٹھ سالوں میں بلند ترین ہے۔ تاہم اس زیر نظر عرصہ میں بے شمار چیلنجز محیط رہے جن میں ملک کی نازک سیکوریٹی کی صورتحال، توانائی کی کمی کا مجبورہ کڑا انضباطی ماحول، برآمدات پر مسلسل دباؤ اور گرتی ہوئی ترسیلات زر، ٹیکس اور نجی شعبہ سے منسلک قرضہ جات کی شرح نمو



## تسلیم و تحسین

بورڈ اور مینجمنٹ کی جانب سے میں اپنے قابل قدر صارفین اور حصص مالکان کے الائیڈ بینک لیٹنڈ پر اعتماد کو سراہتا ہوں، سیکورٹی اینڈ انکیچج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان اور دیگر انتظامی اداروں کا، ان کی رہنمائی اور تعاون پر مشکور ہوں۔ میں اپنے شاف 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۔

منجانب ویرائے بورڈ آف ڈائریکٹرز

طاہر حسن قریشی

چیف ایگزیکٹو آفیسر

تاریخ: 9 فروری 2017ء

بمقام: لاہور

In house Quantitative Technique کے ساتھ

Approch کو اختیار کرنے کا فیصلہ کیا چنانچہ بورڈ ممبران نے بورڈ کی مجموعی کارکردگی اور بورڈ کی کمیٹیوں اور انفرادی بورڈ ممبران کی کارکردگی کا جائزہ مندرجہ ذیل کے حساب سے لیا:

- i- چیئرمین
- ii- ضامن ڈائریکٹرز
- iii- آزاد ڈائریکٹرز
- iv- انفرادی ڈائریکٹرز (چیئرمین، ضامن، انفرادی ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کے علاوہ)
- v- چیف ایگزیکٹو آفیسر

مندرجہ بالا پر ڈائریکٹرز کی رائے کو مرتب کر کے چیئرمین کو پیش کیا گیا۔ چیئرمین نے ان نتائج اور تجاویز پر ہر انفرادی بورڈ ممبر سے گفتگو کی۔ مجاز آزاد ڈائریکٹرز نے چیئرمین کے متعلق رائے کو مجموعی کارکردگی کی رپورٹ کا حصہ بنانے کیلئے مطلع کیا۔

یہ مذکورہ رپورٹ جو مجموعی جائزہ کے نتائج اور چیئرمین آف بورڈ کی جانب سے بورڈ کو ترسیل شدہ ایکشن پلان پر مشتمل ہے اور تجاویز بورڈ آف ڈائریکٹرز کے ملاحظہ کے لیے پیش کی گئیں ہیں۔

آڈیٹرز:

موجودہ آڈیٹرز KPMG Taseer Hadi & Co. چارٹرڈ اکاؤنٹنٹس ریٹائر ہو رہے ہیں اور دوبارہ تقرری کے اہل ہونے کے مجاز ہیں۔ بورڈ آف ڈائریکٹرز، کی آڈٹ کمیٹی کی تجویز پر KPMG Taseer Hadi & Co. چارٹرڈ اکاؤنٹنٹس کو اگلی مدت کیلئے قانونی آڈیٹر مقرر کرتے ہیں۔

بیلنس شیٹ کی تاریخ کے بعد کے واقعات:

مالیاتی گوشواروں کی تاریخ سے اب تک کوئی ایسا قابل ذکر واقعہ رونما نہیں ہوا جس کی وجہ کسی مالیاتی مطابقت کی ضرورت محسوس کی گئی ہو سوائے ان کے جن کو پہلے ہی ہی شامل کر لیا گیا ہے۔

کارپوریٹ گورننس (PICG) اور انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹ آف پاکستان (ICAP) کے "سرٹیفکڈ 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 آف ڈائریکٹرز رخصت ہو نیوالے چیف ایگزیکٹو آفیسر جناب طارق محمود کو ان کی قابل قدر خدمات پر خراج تحسین پیش کرتے ہیں۔ بورڈ آف ڈائریکٹرز آنے والے چیف ایگزیکٹو آفیسر جناب طاہر حسن قریشی جو وسیع پیشہ وارانہ تجربہ رکھتے ہیں اور بینک کے ساتھ طویل عرصہ سے منسلک ہیں، کو خوش آمدید کہتے ہیں۔

بورڈ کی کارکردگی کا جائزہ لینے کا طریقہ:

بورڈ آف ڈائریکٹرز انضباطی مکمل کو یقینی بناتے ہوئے حصص مالکان کی جانب سے بینک کے مفادات کے تحفظ، حکمت عملی کی سمت کا تعین کرنے اور اہداف کے حصول کی نگرانی کے عمل کی ذمہ داری کے بھی امین ہیں۔

کمپنیز آرڈیننس 1984، بینکنگ کمپنیز آرڈیننس 1962 اور اسٹیٹ بینک آف پاکستان کے پروڈیوشل ریگولیشنز میں بورڈ کے کردار کے کو واضح کیا گیا ہے۔ اس کے ساتھ کوڈ آف کارپوریٹ گورننس میں بھی بورڈ کی ذمہ داریوں اور کارگزاری کو احسن طریقہ سے بیان کیا گیا ہے۔ اسی کوڈ کے تحت بورڈ نے سال 2014 میں اپنی کارکردگی کو موثر انداز میں جانچنے کے لئے ایک نظام رائج کیا۔

سال 2016 میں SBP نے BPRD سرکولر نمبر 11 بتاریخ 22 اگست، 2016 کے ذریعے بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ لینے کیلئے رہنمائی کے تفصیلی اصول وضع کئے۔

اس ضابطہ کار کے تحت بورڈ آف ڈائریکٹرز کو اپنی کارکردگی کا خود جائزہ لینے کا پابند کیا گیا علاوہ ازیں بورڈ کے ممبران اور بورڈ کی کمیٹیوں کی کارکردگی کا جائزہ بھی اس میں شامل ہے۔

مندرجہ بالا اسٹیٹ بینک آف پاکستان کے سرکلر کے متقاضی، بورڈ نے بینک کے موجودہ طریقہ کار پر نظر ثانی کرتے ہوئے



### 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 منجمنت کی طرف سے تیار کردہ کھاتہ جات بینک کی صورتحال، اسکی کارکردگی، کیش فلو اور ایکیٹی میں تبدیلیوں کا واضح اظہار ہیں۔

- بینک کے اکاؤنٹس کی درست کتابیں 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 تخمینہ نمونوں اور مضابطہ انداز سے پڑتی 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 چلتے ہوئے ادارے کی اعتبار سے کسی بھی شک و شبہ سے بالاتر ہے۔

- کارپوریٹ گورننس کی بہترین ضابطہ عمل سے کوئی قابل ذکر کردہ روافی نہیں کی گئی۔

- پچھلے چھ سال کی کارکردگی کے اہم نکات منسلک ہیں۔

- پینشن فنڈ، پروویڈنٹ فنڈ، اور گریجویٹ فنڈ کی سرمایہ کاری کی مالیت ان فنڈز کے پرتال شدہ کھاتوں پر اختتام

31 دسمبر، 2016ء کے مطابق بالترتیب 6,119 ملین روپے، 7,715 ملین روپے اور 1,933 ملین روپے رہی۔

- حصص کی تقسیم کی ترتیب، مطلوبہ اور مربوط ضابطوں کی تکمیل کے مطابق ملحق ہے۔

- کوڈ آف کارپوریٹ گورننس کی تعمیل کا بیانیہ سالانہ رپورٹ میں شامل ہے۔

- دوسری کمپنیوں کے بورڈ میں جہاں لائیو بینک لمیٹڈ ایک سرمایہ کار کمپنی کی حیثیت کا حامل ہو، میں بینک کے ایگزیکٹوز کی نامزدگی بورڈ کی ہیومن ریسورس اینڈ روٹیریشن کمیٹی (HRRC) کے ذریعے 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، 2016 کی توثیق کرتے ہیں۔

اندرونی کنٹرول کا بیانیہ:

بورڈ منجمنت کی طرف سے تیار شدہ اندرونی کنٹرول کے بیانیہ بشمول منجمنت کے ICFR کے جانچ کی توثیق کرتا ہے۔ منجمنت 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 منجمنت ڈھانچہ:

بینک رسک کا نظم و نسق ایک مربوط ڈھانچے کے ذریعے 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 منجمنت کو اختیار حاصل ہے کہ اس ڈھانچے کو ایک آزاد چیز کے طور پر لاگو کیا جائے جو کہ کاروبار کی کمرشل حدود سے ہٹ کر بورڈ کی رسک منجمنت کمیٹی (BRMC) کی زیر نگرانی کام کرے۔ RM نے سال 2016 میں رسک منجمنت کے نظام کو موثر بنانے کیلئے کئی اقدام اٹھائے جیسا کہ:

- LOS (RAMS) میں بہتری لائی گئی تاکہ زرعی قرضہ جات سے متعلق پروڈیکٹس کی خود کار منظوری کو قائم کیا جاسکے ان موڈلز کے اطلاق سے بینک کے قرضہ جات کا تمام نظام خود کار ہو گیا ہے۔

- RAMS میں سہولت کے رسک کی درجہ بندی کے ماڈل کو شامل کرنے کی وجہ سے قرضہ جات کے رسک کا تعین کا عمل مضبوط ہوا ہے۔ یہ ماڈل قرض کے اجراء کا موڈل میں بھی شامل ہے اور اس میں موجود خصوصیات کی بناء پر یہ ہر سہولت کی درجہ بندی اس کے لیے پیش کردہ رکافت کی نوعیت کی بنیاد پر کرتا ہے۔

- تکنیکی پائنت کے دورے کے نتائج کو بینک کے ORR ماڈل سے مربوط کیا گیا۔ جس کے باعث اب کسی بھی ٹیکنیکل تخمینہ مقرر کرنیوالی ٹیم کی تمام ٹیکنیکل تشخیص کو پوری قدر کے ساتھ اور بغیر کسی کاٹ چھانٹ کے Obligor کی تازہ ترین ORR میں شامل کیا جاتا ہے۔

- RAMS میں قرض کے اجراء کے سرٹیفکیٹ کو جاری کرنے کیلئے ایک خود کار نظام وضع کیا گیا۔ اس اقدام کی بدولت RM نے قرض کے اجراء کے نظام میں مزید شفافیت اور اپڈیٹیری پیدا کی ہے۔

- بینک کے Obligor کو کاروباری انتظام اور حکمت عملی کے جدید تقاضوں سے ہم آہنگ رکھنے کیلئے مسلسل رابطہ کا رجحان رکھا گیا۔ چنانچہ سال 2016 میں 3 سینماروں کا انعقاد کیا گیا جن میں کارپوریٹ، کمرشل اور ایس ایم ای Obligor کو مندرجہ ذیل موضوعات پر آگاہی دی گئی۔

- کارپوریٹ گورننس کا ارتقاء اور ترقی

- کارپوریٹ گورننس اور شکوک و شبہات کا اکتانہ مکمل بنیاد پر

بینک نے قابل ذکر ذرائع اور وسائل خود کو درپیش خدشات کا انتظام کرنے کیلئے وقفہ کئے ہیں اب تک حاصل کردہ متحرک معیار کو مستقبل میں برقرار رکھنے کیلئے افرادی وسائل، ٹیکنالوجی اور ٹریننگ میں نمایاں سرمایہ کاری متوقع ہے۔

### انٹینیو رینٹنگ:

PACRA نے لائیو بینک لمیٹڈ کی طویل مدتی رینٹنگ کو "AA+" (ڈبل اے پلس) کی سطح پر برقرار رکھا ہے۔ جبکہ بینک کی قلیل مدتی رینٹنگ کی سطح "A1+" (اے ون پلس) پر برقرار رہی۔

### کارپوریٹ گورننس رینٹنگ:

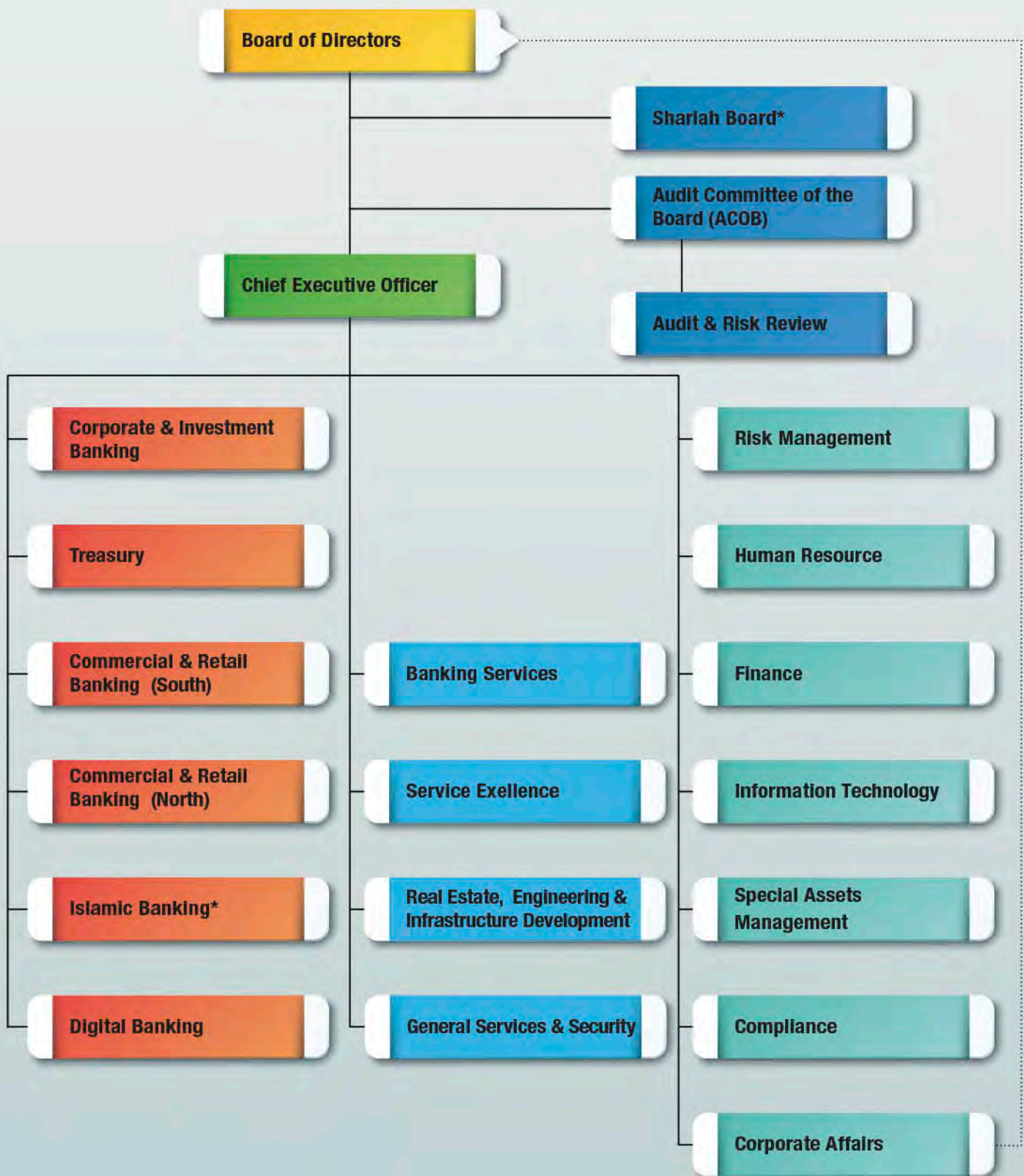
جے سی آر۔ وی آئی ایس (JCR-VIS) کریڈٹ رینٹنگ کمپنی لمیٹڈ نے لائیو بینک لمیٹڈ کی کارپوریٹ گورننس کی درجہ بندی کو "CGR-9" کی سطح سے بہتر کرتے ہوئے "CGR+9" کی سطح پر رہا کیا ہے۔ رینٹنگ کی یہ بہتری کارپوریٹ گورننس کے اعلیٰ ترین معیار کا مظہر ہے۔ اس درجہ بندی کی بنیاد آپ کے بینک کے بورڈ اور منجمنت کی ایک مضبوط اور مستحکم گورننس کے نظام (ڈھانچہ) پر مسلسل یقین ہے۔

### بورڈ آف ڈائریکٹرز:

جیسا کہ ڈائریکٹرز پروفائلز میں وضاحت سے بیان کیا گیا ہے، بورڈ آف ڈائریکٹرز کے 5 ممبران پاکستان انشٹیٹیوٹ برائے



# Corporate Structure



\* Independent Shariah Board oversees Islamic Banking Operations

# Management **Committees**

**Management Committee  
(MANCO)**

**Asset Liability Committee  
(ALCO)**

**Human Resource  
Committee (HRC)**

**Anti-Harassment  
Committee (AHC)**

**Central Administrative  
Action Committee (CAAC)**



# Management Team



**Tahir Hassan Qureshi**  
*Chief Executive Officer*



**Shafique Ahmed Uqaili**  
*Chief Human Resource*



**Muhammad Shahzad Sadiq**  
*Chief Risk Management*



**Mujahid Ali**  
*Chief Service Excellence*



**Tahir Yaqoob Bhatti**  
*Chief Digital Banking*



**Owais Shahid**  
*Chief Corporate & Investment Banking*



**Ahmad Faheem Khan**  
*Chief Treasury*



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



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



**Muhammad Idrees**  
*Chief Islamic Banking*



**Tariq Javed Ghumman**  
*Chief Special Asset Management*



**Imran Maqsood**  
*Chief Audit & Risk Review*



**Muhammad Mohsin**  
*Chief Compliance*



**Imran Farooqui**  
*Chief Banking Services*



**Sohail Aziz Awan**  
*Chief Information Technology*



**Muhammad Farhanullah Khan**  
*Chief Financial Officer*



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



**Aizid Gill**  
*Chief General Services & Security*



**Muhammad Raffat**  
*Company Secretary*



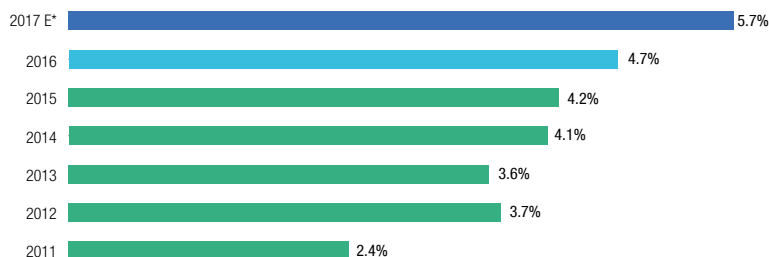
# CEO's Review

## Economic Review

The global economy has now entered its sixth year of stagnation with just 3.1% growth as per IMF; with 2017 outlook depicting a similar trend. Projected stabilization in energy and commodity prices may provide a small tailwind for resource rich economies but medium-term trend continues to be dominated by weaker growth in investment along with ongoing political, policy and economic uncertainties around the world. Growth in emerging economies particularly in Asia continued to outperform advanced economies, primarily backed by China's relatively healthier consumption amidst uptick in industrial activity and services sector. International oil prices after experiencing low of US\$ 23 per barrel at the start of 2016 rebounded during the year between the range of US\$ 50 to US\$ 55 per barrel; supplemented by production cut by OPEC and Non-OPEC members to stem the oil supply glut thereby slightly relieving the pressure on oil exporting countries.

Pakistan's accelerated growth of 4.7%, highest in previous eight years, during FY 2015-16 was accomplished on account of cumulative impact of the government's macroeconomic and structural reform program, lower oil prices, relative improvement in country's overall security profile, inflation at 47 years'

### GDP Growth



\* Source: State Bank of Pakistan

low, strengthened foreign exchange reserves, stable home remittances and shrinking budget deficit. Supporting the stable outlook of the economy, Standard & Poor upgraded the long-term sovereign credit rating to 'B' in view of structural reforms and investor confidence. While Moody's Investor Service also maintained Pakistan's banking system rating at 'B3' level. Accordingly, there is a gradual yet visible improvement in market sentiments as depicted by pick up in mergers and acquisition activity in the country by foreign investors; along with significant growth in the country's capital markets which surpassed all-time high of 50,000 points in January 2017; depicting robust market sentiments while also factoring in PSX's inclusion in MSCI's emerging market index in May 2017.

Current account deficit as a proportion of GDP at 1.2% of GDP during FY 2015-16; further escalated to 2.5% of GDP during first seven months of FY 2016-17. Amidst falling exports, higher balance of trade deficit by US\$1,066 million during FY 2015-16 and reduction in receipts pertaining to Coalition Support Fund (CSF) remained key contributors. In view of downwards pressure on remittances from Middle East, remittances are expected to remain subdued in FY 2016-17; decreasing by 2.4% in first half of FY 2016-17 to reach US\$ 9,459 million against US\$19.9 billion in FY 2015-16. However, Foreign Direct Investment (FDI) inflows remained resilient and stood at US\$ 1.9 billion in FY 2015-16 as compared to US\$ 900 million in FY



2014-15 supplemented by China Pakistan Economic Corridor (CPEC) related projects, contributing approximately 32.9% of overall FDI. Accordingly, overall foreign exchange reserves reached US\$23.2 billion at end-December 2016.

During FY 2015-16 total debt stood at 72.5 % of GDP and increased by 3.7% from FY 2014-15. Domestic debt which constituted 63.5% of overall debt increased by 11.8% whereas, external debt (33.9% of total debt) and Public Sector Entities domestic debt (2.6% of total debt) increased by 16% and 24% respectively.

Tax-to-GDP ratio rose to 12.4% in FY 2015-16 from 11% in corresponding period of last year. Tax collections were recorded at Rs.3,112 billion against the target of Rs.3,104 billion. Despite achieving the tax collection target the number of filers of Income Tax returns declined during the period. Overall fiscal deficit stood at 4.3% of GDP during FY 2015-16 as against 5.2% in FY 2014-15 on account of aforementioned increase in revenues and reduction in expenditures/subsidy.

Large Scale Manufacturing (LSM) remained subdued with overall growth of just 3.2% during FY 2015-16 against the set target of 6%. Targeted at 5.9% for FY 2016-17, the outlook remains challenging in the backdrop of low half year growth of 3.90% in FY 2016-17, despite encouraging outlook for automobile sector under the revised automobile policy, sugar, pharmaceuticals and construction-related sectors respectively.

Headline CPI inflation was recorded at 3.7% on year-on-year basis in December 2016; remaining significantly lower than the SBP's FY2016-17 target of 6%. External factors emanating especially from low oil prices contributed significantly towards these low inflation levels. Accordingly, State Bank of Pakistan maintained its accommodative monetary policy stance, with further reduction in policy rate by 25 bps to 5.75% during 2016. However, YoY comparative analysis with 2015 shows that the average discount rate has reduced by 117 bps. Consequently, average 6-months Karachi Interbank Borrowing Rate (KIBOR) also reduced by 116 bps during the year under review. Due to continued existence of fundamental impediments, broad based growth in private sector credit was not accomplished as envisioned. Non-Performing Loans (NPLs) in banking sector increased to Rs.646 billion at end-September 2016 in comparison to Rs.620 billion at end-December 2015 with agricultural and SME sectors being the main contributors to NPLs growth.



# CEO's Review (Contd.)



The banking sector investments were recorded at Rs.7,233 billion at end-December 2016 as compared to Rs. 6,725 billion at end-December 2015. During the year, maturity of high yielding government bonds of approximately Rs. 1,400 billion resulted in re-profiling of investments from long term PIB's to short term Treasury Bills at the industry level.

The peril of undocumented economy augmented during the year with substantial growth in Currency in Circulation, which increased by 18% to reach Rs.3,412 billion at end-December 2016. Increase in currency in circulation, monetary easing leading to fall in minimum saving rate, continuation of withholding tax regime on banking transactions led to preference of depositors towards unofficial banking channels, which had detrimental effect on financial inclusion while supplementing cash based economy; resulting in constrained growth in average core deposit mobilization. While Government and PSE deposits grew by 26.0% and 29.5% respectively, private sector and individual deposits depicted a growth of just 13.9% and 11.2% respectively. The overall industry deposits spiked towards the end of the year, with Rs.539 billion increase during the last week of December 2016, reflecting 15.8% growth to reach Rs.11,203 billion. The withholding tax regime continues to pose

critical challenge to the execution of the National Financial Inclusion Strategy adopted by the government in 2015; aimed at provision of formal financial access to more than half the population by 2020.

In continuance of last year's policy, the Government re-imposed a Super Tax of 4% on previous year's income aimed at enhancing tax revenues for support of ongoing efforts towards improving law and order situation. Besides, rising cost to income ratio has also affected banks' overall profitability. The cost to income ratio increased to 52.2% at end September 2016 as compared to 46.9% last year; major reason being the banking sector's expansion in outreach, investment in IT infrastructure and growth in human resources employed.

## Business Performance

Pakistan's banking sector is passing through a phase that is both challenging and exciting. While challenges emanate from low interest rate scenario, maturity of high yielding government securities, rising cost of doing business, lack of broad based growth in private sector credit appetite, rising undocumented economy with high unbanked population and changing regulatory framework. Concurrently, there are robust growth opportunities in the retail segment across

the country including rural areas and in the continuing opportunities for digital transformation led by technology and telephony services.

Your Bank remaining fully cognizant of the immense opportunities, circumvented the aforementioned challenges through adoption of a strategy, focused towards Balance Sheet growth without compromising on asset quality duly supplemented by further enriched risk management platform, sustainable core deposit growth in low/no costs segment, diversification of revenue stream and continuous incremental investment in cutting-edge technology driven innovative products and services catering to evolving customer needs and broad based expansion in conventional and alternate delivery channels.

The Bank crossed the significant milestones of Rs.1,000 billion and Rs.100 billion in terms of Balance Sheet size and Total Equity respectively; driven by successful implementation of envisioned long term multi-faceted strategies. The growth in Balance Sheet was accompanied with ample liquidity and robust capital levels while keeping the current and future growth prospects in consideration.

Your Bank's risk culture promotes informed decision-making by integrating enhanced understanding of risk appetite across the Bank and effective technology driven communication including prompt escalation of important risk issues. The overall focus during 2016 was on maintaining Bank's risk profile, strengthening capital base and supporting strategic initiatives geared towards balance sheet optimization. Accordingly, Risk Management and Assessment System (RAMS) was further reinforced during the year through upgradation of in-house developed Loan Origination System (LOS) by automating workflows in agriculture sector; accordingly, the entire credit portfolio of the Bank is now automated through LOS. While mitigating risks, associated with pledge financing, the Bank maintained

focus on optimal utilization of four (4) self-managed warehouses. While construction / renovation of two new warehouses in Mandi Faizabad, and Multan was also initiated during 2016. The tangible performance of proactive risk management is visible in constantly improving NPLs ratio, coverage ratio and net reversal against previously held provisions.

Your Bank remained active participant in Fixed Income securities trading business and achieved significant progress in this segment. While realizing sizeable capital gains through trading, Your Bank was recognized for market coverage and ranked amongst Top 3 Primary Dealers by State Bank of Pakistan.

During 2016, in order to optimally manage the ever-expanding geographical footprint of Your Bank, Commercial and Retail groups were bifurcated on the basis of geographical segmentation to have a holistic and focused approach towards customer service across the country; results of this change have been very encouraging towards broad based growth in all business lines of the segment.

Expansion in footprint to assist financial inclusion of unbanked population remained key area of focus of Your Bank. During 2016, the Bank expanded its vast branch network by 100 new branches including 50 conventional and 50 Islamic Banking branches. With the addition of these branches in urban and rural areas, the overall network of Your Bank reached 1,150; including 1,072 Conventional and 77 Islamic branches across Pakistan and a Wholesale Banking Unit in Bahrain. Concurrent focus was also made in enhancing Alternate Delivery Channels with the addition of 139 new ATMs to reach 1,150 ATMs in total; enabling Your Bank to achieve milestone of 1:1 with respect to branches and ATMs stipulated by SBP. These include 942 on-site and 208 off-site ATMs deployed across Pakistan. In an effort to further augment this outreach through off-site ATMs, Your Bank entered into agreements



with Pakistan State Oil Company Limited and Shell Pakistan Limited to facilitate deployment of ABL ATMs at 50 and 64 strategically located service stations nationwide respectively. The agreements promise to be a mutually beneficial partnership translating into enhanced convenience for the Bank's customers as well as public at large. Your Bank has now established 313 Branches and deployed 459 ATMs in last 5 years, reflecting a cumulative growth of 37% and 91% respectively; reflecting the significance of Your Bank's continued investment towards broadening of service channels for our valued customers.

The strength of vast ATM network was also reflected in 9% growth in ATM transactions count and 13% growth in amount handled through the Bank's ATMs accompanied by significant increase in Visa Debit Card related fees during the

year. In addition to the growth in business handled, Your Bank maintained focus on ensuring industry-leading ATM up-time and remained 2nd highest transaction acquirer in the industry during the year under review.

Pakistan's financial sector landscape is gradually transforming into digital age. State Bank of Pakistan has issued various regulations to promote payment avenues. In this regard, 1link being the country leading shared ATM network, has acquired Payment Service Provider (PSP) and Payment Systems Operator (PSO) license to launch Pakistan's First Domestic Payment Scheme called 'PayPak'. The advent of PayPak brings along not only cost-effective domestic settlement services but will also save country's FX outflows; thereby providing tough competition in the domestic market to international payment schemes.



## CEO's Review (Contd.)

Gearing up to follow a long-term strategy to provide digital banking platform to domestic banks, various other initiatives are under development process to further augment outreach and transaction types across the country; through an integrated ADCs of various member banks.

While Your Bank is accordingly investing in state of the art innovative technologies, visualizing the promising momentum towards the adoption of digital channels by urban community and corporates; thereby aligning all our distribution channels including branches, ATMs, telephone, internet and mobile banking channels, duly integrated with our products and services to deliver a seamless and convenient banking experience. During the year, Your Bank established a dedicated group under the name of Digital Banking Group (DBG), to continuously design, develop and offer new innovative products.

Although banks are extending their branch network to reach out to new geographies and customers; the financial inclusion especially penetration in rural areas remain low in the country. The emergence of branchless banking and mobile wallets will help accelerate financial inclusion by making the access more cost effective and expanding the reach of banking to the unbanked. Considering the importance, the Bank entered into an agreement with Mobilink – country's largest Mobile Network Operator for gradually enabling JazzCash domestic remittance services and Your Bank also entered into a strategic partnership by signing a memorandum of understanding with MasterCard, a leading technology company in the global payments industry. Under this partnership, both Allied Bank and MasterCard will collaborate and launch MasterCard Premium Cards, Digital Payment and Remittance products. During 2016, Allied Bank achieved key milestone of being fully compliant on EMV (Europay, MasterCard & VISA) standards for issuance of chip enabled Debit Cards and accepting chip based transaction on ATMs; becoming one of the first bank



in the industry to have EMV capability on both Debit Cards issuance and ATM acquiring side of business. During the year, Your Bank also pioneered launch of debit cards under PayPak – domestic Payment Scheme owned and operated by 1LINK Guarantee Ltd; enabling customers to carry out ATM transactions along with execution of retail/purchase transactions across Pakistan.

Acquiring and utilizing latest technology platforms remained at the core of Your Bank's strategy. During 2016, the Bank initiated upgrade of Temenos T-24 Core Banking system to latest R-16 version; which shall enable real time monitoring and enhanced MIS for timely decision making. During the year, Your Bank in order to enhance the security features embedded within account opening and related procedures, acquired verification capabilities through biometric authentication system of NADRA.

Various business process re-engineering initiatives were carried out during 2016 including centralization of guarantees business and issuance of term deposits.

Keeping in view the importance and the bank wide scope of 'Service Quality', the Bank established a separate group under the name of "Service Excellence Group" (SEG). The group's capacity in terms of human resources and automation is given top priority to gather feedback, evaluate customer experiences to ensure smooth and improved services by taking timely remedial measures. During the year, an enhanced Customer Relationship Management platform and state of the art telephony system were deployed at Allied Phone Banking, facilitating and enhancing "customer first" culture; Allied Phone Banking handled 1.2 million enquiries relating to debit cards, general and product information etc.



Since launching Islamic Banking (IB) operations in 2014 the Bank has expanded its IB network to 77 branches across the country. Focus remained on developing sound systems to complement the wide range of products and services on offer to facilitate gradual growth in this niche segment.

In line with strategic objectives of the Bank, focused induction of efficient workforce to support ever expanding branch network, development of existing and new capabilities through conducive learning platform and provision of rewarding career growth for consistent performers through enabling work environment remained a key strategic objective. Improvements in existing HR processes by utilizing technology driven scientific methodologies for employee development were also undertaken during the year. Aimed at identifying suitable resources for leadership roles, scientific tools like personality traits assessments and aptitude test were introduced including use of Psychometric analysis center. During the year recruitment of more than 1,300 employees including specialized Management Trainee batches and lateral hiring in specialized functions were undertaken. Continuing with its aim for gender equality Your Bank maintained female employment ratio at 15% during 2016. In consideration to have enhanced focus on the development of Your Bank's human capital, General Services function with in Human Resource Group was segregated to form a dedicated "General Services and Security Group". This strategic remodeling will enable both functions to have a dedicated focus towards respective milestones going forward.

Your Bank continued to maintain paramount focus on sound compliance culture within the Bank. As part of this objective, implementation of Compliance Risk Management Solution (Risk Nucleus) was undertaken to automate and further enhance monitoring levels within the compliance function.



Recognizing the need for utilizing energy resources in an efficient manner, Your Bank increased number of branches operating on fully solar powered systems to 50 branches thereby contributing to cleaner environment while realizing financial savings. Furthermore, inverter based energy solutions were also implemented at 449 branches.

The endeavor for international expansion received a significant stride during the year when State Bank of Pakistan and China Banking Regulatory Commission granted Your Bank license to establish Representative Office in China. Going forward, this initiative shall further strengthen Bank's position to avail the CPEC related business opportunities. Similarly, international presence in Bahrain (Wholesale Banking Branch) and Dubai (Representative Office) continued to expand operations in the Gulf region; with higher emphasis on establishing new relationships with correspondent banks and remittance companies to augment funding lines and remittance business respectively. The strength of Investment Banking business continues to be a source of competitive advantage for the Bank duly acknowledged locally and internationally through various awards including: "Best Corporate & Institutional Bank – Domestic, 2016" and "Best Loan House – Pakistan, 2016" from The Asset Magazine, Hong Kong. Additionally, ABL also received the Runner-Up award for "Corporate Finance House of the Year 2015 – Fixed Income" from CFA Society of Pakistan.

Continuing with Bank's unique initiative of engaging with the obligors to inculcate latest insight and strategies in managing businesses; 3 interactive seminars were organized for Corporate, Commercial, SME and Islamic obligors on the topics "Evolution of Corporate Governance and Growth", "Corporate Governance and Macroeconomic Challenges for Growth" and "Concept of Islamic Banking" during 2016 in Multan, Faisalabad and Gujranwala respectively. Detailed update on key business segments and support functions with outlook for 2017 is appended to this review.

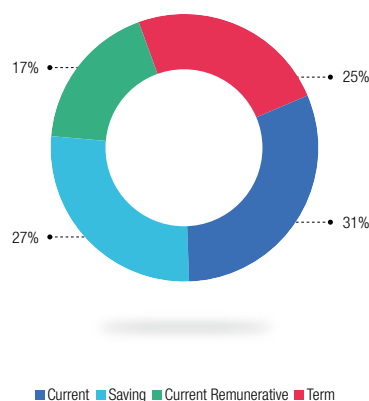
## Financial Analysis

### Balance Sheet Growth Mix

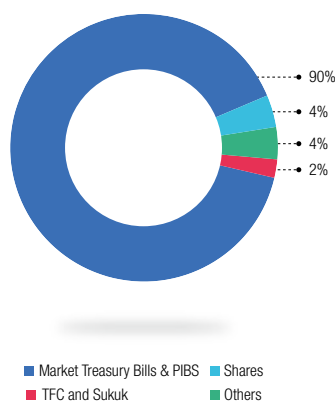
2016 was marked by a weak global economic environment, volatile commodity prices, gradual domestic economic recovery along with challenges emanating from changing policy and regulatory framework. Nevertheless, Your Bank continued to maintain and enhance the strength of the Balance Sheet through utilization of robust risk management framework, optimal capital levels and enhanced suite of technology driven products and services geared towards customer centric banking solutions. The evolving needs of Your Bank's diverse customer base remains at the forefront of our strategy formulation. Amidst this challenging business environment vigilant focus through a multi-faceted strategy is enabling Your Bank to deliver sustainable and broad based long term growth.

# CEO's Review (Contd.)

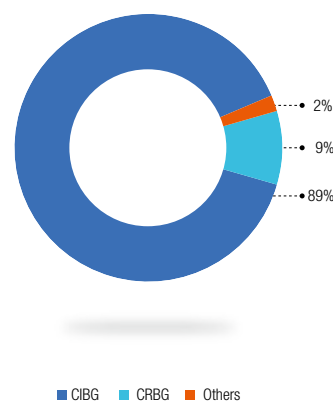
Average Deposit Composition



Investments (Cost)



Segmental Advances – Performing (Net)



Your Bank's total assets base increased by 8% to surpass the milestone of Rs.1,000 billion to reach Rs.1,070 billion as at December 31, 2016. The Total Equity base of Your Bank also witnessed sound growth of 13% to surpass the milestone of Rs.100 billion to close at Rs.101 billion as at December 31, 2016; clearly reflecting strong financial strength and growth prospects. The Capital Adequacy Ratio (CAR) of the Bank stood at 20.8% as at December 31, 2016, remaining well above the regulatory requirement and industry average of 10.65% and 16.8% (Sep'16) respectively.

The deposits base of Your Bank was increased by 10% to reach Rs.805,111 million; with continued focus towards improving low cost/core deposits mix of the Bank. Overall growth in domestic deposits remained stifled for private sector banks due to intense competition, public sector deposit growth and rising undocumented economy amidst continuation of the withholding tax regime. In a perpetually low interest rates scenario, accumulation of low cost deposits remained of paramount importance at the industry level. Accordingly, Your Bank, achieved CASA growth of 17% and improved the overall CASA share to 78% from 73% as at December 31, 2015.

In the wake of limited quality lending opportunities, surplus liquidity was

diverted towards Investments which increased by 8% to close at Rs.589,865 million. The industry level maturity of high yielding government bonds coupled with low interest rates and possible increase in inflation outlook has resulted in change of incremental investment mix tilted towards shorter tenor Treasury Bills.

In line with Your Bank's strategy of maintaining high asset quality, Your Bank's gross advances grew by Rs.8,245 million to reach Rs.349,015 million; whereas average advances grew by 6.3%. Major growth was witnessed in long-term loans, commodity operations and working capital loans. Proactive monitoring and utilization of robust Risk Management Framework resulted in overall Non-Performing Loans (NPLs) reduction by 7% to close at Rs.20,432 million as at December 31, 2016. The Bank's infection and coverage ratio as at December 31, 2016 improved to 5.9% and 92% respectively; significantly outperforming the September 2016 industry average of 11.3% and 82.7% respectively. No FSV benefit has been taken while determining the provision against Non-Performing Advances as allowed under BSD Circular No.1 dated October 21, 2011. The Bank's ADR as at December 31, 2016 stood at 43%; partially due to significant deposit growth towards the end of 2016. With strong capital adequacy and risk management parameters in place the Bank remains

poised to capitalize on any uptick in credit appetite.

## Profitability

The historically low interest rates with cumulative drop of 117 bps in average benchmark Discount rates as compared to 2015 coupled with the maturity of high yielding government bonds and shrinking advances yields continued to squeeze banking sector spreads and exerted pressure on Net Interest Margins (NIM). Nonetheless, 8% growth in average earning assets, improved CASA as a percentage of total deposits and overall curtailment in cost of funding assisted in partially off-setting the drop in NIM, which aggregated to Rs. 33,261 million for the year ended December 31, 2016.

Continuous focus to augment fee based income yielded encouraging results and income pertaining to alternative delivery channels along with trade related fee income showed positive trends. Your Bank's Fee based income increased by 12% to reach Rs.4,014 million as against Rs. 3,570 million in 2015. Augmenting its status as Primary Dealer, Your Bank, realized capital gains of Rs.2,535 million from trading in government bonds, primarily to offset settlement risk in the wake of industry wide maturity of Rs. 1,400 billion during the year; which has also impacted NIM as noted above. Your Bank continued with its strategy of deriving stable dividend income from

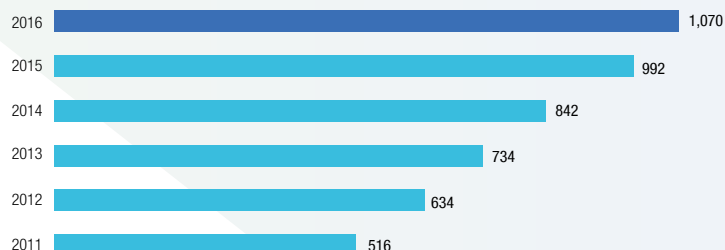
high yielding blue chip listed shares portfolio despite having un-realized gains of Rs. 21,713 million as at December 31, 2016. Dividend income for the year under review increased to Rs. 3,776 million as against Rs. 3,528 million in 2015, reflecting a growth of 7%. The aforementioned growth compensated for lower income from dealing in foreign currency which reduced due to relatively stable swap curve during the year and lower Other Income on account of absence of one-off compensation for delayed tax refund, valuing Rs 820 million, booked during 2015. Accordingly, overall non-interest income increased by 15% to reach Rs.11,210 million as compared to Rs. 9,755 million in 2015.

The decade ahead will foresee a gradual yet radical transformation from traditional banking practices to highly tech-driven digital banking services, thus necessitating the need for continuous investment to thrive in the ever-changing landscape. During 2016, Your Bank, maintained its hybrid model; strategically investing towards expansion in outreach through conventional and ADC platforms, IT infrastructure and human capital development. Accordingly, the overall administrative expenditure increased by 11.7% during 2016 to reach Rs.20,309 million.

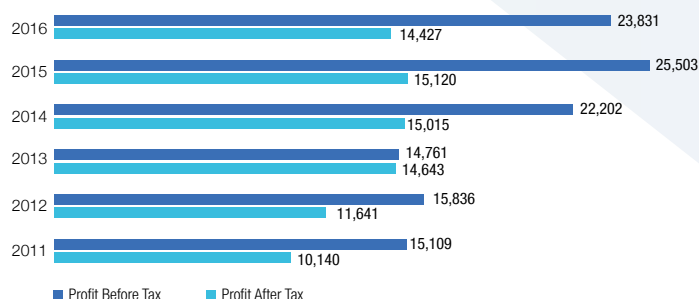
Robust risk management platform together with strong recovery efforts continue to yield positive results; the net reversal in provisioning against advances increased to Rs. 335.4 million from Rs. 288.1 million in 2015. Impairment against investment was recorded at just Rs. 74.9 million against significant impairment charge of Rs. 1,812 million booked in 2015; pertaining to oil stocks due to decline in oil prices during 2015. As at December 31, 2016 the oil stocks against which impairment was booked have rebounded and depict an overall revaluation surplus of Rs.986 million against the original costs supporting the Bank's decision to hold the shares.

Despite the manifold challenges emanating from low interest rates

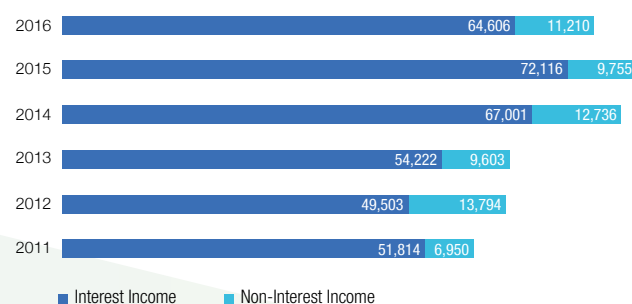
#### Financial Position (Rs. in Billion)



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



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



scenario, tough operating environment, changing regulatory environment and rising cost of doing business, Profit Before Tax of Your Bank aggregated to Rs.23,831 million. The one-off super tax of 4% on previous year's income promulgated in 2015 was maintained during 2016. As a result, additional tax charge of Rs.950 million was made during the year under review. Nevertheless, Your Bank's earned Profit After Tax aggregating to Rs.14,427

million. Your Bank's EPS as at December 31, 2016 stood at Rs.12.60 per share while Return on Assets and Return on Equity stood at 1.4% and 20.3% respectively; well above the September 2016 industry average of 1.3% and 14.2% respectively. Excluding the impact of super tax, Profit After Tax amounts to Rs. 15,377 million and EPS increases to Rs. 13.42 per share for the year ended December 31, 2016.



# CEO's Review (Contd.)

During the year under review Supreme Court of Pakistan vide its order dated November 10, 2016 held that amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund (WWF) were not lawful. Subsequently Federal Board of Revenue has filed review petitions against this order which are currently pending. Based on the legal advice obtained on the matter; the judgment may not currently be treated as conclusive. Therefore, Your Bank maintained its provision in respect of WWF with the concurrence of the external auditors and shall revisit the position on periodic basis.

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

## Ratings

### Entity Rating

The Pakistan Credit Rating Agency (PACRA) has maintained long term and short term entity ratings of Allied Bank Limited at "AA+" (Double A Plus) and highest possible "A1+" (A One Plus), respectively. The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments, which strongly reflect efficacy of ABL's robust strategy aimed at ensuring consistent profitability without compromising quality of other key variables. Moody's Investors Service maintained Your Banks' deposit rating at B3 / Not Prime level while changing the outlook from "Negative" to "Stable"; the ratings are at par with Tier-I banks in Pakistan.

### Corporate Governance Rating

During 2016, JCR-VIS Credit Rating Company Limited (JCR-VIS) upgraded the corporate governance rating of Allied Bank Limited (ABL) from "CGR-9" to "CGR-9+". This rating is based on a scale ranging from CGR-1 (lowest) to CGR-10 (highest). The ratings assigned to ABL reflects very high level

of corporate governance practices instituted in the bank underpinned by sound internal control environment, financial transparency and regulatory compliance.

## Future Outlook

Global growth patterns are expected to remain uncertain, with an overall subdued growth forecasted at 3.4% for 2017 by IMF; primarily driven by emerging and developing economies despite the downward risks associated with possible shift toward inward-looking policy platforms and protectionism.

Pakistan's economic outlook is projected to maintain the upwards trajectory with expected growth rate rising above 5% in FY 2016-17 despite being engulfed with major challenges on the domestic and international front. Subject to timely implementation, CPEC has the capacity to reinvigorate broad based economic progression through planned expansion and restoration in infrastructure development, setting up of new economic zones and industrial parks, reduction in persistent energy shortages along with creation of new employment opportunities for the burgeoning population across the country. However, long term sustainable economic growth cannot remain dependent upon CPEC only. Strategic long term planning and its proper implementation is the need of the hour for provision of economically viable energy generation, structural reforms with a defined privatization program for loss making public sector entities, widening of tax base for desired expansion in public revenues along with reduction in fiscal deficit and rising undocumented economy, surmounting the debt trap and further improvement in security situation are essential pre-requisites for accomplishing robust and sustainable macroeconomic growth. Reinvigoration of the business environment cannot be accomplished unless the National Financial Inclusion Strategy adopted by the government in 2015 is implemented in spirit. With 87%



population being unbanked, obstacle of undocumented economy remains the key challenge hampering the inclusive growth and wellbeing across the country; duly reflected in the country's low investment to GDP and private sector credit to GDP ratios.

Current account deficit in conjunction with trade deficit, remittances and FDI shall remain key challenges in FY 2016-17 and remain critical in maintaining stable balance of payment position. Pressure on foreign exchange reserves may be witnessed with the conclusion of IMF's EFF program and falling exports. Projected increases in economic activity and possible upward adjustment in global oil prices are expected to push up domestic prices. Upward trend in CPI inflation may prompt gradual monetary tightening from the current bottomed out levels.

Banking sector is expected to face medium term prospects of profitability adjustments amidst volumetric growth; broadly driven by lack of broad based expansion in quality private sector credit appetite, thin spreads along with bottom line pressure instigated by rising cost of doing business and high taxation levels.

In order to navigate the multifarious challenges overwhelming the domestic



economic and banking environment along with changing global market dynamics, Your Bank has adopted a multi-pronged strategy encompassing utilization of superior technology platform, robust risk management framework, extended outreach through expanding footprint in both conventional and alternate delivery channels, diversification in revenue streams while further enhancing the superior asset quality of the Bank. Going forward, Your Bank's gradual penetration in Digital Banking will also create enhanced opportunities for provision of technology driven products and services to provide seamless banking experience to our existing and previously untapped customers. The investment in new state of the art technologies shall further facilitate enhanced customer service experience through reduced turnaround times as well as expansion in Bank's customer centric products' suite with emphasis on deriving fee based income from various initiatives including expansion in Off-site ATMs, Cash Deposit Machines, Mobile ATMs, Interactive Teller Machines, online payment hub and trade portal solutions, Mobile Wallets, gradual strengthening of Bank's selective consumer banking product suite and penetration in BANCA insurance business. Remaining fully cognizant of changing security threats,

adoption of stringent information security standards shall also remain imperative part of Your Bank's strategy; while enhanced use of biometric verification technology shall further facilitate in accomplishing higher levels of customer protection and improving TATs.

Going forward, Your Bank also intends to further strengthen Islamic Banking (IB) operations, with enhanced focus in delivering Sharia Compliant products and services while expanding IB's outreach. International expansion through development of Representative Office in China shall be the key target for 2017 while maintaining focus on enhancing the growing business presence in Bahrain and UAE.

As the Bank embarks on a milestone of achieving 75th anniversary the focus shall remain on continuously investing in the induction and development of Human Resources with impetus towards Bank's progress in the fast-approaching digital age. Cognizant of the diverse economic challenges and competitive business environment, Your Bank aspires towards attaining sustainable growth levels by further enrichment of Bank's core competencies.

As we look ahead to 2017, Pakistan's economy is poised to build on the growth momentum of 2016. Keeping CPEC in perspective, Your Bank, is well-positioned to surmount the challenges and capitalize on the opportunities that will arise out of Pakistan's overall growth and transformation.

## Acknowledgment

I would like to recognize the hard work of our Board of Directors; their knowledge, business acumen and leadership is integral to the Bank's success. I would also like to take this opportunity to acknowledge Mr. Tariq Mahmood, who retired as CEO in December 2016 and express profound thanks from ABL family for his valuable contributions towards the Bank's growth.

On behalf of Allied Bank Limited I would like to extend my sincere appreciation to State Bank of Pakistan, Securities & Exchange Commission of Pakistan and other regulatory authorities for their continued support and guidance for achieving excellence.

Lastly, I am thankful to more than 11,000 team members who are focused on creating and sustaining long term relationships with our valued customers while always putting customers' interests first. I look forward to their continued support to enable the Bank to seize the future opportunities and scale new heights.

**Tahir Hassan Qureshi**  
Chief Executive Officer

Dated: February 09, 2017

# Group's Review

## Digital Banking

In a business environment beset with disruptions and evolving customer needs, Banks' traditional markets are being depleted; more so in advanced economies. Accordingly, enhanced focus is being given to adopt innovative technologies to flourish in Digital Banking Age; the pace varying according to ground realities in each market.

Digital Banking inculcates a highly personalized and seamless customer experience; duly facilitating 'banking on the go' for both the banked and unbanked segments. Mobile telephony is therefore delineating most aspects of modern banking products and services. Money transfers, bill payments, mobile top-ups and broad range of transactions are being replicated by technologically enabled processes and mobile apps; significantly overcoming the limitations of time, access and locations.

Keeping in perspective the evolution of digital banking, Your Bank being fully cognizant, is gradually embracing the related modernization and digitalization of banking. While digital banking strategy is fully integrated in the overall long term strategy of Your Bank; a dedicated new "Digital Banking Group" (DBG) was formalized during 2016, providing enhanced vigor to the targeted objectives.

DBG commenced various initiatives during the year under review to gradually penetrate in the growing digital landscape of the country. Significant milestones included launch of PayPak Debit Cards, which eliminates dependency on the international payment companies for domestic transactions while duly promoting Financial Inclusion. PayPak cards are being offered to both regular and Asaan Account holders.



Further during the year under review, a memorandum of understanding was signed with country's leading telecom operator, to initiate domestic remittances through ABL and their agents network; strengthening ABL's presence in this niche branchless banking segment upon full-fledged launch. DBG also entered into a strategic partnership with MasterCard, a leading technology company in the global payments industry. Under this partnership, Your Bank would be offering MasterCard Premium Cards, Digital Payment and Remittance products. Under the ambit of DBG, Your Bank also introduced a 'Payment Hub' solution for processing of bulk payments; the response from the corporate and commercial customers including public sector entities/initiatives and educational institutions is very encouraging in the pilot phase.

Allied Bank also accomplished a key milestone of being fully compliant on EMV (Europay, MasterCard & VISA) standards for issuance of chip enabled Debit Cards

and accepting chip based transaction on its ATMs. With this advancement, Allied Bank has become one of the pioneer banks in the industry to have EMV capability on both ends i.e. Debit Cards Issuing and ATM Acquiring. As at end-December 2016 700 ATMs have been made fully compliant on EMV standards.

With a vast network of 1,150 ATMs including 942 on-site and 208 off-site ATMs, Your Bank remained 2nd highest acquirer of transactions in industry and with superior connectivity achieved highest ATM up time of 97.10% during 2016. Agreements with leading oil marketing companies including PSO and Shell for placing off-site ATMs at their strategically located service stations is expected to further augment the coverage of ATM based services.

Your Bank also revamped its Corporate Website ([www.abl.com](http://www.abl.com)) to make it device-responsive with integrations of Branch/ATM locators, social media, currency conversion calculator and a



broad range of value-added features like responsive-voice, weather/date, bilingual layout, and easy navigation. On Facebook, ABL retained its place among the top 5 financial institutions with over 500,000/- "Likes", while on Twitter, Allied Bank continues to be most followed account in the country's financial sector.

Going Forward, Digital Banking Group shall remain the focal point of developing, implementing and ensuring utilization of latest technology enabled products and services; leading Bank's transformation towards the digital age.



## Commercial and Retail Banking

The vast geographical outreach of the Bank necessitated a re-alignment of operating structures; as a result, Commercial and Retail Banking Group was bifurcated along geographical lines with the formation of CRBG-North and CRBG-South. The geographical functions shall independently undertake all facets of assets and liability businesses while serving local customer needs with higher focus and improved TATs.

Commercial and Retail Banking Group (CRBG) is mandated with focusing on expanding Bank's deposit base along with reaching out to SME and Agro based Obligor in line with the Bank's risk appetite. While overall macroeconomic indicators have shown signs of improvements the private sector hitherto facing various constraints including energy shortage in achieving sustainable growth momentum. CRBG, under the circumstances, efficiently channeled opportunities demonstrating viable growth prospects. Despite volatile commodity prices, the segment maintained its focus on gradually building capacities for steady and cautious expansion in the target market.

Considering the consistently growing pressure on NIMs during the year, CRBG's focus towards enhancing CASA growth was maintained to reduce the overall funding costs. Concerted efforts towards further improving service level and

continuously enhancing staff's product knowledge base remained the key areas to ensure deepening of existing relationships and bringing new to the bank customers, including small ticket Asaan Account holders. Capitalizing upon the network of 1,066 strategically located branches spread across the country and reliable alternate delivery channels, the Bank crossed Rs.800 billion deposit mark at end-December 2016 serving more than 3 million account holders.

The immensely successful launch of Allied Asaan Account in 2015 was further enriched during 2016; focusing on bringing low-income segment into the fold of mainstream banking. CRBG also launched Khanum Asaan Account during 2016 catering to the niche female clientele, which historically have remained the least banked segment. This product has received encouraging response from its target segment and immense enthusiasm has been witnessed during promotional events.

Despite multiple challenges emanating from operating environment, CRBG maintained strong focus on improving low/no cost deposits along with improving overall deposit mix. The sustained focus translated in to material success as witnessed in the improvement of CASA as a percentage of total deposits to 78% at end-December 2016 by achieving 14% growth in current deposits; resulting in reduction in cost of deposits as well.

Supporting the Corporate Social Responsibility Program (CSR) of the Bank, CRBG in collaboration with other business groups conducted Road Shows and awareness sessions at Hyderabad, Sialkot and Multan while also participating in awareness sessions and SME Mela organized by SBP in different cities of the country.

Your Bank continues to offer innovative digital banking products. CRBG augmented the process by enhanced provision of e-Banking initiatives to our valued customers including online banking, e-statement of accounts and Pay Anyone services; which is Bank's branchless payment solution.

Going forward, CRBG together with DBG, intends to play key role in successful roll-out of mobile wallet service as agreed with Mobilink. While remaining cognizant towards expansion of core deposits including low cost deposit base of the Bank, cautious penetration in the consumer banking by offering certain products to selective customers and BANCA products shall also remain a key focus area in 2017.

## Treasury

Financial markets remained steady throughout 2016 after witnessing significant volatility in 2015. Commodity prices, particularly oil and industrial metals, rebounded in the second half of the year. This, along with slight

# Group's Review (Contd.)

improvement in domestic growth prospects, strengthened the sentiments regarding stability in domestic interest rates. Consequently, Treasury pursued a cautious approach in managing the duration of bond portfolio and realized healthy capital gains from fixed income trading while efficiently re-profiling the investment mix to remain well diversified across the maturity ladder.

A major initiative by Treasury in 2015 was to attain the Primary Dealer (PD) status from SBP and reinvigorate the fixed income trading; resultant trading activity yielded capital gains amounting to Rs. 2,661 million during 2016 as against Rs. 830.1 million last year. During the year, Treasury's active participation and trading volumes was recognized by State Bank of Pakistan (SBP) and the Bank was ranked amongst the Top Three PDs; a significant accomplishment considering the relatively new PD status.

Treasury also remained active player in both FX Spot and Swaps. However, the currency market remained stable throughout the year and lack of volatility in the FX market impacted growth in FX income. However, Treasury's effective strategy enabled in provision of competitive FX pricing to our valued customers, resulting in stable FX business flows. Treasury's competitive FX pricing also assisted in enhanced penetration of Bank's Home remittances business and expanding non-oil trade business.

Focus on attracting best talent pool continues to yield positive results. Treasury intends to further strengthen the human resource pool in order to ensure service quality standards surpassing the industry levels.

Going forward, focus will be on harnessing technology for enhancing Treasury's capabilities and service offering. Furthermore, Treasury shall continue to closely monitor the changing economic landscape and assist ALCO in managing the assets and liability mismatch and interest rate risks, while capitalizing on opportunities to provide

sustainable contribution towards Bank's bottom line.

## Corporate and Investment Banking

During 2016, Corporate and Investment Banking Group (CIBG) maintained its position as one of the leading wholesale banking provider in Pakistan; with in-depth understanding of business relationships and provision of structured financial solutions while ensuring optimum level of service excellence. CIBG offers comprehensive suite of products and services covering all facets of funding, trade facilities, cash management, remittance business and customized investment banking solutions. CIBG also maintains a well-diversified capital markets portfolio with exposure in premier blue-chip stocks; with a strategy to earn healthy dividend stream for Your Bank. CIBG also persisted with ongoing cross sell activities with other groups to facilitate deepening of strong relationships with all major corporate clientele within the country.

During the year, banking sector encountered major challenges including persistently low interest rates and surplus liquidity resulting in aggressive competition amongst banks. Despite challenging macroeconomic conditions, CIBG maintained its robust performance trajectory while adhering to Bank's strategy; deepening of relationships with top tier conglomerates and business groups with strong focus on exploiting non-funded and ancillary business opportunities.

Corporate Banking (CB) working rationale remains towards developing long term relationship with the primary objective of meeting all business requirements of corporate and institutional customers while offering tailored and cost effective credit solutions with personalized services to corporate obligors while exiting from or reducing exposure to weak obligors; giving significant weightage to early warning signals.

Investment Banking (IB) offers a wide range of investment banking products and solutions; enabling culmination of enhanced growth and strategic objectives for our valued clientele. Debt Syndication, project financing and Advisory units within IB remained proactive during 2016, advising and financing broad range of transactions covering diversified sectors including power generation, gas distribution, chemicals, fertilizers, cement and financial institutions. The IB strength was externally recognized as well; during the year and was recognized as "Best Corporate & Institutional Bank – Domestic, 2016" and "Best Loan House – Pakistan, 2016" by The Asset Magazine, Hong Kong. Additionally, the Bank also received Runner-Up award for "Corporate Finance House of the Year 2015 – Fixed Income" from CFA Society of Pakistan.

The Financial Institutions, International & Cash Management (FII&CM) Division continued to expand its domestic and international capabilities. FI nurtured global institutional banking relationship with leading and highly reputed financial institutions worldwide, including partnerships with International Finance



Corporation (IFC), Asian Development Bank (ADB) and Islamic Development Bank (IDB); duly facilitating growth in international trade, foreign exchange and payments.

Operations in Bahrain (Wholesale Banking Branch) and Dubai (Representative Office) were strengthened to further penetrate remittance and trade related opportunities in the Gulf region. During 2016, ABL was also granted a Representative Office License in Beijing, People's Republic of China.

Cash Management Division expanded its horizons with ongoing addition of new clientele, product development and marketing efforts.

Capital Markets continued to follow strategy of steady growth and a stable revenue stream from diversified investment portfolio. Dividend income for the year from the equity portfolio investment was recorded at Rs. 3,776 million while un-realized capital gains on equity portfolio amounted to Rs. 21,714 million.

Home Remittance Division enhanced correspondent partners across the globe for the overseas Pakistanis to remit funds effectively and efficiently through the Bank's extensive network of 1,150 branches; with strong growth in related Allied Express accounts. New tie-ups were added with correspondents from USA, UK, Australia, Saudi Arabia, UAE, Qatar, Canada, Oman, Kuwait and Bahrain. Business arrangements were signed with renowned exchange companies. UAE based Pakistani expats are now also being offered "NRP - Non Resident Pakistani Account".

Going forward, CIBG's focus shall remain on top-tier/blue chip corporate relationships; with provision of customer centric product offerings including corporate internet banking portal while continually adding high quality assets in loan portfolio and maximize earnings through comprehensive relationship coverage. Furthermore, CIBG to explore bankable avenues in mid-tier corporate/



commercial segments to diversify and generate sustainable revenue streams while fully availing potential CPEC related opportunities through domestic and Chinese Rep offices respectively.

### Islamic Banking:

Sharia compliant financial assets are estimated at US\$ 2,000 billion globally. In Pakistan, Islamic Banking industry has shown stable progress; as its share in overall industry's assets continues to grow steadily to approximately reach 11.8% at end-September 2016.

Since commencement of Islamic Banking Group (IBG) operations in 2014 the Bank has expanded its outreach to 77 dedicated Islamic branches geared towards fulfilling the needs of Islamic Banking customers. IB's total assets base as at end-December 2016 stood

at Rs.9,122 million. Overall deposits also increased significantly to reach Rs.8,554 million during 2016. In view of the continuous expansion in network and associated set up costs along with and limited shariah compliant deployment avenues, IBG's profitability shall remain under pressure in short term.

IBG continued to introduce new asset products including Istisna Finance, Business Musharakah and Bai-muajjal Securities. Likewise new liabilities products included Allied Islamic Institutions accounts, Allied Islamic Premium Account, Allied Islamic Notice period certificate and Allied Islamic Express Account. Independent Shariah Board ensures that the product development is in line with the highest levels of Shariah compliance.



# Group's Review (Contd.)

During the year, focused approach remained towards enhancing the human resource capabilities. In this regard, IBG partnered with Center for Islamic Finance of Lahore University of Management Sciences (LUMS) and International Islamic University Islamabad (IIUI) through Memorandum of Understanding (MoU) to jointly promote Islamic Financing in Pakistan.

Going forward, IBG shall focus towards enhancing market share while providing innovative and customer centric Shariah compliant products and services to our valued customers.



## Risk Management

Your Bank's diverse business operations necessitate identification, assessment, measurement and management of overall risks and to efficiently allocate Bank's capital among the various businesses. Risk and capital are managed through a framework of principles, organizational structures and technology driven monitoring processes that are closely aligned with the Bank's strategy.

Primary functions of Risk Management Group (RMG) include Corporate & Financial Institution Risk, Commercial, SME & Consumer Risk, Credit Administration & Monitoring, Technical Appraisal, Information Security & Governance and Enterprise Risk; working diligently to persistently enhance the risk monitoring and assessment architecture, improve asset quality while managing the risk appetite of the Bank.

During 2016, RMG continued to enhance and transform its risk management practices, utilizing cutting edge technologies to accomplish following key initiatives:

- Upgraded the Loan Origination Module of Risk Assessment & Management System (RAMS) by automating credit approval workflows for agriculture financing products including revolving credit, tractor, poultry and dairy financing thereby achieving automation of the entire credit portfolio.

- Integrated the technical plant visit assessment results with the Bank's Obligor Risk Rating (ORR) model, ensuring seamless incorporation and due weightage of technical evaluation conducted by technical appraisal team in the latest ORR of obligors.
- Implemented Facility Risk Rating (FRR) model in RAMS. The model embedded in Loan Origination System assigns risk rating to facilities, based on inherent features and duly adjusts the same on the basis of the nature of offered collaterals. The model calculates weighted average FRR for the overall exposure being approved for an obligor.
- Developed an automated workflow for issuance of disbursement authorization certificates in RAMS. Through this initiative RMG endeavors to make the credit disbursement process further transparent and efficient.
- During 2016, Bank's initiative of launching managed warehouses for pledge financing in selected locations received further impetus, as construction/renovation of two new warehouses in Mandi Faizabad, and Multan was initiated. Currently, the Bank operates four warehouses in Kamoke, Gakkhar Mandi, Multan and Atthara Hazari Jhang. This unique initiative enables obligors

to access free of cost warehousing space along modern lines.

- 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 "Evolution of Corporate Governance and Growth" and "Corporate Governance and Macroeconomic Challenges for Growth" were organized during 2016.
- As a CSR initiative, RMG also distributed complimentary "Harvard Business Review" book sets to key personnel of major corporate obligors.

Going forward, with the objective of implementing innovative new technologies, RMG is implementing Oracle Risk Management solutions; while continuously upgrading RAMS with significant investments in technology and human resources; to maintain a robust risk management framework across the Bank.

## Human Resource

In pursuit of organizational objective to remain one of the best-managed banks in the country, Human Resource Group (HRG) remained focused on induction of an efficient workforce to support expanding branch network, nurture talent through conducive learning platform and

provide career growth for consistent performers through an enabling work environment. Technology driven HR processes and employee development methodologies are being adopted to further augment HR function.

Your Bank's strategic imperative towards induction of right talent was continued during the year; branch Management Trainee Officers (MTOs) along with specialized batches of Management Trainee Auditors (MTAs), Risk Management Trainee Associates (RMTAs), Management Trainee IT (MTIT), Management Trainee-HR (MTHR), and Management Trainee-Compliance were inducted after imparting customized trainings based on class room and On-the-Job training methodologies. Accordingly, approximately 1,300 employees including Business Development Officers (BDOs), Tellers and lateral hiring in specialized functions were recruited across the country in diverse roles.

During the year, a key HRG accomplishment was to initiate a process of identifying most eligible resources for future leadership roles. The comprehensive selection process included personality traits assessments, aptitude tests and Psychometric analysis which assisted in substantiating employee profiling and core competencies for key positions. In this regard, HRG engaged a well reputed consulting firm accredited and certified from British Psychological Society, EFPA & CIPD UK ably supported by full-time bank employed organizational psychologist. HRG also played pivotal role in establishing an in-house assessment center named 'ABL CARE' to assess the personality traits, attitude and leadership potential through psychometrics; determining the psychological fitness and suitability of candidates for employment and promotion. Your Bank is amongst the very few organizations in the country having its own assessment center.

Further under the Allied Leadership Development Program (ALDP), senior management personnel were also



imparted training from world's leading institutions on leadership and strategy.

HRG proactively undertook preparation of formal group charters of new functional groups established during the year including Digital Banking Group, Service Excellence Group and Real Estate & Infrastructure Development Group while charters of existing groups were revisited/revised in order to augment existing structure and fulfill regulatory requirements.

In order to provide better healthcare facilities, 09 hospitals were added in the approved list of hospitals available to employees across the country. In addition, in-house seminars on Health Care were conducted to raise awareness

with reference to health related issues. Continued focus on Training and Development of staff, being one of the primary HRG initiatives. Revised training content design, rolling out leadership development initiatives, strengthening regulatory compliance awareness and collaboration with premiere local and international universities remained the key focal points in this area. Further redesigned courses and instructional materials were aligned with digital banking and modern trends for all Management Trainee programs. New specialization modules on trade, credits and Islamic banking were also introduced; duly assisting in building enhanced knowledge base to support Bank's future business goals and expansion strategy.

## Group's Review (Contd.)

Further in-house certification programs including teller certification, Islamic banking certification and banking officer certification were introduced to augment the Bank's operations. A mandatory online new employee orientation program was also launched covering all new employees joining the Bank during the year.

During the year, 2,541 tellers got certified through in-house designed and developed 'Certified Tellers Training Program'. Overall 1,622 days were spent on training, where 9,586 participants attended functional, management development and leadership training programs.

HRG also collaborated with IBG and entered into strategic partnership with Center for Islamic Finance of Lahore University of Management Sciences (LUMS) and International Islamic University Islamabad (IIUI) to jointly promote Islamic Financing in Pakistan through development and launch of specialized trainings and development programs for senior managers in the field of Islamic Finance.

During 2016 another key initiative by HRG was establishing partnership with Institute of Chartered Accountants of Pakistan (ICAP), whereby ABL became the first Bank in the country to be accredited as 'Training Organization Outside Practice – TooP'. Under the agreement, ICAP students will earn credit towards completion of mandatory articleship while working at Allied Bank.

Going forward, HRG intends to undertake various key initiatives including introduction of technology driven services for managing employee record and attendance, revision of key policies and procedures and introduction of new application for Human Resource Management. Apart from these initiatives ongoing focus shall be maintained on developing, nurturing and attracting industry's best talent to assist in Your Bank's transition into the Digital Banking Age.

### Information Technology

2016 was the year when 'disruption' became tangible; clearly depicting that we are living in a fast-changing global society. With new technologies allowing previously unimaginable service levels and established technologies like artificial intelligence and robotic process automation witnessing resurgence; global banks are positioning to offer a highly personalized and unique banking experiences for each customer. Accordingly, Information technology has become the 'nucleus' in the banking industry. However, the immense opportunities simultaneously create new challenges with reference to information security and reliability of information. Moreover, emerging FinTech companies are increasingly targeting traditional banking landscape with potential for creating immense disruption. In order to overcome the aforementioned challenges, Banks need to focus on developing customer centric products suite; along with automating business processes for improving efficiencies and reducing turnaround times. The high implementation costs for cutting edge technologies is a major challenge for banks in the short term, yet the long term future of the sector remains hinged on constant transformation amidst an evolving eco-system.

Being conversant with the evolving requirements of the customers, Your Bank has formed a hybrid strategy of equipping the traditional brick and mortar branches with the emerging technologies. Entire branch network of Your Bank operates on an online network; connected with Tier+ datacenters and links to support uninterrupted banking experience. Temenos, the Switzerland based core banking system provider, has duly acknowledged the implementation at ABL as the largest implementation in terms of number of branches connected with T24 System. T-24 release upgrade during 2017, shall further strengthen the efficiency of core banking system.

Your Bank in order to further augment digital delivery channels has established effective real time monitoring mechanism to handle any outages proactively and enhance the customer experience.

During 2016, Information Technology (ITG) upgraded the Bank's internal portal; enabling the employees to efficiently use electronic workflows.

During 2016, ITG made major strides in successfully implementing the Corporate Internet Banking solution; the system is expected to revolutionize the way of doing business with corporate customers.

ITG continues to ensure that effective business continuity and disaster recovery planning and implementation significantly mitigates the risk of service disruption. In line with the Bank's strategic goals, customer's data security remains one of the top priorities. Accordingly, ITG was involved with DBG in the launch of Chip-based cards shielding customers from the risk of card skimming/cloning.

During the year, major progress was to enhance biometric verification capabilities of the Bank, in collaboration with NADRA. ITG also initiated upgrading of Your Bank's Business Intelligence Solution in a phased manner; which is expected to greatly support the future business growth within the Bank.

Going forward, ITG aims to play key role in enhancing the technology driven initiatives within the Bank. Upgradation of core banking system and Customer Relationship Management system, refining Business Intelligence capabilities while keeping the associated costs at manageable level shall remain the key initiatives in 2017.

### 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 the Bank; while ensuring conformity





with industry's best practices. The IT Governance of the Bank comprises monitoring by:

**e-Vision Committee** of Board supervises the IT Governance in the Bank and provides strategic direction for adoption/upgrading of evolving technologies. 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.

**Management Committee (MANCO)** of the Bank is inter-alia entrusted to provide strategic guidance for IT related initiatives, prioritize projects for their implementation along with recommendation for required infrastructure and monitor their performance. MANCO is also entrusted with the review of Operational and rolling Strategic plans including IT and its recommendation to Board's e-Vision Committee/ Board of Directors.

#### **Information Technology Group (ITG)**

is headed by Chief ITG, reporting to Chief Executive Officer of the Bank. ITG is responsible for development and delivery of all technology driven services in line with directions of the Board and its committees along with effective implementation of IT Security Controls and Risk Mitigation measures in line with Bank's approved Information Security Policies and Procedures. ITG of the Bank is strengthened by the following functions:

- Software Delivery
- IT Systems & Infrastructure
- IT Operations
- Software Quality Assurance & IT Compliance

#### **Information Security & Governance**

**function** 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. It ensures that periodic information security assessments are conducted to evaluate the adequacy and effectiveness of information security

arrangements against cyber threats. The 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 the significant fall in average benchmark rates, maturity of high yielding government bonds, pressure on advances pricing spreads, challenges in core deposit mobilization due to increasing trend witnessed in currency in circulation and rising cost of doing business; Profit before taxation for the year ended Dec 31, 2016 stood at Rs.23,831 million. Super tax of 4% on prior year's taxable income levied in 2015 as a 'one-off' was maintained during 2016 resulting in additional tax charge of Rs.950 million during 2016; increasing the effective tax rate to 39.5%. However, due to proactive multifaceted strategic initiatives undertaken by the management, Profit after tax stood at Rs.14,427 million.</p> <p>Major drivers enabling relatively stable profitability trend included expansion in overall Balance Sheet and Total Equity to 1,069,614 million and 100,674 million respectively along with growth of 8% in average earning assets duly supplemented by healthy CASA growth of 17% primarily contributed in overall cost of deposits decrease noted below, sustained reduction in non-performing loans of Your Bank, higher fee based income and healthy capital gains on government securities capitalizing on Bank's Primary Dealer Status. Your Bank remains vigilant towards the evolving market dynamics encompassing thin margins and pressure on underlying costs due to the new initiatives being undertaken by Your Bank.</p> <p>Notwithstanding the tough business environment, ABL's Return on Equity (ROE) remained at a level of 20.3% in 2016 while average industry ROE stood at 14.2% as at September 2016. Peer bank average of top 10 banks stood at 20.5% as at September 2016.</p>	KPI shall remain relevant for future
Continuous growth in Balance sheet primarily through no/low costs deposits	Deposits Mobilization	<p>Deposits registered a growth of 10% during the year compared to 2015 and stood at level of Rs.805 billion; while average deposits also grew by 9.4% reflecting the sustained broad based growth in the deposit book. Your Bank's persistent focus on the funding side has resulted in deposit base to double within a span of last 5 years. ABL also maintained its focus on containing costs of deposits, which was reduced from 3.94% to 3.28% during the year; primarily as a result of improvement in CASA mix from 73% in 2015 to 78% in 2016. Growth in no cost Current Deposits was at 15%.</p> <p>ABL improved its position among the top 5 banks in terms of deposits by one notch. Market share stood at 7.2%; as the big ticket costly institutional deposit was intentionally kept in check, with a minimal growth during the year under review.</p>	KPI shall remain relevant for future
Consistently augment Risk Management culture resulting in superior asset quality	Quality of Assets	<p>Your Bank's robust technology driven risk management framework enables to maintain and gradually enhance the overall risk profile of the Bank covering the entire spectrum of business operations. The strong Balance Sheet supplemented by the effective risk management platform positions Your Bank to adequately capitalize on any potential surge in credit appetite in future.</p> <p>Infection ratio decreased to 5.9% as at Dec 31, 2016 from 6.4% as at Dec 31, 2015. Top 10 peer bank average stood at 9.2%, while industry average stood at 11.3% as at September 30, 2016. Net infection ratio remained constant to 0.9% as at December 31, 2016. The loan loss coverage increased to 92% as at December 31, 2016 improving from 87.5% as at December 31, 2015; against industry average of 82.7% as at September 30, 2016. Your Bank has not taken benefit of Forced Sale Value of collaterals, while calculating the provision against non-performing loans.</p>	KPI shall remain relevant for future
Inculcate operational efficiencies through innovative and viable cost controlling measures	Effective and efficient cost controls	<p>Bank continued to expand its outreach by opening 100 new branches as well as Installation of 139 new ATMs on Pan Pakistan basis, thus achieving 1:1 ratio to close at 1,150 respectively. Your Bank has now established 313 branches and deployed 459 ATMs in last 5 years, reflecting a cumulative growth of 37% and 91% respectively. Additional investments were also made on human capital as well as on various digital banking, information technology and security initiatives during the year.</p> <p>Despite these significant investments towards future growth initiatives of Your Bank, efficient cost management as well as centralized processes enabled Your Bank to manage intermediation cost at 2.7% in 2016 as compared to 2.6% in 2015. This is below average intermediation cost of top 10 peer banks at 3.1% as at September 30, 2016. The aforementioned expenditures also impacted the Cost to income ratio, which stood at 46.5%; significantly lower than against 10 peer banks' average of 52% in September 2016.</p>	KPI shall remain relevant for future
Strengthen capital base to support business development	Capital Adequacy Status. Compliance with regulatory minimum capital requirements	<p>Capital Management aligns capital requirements of Your Bank with the underlying business strategy as well as the minimum requirements of the State Bank of Pakistan (SBP). Common Equity Tier (CET) and Tier-1 Capital Ratio stood at 16.36% against SBP's minimum requirement of 6% and 7.5% respectively as at December 31, 2016.</p> <p>Capital Adequacy Ratio as per Basel III requirements was maintained at 20.8% during 2016. This is well above the regulatory requirement of 10.65%. Banking sector CAR as at September 30, 2016 stood at 16.8%. Your Bank remains well positioned to cater to any upcoming opportunities for credit expansion in future.</p>	relevant for future
Sustainable payout to our Shareholders	Return to Shareholders	<p>ABL continues to maintain healthy dividend streams. Cash Dividend of Rs.7.25 per share was declared in 2016 as against Rs.7.0 in 2015 while payout ratio increased from 53% in 2015 to 58% in 2016.</p>	KPI shall remain relevant for future

# Risk & Opportunity Report

Allied Bank Limited (the Bank) has a comprehensive risk management system covering entire spectrum of business operations while ensuring full 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 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 the evolving landscape.

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

Risk Type	Description	Plans and Strategies for Mitigating Risks
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.	Bank's Tier-1 to total risk weighted assets ratio which comes to 16.36% against requirement of 10.65% for 2016; reflecting Bank's strength to avail all future 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 strong liquidity position during the year. Bank also has a substantial portfolio of marketable securities that can be realized in the event of any liquidity stress. The liquidity levels are being monitored regularly under well-defined ALM triggers, limit exposures, gap analysis, stress testing scenarios on standalone and systemic market stress conditions. Bank's liquidity coverage ratio and net stable funding ratio are also well above the Basel prescribed limits.
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 a well-diversified lending portfolio along with one of the lowest infection ratio and highest coverage ratio 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; coupled with robust risk management architecture ensures that the exposures are within the defined risk appetite. 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.
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 framework, 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. Bank has also developed a business continuity plan applicable to all its functional areas.



## Risk & Opportunity Report (Contd.)

Risk Type	Description	Plans and Strategies for Mitigating Risks
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 the Bank's values and beliefs.	Reputational risk management is inextricably linked with overall risk management framework. Effective identification and management of risk identifies major threats to reputation and entity level controls ensure they are reduced 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. The major opportunities and future outlook have been covered in detail in the CEO's review.

# 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 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 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.
- Interactive and secured corporate website.
- Social Media interactions through Facebook and Twitter.
- Branch opening events.
- Advertising activities.

## Shareholders/ Institutional Investors/ Analysts

Your Bank values the trust placed in by our valuable shareholders, therefore Your Bank always strives to deliver relevant and timeous information to our existing and potential shareholders through the following:

- Annual General Meeting.
- Annual and quarterly financial statements.
- Investor presentation 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 monitor movement in shareholding of major shareholders.
- Mechanism in place to monitor movement in shareholding of beneficial owner and executives.
- Mechanism in place to monitor 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 aims 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.
- Anti-Harassment committee for 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, 2016 2015 2014 2013 2012 2011

## STATEMENT OF FINANCIAL POSITION

### ASSETS

Cash and balances with treasury and other banks	73,884	60,789	42,129	45,775	44,381	38,159
Lending to financial institutions	10,513	3,356	2,030	12,461	10,721	1,362
Investments- Gross	592,561	547,127	429,597	364,966	269,351	198,398
Advances - Gross	349,015	340,769	325,825	285,376	288,889	262,137
Operating Fixed assets	32,757	28,850	27,250	22,084	19,871	18,087
Other assets	32,365	32,716	36,055	23,496	20,245	18,185
<b>Total Assets - Gross</b>	<b>1,091,095</b>	<b>1,013,607</b>	<b>862,886</b>	<b>754,158</b>	<b>653,458</b>	<b>536,328</b>
Provisions against non-performing advances	(18,784)	(19,164)	(19,811)	(18,375)	(17,805)	(17,704)
Provisions against diminution in value of investment	(2,697)	(2,778)	(806)	(1,587)	(1,948)	(2,704)
<b>Total Assets - net of provision</b>	<b>1,069,615</b>	<b>991,665</b>	<b>842,269</b>	<b>734,196</b>	<b>633,705</b>	<b>515,920</b>

### LIABILITIES

Customer deposits	805,111	734,596	667,878	608,412	514,707	399,562
Inter bank borrowings	126,369	137,960	66,096	32,952	38,916	49,993
Bills payable	9,849	4,942	4,832	4,879	6,203	4,015
Other liabilities	27,612	24,911	19,579	17,513	16,351	13,325
Sub-ordinated loans	—	—	2,994	4,242	5,490	5,493
<b>Total Liabilities</b>	<b>968,941</b>	<b>902,409</b>	<b>761,379</b>	<b>667,998</b>	<b>581,667</b>	<b>472,388</b>

<b>NET ASSETS</b>	<b>100,674</b>	<b>89,256</b>	<b>80,890</b>	<b>66,198</b>	<b>52,038</b>	<b>43,532</b>
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### REPRESENTED BY

Share capital	11,451	11,451	11,451	10,410	9,463	8,603
Share premium	—	—	—	—	—	202
Reserves	16,533	15,102	13,549	12,438	10,899	8,561
Un - appropriated profit / (loss)	46,490	41,415	37,053	30,855	23,688	20,447
<b>Equity - Tier I</b>	<b>74,474</b>	<b>67,968</b>	<b>62,053</b>	<b>53,703</b>	<b>44,050</b>	<b>37,813</b>
Surplus on revaluation of assets	26,199	21,288	18,837	12,495	7,988	5,719
<b>Total Equity</b>	<b>100,674</b>	<b>89,256</b>	<b>80,890</b>	<b>66,198</b>	<b>52,038</b>	<b>43,532</b>

## PROFIT & LOSS ACCOUNT

Markup / Return / Interest earned	64,606	72,116	67,001	54,222	49,503	51,814
Markup / Return / Interest expensed	(31,345)	(35,977)	(38,815)	(32,552)	(31,142)	(26,643)
<b>Net Markup / Interest income</b>	<b>33,261</b>	<b>36,139</b>	<b>28,186</b>	<b>21,670</b>	<b>18,361</b>	<b>25,171</b>
Fee, Commission, Brokerage and Exchange income	4,660	4,409	3,758	3,711	3,169	3,395
Capital gain, Dividend income and Unrealized gain / (loss)	6,448	4,360	7,850	4,645	10,353	3,507
Other income	102	986	1,128	1,247	272	48
<b>Non interest income</b>	<b>11,210</b>	<b>9,755</b>	<b>12,736</b>	<b>9,603</b>	<b>13,794</b>	<b>6,950</b>
<b>Gross income</b>	<b>44,471</b>	<b>45,894</b>	<b>40,922</b>	<b>31,273</b>	<b>32,155</b>	<b>32,121</b>
Operating expenses	(20,797)	(18,603)	(17,390)	(15,804)	(14,853)	(13,684)
<b>Profit before provisions</b>	<b>23,674</b>	<b>27,291</b>	<b>23,532</b>	<b>15,469</b>	<b>17,302</b>	<b>18,437</b>
Donations	(42)	(139)	(76)	(80)	(104)	(61)
Provisions - (charge) / reversal	199	(1,649)	(1,254)	(628)	(1,362)	(3,267)
<b>Profit before taxation</b>	<b>23,831</b>	<b>25,503</b>	<b>22,202</b>	<b>14,761</b>	<b>15,836</b>	<b>15,109</b>
Taxation	(9,404)	(10,383)	(7,187)	(118)	(4,195)	(4,969)
<b>Profit after taxation</b>	<b>14,427</b>	<b>15,120</b>	<b>15,015</b>	<b>14,643</b>	<b>11,641</b>	<b>10,140</b>

## CASH FLOW STATEMENT - SUMMARY

Cash Flow from Operating Activities	63,803	148,505	57,504	96,332	75,479	86,807
Cash Flow from Investing Activities	(42,388)	(118,571)	(53,293)	(87,993)	(62,854)	(76,727)
Cash Flow from Financing Activities	(8,271)	(11,257)	(7,950)	(7,019)	(6,379)	(3,706)
Cash & Cash equivalent at the Beginning of the Year	60,671	41,980	45,948	44,240	37,944	31,725
Effect of Exchange Rate changes on Cash & Cash equivalent	5	30	(230)	215	191	26
<b>Cash &amp; Cash equivalent at the End of the Year</b>	<b>73,820</b>	<b>60,687</b>	<b>41,979</b>	<b>45,775</b>	<b>44,381</b>	<b>38,125</b>



December 31,	2016	2015	2014	2013	2012	2011
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#### FINANCIAL RATIOS

Return on equity	%	20.26%	23.26%	25.94%	29.96%	28.44%	29.40%
Return on assets	%	1.40%	1.65%	1.90%	2.14%	2.03%	2.10%
Profit before tax ratio (PBT/ Net markup income + Non markup income)	%	53.59%	55.57%	54.25%	47.20%	49.25%	47.04%
Gross spread ratio (Net markup income / Gross markup income)	%	51.48%	50.11%	42.07%	39.97%	37.09%	48.58%
Return on Capital employed ((PAT + Int on sub) / Avg Cap employed)	%	20.26%	22.93%	24.87%	27.91%	26.08%	26.99%
Current & Quick / Acid Test Ratio	%	65.42%	65.84%	49.17%	87.29%	89.26%	81.79%
Cash to Current Liabilities	%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Advances to deposits ratio (ADR) - Gross	%	43.35%	46.39%	48.79%	46.91%	56.13%	65.61%
Advances to deposits ratio (ADR) - Net	%	41.02%	43.78%	45.82%	43.88%	52.67%	61.18%
Income / Expense ratio	Times	2.14	2.47	2.35	1.98	2.16	2.35
Cost / Income ratio	%	46.77%	40.53%	42.50%	50.54%	46.19%	42.60%
Growth in gross income	%	-3.10%	12.15%	30.85%	-2.74%	0.10%	13.76%
Growth in net profit after tax	%	-4.58%	0.70%	2.54%	25.79%	13.43%	23.61%
Total assets to avg. shareholders' funds (Tier 1)	Times	15.02	15.25	14.55	15.02	15.48	14.96
Total assets to avg. shareholders' funds (Tier 2)	Times	11.26	11.66	11.45	12.42	13.26	12.98
Intermediation cost ratio	%	2.70%	2.65%	2.73%	2.81%	3.25%	3.55%
NPL ratio	%	5.85%	6.43%	7.03%	6.81%	7.15%	7.80%
Net infection ratio	%	0.52%	0.87%	1.05%	0.44%	1.08%	1.14%
Weighted average cost of debt	%	3.72%	4.56%	5.84%	5.66%	6.39%	6.35%
Capital Adequacy ratio	%	20.84%	20.85%	19.75%	17.85%	16.17%	13.43%
Breakup value per share without Surplus on Revaluation of Fixed Assets *	Rs.	80.81	71.93	64.53	54.78	42.37	34.85
Breakup value per share including the effect of Surplus on Revaluation of Fixed Assets *	Rs.	87.92	77.95	70.64	57.81	45.45	38.02
Weighted Average cost of deposit	%	3.28%	3.94%	5.18%	5.07%	5.39%	5.38%
Earning assets to total assets ratio	%	87.00%	87.66%	87.48%	87.56%	86.67%	85.57%
Gross Yield on Earning Assets	%	6.94%	8.30%	9.09%	8.43%	9.01%	11.74%

#### Duo Pont Analysis

Profit Margin (Net Profit/ Markup and Non Mark up Income)	%	19.03%	18.47%	18.83%	22.94%	18.39%	17.26%
Assets Turnover (Mark up plus Non Markup/ Total Assets)	%	7.09%	8.26%	9.47%	8.69%	9.99%	11.39%
Equity Multiplier ( Total Assets/ Equity)	Times	15.02	15.25	14.55	15.02	15.48	14.96

#### SHARE INFORMATION

Cash Dividend Per Share	%	72.50%	70.00%	65.00%	52.50%	65.00%	50.00%
Bonus Shares issues	%	0.00%	0.00%	0.00%	10.00%	10.00%	10.00%
Dividend Yield Ratio (based on cash dividend)	%	6.08%	7.44%	5.75%	5.83%	8.84%	9.28%
Dividend payout ratio (Total payout)	%	57.54%	53.01%	49.57%	41.05%	63.94%	55.79%
Dividend Cover ratio	%	173.78%	188.64%	201.73%	243.58%	156.40%	179.24%
Earning Per Share (EPS) *	Rs.	12.60	13.20	13.11	12.79	10.17	8.96
Price to earning ratio * (PE x)	Times	9.46	7.13	8.63	7.04	7.23	6.01
Price to book value ratio	Times	1.36	1.21	1.60	1.56	1.62	1.42
Market value per share - at the end of the year	Rs.	119.21	94.07	113.12	90.00	73.49	53.87
Market value per share - highest / lowest during the year	Rs.	121/82	117/89	138/83	93/54	76 / 52	74/53
Net assets per share	Rs.	87.92	77.95	70.64	57.81	45.44	38.02
Market Capitalisation	Rs. In Million	136,504	107,717	129,531	103,057	84,151	61,685

#### INDUSTRY SHARE

Deposits	%	7.19%	7.59%	8.01%	8.10%	7.72%	6.80%
Advances	%	6.26%	6.95%	7.31%	7.01%	7.49%	7.51%
Total Assets	%	7.08%	7.41%	7.43%	7.72%	7.07%	6.63%

#### Trade Share

Import & Export Volume	USD Million	2,601	2,783	3,359	3,400	2,852	2,777
Market Share	%	4.18%	4.66%	5.20%	5.46%	4.74%	4.53%

#### Home Remittance

Remittances handled	USD Million	1,584	1,661	1,386	994	904	738
Market Share	%	8.00%	8.61%	8.05%	6.81%	6.47%	6.03%

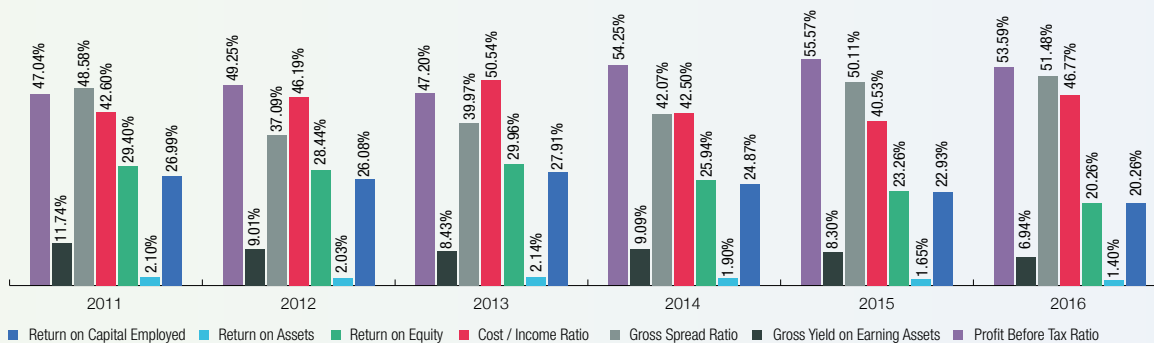
#### OTHER INFORMATION

Non - performing loans (NPLs)	Rs. In Million	20,432	21,904	22,922	19,424	20,668	20,452
Number of employees - Permanent	Nos.	10,430	9,792	9,654	9,675	9,291	9,496
Number of employees - Total	Nos.	11,011	10,244	10,121	10,213	9,932	13,029
Number of branches	Nos.	1,150	1,050	1,000	950	875	837
Number of ATMs	Nos.	1,150	1,011	890	794	618	601

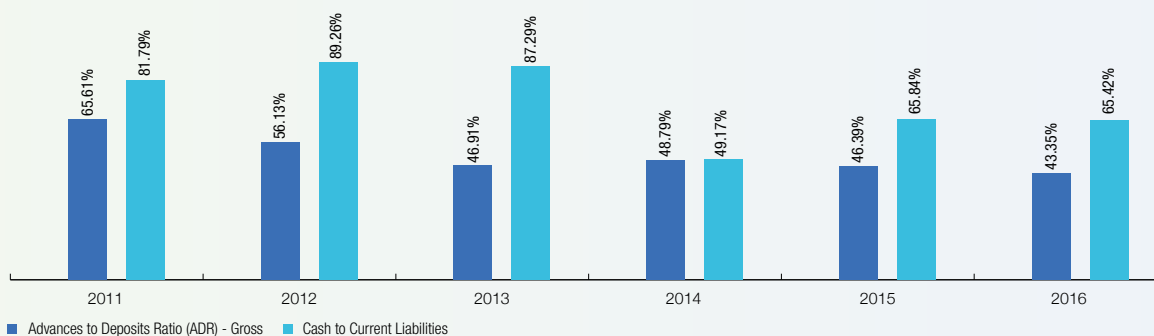
\* Restated

# Performance Highlights (Contd.)

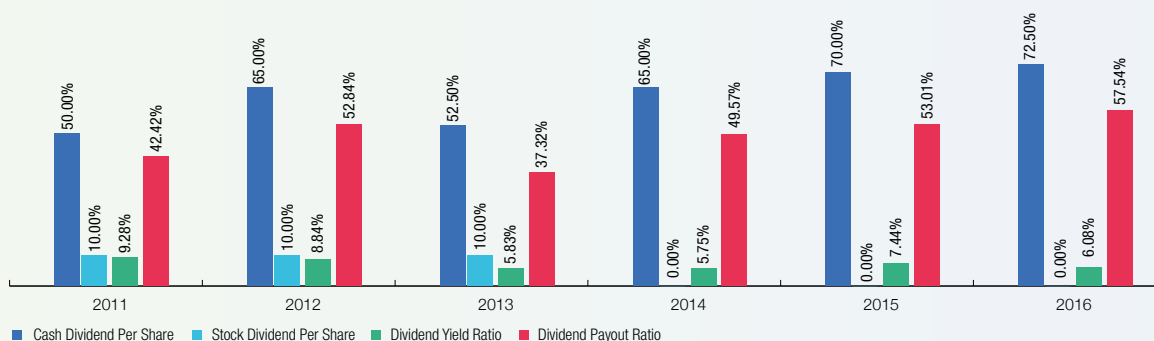
## Profitability Ratios



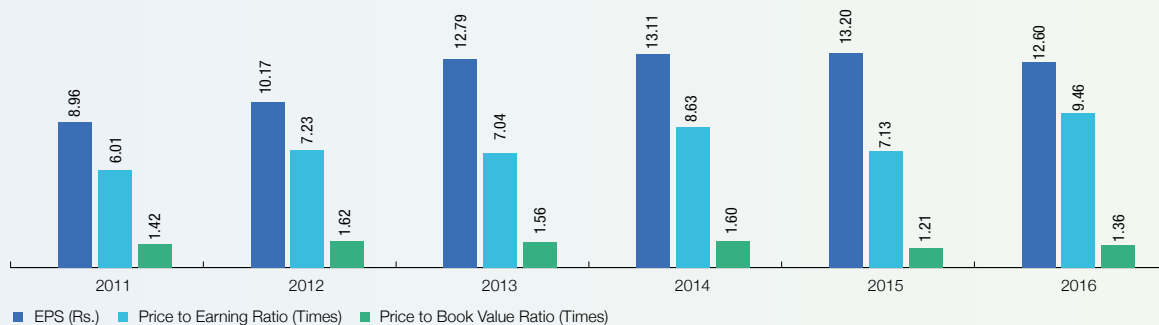
## Liquidity Ratios



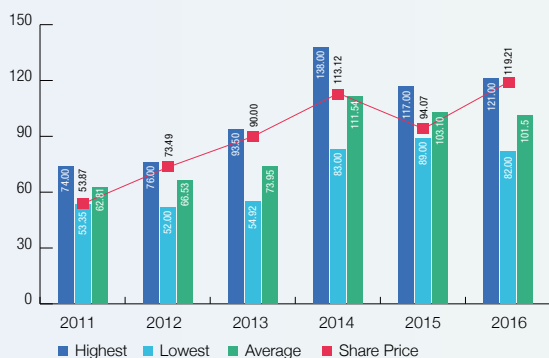
## Investment / Market Ratios



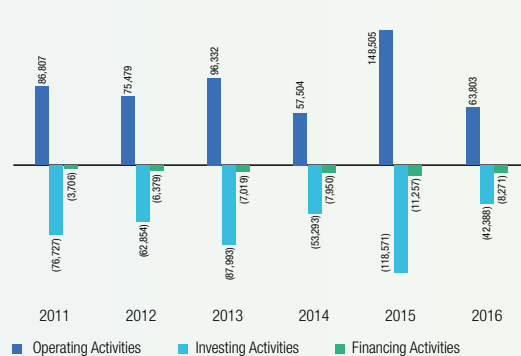
### Investment / Market Ratios (Rupees & Time)



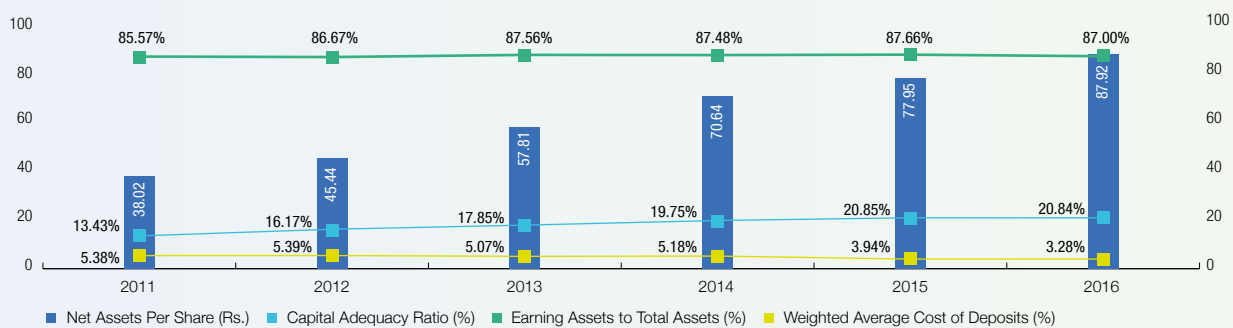
### Share Price Movement (Rupees)



### Cash Flow Analysis (Rs. in Million)



### Capital Structure Ratios





# Horizontal Analysis

	2016	16 Vs 15	2015	15 Vs 14	2014	14 Vs 13	2013	13 Vs 12	2012	12 Vs 11	2011	11 Vs 10
	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	73,884	22%	60,789	44%	42,129	-8%	45,775	3%	44,381	16%	38,159	20%
Lending to financial institutions	10,513	213%	3,356	65%	2,030	-84%	12,461	16%	10,721	687%	1,362	-88%
Investments - Net	589,865	8%	544,349	27%	428,791	18%	363,379	36%	267,403	37%	195,694	61%
Advances - Net	330,231	3%	321,605	5%	306,014	15%	267,001	-2%	271,084	11%	244,433	-3%
Operating Fixed assets	32,757	14%	28,850	6%	27,250	23%	22,084	11%	19,871	10%	18,087	18%
Other assets	32,365	-1%	32,716	-9%	36,055	53%	23,496	16%	20,245	11%	18,185	3%
<b>Total Assets</b>	<b>1,069,615</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>515,920</b>	<b>15%</b>
<b>LIABILITIES</b>												
Bills payable	9,849	99%	4,942	2%	4,832	-1%	4,879	-21%	6,203	54%	4,015	-3%
Inter bank borrowings	126,369	-8%	137,960	109%	66,096	101%	32,952	-15%	38,916	-22%	49,993	141%
Customer deposits	805,111	10%	734,596	10%	667,878	10%	608,412	18%	514,707	29%	399,562	8%
Sub-ordinated loans	—	0%	—	-100%	2,994	-29%	4,242	-23%	5,490	0%	5,493	2%
Other liabilities	27,612	11%	24,911	27%	19,579	12%	17,513	7%	16,351	23%	13,325	8%
<b>Total Liabilities</b>	<b>968,941</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>472,388</b>	<b>14%</b>
<b>Net Assets</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>43,532</b>	<b>21%</b>
<b>REPRESENTED BY</b>												
Share capital	11,451	0%	11,451	0%	11,451	10%	10,410	10%	9,463	10%	8,603	10%
Reserves	16,533	9%	15,102	11%	13,549	9%	12,438	14%	10,899	24%	8,763	17%
Un - appropriated profit	46,490	12%	41,415	12%	37,053	20%	30,855	30%	23,688	16%	20,447	29%
<b>Equity - Tier I</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>	<b>37,813</b>	<b>21%</b>
Surplus on revaluation of assets	26,200	23%	21,288	13%	18,837	51%	12,495	56%	7,988	40%	5,719	19%
<b>Total Equity</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>43,532</b>	<b>21%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
<b>MARKUP / RETURN / NON MARKUP INCOME EARNED</b>												
Markup / Return / Interest earned	64,606	-10%	72,116	8%	67,001	24%	54,222	10%	49,503	-4%	51,814	15%
Fee, Commission, Brokerage and Exchange income	4,660	6%	4,409	17%	3,758	1%	3,711	17%	3,169	-7%	3,395	17%
Capital gain, Dividend income & unrealized gain	6,448	48%	4,360	-44%	7,850	69%	4,645	-55%	10,353	195%	3,507	40%
Other income	102	-90%	986	-13%	1,128	-10%	1,247	358%	272	472%	48	-81%
<b>Total Income</b>	<b>75,816</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>58,764</b>	<b>16%</b>
<b>MARKUP / RETURN / NON MARKUP EXPENSE</b>												
Markup / Return / Interest Expensed	(31,345)	-13%	(35,977)	-7%	(38,815)	19%	(32,552)	5%	(31,142)	17%	(26,643)	19%
Operating expenses	(20,797)	12%	(18,603)	7%	(17,390)	10%	(15,804)	6%	(14,853)	9%	(13,684)	19%
Donations	(42)	-70%	(139)	83%	(76)	-5%	(80)	-23%	(104)	69%	(61)	60%
Provisions	199	-112%	(1,649)	31%	(1,254)	100%	(628)	-54%	(1,362)	-58%	(3,267)	-24%
Taxation	(9,404)	-9%	(10,383)	44%	(7,187)	6014%	(118)	-97%	(4,195)	-16%	(4,969)	21%
<b>Total Expense</b>	<b>(61,389)</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>(48,624)</b>	<b>15%</b>
<b>Profit After Taxation</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>	<b>10,140</b>	<b>23%</b>

## Statement of Financial Position Horizontal Analysis

Compound average growth rate for the last five years - annualised

Cash and balances with treasury and other banks	14.13%
Lending to financial institutions	50.50%
Investments - Net	24.69%
Advances - Net	6.20%
Operating Fixed assets	12.61%
Other assets	12.22%
Total assets	15.70%
Customer deposits	15.04%
Inter bank borrowings	20.38%
Bills payable	19.66%
Other liabilities	15.69%
Sub-ordinated loans	(100.00%)
Total Liabilities	15.45%
Net Assets	18.26%
Share capital	5.89%
Reserves	13.54%
Un appropriated profit	17.85%
Equity - Tier I	14.52%
Surplus on revaluation of assets	35.58%
Total Equity	18.26%

## Profit and Loss Horizontal Analysis

Compound average growth rate for the last five years - annualised

Markup / Return / Interest earned	4.51%
Fee, Commission, Brokerage & Exchange income	6.54%
Capital gain & Dividend income	12.95%
Other income	16.44%
Total Income	5.23%
Markup / Return / Interest expensed	3.30%
Operating expenses	8.73%
Donations	(7.28%)
Provisions	(157.14%)
Taxation	13.61%
Total expense	4.77%
Profit after taxation	7.31%

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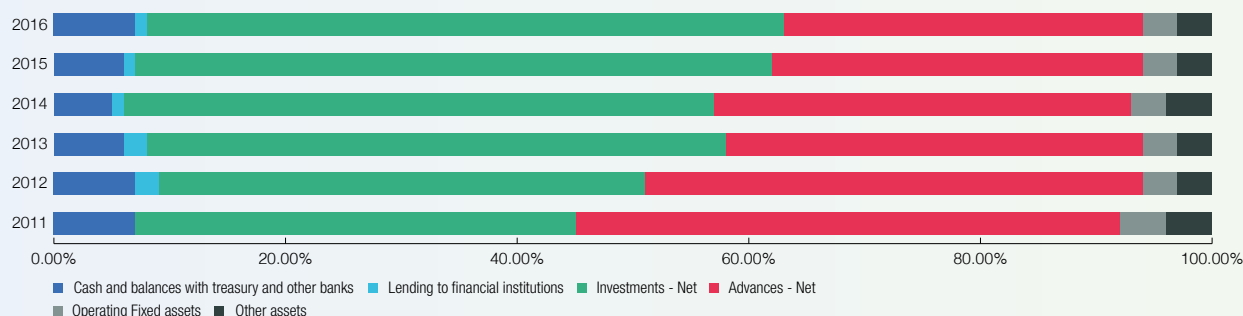
# Vertical Analysis

	2016		2015		2014		2013		2012		2011	
	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	73,884	7%	60,789	6%	42,129	5%	45,775	6%	44,381	7%	38,159	7%
Lending to financial institutions	10,513	1%	3,356	1%	2,030	1%	12,461	2%	10,721	2%	1,362	1%
Investments - Net	589,865	55%	544,349	55%	428,791	51%	363,379	50%	267,403	42%	195,694	37%
Advances - Net	330,231	31%	321,605	32%	306,014	36%	267,001	36%	271,084	43%	244,433	47%
Operating Fixed assets	32,757	3%	28,850	3%	27,250	3%	22,084	3%	19,871	3%	18,087	4%
Other assets	32,365	3%	32,716	3%	36,055	4%	23,496	3%	20,245	3%	18,185	4%
<b>Total Assets</b>	<b>1,069,615</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>515,920</b>	<b>100%</b>
<b>LIABILITIES</b>												
Bills payable	9,849	1%	4,942	1%	4,832	1%	4,879	1%	6,203	1%	4,015	1%
Inter bank borrowings	126,369	12%	137,960	13%	66,096	7%	32,952	4%	38,916	6%	49,993	10%
Customer deposits	805,111	76%	734,596	74%	667,878	79%	608,412	83%	514,707	81%	399,562	77%
Sub-ordinated loans	-	0%	-	0%	2,994	1%	4,242	1%	5,490	1%	5,493	1%
Other liabilities	27,612	3%	24,911	3%	19,579	2%	17,513	2%	16,351	3%	13,325	3%
<b>Total Liabilities</b>	<b>968,941</b>	<b>92%</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>472,388</b>	<b>92%</b>
<b>Net Assets</b>	<b>100,674</b>	<b>8%</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>43,532</b>	<b>8%</b>
<b>REPRESENTED BY</b>												
Share capital	11,451	1%	11,451	1%	11,451	2%	10,410	1%	9,463	1%	8,603	2%
Reserves	16,533	2%	15,102	2%	13,549	2%	12,438	2%	10,899	2%	8,763	2%
Un - appropriated profit	46,490	4%	41,415	4%	37,053	4%	30,855	4%	23,688	4%	20,447	4%
<b>Equity - Tier I</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>	<b>37,813</b>	<b>7%</b>
Surplus on revaluation of assets	26,200	2%	21,288	2%	18,837	2%	12,495	2%	7,988	1%	5,719	1%
<b>Total Equity</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>43,532</b>	<b>8%</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>												
<b>Interest / Return / Non Interest Income earned</b>												
Markup / Return / Interest earned	64,606	85%	72,116	88%	67,001	84%	54,222	85%	49,503	78%	51,814	88%
Fee, Commission, Brokerage and Exchange income	4,660	6%	4,409	6%	3,758	5%	3,711	6%	3,169	5%	3,395	6%
Capital gain, Dividend income and Unrealized loss	6,448	8%	4,360	5%	7,850	10%	4,645	7%	10,353	17%	3,507	6%
Other income	102	1%	986	1%	1,128	1%	1,247	2%	272	0%	48	0%
<b>Total Income</b>	<b>75,816</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>58,764</b>	<b>100%</b>
<b>Markup / Return / Interest and Non Interest Expense</b>												
Markup / Return / Interest expensed	(31,345)	41%	(35,977)	44%	(38,815)	48%	(32,552)	51%	(31,142)	49%	(26,643)	46%
Operating expenses	(20,797)	27%	(18,603)	23%	(17,390)	22%	(15,804)	25%	(14,853)	24%	(13,684)	23%
Donations	(42)	0%	(139)	0%	(76)	0%	(80)	0%	(104)	0%	(61)	0%
Provisions	199	0%	(1,649)	2%	(1,254)	2%	(628)	1%	(1,362)	2%	(3,267)	6%
Taxation	(9,404)	12%	(10,383)	13%	(7,187)	9%	(118)	0%	(4,195)	7%	(4,969)	8%
<b>Total Expense</b>	<b>(61,389)</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>(48,624)</b>	<b>83%</b>
<b>Profit After Taxation</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>	<b>10,140</b>	<b>17%</b>



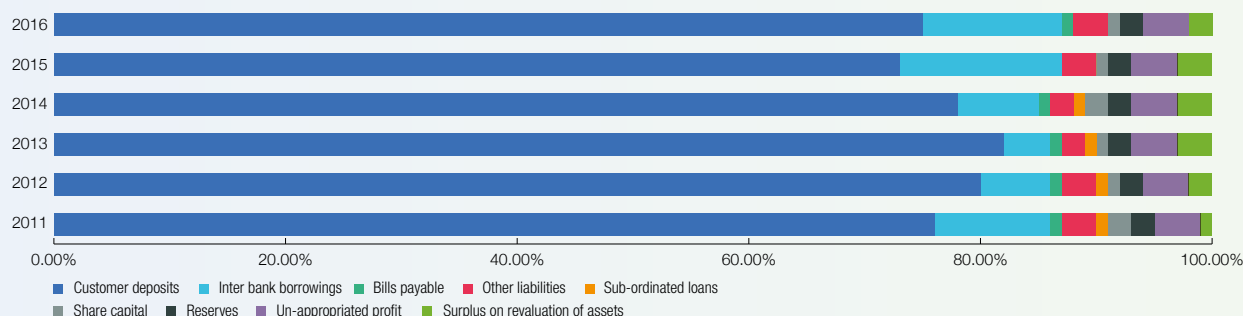
### Statement of Financial Position Vertical Analysis - Assets

Composition for the last six years



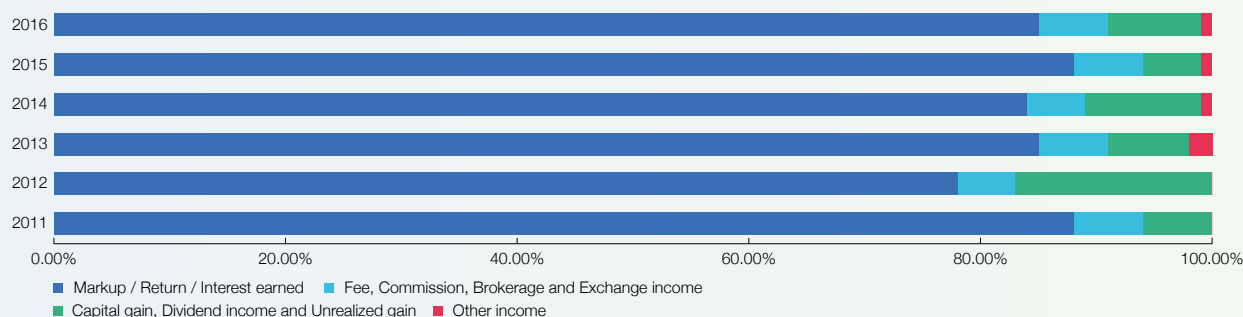
### Statement of Financial Position Vertical Analysis - Liabilities & Equity

Composition for the last six years



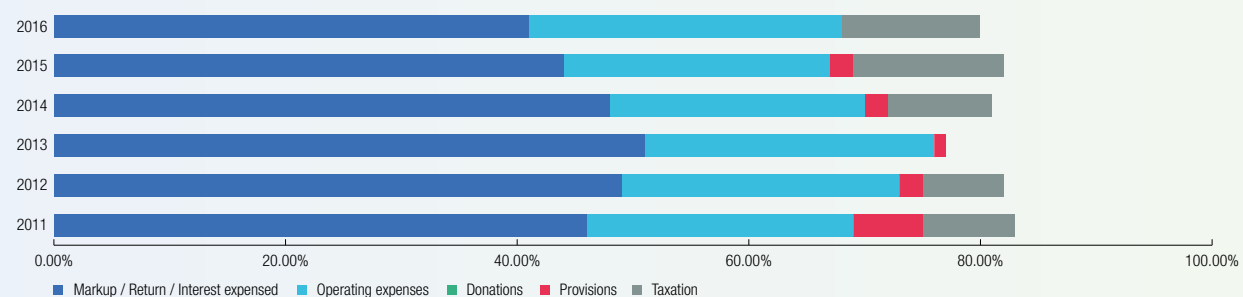
### Profit and Loss Vertical Analysis - Income

Composition for the last six years



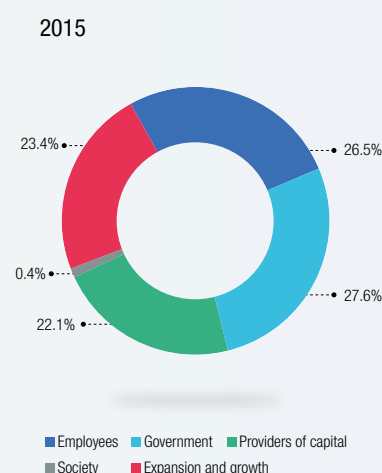
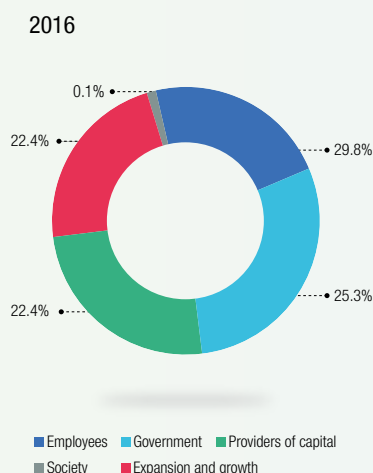
### Profit and Loss Vertical Analysis - Expense

As Percentage of Total Income for the last six years



# Statement of Value Addition

	2016	%	Rupees in '000 2015	%
<b>VALUE ADDED</b>				
Income from banking services	44,417,391		45,857,567	
Cost of services	(7,557,377)		(6,637,822)	
<b>Value added by banking services</b>	<b>36,860,014</b>		<b>39,219,745</b>	
Non - banking income	53,772		37,061	
Provision against non-performing assets	198,726		(1,649,106)	
<b>Total Value Added</b>	<b>37,112,512</b>		<b>37,607,700</b>	
<b>VALUE ALLOCATED</b>				
<b>to employees</b>				
Salaries, allowances and other benefits	11,045,870	29.8%	9,955,977	26.5%
<b>to Government</b>				
Income tax	9,404,168	25.3%	10,383,073	27.6%
<b>to providers of capital</b>				
as dividends	8,301,785	22.4%	8,301,785	22.1%
<b>to Society</b>				
as donation	41,878	0.1%	139,154	0.4%
<b>to expansion and growth</b>				
Depreciation / Amortization	2,193,546	5.9%	2,009,189	5.3%
Retained in business	6,125,265	16.5%	6,818,522	18.1%
	8,318,811	22.4%	8,827,711	23.4%
	<b>37,112,512</b>	<b>100.0%</b>	<b>37,607,700</b>	<b>100%</b>



# Cash Flow

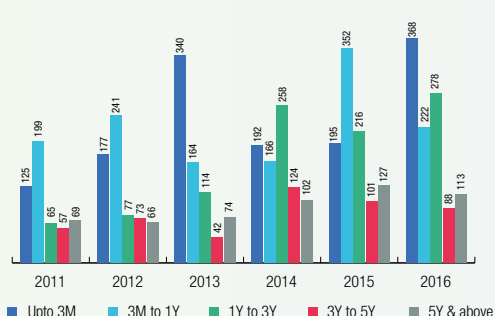
	2016	Rupees in '000 2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Mark-up / return / interest and commission receipts	72,163,854	77,426,293
Mark-up / return / interest payments	(31,345,347)	(37,328,929)
Cash payments to employees, suppliers and others	(18,302,245)	(13,976,406)
	22,516,262	26,120,958
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(7,156,661)	(1,598,304)
Held for trading securities	(102,531)	9,472,368
Advances	(8,290,351)	(15,302,618)
Other assets (excluding advance taxation)	4,258,053	(1,594,165)
	(11,291,490)	(9,022,719)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	4,906,606	110,388
Borrowings	(11,552,534)	71,910,103
Deposits	70,514,668	66,718,551
Other liabilities (excluding current taxation)	(256,631)	(2,662,742)
	63,612,109	136,076,300
<b>Cash flow from operating activities before tax</b>	74,836,881	153,174,539
Income tax paid	(11,033,569)	(4,669,537)
<b>Net cash flow from operating activities</b>	<b>63,803,311</b>	<b>148,505,002</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(147,043,339)	(117,054,506)
Net investments in 'held-to-maturity' securities	107,180,271	(1,832,810)
Dividend income received	3,539,613	3,528,218
Investments in operating fixed assets	(6,114,657)	(3,396,649)
Proceeds from sale of fixed assets	49,957	185,069
<b>Net cash used in investing activities</b>	<b>(42,388,155)</b>	<b>(118,570,678)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of sub-ordinated loan	—	(2,994,000)
Dividends paid	(8,271,033)	(8,262,818)
<b>Net cash used in financing activities</b>	<b>(8,271,033)</b>	<b>(11,256,818)</b>
Effect of translation of net investment in foreign wholesale branch	(11,246)	40,640
<b>Increase in cash and cash equivalents during the year</b>	<b>13,132,878</b>	<b>18,718,146</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>60,670,624</b>	<b>41,979,844</b>
Effect of exchange rate changes on opening cash and cash equivalents	16,679	(10,687)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>73,820,181</b>	<b>60,687,303</b>

(Under Direct Method)

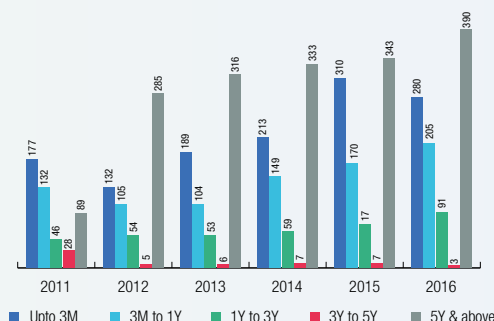


# Maturities of Assets and Liabilities

**Maturities of Assets (2011-2016)**  
(Rs. in Billion)

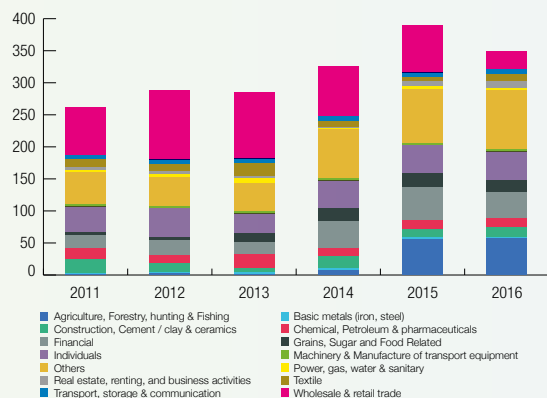


**Maturities of Liabilities (2011-2016)**  
(Rs. in Billion)

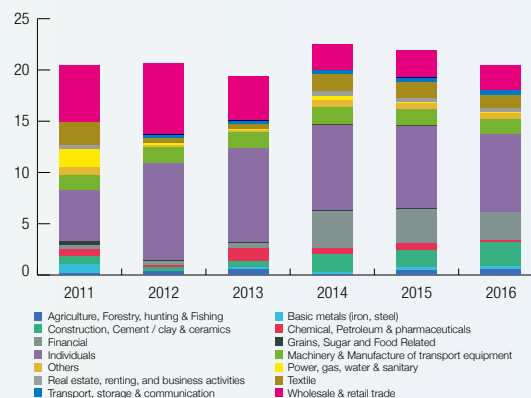


## Concentration of Advances, NPLs, Deposits and Off - balance sheet items

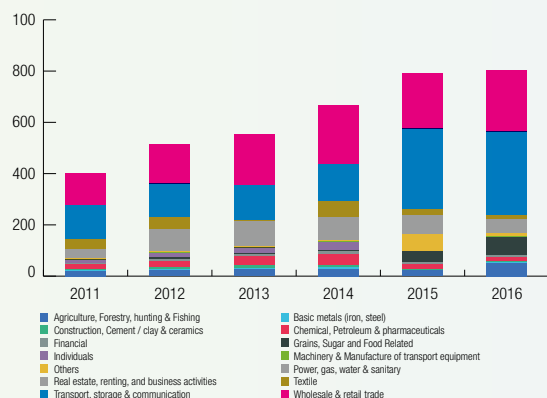
**Gross Advances (2011-2016)**  
(Rs. in Billion)



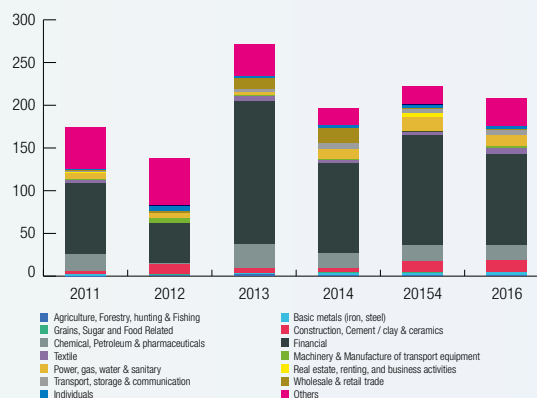
**Classified Advances (2011-2016)**  
(Rs. in Billion)



**Deposits (2011-2016)**  
(Rs. in Billion)



**Contingencies and Commitments (2011-2016)**  
(Rs. in Billion)

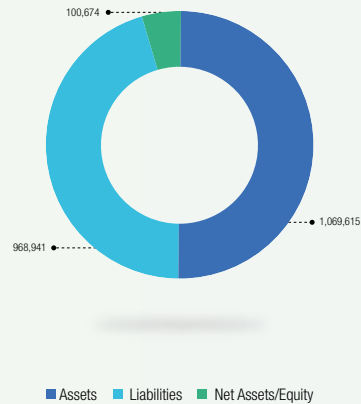


# Quarterly Comparison of Financial Results

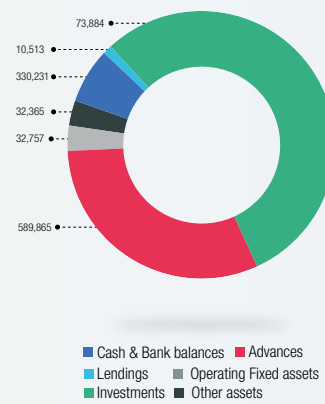
	2016				2015			
	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Rs. in Million								
<b>STATEMENT OF FINANCIAL POSITION</b>								
<b>ASSETS</b>								
Cash and balances with treasury banks	73,204	77,168	63,974	53,135	56,712	33,459	54,442	49,243
Balances with other banks	680	1,231	863	531	4,078	1,094	1,527	1,635
Lendings to financial institutions	10,513	1,000	2,324	–	3,628	23,660	19,749	5,914
Investments	589,865	561,315	556,444	606,851	544,077	545,839	476,925	454,986
Advances	330,230	334,011	341,039	304,336	321,605	298,629	301,514	297,964
Operating fixed assets	32,757	30,443	29,822	29,265	28,850	27,663	27,404	27,320
Other assets	32,365	24,406	35,619	25,128	32,716	26,323	36,339	28,781
<b>Total Assets</b>	<b>1,069,614</b>	<b>1,029,574</b>	<b>1,030,085</b>	<b>1,019,246</b>	<b>991,666</b>	<b>956,667</b>	<b>917,900</b>	<b>865,844</b>
<b>LIABILITIES</b>								
Bills payable	9,849	6,109	6,803	5,907	4,942	4,699	12,780	5,310
Borrowings	126,368	138,168	126,247	157,584	137,959	131,432	81,130	83,604
Deposits and other accounts	805,111	758,005	772,345	734,484	734,596	705,963	711,054	665,619
Sub-ordinated loans	–	–	–	–	–	–	2,993	2,993
Deferred tax liabilities	10,987	10,170	10,418	9,173	8,907	8,852	8,648	4,581
Other liabilities	16,625	18,013	16,192	18,435	16,004	16,791	15,148	18,643
<b>Total Liabilities</b>	<b>968,940</b>	<b>930,465</b>	<b>932,005</b>	<b>925,583</b>	<b>902,409</b>	<b>867,737</b>	<b>831,753</b>	<b>780,751</b>
<b>Net Assets</b>	<b>100,674</b>	<b>99,109</b>	<b>98,080</b>	<b>93,663</b>	<b>89,256</b>	<b>88,929</b>	<b>86,147</b>	<b>85,093</b>
<b>REPRESENTED BY</b>								
Share Capital	11,451	11,451	11,451	11,451	11,451	11,451	11,451	11,451
Reserves	16,534	16,316	15,958	15,462	15,102	14,772	14,275	13,897
Unappropriated profit	46,490	46,003	45,222	43,735	41,416	41,500	39,422	38,576
<b>Equity - Tier I</b>	<b>74,475</b>	<b>73,770</b>	<b>72,631</b>	<b>70,648</b>	<b>67,969</b>	<b>67,723</b>	<b>65,148</b>	<b>63,924</b>
Surplus on revaluation of assets - net of tax	26,199	25,339	25,449	23,015	21,287	21,206	20,999	21,169
<b>Total Equity</b>	<b>100,674</b>	<b>99,109</b>	<b>98,080</b>	<b>93,663</b>	<b>89,256</b>	<b>88,929</b>	<b>86,147</b>	<b>85,093</b>
<b>PROFIT AND LOSS ACCOUNT</b>								
Mark-up earned	14,615	15,394	17,494	17,103	18,103	17,645	17,878	18,490
Mark-up expensed	(7,300)	(7,152)	(8,287)	(8,605)	(8,739)	(8,254)	(8,971)	(10,013)
Net mark-up income	7,315	8,242	9,207	8,498	9,364	9,391	8,907	8,477
Provisions & write off	(5)	484	8	(288)	(1,065)	(16)	172	(740)
Non mark-up income	2,386	1,854	3,181	3,789	1,949	2,132	2,620	3,054
Non mark-up expenses	(6,209)	(4,941)	(5,065)	(4,623)	(5,258)	(4,572)	(4,593)	(4,319)
Profit before taxation	3,487	5,639	7,331	7,376	4,990	6,935	7,106	6,472
Taxation	(1,288)	(2,013)	(3,517)	(2,587)	(1,732)	(2,430)	(3,959)	(2,262)
<b>Profit after taxation</b>	<b>2,199</b>	<b>3,626</b>	<b>3,814</b>	<b>4,789</b>	<b>3,258</b>	<b>4,505</b>	<b>3,147</b>	<b>4,210</b>
<b>SUMMARY OF CASH FLOWS</b>								
Cash flows from operating activities	97,783	(47,923)	(25,865)	39,808	44,178	49,862	13,012	41,453
Cash flows from investing activities	(32,071)	(4,297)	39,475	(45,495)	(16,067)	(66,310)	(5,437)	(30,757)
Cash flows from financing activities	(2,291)	(1,996)	(2,272)	(1,712)	(1,994)	(4,991)	(2,316)	(1,956)

# Graphical Presentation

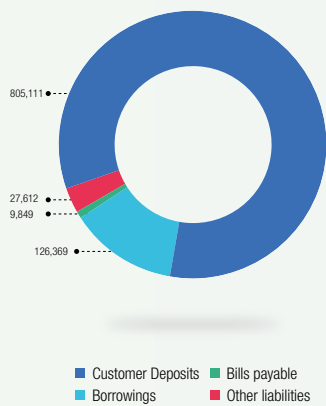
**Statement of Financial Position**  
(Rs. in Million)



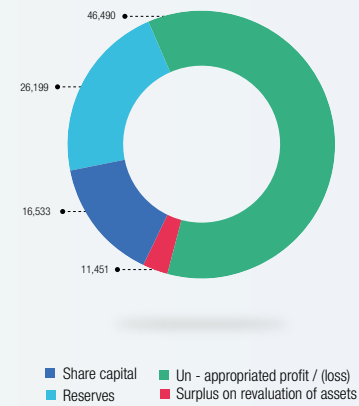
**Assets**  
(Rs. in Million)



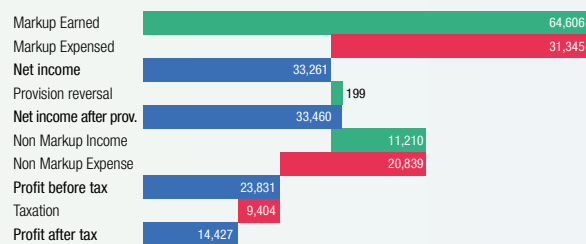
**Liabilities**  
(Rs. in Million)



**Equity**  
(Rs. in Million)



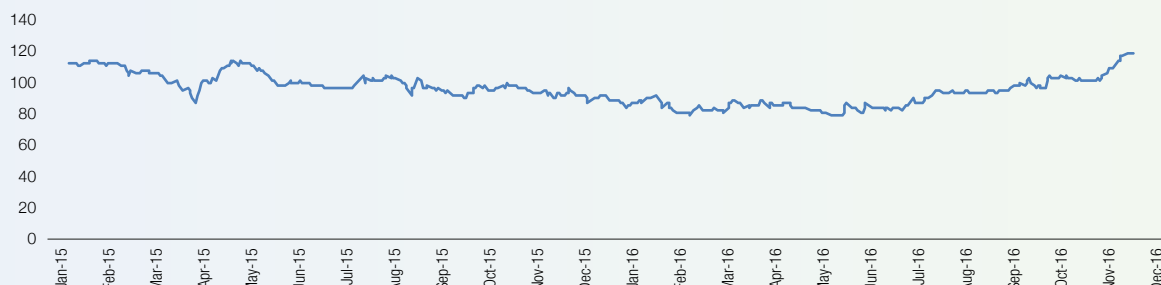
**Profit and loss**  
(Rs. in Million)





# Share Price Sensitivity Analysis

## Allied Bank Limited Share Price Movement



2016	High	Low	Closing	Share Turnover		Market Capitalisation	
	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

2015	High	Low	Closing	Share Turnover		Market Capitalisation	
	PKR			Number	%	Capital (Million)	Value (Million)
December 31, 2015	94.40	93.50	94.26	16,000	0.0014%	11,450	107,935
September 30, 2015	93.01	93.00	93.00	104,000	0.0091%	11,450	106,492
June 30, 2015	100.00	99.55	99.94	222,100	0.0194%	11,450	114,439
March 31, 2015	94.61	90.00	94.61	112,100	0.0098%	11,450	108,335

Dividend paid:	2016		2015	
	In Million	Per Share	In Million	Per Share
Final cash dividend	2,004	1.75	2,004	1.75
3rd interim dividend	2,290	2.00	2,004	1.75
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>8,302</b>	<b>7.25</b>	<b>8,016</b>	<b>7.00</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.

### Discount rate / Monetary Policy:

Reduction in discount rate impact the profitability of the Bank's earning. Tight monetary policy tend to curb inflation by reducing the money supply. Changes in discount rate can directly impact on 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 Discount Rate and Minimum Rate of Return on Deposits affect the cost of deposit. This shall effect the profitability of the bank, which shall depict in market share price.

### Political and Security Environment:

Political instability and adverse law and order may negatively impact the equity market and share prices of traded stocks.

### Inflation:

Inflation is considered as key determinant for policy rate change. Change in inflation and resultant movement in discount rate, will have impact on the share price.

# Products and 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 1,150 branches and 1,150 ATMs, provides real time online banking solutions to its customers in an efficient and convenient manner.

## Banking on Saturday & Extended Hours Banking

ABL is amongst few banks in Pakistan offering added convenience of "full service" Saturday Banking to its customers. The extended week of banking operations, is currently available at 288 branches from 10:00 AM to 02:00 PM. Extended Hours Banking facility is also offered at select branches.

## Current Account/ PLS Saving Account

Bank offers simple current and savings accounts offering free features on maintenance

of certain minimum monthly average balance.

## Allied Easy Current Account

Covers all of the 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

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

## Allied Express Account

Exclusively crafted for remitting money in Pakistan. Customers can remit funds to their own account or accounts of their loved ones in Pakistan and enjoy free of cost banking services i.e. Cheque Books, ATM Visa Debit card, SMS Alerts, Internet Banking

etc. Remittances can be originated from different time zones / countries in multiple currencies.

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

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

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.

## Allied Asaan Account

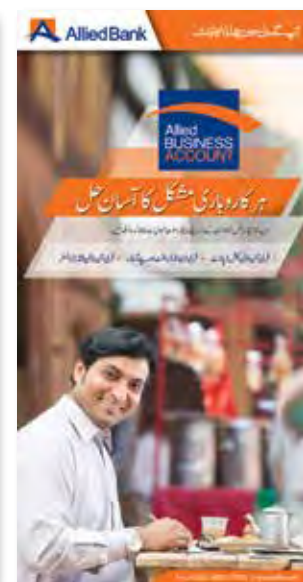
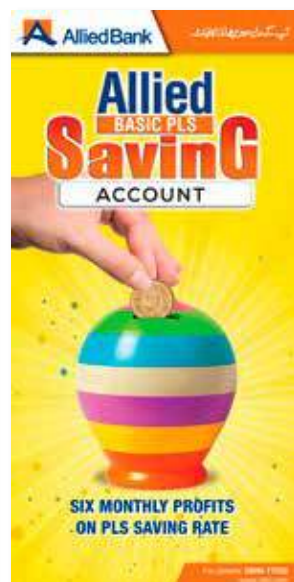
Tailored to cater to the banking needs of unbanked/ common people of society with simplified account opening requirement/ procedures. Customers can open current or saving account according to their needs with a number of free facilities offered.

## 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

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).



## Theme Branches

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

## Allied Cash+Shop VISA Debit Card

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 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.

## Allied SMS Banking Smartphone App

Banking on your Smartphone! ABL's SMS Banking Smartphone app features a set of transactions including Balance Inquiry, Funds Transfer, Mobile Top-ups and Bill Payments.

## Allied SMS Banking (Mobile Banking)

Banking on an SMS - Whenever...Wherever! This is a secured way of performing various financial/non-financial transactions making banking possible anywhere, anytime with speed and security.

## Allied Direct – Internet Banking

Banking at your fingertips - Allied Direct Internet Banking offers convenience to manage your bank account, with enhanced security controls. It offers an array of features like fund transfers, Utility bill payments, Mobile top-ups, Donations, Pay Anyone,

e-shopping and much more.

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

The vast network of 1,150 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)

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 & Letter of Credit as well as Term Loans.

## Allied Fast Finance (AFF)

Secured product against cash backed securities i.e. Lien on TDR & Account designed to meet liquidity requirements of obligors. 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 Visa Credit Card (AVCC)

Exclusively being offered to the bank's valued branch customers in major cities of Pakistan. It 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)

Term loan facility targeting employees of bank's current and potential corporate / institutional customers. With a low mark-up rate, product offers smart financial solutions to customers for their immediate personal needs.





# Products and Services (Contd.)

## 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

Designed to facilitate farmers in obtaining Agriculture Development Loans (Term Finance) for purchase of brand new Tractors.

## Agriculture Finance for Dairy farming

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

## Agriculture Finance for Poultry Farming & Allied Activities

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

incubators, generators, farms equipment and construction of sheds.

## Allied Commercial Lease

Leasing product 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

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

## 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.

## 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

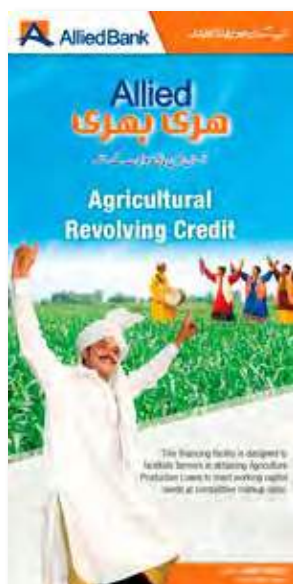
Provides a seamless inflow of foreign remittance credited in the beneficiary accounts in minutes.

## Cash Management

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

## Treasury Products

Bank offers fixed income treasury products, having



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

## ISLAMIC BANKING

### Allied Islamic Current Account

Based on principles of "Qard", it provides convenience of conducting day-to-day transactions 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 on the basis of "Mudaraba" 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

"Mudaraba" 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 on maintaining an average monthly balance as per defined slabs starting from Rupees 250,000.

### Allied Islamic Business Plus Account

Savings account with several unique features that make it very suitable for use as a business account. On maintaining daily minimum balance of Rupees 50,000, 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 Shaulat Account

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

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 in the multiples 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.

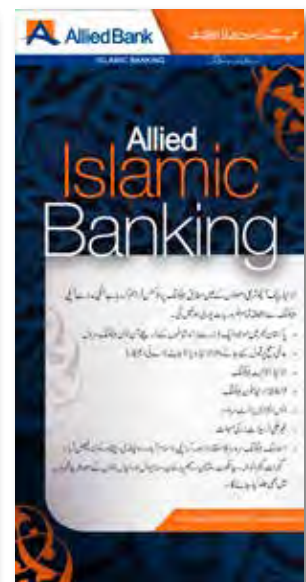
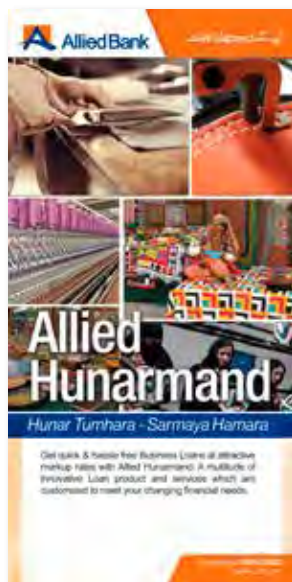
### Allied Islamic Premium Account

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.

### Financing Products

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

- Murabaha
- Salam
- Istisna
- Ijarah
- Diminishing Musharakah
- Business Musharakah



# Corporate Sustainability

Allied Bank Limited (the Bank) plays a critical role in the society as a financial intermediary. The Bank assist in the flow of finances with in the society through provision of innovative customer centric products and services; enabling families, businesses and institutional customers to realize their growth ambitions while minimizing risks. It is the Bank's responsibility to accomplish this while maintaining the high trust levels of all our stakeholders including customers, shareholders, staff and society at large; simultaneously creating long-term value for our shareholders.

## OUR PHILOSOPHY

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. 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, the Bank places primary focus on Customer Relations, Workplace, Environment and Society, to enhance the Bank's reputation as a community caring organization. During the year, the Bank's contributions towards these areas are as follows:

Customer Relations – Rs. 42.77 Million				
Rs. 28.40 Million	Rs. 10.86 Million	Rs. 1.87 Million	Rs. 1.64 Million	Access Points: 1,150
ATM Uptime <b>97.1 %</b> EMV Compliant ATMs <b>550</b>	Complaints Resolution Rate <b>98.73%</b> Average TAT <b>5.25 Days</b> CRM & Phone Banking <b>Software Upgrade</b>	No. of Customer Awareness Seminars <b>5</b> No. of Participants <b>587</b>	Mystery Shopping <b>164 Branches</b>	Online Branches <b>1,150</b> Onsite ATMs <b>942</b> Offsite ATMs <b>208</b>

Workplace - Rs. 435.67 Million					
Rs. 249.43 Million	Rs. 122.88 Million	Rs. 39.84 Million	Rs. 18.61 Million	Rs. 4.91 Million	Female Staff: 1,569
Medical Facility Employees <b>1,867</b> Medical Facility Ex-Employees <b>839</b>	Education Expense Employees <b>951</b> Training Expense No of Employees <b>9,586</b>	Staff Welfare Fund Employees <b>96</b>	Staff Cricket Tournaments - Events <b>4</b> Staff Hajj Employees <b>28</b>	Fire Extinguishers Installed <b>536</b>	Female Staff Ratio <b>15%</b>

Environment – Rs. 459.35 Million				
Rs. 280.86 Million	Rs. 161.41 Million	Rs. 17.08 Million	Decrease in consumption of Fossil Fuel <b>13%</b>	Continuous focus on paper less banking
Installation of Energy efficient Split ACs <b>2,197</b>	Inverter Installations <b>205</b>	Solar Installations <b>6</b>		

Society – Rs. 20,401.11 Million				
Rs. 20,234 Million	Rs. 91.55 Million	Rs. 42.34 Million	Rs. 21.84 Million	Rs. 11.38 Million
Income Tax <b>Rs. 11,034 Million</b> Withholding Tax Collected <b>Rs. 8,300 Million</b> Sales Tax & FED <b>Rs. 560 Million</b> Zakat Collected <b>Rs. 340 Million</b>	Financial Assistance Outsourced Guards <b>Rs. 91.5 M</b> Outsourced Staff Annual Increment <b>Rs. 1,500 p.m. (Min. salary now: Rs. 14,500)</b>	Sponsorship No. of organizations <b>42</b>	Education No. of Organizations <b>13</b>	Healthcare No. of Organizations <b>9</b>
Grand Total – Rs. 21,338.9 Million				



## CUSTOMER RELATIONS

Strengthening customer relations by ensuring satisfaction and privacy is of utmost importance for the financial services sector. Your Bank achieved an outstanding 98%+ ATM uptime during the occasions of Eid-ul-Fitr and Eid-ul-Adha and handled around 1.6 Million transaction involving Cash Withdrawals of over Rs. 18 Billion. Further, in order to facilitate convenience, special purpose temporary Offsite ATMs were installed at two cattle markets in Lahore during Eid-ul-Adha. Your Bank further strengthened customer relations through the following initiatives:

### Customer Awareness Seminars

Continuing with Bank's unique initiative of engaging with the obligors to inculcate latest insight and strategies in managing businesses; 5 interactive seminars were organized for Corporate, Commercial, SME and Islamic obligors on the topics "Evolution of Corporate Governance and Growth", "Islamic Banking and Finance", "Farmers Financial Literacy Program", "Corporate Governance and Macroeconomic Challenges for Growth" and "Concept of Islamic Banking" during 2016 in Multan, Faisalabad, Vehari, and Sialkot respectively. Five Hundred & Eighty-Seven (587) obligors attended these highly informative seminars.

### Customer protection and quality assurance

We have a passion for excellence and we take pride in our ability to solve customers' problems, focusing on delivering innovative solutions in a timely manner. Based on customers' complaints, Your Bank continuously strives for improvement in processes to avoid the recurrence of such instances. During the year under review, Your Bank introduced more efficient Escalation Matrix in accordance with Consumer Grievance Handling Mechanism which would further strengthen the compliant handling mechanism and reduce the resolution timelines. Customer Relationship Management System (CRM) has also been upgraded to provide one



window solution to manage customers' complaints / queries in efficient and transparent manner.

During the year 2016, 6,455 complaints were received and Your Bank taking appropriate measures promptly achieved 98.73% resolution rate with average Turnaround Time (TAT) of 5.25 days. Your Bank uses various channels to analyze and improve the quality of its customer services. During the year, Your Bank undertook the Mystery Shopping exercise to identify and improve any such shortcomings towards customer services. An amount of Rs. 1.64 Million was spent for this exercise.

Providing a unique banking experience, through its products and services, is the central theme of the customer focused approach. Your Bank aims to understand the needs and priorities of its customers and provide them superior service quality. For this purpose, Your Bank has further invested Rs. 10.86 Million in the upgradation of Customer Relationship Management System and Phone Banking

Applications to provide 24/7 personalized customer services through its dedicated Call Centers.

### Contribution towards development of rural areas

During the year, Your Bank further opened 19 rural branches to increase the total number to 226 rural branches; primarily driven to achieve its strategic goal of financial inclusion by enhancing knowledge and understanding of banking among rural population of the country.

Your Bank is also involved in agricultural financing across the country and offers vast ranges of agricultural finance facilities through Agri designated branches.

### Digital Innovation

The Bank's customers are gradually adopting enhanced usage of technology in their daily lives. Your Bank is keeping pace with the ever evolving customer needs and behavior. The focus is on using innovation in digital technologies across

# Corporate Sustainability (Contd.)



multiple channels to deliver seamless and convenience services along with added security. During the year, Your Bank took various initiatives to safeguards its customers from risks of fraud associated with digital banking and invested Rs. 28.40 Million for launching Chip based Debit Cards and attaining EMV Compliant Certification on majority of its ATMs. During the year, Your Bank's website was upgraded with added features to make it device-responsive with integrations of Branch / ATM locators, social media, currency conversion calculator and a broad range of value-added features like responsive-voice, weather / date, bilingual layout, and easy navigation. On Facebook, ABL retained its place among the top 5 financial institutions with over 500,000/- "Likes". On Twitter, Your Bank continues to maintain its dominance in the country's financial sector in terms of number of followers. Your Bank is continuously exploring new avenues to reach out to its customers.

## WORKPLACE

Your Bank's strong emphasis on healthy work environment is duly reflected in its strive to establish a workplace which promotes balanced work life along with provision of health care facilities; provide equal employment opportunities while encouraging employment of special persons; maintain high ethical standards and support social interaction among employees.

### Equal opportunity employer and employment of special persons

Over the years, ABL has generated direct and indirect employment for a large number of people, with current workforce exceeding 11,000 employed from diverse areas of Pakistan; thereby positively impacting the broad based economy and society at large. ABL being equal opportunity employer, encourages employment of special persons. The Bank currently employs 57 special persons who are honorably earning their

livelihood while contributing towards the growth of Your Bank. Simultaneously 1,569 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 2016, Your Bank spent Rs.111.15 million through Bank's medical expense policy and over all 1,867 staff members availed medical facility. Heart diseases are the leading cause of death in both men and women, however, timely diagnosis can significantly reduce the chances of complications. In order to raise the awareness among ABL employees, Your Bank in collaboration with the Ittefaq Hospital, Lahore arranged the awareness session on this subject.

Adhering to responsibility towards eligible ex-employees, Your Bank provided medical facility to them as well, as per respective entitlement. During the year,





from the platform of "Post-retirement Medical Fund" Your Bank contributed Rs.138.28 million towards the health of its 839 ex-employees.

ABL 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 drills and emergency exit doors are some of the measures that have been taken by the Bank. During the year, Your Bank incurred Rs. 4.91 Million on account of the provision of the Fire Extinguishers at various branches and offices. The Bank also believes in providing opportunities of social interaction and healthy activities to the staff members and their families. Hence, Rs.5.47 million was spent on staff cricket tournaments held at Lahore, Karachi, Islamabad and Multan.

#### Education and wellbeing of the staff

Employees are driving force of the organization. Therefore, investment in staff is vital for future growth of any entity. Recognizing the importance of education, Your Bank has spent Rs.35.55 million towards employee's education during the year 2016, comprising of education allowance for clerical and non-clerical staff members and education subsidy for executive employees. Apart from providing financial assistance to employees for formal education programs, Your Bank has also invested in the employees by way of arranging their participation in both In house and External Trainings courses. During the year, Your Bank spent Rs. 87.33 Million on Trainings expenses; including foreign trainings as well.

Clerical and non-clerical staff members having humble financial backgrounds are also recognized for their services. Your Bank provides a helping hand to such staff members, in their hour of need, whether it is a time of festivity

or sorrow. During the year through the platform of "Staff Welfare Fund" Your Bank has spent Rs.39.84 million to assist 96 employees by financially enabling them in important social events like marriage ceremony of their daughters or to meet the burial expense of their departed loved ones. Keeping in view the religious sentiments of our employees, Your Bank sponsored its clerical, non-clerical and executive staff totaling 28 to perform Hajj by spending Rs.13.14 million.

#### Business ethics and anti-corruption measures

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

# Corporate Sustainability (Contd.)

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. 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

In order to contribute positively to a better and healthy environment, we aim to promote paperless culture, renewable energy sources, reduction of carbon emissions and increasing plantation.

### Energy conservation and environment protection

Considering the persistent energy crisis and as a responsible citizen, Your Bank is keen to conserving energy. During the year, Your Bank contributed toward energy saving solutions by investing Rs.17.08 million towards installation of solar panels at 6 branches, thus increasing the total number of solar installation sites to 50. Your Bank further invested Rs.161.41 million towards installation of 205 invertors during the year 2016, with total installation reaching 467, which replaced generators at offline times thus reducing carbon emissions and use of fossil fuel. Various administrative measures including timely closure of branches and proper maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity and fossil fuel.



## COMMUNITY

Your Bank endeavors to establish its presence not only by business interactions but also by contributing towards critical social causes especially during the times of adversities and natural calamities.

### Education

Lower literacy is another critical area within the country, which has not attracted the attention that it merits. Recognizing its importance in Nation building, Your Bank is supporting leading educational institutions which play pivotal role in the enlightenment of our future generations.

Your Bank is also playing active role to promote Islamic Financing and for the development of related skillset within the country. Your Bank has collaborated with the leading institutions of the country including Lahore University of Management Sciences and International Islamic University Islamabad to launch specialized trainings and development programs.

During the period, Your Bank donated Rs.20.60 million and spent Rs. 1.24 Million on sponsorships to various educational institutions as detailed in the appended table:

### Health

Limited Healthcare access is another area of concern within the country. During the year, Your Bank contributed Rs.11.38 million in the shape of direct donations and sponsorships, towards various health care institutions thereby playing its role in easing the

predicament of underprivileged patients. Detail of the beneficiaries is given in the appended table;

### General Welfare

During the year, Your Bank spent Rs.31.76 million on general welfare of the community. These included contributions towards the beneficiaries, whose detail is given in the table appended herewith.

Further, Your Bank sponsored social events, conferences and awareness programs, during the year 2016, by providing support of Rs.10.58 million. Detail of which is given in the table appended herewith.

Over a period of time, the CSR activities Your Bank have been evolved to include various social segments of the society including those earning their livelihood through indirect employment to the Bank. During the year, Your Bank spent Rs. 91.55 Million towards financial assistance to the outsourced Security Guards deployed at the Bank; as an additional incentive.

### Contribution to national exchequer

Your Bank is one of the leading institutions in its contribution to the national exchequer. During the year, Your Bank paid Rs.11,034 million as Income Tax, contributed Rs.8,300 million as withholding tax agent and deposited Rs.564 million on account of Federal Excise duty and Sales Tax to the national exchequer. Further, Your Bank collected Rs. 343 Million Zakat from 86,768 account holders and deposited to the national exchequer.



Beneficiaries - Education	Rs. in “000”
Quality School Foundation	10,000
Deaf & Dumb Welfare Association	5,763
International Islamic University	4,100
Markaz-e-Umeed	500
Vocational Training Institute (VTI), Chiniot	340
Idara-e-Taleem-o-Agahi	300
I Dot Cool Private Limited	250
Comsats Institute of Information Technology	150
Allama Iqbal Open University Islamabad	150
Foundation Public School	100
Lahore Grammar School	100
Federal Urdu University Of Arts Science And Technology	70
Mehran University Of Engineering And Technology	25
<b>Total</b>	<b>21,848</b>

Beneficiaries - General Welfare	Rs. in “000”
Acumen Fund Pakistan	10,000
Anjuman Himayat-i-Islam	4,901
All Pakistan Allied Bank Golf Tournament	4,354
Pakistan Navy	1,700
Pakistan Volleyball Federation	1,500
Pakistan Air Force	1,450
Human Rights Society of Pakistan	1,000
Multan Garrison Mess	1,000
Tameer Welfare Organization	1,000
Altaf Mahmood Foundation	500
FIA Employees Cooperative Housing Society	500
Lahore Polo Club	500
SBP Governor Cup Cricket Tournament	429
Pakistan Expo Center	315
Islamic Aid Pakistan Trust	300
Lahore University of Management Sciences	300
Civil Aviation Authority	275
SBP Bankers Club	275
Attock Sahara Foundation	200
Lahore Garrison Golf & Country Club	200
Pakistan Navy Margalla Golf Green Club	200
Multan Golf Club	171
St. Mary's Academy	150
Others	541
<b>Total</b>	<b>31,761</b>

Beneficiaries - Health	Rs. in “000”
Shaukat Khanum Memorial Cancer Hospital and Research Center	5,050
DHQ Teaching Hospital Sargodha	1,375
Lahore Businessmen Association	1,200
Agha Khan Hospital & Medical College Foundation	1,000
Bakhtawar Amin Memorial Trust Hospital	1,000
Muhammad Usman Zafar	1,000
Fountain House MHA	500
Peoples Primary Health Care Initiative	155
Pakistan Foundation Fighting Blindness	100
<b>Total</b>	<b>11,380</b>

Beneficiaries - General Welfare (Sponsorships)	Rs. in “000”
The Institute of Chartered Accountants of Pakistan	2,500
Prudent	1,588
Media Campaigns for Promotion of Islamic Banking and SME; jointly with SBP	1,440
Institute of Bankers Pakistan	1,350
Ministry of Planning, Development & Reform Planning Commission	1,000
World Outlooker Beijing Media	963
German Pakistan Trade and Investment	500
Employers' Federation of Pakistan	400
SBP Bankers Club	316
Al-Huda Center of Islamic Banking and Economics	250
The Indus Entrepreneurs	250
Human Rights Society of Pakistan	25
<b>Total</b>	<b>10,582</b>

# Notice of 71st Annual General Meeting

Notice is hereby given that the 71<sup>st</sup> Annual General Meeting of Allied Bank Limited will be held at Palace Hall, Pearl Continental Hotel, Lahore on March 28, 2017 at 11:00 a.m. to transact the following business:

## Ordinary Business:

1. To confirm minutes of the 70<sup>th</sup> Annual General Meeting of Allied Bank Limited held on March 28, 2016.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2016 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 @ 17.5% (i.e. Rs. 1.75 per share) as recommended by the Board of Directors. This Final Cash Dividend would be in addition to 55% Interim Cash Dividends (aggregating Rs.5.50 per share) already paid to the shareholders for the year ended December 31, 2016.
4. To appoint Statutory Auditors of the Bank for the year ending December 31, 2017 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 2018.

## Special Business

5. To consider and approve transmission of Annual Audited Accounts through CD/DVD/USB instead of transmitting the said accounts in hard copies in accordance with the SECP SRO 470 dated May 31, 2016.

Note: Statement under section 160(1) (b) of the Companies Ordinance, 1984 is appended below.

## Other Business:

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

Date: March 06, 2017

By Order of the Board

**Muhammad Raffat**  
Company Secretary

## Statements under Section 160 (1) (b) of the Companies Ordinance, 1984

### Item No. 5: To consider and approve transmission of Annual Audited Accounts through CD/DVD/USB instead of transmitting the said accounts in hard copies in accordance with SECP SRO 470 dated May 31, 2016.

SECP vide its SRO 470(I)/2016 dated May 31, 2016 had allowed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses subject to compliance with the following conditions:

- (i) Consent of shareholders shall be obtained in Annual General Meeting or Extra Ordinary General Meeting, as the case may be, for transmission of the annual audited accounts through CD/DVD/USB instead of transmitting the said account in hard copies;
- (ii) The requirement of filing the prescribed number of hard copies of annual audited accounts with the Commission and the Stock Exchange by post shall be fulfilled;
- (iii) The listed companies shall supply the hard copies of the annual audited accounts to the shareholders, on demand, at their registered addresses, free of cost, within one week of such demand.
- (iv) For the convenience of its members, the company shall place on its website a Standard Request Form, to communicate their need of hard copies of the annual audited accounts instead of sending the same through CD/DVD/US, along with postal and e-mail address of Company Secretary/ Share Registrar to whom such requests shall be sent.

Printed copy of annual accounts will be provided to such members who opt for having hard copy on the Request Form which would be available on the website of the Company i.e. [www.abl.com](http://www.abl.com), without any cost within one week of the receipt of the Request Form.

Based on the above and with a view to facilitate the members, the Bank has decided to obtain consent of the shareholders for transmission of the annual audited accounts through CD/DVD/USB instead of transmitting the said account in hard copies.

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

"Resolved that the Bank be and is hereby authorized to transmit the annual audited accounts through CD/DVD/USB instead of transmitting the said accounts in hard copies to shareholders; however, the bank would provide hard copies of the Annual Audited Accounts to shareholders on their demand at their registered addresses, free of cost, within one week of such demand.

Further Resolved that the Bank will also place a Standard Request Form on its website for convenience of the shareholders enabling them to communicate their need of hard copies of annual audited accounts."

**NOTES:**

- i) All members are entitled to attend and vote at the Meeting.
- ii) A member entitled to attend and vote is entitled to appoint a proxy under his / her own hand or through his / her duly authorized attorney to attend and vote instead of himself / herself and the proxy must be a member of Allied Bank Limited.
- iii) The instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarized certified copy of that power of attorney or authority in order to be effective must be deposited at the Registered Office of Allied Bank Limited not less than 48 hours before the time of holding the Meeting.
- iv) Share Transfer Books of Allied Bank Limited will remain closed from 22<sup>nd</sup> March, 2017 to 28<sup>th</sup> March, 2017 (both days inclusive). Share transfers requests received at M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi, the Shares Registrar of the Bank before the close of business on 21<sup>st</sup> March, 2017 will be treated as 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 Technology Trade (Pvt.) Limited, 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 valid 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, the 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 valid 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:

1. 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 I (a) of the CCG. At present the Board includes:

Category	Names
Independent Directors	1. Dr. Muhammad Akram Sheikh 2. Zafar Iqbal
Non-Executive Directors	1. Mohammad Naeem Mukhtar 2. Sheikh Mukhtar Ahmed 3. Muhammad Waseem Mukhtar 4. Abdul Aziz Khan 5. Mubashir A. Akhtar
Executive Director / CEO	1. Tahir Hassan Qureshi

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies including the Allied Bank Limited.
3. 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 Exchange.
4. No casual vacancy occurred on the Board during the period under review; however, CEO's term was completed on December 31, 2016 and Mr. Tahir Hassan Qureshi assumed the charge of the CEO office w.e.f. January 01, 2017.
5. 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.
6. 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.
7. 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 or shareholders as required under the regulations.
8. 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.
9. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. Five members of the Board of Directors are 'Certified Directors' from Pakistan Institute of Corporate Governance / 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.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. 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.
12. The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of three members, of whom one is non-executive director whereas remaining two are independent directors including the Chairman of the Committee.
16. 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 as required by the CCG. The terms of reference (Charter) of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set up an effective internal audit function under the supervision of the Audit Committee.
18. 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.
19. 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.
20. 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.
21. 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.
22. Material / price sensitive information has been disseminated amongst all market participants at once through Stock Exchange.
23. 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.
24. We confirm that all other material principles of the CCG have been complied with.

For and on behalf of the Board.

**Tahir Hassan Qureshi**

Chief Executive Officer

Place & Dated: Lahore, February 09, 2017



# Review Report to the Members

## on 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 2016 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.

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 2016.

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

Lahore  
Date: 09 February 2017

# Statement of Ethics and Business Practices

## Code of Ethics

All employees of Allied Bank Limited, hereafter called 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; willful 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 process in 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.

## 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.
- 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

- 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. ACOB actively monitors implementations to ensure that identified risks are 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 and oversees rectification of irregularities and control lapses in branches and controlling offices pointed out through various audit reviews. Compliance status of all irregularities identified during such audits is reported to ACOB. 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. 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, 2015 has been submitted to SBP. The few deficiencies identified in LFR 2015 have been duly rectified subsequently.

Based upon the results derived through ongoing testing of financial reporting controls and internal audits carried out during the year, the Management considers that the Bank's existing Internal Control System is adequate and has been effectively implemented and monitored. 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.

February 09, 2017



# Whistle Blowing Policy

## Preamble

The purpose of this Policy is to create a channel at Allied Bank Limited (the Bank) where 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. Whistle Blowing Policy of the Bank provides assurance to the Whistle blowers about secrecy and protection of their legitimate personal interests. It also provides incentives for the Whistle blowers on reporting of suspicious activities.

## Objectives

The intended objectives of this policy are:

- To develop a culture of openness, accountability and integrity;
- To 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;
- To create awareness amongst employees and stakeholders regarding the Whistle Blowing Function; and
- To 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 Whistle Blowing Policy.

## Protection of Whistleblowers

All matters will be dealt with confidentially and the identification of the Whistleblower will 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 will 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, 3-4 Tipu Block, New Garden Town, Lahore.

## Number of instances reported to ACOB

Number of whistle blowing incidences reported to ACOB in Year 2016: Five (05).

# Report of the Audit Committee

## Audit Committee

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

The Committee discharges its responsibilities in accordance with provisions of Code of Corporate Governance and its Terms of Reference as approved by 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 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 which is duly endorsed by the Board of Directors.

### Zafar Iqbal

Chairman Audit Committee

Place: Lahore

Date: February 09, 2017



Unconsolidated Financial Statements

# **ALLIED BANK LIMITED**

for the year ended December 31, 2016





## Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of Allied Bank Limited ("the Bank") as at 31 December 2016 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 twenty eight 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 accounts 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, except for the changes referred to in note 5.1 to the financial statements, with which we concur;

- 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 2016 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: 09 February 2017

# Unconsolidated Statement of Financial Position

as at December 31, 2016

December 31, 2016	December 31, 2015		Note	December 31, 2016	December 31, 2015
US \$ in '000				Rupees in '000	
ASSETS					
699,854	542,184	Cash and balances with treasury banks	6	73,203,717	56,711,573
6,500	38,983	Balances with other banks	7	679,923	4,077,599
100,506	32,085	Lendings to financial institutions	8	10,512,752	3,356,091
5,639,321	5,204,181	Investments	9	589,864,548	544,349,490
3,157,128	3,074,663	Advances	10	330,230,851	321,605,140
313,171	275,813	Operating fixed assets	11	32,757,221	28,849,577
—	—	Deferred tax assets	12	—	—
309,425	312,777	Other assets	13	32,365,396	32,716,043
10,225,905	9,480,686			1,069,614,408	991,665,512
LIABILITIES					
94,158	47,249	Bills payable	15	9,848,795	4,942,189
1,208,133	1,318,946	Borrowings	16	126,368,875	137,959,818
7,697,154	7,023,009	Deposits and other accounts	17	805,110,834	734,596,166
—	—	Sub-ordinated loans		—	—
—	—	Liabilities against assets subject to finance lease		—	—
105,039	85,159	Deferred tax liabilities	12	10,986,887	8,907,457
158,943	152,999	Other liabilities	18	16,625,189	16,003,425
9,263,427	8,627,362			968,940,580	902,409,055
962,478	853,324	NET ASSETS		100,673,828	89,256,457
REPRESENTED BY					
109,473	109,473	Share capital	19	11,450,739	11,450,739
158,066	144,381	Reserves		16,533,485	15,102,026
444,464	395,951	Unappropriated profit		46,490,244	41,415,882
712,003	649,805			74,474,468	67,968,647
250,475	203,519	Surplus on revaluation of assets - net of tax	20	26,199,360	21,287,810
962,478	853,324			100,673,828	89,256,457

## CONTINGENCIES AND COMMITMENTS

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Profit and Loss Account

for the year ended December 31, 2016

December 31, 2016	December 31, 2015		Note	December 31, 2016	December 31, 2015
US \$ in '000				Rupees in '000	
617,657	689,458	Mark-up / return / interest earned	23	64,606,019	72,116,230
299,674	343,951	Mark-up / return / interest expensed	24	31,345,347	35,976,740
317,983	345,507	Net mark-up / interest income		33,260,672	36,139,490
		Net reversal of provision against non-performing			
(3,207)	(2,755)	loans and advances	10.4	(335,359)	(288,120)
716	17,328	Provision for diminution in the value of investments	9.3	74,906	1,812,488
-	-	Bad debts written off directly	10.6	-	-
(2,491)	14,573			(260,453)	1,524,368
320,474	330,934	Net mark-up / interest income after provisions		33,521,125	34,615,122
NON MARK-UP / INTEREST INCOME					
38,377	34,134	Fee, commission and brokerage income	25	4,014,135	3,570,398
36,098	33,725	Dividend income		3,775,793	3,527,589
6,171	8,014	Income from dealing in foreign currencies		645,444	838,256
25,561	7,966	Gain on sale of securities	26	2,673,615	833,214
		Unrealized loss on revaluation of investments			
(7)	-	classified as 'held-for-trading' - net	9.10	(713)	-
977	9,423	Other income	27	102,217	985,681
107,177	93,262	Total non-markup / interest income		11,210,491	9,755,138
427,651	424,196			44,731,616	44,370,260
NON MARK-UP / INTEREST EXPENSES					
194,162	173,760	Administrative expenses	28	20,309,074	18,175,080
717	605	Provision against other assets	13.2	75,000	63,242
		(Reversal) / provision against off-balance sheet			
(127)	588	obligations - net	18.1	(13,273)	61,496
5,063	5,421	Other charges	29	529,597	567,062
199,815	180,374	Total non-markup / interest expenses		20,900,398	18,866,880
-	-	Extra-ordinary / unusual items		-	-
227,836	243,822	PROFIT BEFORE TAXATION		23,831,218	25,503,380
Taxation					
81,390	79,807	Current		8,513,243	8,347,670
9,079	13,960	Prior years		949,657	1,460,245
(561)	5,499	Deferred		(58,732)	575,158
89,908	99,266		30	9,404,168	10,383,073
137,928	144,556	PROFIT AFTER TAXATION		14,427,050	15,120,307
395,951	354,247	Unappropriated profit brought forward		41,415,882	37,053,691
444,464	395,951	PROFIT AVAILABLE FOR APPROPRIATION		46,490,244	41,415,882
In US\$				In Rupees	
0.12	0.13	Earnings per share - Basic and Diluted	31	12.60	13.20

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2016

December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
US \$ in '000			Rupees in '000	
137,928	144,556	<b>Profit after taxation for the year</b>	14,427,050	15,120,307
<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				
(108)	389	in foreign operating branches	(11,246)	40,640
<i>Items not to be reclassified to profit and loss account in subsequent periods:</i>				
4,246	(15,356)	Actuarial gain / (loss) relating to defined benefit plans	444,154	(1,606,112)
(1,486)	5,375	Related deferred tax (charge) / reversal	(155,454)	562,139
2,760	(9,981)		288,700	(1,043,973)
140,580	134,964	<b>Comprehensive income transferred to equity</b>	14,704,504	14,116,974
<b>Components of comprehensive income not reflected in equity:</b>				
<i>Items to be reclassified to profit and loss account in subsequent periods:</i>				
53,778	74,865	Net change in fair value of 'available-for-sale' securities	5,625,078	7,830,738
(18,822)	(50,401)	Related deferred tax charge	(1,968,778)	(5,271,787)
34,956	24,464		3,656,300	2,558,951
175,536	159,428	<b>Total Comprehensive Income</b>	18,360,804	16,675,925

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

Chief Financial Officer

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Director

Director

Chairman

# Unconsolidated Statement of Cash Flow

for the year ended December 31, 2016

December 31, 2016	December 31, 2015	Note	December 31, 2016	December 31, 2015
US \$ in '000			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
227,835	243,821	Profit before taxation	23,831,218	25,503,380
(36,098)	(33,725)	Less: Dividend income	(3,775,793)	(3,527,589)
191,737	210,096		20,055,425	21,975,791
Adjustments for non-cash items:				
21,159	19,225	Depreciation / amortization	2,213,242	2,010,890
(3,206)	(2,755)	Reversal against non-performing loans and advances	(335,359)	(288,120)
716	17,328	Provision for diminution in the value of investments	74,906	1,812,488
7	–	Unrealized loss on revaluation of 'held-for-trading' securities	713	–
(127)	588	(Reversal) / provision against off-balance sheet obligations	(13,273)	61,496
717	605	Provision against other assets	75,000	63,242
4,587	4,876	Provision for workers' welfare fund	479,803	510,068
(349)	(238)	Gain on sale of operating fixed assets	(36,489)	(24,897)
22	–	Loss on sale of non-banking assets / other assets	2,294	–
23,526	39,629		2,460,837	4,145,167
215,263	249,725		22,516,262	26,120,958
(Increase) / decrease in operating assets				
(68,419)	(15,280)	Lendings to financial institutions	(7,156,661)	(1,598,304)
(980)	90,559	Net (Investments) / realizations in 'held-for-trading' securities	(102,531)	9,472,368
(79,259)	(146,299)	Advances	(8,290,351)	(15,302,618)
40,709	(15,241)	Other assets (excluding advance taxation)	4,258,053	(1,594,165)
(107,949)	(86,261)		(11,291,490)	(9,022,719)
Increase / (decrease) in operating liabilities				
46,909	1,055	Bills payable	4,906,606	110,388
(110,446)	687,487	Borrowings	(11,552,534)	71,910,103
674,146	637,854	Deposits and other accounts	70,514,668	66,718,551
(2,453)	(25,457)	Other liabilities	(256,631)	(2,662,742)
608,156	1,300,939		63,612,109	136,076,300
715,470	1,464,403		74,836,881	153,174,539
(105,485)	(44,642)	Income tax paid	(11,033,569)	(4,669,537)
609,985	1,419,761	Net cash flows generated from operating activities	63,803,312	148,505,002
CASH FLOW FROM INVESTING ACTIVITIES				
(1,405,788)	(1,119,084)	Net investments in 'available-for-sale' securities	(147,043,339)	(117,054,506)
1,024,683	(17,522)	Net realizations / (investments) in 'held-to-maturity' securities	107,180,271	(1,832,810)
33,840	33,731	Dividend received	3,539,613	3,528,218
(58,458)	(32,473)	Investments in operating fixed assets	(6,114,657)	(3,396,649)
478	1,769	Proceeds from sale of operating fixed assets	49,957	185,069
(405,245)	(1,133,579)	Net cash flows used in investing activities	(42,388,155)	(118,570,678)
CASH FLOW FROM FINANCING ACTIVITIES				
–	(28,624)	Repayment of sub-ordinated loan	–	(2,994,000)
(79,074)	(78,996)	Dividends paid	(8,271,033)	(8,262,818)
(79,074)	(107,620)	Net cash flows used in financing activities	(8,271,033)	(11,256,818)
(108)	389	Effect of translation of net investment in foreign operating branches	(11,246)	40,640
125,558	178,951	Increase in cash and cash equivalents during the year	13,132,878	18,718,146
580,033	401,342	Cash and cash equivalents at the beginning of the year	60,670,624	41,979,844
159	(102)	Effect of exchange rate changes on opening cash and cash equivalents	16,679	(10,687)
705,750	580,191	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	73,820,181	60,687,303

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2016

	Capital Reserve		Statutory Reserve	Revenue Reserves		Total
	Share Capital	Exchange Translation Reserve		General Reserve	Un-appropriated Profit	
Rupees in '000						
Balance as at January 01, 2015	11,450,739	28,293	13,515,062	6,000	37,053,691	62,053,785
Changes in equity during the year ended						
December 31, 2015						
Total comprehensive income for the year ended						
December 31, 2015						
Net profit for the year ended December 31, 2015	-	-	-	-	15,120,307	15,120,307
Effect of remeasurement of defined benefit						
plan-net of deferred tax	-	-	-	-	(1,043,973)	(1,043,973)
Effect of translation of net investment in						
foreign operating branches	-	40,640	-	-	-	40,640
	-	40,640	-	-	14,076,334	14,116,974
Transactions with owners recognized						
directly in equity						
Final cash dividend for the year ended						
December 31, 2014 (Rs. 2 per ordinary share)	-	-	-	-	(2,290,145)	(2,290,145)
First interim cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,880)	(2,003,880)
Second interim cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,880)	(2,003,880)
Third interim cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,880)	(2,003,880)
	-	-	-	-	(8,301,785)	(8,301,785)
Transferred from surplus on revaluation of fixed assets						
to un-appropriated profit-net of tax	-	-	-	-	99,673	99,673
Transfer to statutory reserve	-	-	1,512,031	-	(1,512,031)	-
Balance as at December 31, 2015	11,450,739	68,933	15,027,093	6,000	41,415,882	67,968,647
Changes in equity during the year ended						
December 31, 2016						
Total comprehensive income for the year ended						
December 31, 2016						
Net profit for the year ended December 31, 2016	-	-	-	-	14,427,050	14,427,050
Effect of remeasurement 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

# Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2016

		Capital Reserve		Revenue Reserves		
	Share Capital	Exchange Translation Reserve	Statutory Reserve	General Reserve	Un-appropriated Profit	Total
Rupees in '000						
Transactions with owners recognized						
directly in equity						
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 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)	-
Balance as at December 31, 2016	11,450,739	57,687	16,469,798	6,000	46,490,244	74,474,468

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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 1,148 (2015: 1,048) branches in Pakistan including 77 (2015: 27) Islamic banking branches, 1 branch (2015:1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2015: 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 its registered office is in Pakistan.

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

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

## 2. 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 III 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 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 104.5985 per US Dollar has been used for 2016 and 2015, 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:

- Non-banking assets acquired in satisfaction of claims (Note 5.1)
- Investments (Note 5.4);
- Certain operating fixed assets (Note 5.6);
- Staff retirement and other benefits (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 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, 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, the 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, 2016

**3.2** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard (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.

**3.3** 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.

**3.4** 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 Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**3.5** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 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.

**3.6** **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.

**3.7** **Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2017.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Bank's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The change would result in disclosures regarding change in balances of liabilities arising from financing activities.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 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 the Bank's financial statements.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Bank's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards and are not likely to have material impact on the financial statements of the Bank:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 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.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 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.

## 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'.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

**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 or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In 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.

**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 and 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 benefit plans**

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).



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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 except for the change explained in note 5.1. Significant accounting policies are enumerated as follows:

### 5.1 Change in accounting policy

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

The Bank has changed its accounting policy regarding non-banking assets acquired in compliance with the requirements of the 'Regulations for Debt Property Swap', effective from the date of issuance by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016.

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 is charged to profit and loss account and not capitalised.

Effect of change in policy is as follows:

	Rupees in '000
<b>Impact on statement of financial position:</b>	
Increase in non-banking assets	1,329,105
Increase in surplus on revaluation	1,327,010
Increase in deferred tax liability (surplus on revaluation)	13,930
Increase in deferred tax liability (accelerated depreciation)	22,227
<b>Impact on profit and loss account:</b>	
Depreciation expense	19,696
Deferred tax expense	22,227

### 5.2 Cash and cash equivalents

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

### 5.3 Lendings to / borrowings from financial institutions

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

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

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

#### b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse re-purchase) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as mark-up income.

Securities held as collateral are not recognized in the financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

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.

## 5.4 Investments

5.4.1 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.

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

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

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

Unrealized surplus / (deficit) arising on revaluation of the Bank's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position 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.

5.4.4 Investments in subsidiaries are stated at cost less impairment.

## 5.5 Advances

### a) Loans and advances

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

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## b) Net investment in Finance Lease

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

## c) Islamic Financing and Related Assets

The Bank provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah 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 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.

## 5.6 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).

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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 5.7 Taxation

### a) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. 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'.

## 5.8 Staff retirement and other benefits

### 5.8.1 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 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 10 years of service as on June 30, 2002;

During the year, the beneficiary employees 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 pension (defined benefit scheme).

An approved gratuity scheme (defined benefit scheme) under which the benefits are payable as under:

- i) For members whose date of joining the Bank is on or before July 01, 1992, their services would be calculated starting from July 01, 2002 for gratuity benefit purposes.
- ii) For members whose date of joining the Bank is after July 01, 1992 their services would be taken at actual for the purpose of calculating the gratuity benefit.

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 the 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 Bank is on or before July 01, 1992, i.e., who had completed 10 years of service as on June 30, 2002.

Until December 31, 2008, the Bank operated a contributory benevolent fund, which was discontinued for active employees. The beneficiary employees 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).

#### c) Post retirement medical benefits

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



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

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.

## 5.8.2 Other long term benefit

### Employees' compensated absences

Employees' entitlement to annual leave is recognised 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 unavailed 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.

## 5.9 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 Bank determines that 'available-for-sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates, among other factors, the normal volatility in share price in the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology.

### b) Non-financial assets

The carrying amount of the Bank's assets (other than deferred tax assets) are reviewed at each 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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 ruling 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

## **b) Lease financing**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

## **c) Islamic financing and related assets**

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha and Salam income is recognised on deferred income basis.

## **d) Fees, brokerage and commission**

Fee, Commission and Brokerage income is recognized on an accrual basis except where, in the opinion of management, it would not be prudent to do so.

## **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, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		11,886,845	12,368,391
Foreign currencies		1,061,186	887,146
		12,948,031	13,255,537
<b>Remittances in transit</b>		291,364	386,250
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	32,998,864	20,266,767
Foreign currency current account	6.2	9,620	40,019
		33,008,484	20,306,786
Foreign currency deposit accounts			
Non-remunerative	6.1	2,813,207	2,686,554
Remunerative	6.3	8,435,565	8,059,663
		11,248,772	10,746,217
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		15,439,067	11,831,544
<b>National Prize Bonds</b>		267,999	185,239
		73,203,717	56,711,573

**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, 2016, carries mark-up at the rate of 0% (2015: 0%) per annum.

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>Outside Pakistan</b>			
On current accounts	7.1	271,111	2,457,367
On deposit accounts		408,812	1,620,231
		679,923	4,077,598

**7.1** Included in nostro accounts are balances, aggregating to Rs. 40.971 million (2015: Rs. 41.303 million), representing balances held with a related party outside Pakistan.



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	2,091,970	1,200,000
Repurchase agreement lendings (Reverse Repo)	8.2 & 8.7	7,220,782	2,156,091
Musharaka lending	8.3	700,000	–
Mudaraba lending	8.4	500,000	–
Certificates of investment	8.5	70,000	70,000
	8.6	10,582,752	3,426,091
Provision against lendings to financial institutions	8.8	(70,000)	(70,000)
		10,512,752	3,356,091

**8.1** This represents call money lending in foreign currency carrying mark-up at the rate of 0.65% (2015: local currency lendings at the rate of 6.50%) per annum, maturing on January 03, 2017.

**8.2** These are short-term lendings to financial institutions against the government securities shown in note 8.7 below. These carry mark-up at the rate of 5.90% to 6.20% (2015: 6.45% to 6.50%) per annum and are maturing on various dates, latest by January 23, 2017.

**8.3** This represents lending by Islamic banking business under Musharaka agreement at profit of 5.0% (2015: Nil) per annum, maturing on January 09, 2017.

**8.4** This represents lending by Islamic banking business under Mudaraba agreement at profit of 5.55% (2015: Nil) per annum, maturing on February 10, 2017.

**8.5** This represents a classified certificate of investment amounting to Rs. 70 million (2015: Rs. 70 million).

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>8.6 Particulars of lending</b>		
In local currency	8,490,782	3,426,091
In foreign currencies	2,091,970	–
	10,582,752	3,426,091

	December 31, 2016			December 31, 2015		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
<b>8.7 Securities held as collateral against lending to Financial Institutions</b>						
Market Treasury Bills	1,220,782	–	1,220,782	1,491,091	–	1,491,091
Pakistan Investment Bonds	6,000,000	–	6,000,000	665,000	–	665,000
	7,220,782	–	7,220,782	2,156,091	–	2,156,091

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>8.8 Particulars of provision</b>		
Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	70,000	70,000

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

		Note	December 31, 2016			December 31, 2015		
			Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000								
9.	INVESTMENTS							
9.1	Investments by types							
Held-for-trading securities								
	Pakistan Investment Bonds		102,531	–	102,531	–	–	
Available-for-sale securities								
	Market Treasury Bills		202,224,770	23,995,274	226,220,044	113,476,903	25,054,061	138,530,964
	Pakistan Investment Bonds		144,961,948	53,343,313	198,305,261	83,273,356	71,436,281	154,709,637
	Ordinary shares of listed companies /							
	certificates of close-ended mutual funds		14,493,083	–	14,493,083	13,614,525	–	13,614,525
	Preference shares		–	–	–	25,000	–	25,000
	Pre IPO shares		12,240	–	12,240	–	–	–
	Units of open-ended mutual funds		–	–	–	150,000	–	150,000
	Ordinary shares of unlisted companies		2,487,929	–	2,487,929	2,123,767	–	2,123,767
	Investment in related parties							
	- Listed shares		8,142,520	–	8,142,520	8,142,520	–	8,142,520
	- Unlisted shares		997,894	–	997,894	1,352,894	–	1,352,894
	- Units of open-ended mutual funds		–	–	–	135,000	–	135,000
	Sukuk bonds		5,423,031	–	5,423,031	1,945,563	–	1,945,563
	GOP Sukuk		10,550,356	–	10,550,356	5,359,194	–	5,359,194
	GOP Ijara Sukuk		2,148,084	–	2,148,084	700,275	–	700,275
	Foreign Currency Bonds (US\$)		4,734,946	–	4,734,946	–	–	–
	Term Finance Certificates (TFCs)		4,340,267	–	4,340,267	4,179,005	–	4,179,005
			400,517,068	77,338,587	477,855,655	234,478,002	96,490,342	330,968,344
Held-to-maturity securities								
	Pakistan Investment Bonds		83,222,932	–	83,222,932	185,697,197	–	185,697,197
	GOP Sukuk		1,051,562	–	1,051,562	1,054,700	–	1,054,700
	GOP Ijara Sukuk		100,000	–	100,000	150,319	–	150,319
	Bai Muajjal Placements (GOP Sukuks)	9.1.1	–	–	–	272,275	–	272,275
	Foreign Currency Bonds (US\$)		1,595,719	–	1,595,719	4,906,147	–	4,906,147
	TFCs, Bonds and PTCs		358,879	–	358,879	1,428,725	–	1,428,725
			86,329,092	–	86,329,092	193,509,363	–	193,509,363
Subsidiary								
	ABL Asset Management Company							
	Limited		500,000	–	500,000	500,000	–	500,000
	Investment at cost		487,448,691	77,338,587	564,787,278	428,487,365	96,490,342	524,977,707
	Provision for diminution in the							
	value of investments	9.3	(2,696,599)	–	(2,696,599)	(2,777,721)	–	(2,777,721)
	Investment (cost net of provisions)		484,752,092	77,338,587	562,090,679	425,709,644	96,490,342	522,199,986
Deficit on revaluation of								
	'held-for-trading' securities	9.10	(713)	–	(713)	–	–	–
Surplus on revaluation of								
	'available-for-sale' securities	20.3	25,895,586	1,878,996	27,774,582	18,654,545	3,494,959	22,149,504
	Total investments at market value		510,646,965	79,217,583	589,864,548	444,364,189	99,985,301	544,349,499

**9.1.1** Under the instructions of SBP, Bai Muajjal placements of 'Government of Pakistan (GOP) Sukuks' with GOP have been reclassified from 'Lending to financial institutions' to 'Investments'.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities			
- Market Treasury Bills	9.2.1 - 9.2.3	226,220,044	138,530,964
- Pakistan Investment Bonds	9.2.1 & 9.2.2	281,630,724	340,406,834
- Foreign Currency Bonds (US\$)	9.2.1 & 9.2.4	6,330,665	4,906,147
- GOP Ijara Sukuk	9.2.1	2,248,084	850,594
- GOP Sukuk	9.2.1	11,601,918	6,413,894
- Bai Muajjal Placements (GOP Sukuks)		—	272,275
Fully paid up ordinary shares of listed companies / certificates of close-ended mutual funds			
	9.4	22,635,603	21,757,045
Fully paid up ordinary shares of unlisted companies	9.5	3,498,063	3,476,661
Investment in units of open-ended mutual funds	9.6	—	285,000
Fully paid up preference shares		—	25,000
Term Finance Certificates (TFCs), Bonds and Participation Term Certificates			
Term Finance Certificates			
- Listed	9.7	2,455,310	2,523,862
- Unlisted	9.7	2,043,836	1,814,022
Sukuk Bonds	9.8	5,623,031	3,215,409
Subsidiary	9.5	500,000	500,000
Investments at cost		564,787,278	524,977,707
Less: Provision for diminution in the value of investments	9.3	(2,696,599)	(2,777,721)
Investments (cost net of provisions)		562,090,679	522,199,986
Deficit on revaluation of 'held-for-trading' securities	9.10	(713)	—
Surplus on revaluation of 'available-for-sale' securities	20.3	27,774,582	22,149,504
Total investments at market value		589,864,548	544,349,490

## 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, 2017 to August, 2017	5.77% - 5.98%	On maturity	At maturity
Pakistan Investment Bonds	July, 2017 to August, 2031	7.00% - 13.00%	On maturity	Half Yearly
Foreign Currency Bonds (US\$)	June, 2017 to September, 2025	6.875% - 8.25%	On maturity	Half Yearly
GOP Ijara Sukuk	June, 2017 to February, 2019	6M MTB minus (0.50% - 2.00%)	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. 23,816.042 million (2015: Rs. 24,873.964 million) and Pakistan Investment Bonds having a book value of Rs. 53,343.313 million (2015: Rs.71,436.281 million), given as collateral against repurchase agreement borrowings from financial institutions.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

**9.2.3** Included herein are Market Treasury Bills having a book value of Rs. 179.232 million (2015: Rs 180.097 million), held by the SBP against Demand Loan and TT / DD discounting facilities sanctioned to the Bank.

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2016	December 31, 2015
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	31-Mar-17	10 Years	4,734,946	–
Euro Dollar Bond (\$10,500,000)	6.875%	31-May-07	01-Jun-17	30-May-17	10 Years	1,083,920	1,054,374
Euro Dollar Bond (\$5,000,000)	6.875%	01-Jun-07	01-Jun-17	30-May-17	10 Years	511,799	488,451
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-16	6.5 Years	–	312,055
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-16	5.9 Years	–	333,967
Euro Dollar Bond (\$14,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-16	10 Years	–	1,547,930
Euro Dollar Bond (\$1,800,000)	7.125%	05-Jan-11	31-Mar-16	30-Mar-16	5 Years	–	187,589
Euro Dollar Bond (\$2,000,000)	7.125%	07-Mar-11	31-Mar-16	30-Mar-16	5 Years	–	207,702
Euro Dollar Bond (\$3,000,000)	7.125%	08-Mar-11	31-Mar-16	30-Mar-16	5 Years	–	311,552
Euro Dollar Bond (\$4,457,000)	7.125%	01-Oct-10	31-Mar-16	30-Mar-16	5.5 Years	–	462,527
						6,330,665	4,906,147
Note						December 31, 2016	December 31, 2015
Rupees in '000							

## 9.3 Particulars of provision

Opening balance		2,777,721	977,183
Charge for the year		78,582	1,820,557
Reversals		(3,676)	(8,069)
Net charge		74,906	1,812,488
Reversal on disposal of shares		(156,028)	(11,950)
Closing balance	9.3.1	2,696,599	2,777,721

## 9.3.1 Particulars of provision in respect of type and segment

### By type:

#### Available-for-sale securities

Ordinary shares / certificates of mutual funds	2,264,790	2,289,386
Ordinary shares of unlisted companies	49,982	92,671
Preference shares	–	25,000
Sukuk Bonds	22,948	11,785
	2,337,720	2,418,842

#### Held-to-maturity securities

TFCs, Debentures, Bonds and PTCs	358,879	358,879
	2,696,599	2,777,721

### By Segment:

#### Fully Paid up Ordinary Shares

Ordinary shares of listed companies	2,264,790	2,289,386
Ordinary shares of unlisted companies	49,982	92,671
Preference shares	–	25,000
	2,314,772	2,407,057

#### Term Finance Certificates, Debentures,

#### Bonds and Participation Term Certificates

Bonds	222,948	211,785
Term Finance Certificates	158,879	158,879
	381,827	370,664
	2,696,599	2,777,721



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

Name of Company / Mutual Fund	Cost per share / certificates  Rupees	2016		2015	
		No. of shares / certificates	Total Cost	No. of shares / certificates	Total Cost
			Rupees in '000		Rupees in '000

## 9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

### Available-for-sale

AgriTech Limited	16.16	16,601,113	268,289	13,961,851	175,755
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	–	–
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
First Dawood Investment Bank Limited	–	–	–	10,362,554	87,405
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	–	–
Hub Power Company Limited - related party	36.51	112,000,000	4,089,011	112,000,000	4,089,011
Kot Addu Power Company Limited - related party	46.06	88,000,000	4,053,509	88,000,000	4,053,509
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
Pakistan Oilfield 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	324.51	1,486,500	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	2,500,000	25,000
United Bank Limited	158.01	6,064,800	958,277	6,064,800	958,277
			22,635,603		21,757,045

Name of Company	Percentage of Holding	No. of shares	Break-up Value per share	Paid up Value per share	Dec. 31, 2016 Cost	Based on audited accounts as at	Name of Chief Executive/Managing Agent
			Rupees	Rupees	Rupees '000		

## 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	19.50	10	355,000	30-Jun-16	Mr. Maqsood Ahmed Basraa
Central Depository Company of Pakistan Limited	1.00%	1,000,000	43.60	10	40,300	30-Jun-16	Mr. Muhammad Hanif Jakhura
Eastern Capital Limited	–	500,000	–	–	5,000	–	Under liquidation
First Women Bank Limited	2.67%	7,734,927	9.79	10	21,200	31-Dec-15	Ms. Tahira Raza
Habib Allied Holding Limited - related party	9.38%	5,803,275	147.46	£1	990,367	31-Dec-15	Mr. Hassan Raza
ISE Towers REIT Management Company Limited*	0.83%	3,034,603	11.67	10	30,346	30-Jun-16	Mr. Mian Ayyaz Afzal
LSE Financial Services Limited*	0.66%	843,975	12.21	10	8,440	30-Jun-15	Mr. Naveed Amin
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	2,266,609	33.06	10	1,527	30-Jun-16	Mr. Haider Wahab
Nishat Hotels and Properties Limited	9.84%	94,497,049	9.83	10	944,970	30-Jun-16	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) - related party	3.33%	1,000	–	10	1,000	31-Mar-13	Mr. Muhammad Khan Khichi
Pakistan Mortgage Refinancing Company- Pre IPO	–	–	–	–	12,240	–	Mr. N.K. Rupan
Security General Insurance Company Limited	18.22%	12,401,871	133.78	10	1,075,653	31-Dec-15	Mr. Farrukh Aleem
SME Bank Limited	0.32%	774,351	1.49	10	5,250	31-Dec-15	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank Financial Telecommunication	0.01%	10	327,430	€ 125	1,770	31-Dec-14	Mr. Gottfried Leibbrandt
					3,498,063		
ABL Assets Management Company Limited- subsidiary	100.00%	50,000,000	32.83	10	500,000	31-Dec-16	Mr. Alee Khalid Ghaznav
					3,998,063		

\*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, 2016

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2016	2015		2016 Rupees in '000	2015 Rupees in '000

## 9.6 Detail of Investment in Open Ended Mutual Funds

ABL Islamic stock fund - related party	–	11,206,388	10	–	135,000
UBL Al Ameen shariah stock fund	–	1,483,838	100	–	150,000
				–	285,000

## 9.7 Detail of Investment in TFCs Listed

Habib Bank Limited	15,000	15,000	100,000	1,499,700	1,500,000
Bank Alfalah Limited TFC V	64,618	64,618	5,000	322,638	322,767
JS TFC II	37,500	37,500	5,000	131,250	161,719
Jahangir Siddiqi & Company Limited	–	30,000	5,000	–	37,500
NIB Bank TFC II	76,800	76,800	5,000	383,616	383,770
Telecard Limited	75,888	75,888	5,000	118,106	118,106
				2,455,310	2,523,862

### Unlisted

Faysal Bank Limited (Chief Executive: Mr. Nauman Ansari)	70,000	70,000	5,000	174,650	349,300
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 IV (Chief Executive: Mr. Mansoor Ali Khan)	–	90,000	5,000	–	449,190
Bank Al-Habib TFC V (Chief Executive: Mr. Mansoor Ali Khan)	107,000	–	5,000	534,894	–
Standard Chartered Bank TFC III (Chief Executive: Mr. Shazad Dada)	75,000	75,000	5,000	375,000	375,000
Askari Bank Limited TFC V (Chief Executive: Mr. Syed M. Husaini)	120,000	120,000	5,000	599,520	599,760
Jahangir Siddiqi & Company Limited (Chief Executive: Mr. Suleman Lalani)	63,800	–	5,000	319,000	–
				2,043,836	1,814,022

Name of Sukuk Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2016	2015
						Rupees in '000	

## 9.8 Detail of Investment in Sukuk Bonds

Liberty Power Tech. Limited I	3 MK+3%	18-Mar-09	17-Mar-21	01-Jan-17	Quarterly	1,485,408	1,728,757
Liberty Power Tech. Limited II	3 MK+3%	30-Nov-10	31-Dec-21	01-Jan-17	Quarterly	166,199	193,237
Quetta Textile Mills Limited	6 MK+1.75%	26-Sep-08	25-Sep-19	25-Mar-16	Quarterly	22,948	23,569
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	17-Mar-17	Quarterly	248,476	–
Neelam Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	29-Jun-16	29-Jun-26	29-Jun-17	Half Yearly	1,200,000	–
Neelam Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	27-Oct-16	29-Jun-26	27-Apr-17	Half Yearly	1,400,000	–
Meezan Bank's Sukuk	6 MK+0.5%	22-Sep-16	22-Sep-26	22-Mar-17	Half Yearly	900,000	–
Maple Leaf Cement Factory Limited	– 3 MK + 1.70%	– 03-Dec-07	– 03-Dec-18	– 03-Mar-16	– Quarterly	– 5,623,031	– 3,215,409

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

Name of Security	2016		2015	
	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	226,247,239	Un Rated	138,608,982	Un Rated
Pakistan Investment Bonds	203,533,463	Un Rated	161,522,543	Un Rated
<b>Listed TFCs</b>				
Habib Bank Limited	1,503,449	AAA	1,500,000	AA
NIB Bank TFC II	387,972	A+	379,932	A+
Bank Alfalah Limited - TFC V	331,119	AA-	328,657	AA-
JS TFC II	131,329	AA+	161,861	AA+
Jahangir Siddiqi & Company Limited	—	—	36,676	AA+
<b>Unlisted TFCs</b>				
Faysal Bank Limited	174,650	AA-	349,300	AA-
Bank Al-Habib Limited TFC IV	—	—	449,190	AA
Bank Al-Habib Limited TFC V	534,893	AA	—	—
Standard Chartered Bank	375,000	AAA	375,000	AAA
Askari Bank Limited TFC V	599,520	AA-	599,760	AA-
Jahangir Siddiqi & Company Limited	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+
Al-Baraka Bank Limited	—	—	148,333	A-&A-2
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	BBB+&A2
Habib Allied Holding Limited* - related party	990,367	**	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	531,546	A-&A2
Nishat Hotels and Properties Limited	413,425	A-&A2	255,930	A-&A2
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	BB&B
SWIFT	1,770	**	1,770	**
<b>Listed Shares / Certificates</b>				
Agritech Limited	210,502	**	130,543	D
Attock Petroleum Limited	916,330	**	676,078	**
Dolmen City REIT	450,464	RR1	444,662	RR1
Fatima Fertilizer Company Limited	2,313,003	AA-&A1+	2,804,571	AA-&A1
Fauji Fertilizer Company Limited	1,615,815	AA&A1+	1,826,519	**
First Dawood Investment Bank	—	—	13,782	**
Habib Bank Limited	1,809,733	AAA&A1+	1,325,393	AAA&A1+
Hub Power Company Limited* - related party	7,519,932	AA+&A1+	6,248,340	AA+&A1+
Hub Power Company Limited - related party	6,309,828	AA+&A1+	5,242,860	AA+&A1+
Kot Addu Power Company Limited.* - related party	6,934,400	AA+&A1+	7,128,000	AAA&A1+
Nishat Chunian Power Limited*	1,664,400	**	1,651,500	A-&A2
Nishat Power Limited*	1,922,700	A+&A1	1,610,400	A+&A1
Pakistan Oilfield Limited*	1,886,674	**	945,843	**
Pakistan Oilfield Limited	2,981,763	**	1,494,841	**
Pakistan Petroleum Limited*	1,799,516	**	1,164,837	**

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

Name of Security	2016		2015	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Pakistan State Oil Company Limited	645,453	AA&A1+	484,257	AA&A1+
PICIC Growth Mutual Fund	203,403	**	150,449	**
Pioneer Cement Limited	15,173	**	9,702	**
Saif Power Limited	493,893	A+&A1	454,865	A+&A1
United Bank Limited	1,448,881	AAA&A1+	939,741	AA+&A1+
Trust Investment Bank Limited	18,700	**	3,100	**
Habib Metropolitan Bank Limited	370,000	AA+&A1+	–	–
Engro Fertilizer Limited	554,037	AA-&A1+	–	–
<b>Preference Shares</b>				
Trust Investment Bank Limited	–	–	25,000	**
<b>Investment in Mutual Funds</b>				
ABL AMC Islamic Stock Fund - related party	–	–	140,813	MFR 4- Star
UBL Al Ameen Shariah Stock Fund	–	–	173,594	MFR 3- Star
<b>Sukuk Bonds</b>				
Liberty Power Tech Limited I	1,485,408	A+	1,728,757	A+
Liberty Power Tech Limited II	166,199	A+	193,237	A+
Quetta Textile Mills Limited	22,948	**	23,569	**
K-Electric Limited	250,988	AA+	–	–
Neelum Jhelum Hydropower Company (Pvt) Limited	2,600,000	AAA	–	–
Meezan Bank's Sukuk	900,000	AA-	–	–
GOP Ijara Sukuk	2,196,404	**	–	–
GOP Sukuk	10,858,893	**	5,298,675	**
<b>Foreign Currency Bonds (US\$)</b>				
Euro Bonds	5,177,620	**	–	–
* Strategic Investments of the Bank				
** Ratings are not available				
	Note	December 31, 2016	December 31, 2015	
Rupees in '000				

## 9.10 Unrealized loss on revaluation of investments classified as 'held-for-trading'

Pakistan Investment Bonds	(713)	–
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## 10. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan		334,047,662	324,565,262
Outside Pakistan		7,876,267	9,290,527
		341,923,929	333,855,789
Islamic financing and related assets	A-III. 2	605,138	139,983
Net investment in finance lease - in Pakistan	10.2	2,131,845	2,072,857
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,665,812	1,355,182
Payable outside Pakistan		1,687,999	3,345,595
		4,353,811	4,700,777
Advances - gross	10.1	349,014,723	340,769,406
Provision for non-performing advances	10.3 & 10.4	(18,720,563)	(19,092,777)
General provision	10.4	(63,309)	(71,489)
		(18,783,872)	(19,164,266)
Advances - net of provision		330,230,851	321,605,140



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees in '000	
<b>10.1 Particulars of advances (Gross)</b>		
<b>10.1.1</b> In local currency	322,050,360	303,940,965
In foreign currencies	26,964,363	36,828,441
	<u>349,014,723</u>	<u>340,769,406</u>
<b>10.1.2</b> Short term (for up to one year)	183,305,141	187,144,747
Long term (for over one year)	165,709,582	153,624,659
	<u>349,014,723</u>	<u>340,769,406</u>

	December 31, 2016				December 31, 2015			
	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	548,277	1,191,271	123,062	1,862,610	614,849	1,084,489	128,694	1,828,032	
Residual value	66,446	319,475	164,983	550,904	78,949	291,376	159,881	530,206	
Minimum lease payments	614,723	1,510,746	288,045	2,413,514	693,798	1,375,865	288,575	2,358,238	
Financial charges for future periods	(28,902)	(117,424)	(135,343)	(281,669)	(60,328)	(95,708)	(129,345)	(285,381)	
Present value of minimum lease payments	<u>585,821</u>	<u>1,393,322</u>	<u>152,702</u>	<u>2,131,845</u>	<u>633,470</u>	<u>1,280,157</u>	<u>159,230</u>	<u>2,072,857</u>	

**10.3** Advances include Rs. 20,431.609 million (2015: Rs. 21,903.729 million) which have been placed under non-performing status as detailed below:

	December 31, 2016								
Category of Classification	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>

	December 31, 2015								
Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially									
Mentioned	152,314	-	152,314	4,496	-	4,496	4,496	-	4,496
Substandard	1,459,082	-	1,459,082	362,376	-	362,376	362,376	-	362,376
Doubtful	586,044	-	586,044	293,022	-	293,022	293,022	-	293,022
Loss	19,706,289	-	19,706,289	18,432,883	-	18,432,883	18,432,883	-	18,432,883
	<u>21,903,729</u>	<u>-</u>	<u>21,903,729</u>	<u>19,092,777</u>	<u>-</u>	<u>19,092,777</u>	<u>19,092,777</u>	<u>-</u>	<u>19,092,777</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 a syndicated long term loan facility granted to Northern Power Generation Company Limited, valuing Rs. 5,160 million (2015: Rs. 5,339 million), which is secured against a government guarantee. Pursuant to its restructuring at the syndicate level, State Bank of Pakistan has allowed relaxation against classification vide Letter No. BPRD/ BRD-Policy/ 2015-22984 dated October 19, 2015 and vide Letter No. BPRD/ BRD-Policy/ 2015-29247 dated December 28, 2015.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

		Note	December 31, 2016			December 31, 2015		
			Specific	General	Total	Specific	General	Total
Rupees in '000								
10.4	Particulars of provision against non-performing advances							
	Opening balance		19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564
	Charge for the year		1,841,422	–	1,841,422	1,612,696	–	1,612,696
	Reversals	10.5	(2,168,601)	(8,180)	(2,176,781)	(1,856,386)	(44,430)	(1,900,816)
	Charged to profit and loss account		(327,179)	(8,180)	(335,359)	(243,690)	(44,430)	(288,120)
	Amounts written off	10.6	(45,035)	–	(45,035)	(358,178)	–	(358,178)
	Closing balance		18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266
10.4.1	In local currency		18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266
	In foreign currencies		–	–	–	–	–	–
			18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266

**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. 188.472 million (2015: Rs. 192.709 million).

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>10.6</b>	<b>Particulars of write-offs</b>		
<b>10.6.1</b>	Against provisions	45,035	358,178
	Directly charged to Profit and Loss account	–	–
		45,035	358,178
<b>10.6.2</b>	Write-offs of Rs. 500,000 and above	44,637	358,178
	Write-offs of below Rs. 500,000	398	–
		45,035	358,178

## 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, 2016 is given in Annexure "I". However, these write-offs do not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>10.8</b>	<b>Particulars of loans and advances to directors, related parties, etc.</b>		
	Debts due from directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	7,003,995	6,802,974
	Loans granted during the year	2,426,220	2,026,159
	Repayments	(1,756,941)	(1,825,138)
	Balance at end of the year	7,673,274	7,003,995
Details of loans and advances to associates, subsidiary and other related parties are given in note 39.			

## 11. OPERATING FIXED ASSETS

	Capital work-in-progress	11.1	3,290,221	2,345,600
	Property and equipment	11.2	28,475,682	25,716,725
	Intangible assets	11.3	991,318	787,252
			32,757,221	28,849,577
<b>11.1</b>	<b>Capital work-in-progress</b>			
	Civil works		2,381,725	1,641,015
	Equipment		683,215	523,238
	Advances to suppliers and contractors		225,281	181,347
			3,290,221	2,345,600

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 11.2 Property and equipment

Description	Note	Cost / Revaluation			Accumulated Depreciation			Annual rate of depreciation %	
		At January 1, 2016	Addition/ (Deletions)	Write-off	At December 31, 2016	At January 1, 2016	Charge for the year/ (Depreciation on deletions)/ Exchange and other adjustments		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	-	2,622,036	1,335,598	278,225	-	1,613,646
									1,008,390
									20
Furniture and fixtures		1,201,410	203,125	(425)	1,400,514	579,899	138,631	(380)	714,654
									685,860
									10
Electrical, office and computer equipments		8,323,806	1,578,492	(3,277)	9,818,440	5,403,067	1,001,165	(3,273)	6,321,899
									3,496,541
									14,28 - 50
Vehicles		722,522	148,912	-	819,019	345,186	144,379	-	448,947
									370,072
									20

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

Note		Cost / Revaluation		Accumulated Depreciation							
Description	At January 1, 2015	Addition/ (Deletions)	Write-off	At December 31, 2015	At January 1, 2015	Charge for the year/ (Depreciation on deletions)/ Exchange and other adjustments	Write-off	At December 31, 2015	Net book value at December 31, 2015	Annual rate of depreciation %	
Rupees in '000											
Land-Freehold	11.4	9,329,747	1,190,938 (35,000)	-	10,485,685	-	-	-	10,485,685	-	
Land-Leasehold	11.4	3,219,245	49,167 (18,360)	-	3,250,052	-	-	-	3,250,052	-	
Buildings-Freehold	11.4	4,983,827	219,320 (109,971)	-	5,093,176	442,857	231,359 (31,109)	-	643,107	4,450,069	5
Buildings-Leasehold	11.4	2,758,763	167,579 (8,741)	-	2,917,601	-	142,204 (85)	-	142,119	2,775,482	5
Building improvements rented premises		1,737,601	433,972 (124)	-	2,171,449	1,094,686	241,036 (124)	-	1,335,598	835,851	20
Furniture and fixtures		1,032,252	172,354 (3,196)	-	1,201,410	466,597	116,178 (2,882)	-	579,899	621,511	10
Electrical, office and computer equipments		7,364,170	1,021,371 (61,735)	-	8,323,806	4,506,005	954,656 (57,611)	-	5,403,067	2,920,739	14.28 - 50
							17				
Vehicles		570,218	201,035 (48,731)	-	722,522	276,347	111,355 (42,516)	-	345,186	377,336	20
Total		30,995,823	3,455,736 (285,858)	-	34,165,701	6,786,492	1,796,788 (134,327)	-	8,448,976	25,716,725	
							23				
1.3 Intangible assets											
Description		Cost		Accumulated Amortization				Net book value at December 31, 2016	Rate of amortization %		
		At January 1, 2016	Addition (Deletions)	At December 31, 2016	At January 1, 2016	Amortization	At December 31, 2016				
Rupees in '000											
Computer software		1,550,810	461,568	2,012,378	763,558	257,502	1,021,060		991,318	14.28	
Description		Cost		Accumulated Amortization				Net book value at December 31, 2015	Rate of amortization %		
		At January 1, 2015	Addition (Deletions)	At December 31, 2015	At January 1, 2015	Amortization	At December 31, 2015				
Rupees in '000											
Computer software		1,552,972	51,176 (53,338)	1,550,810	587,848	212,401 (36,691)	763,558		787,252	14.28	



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

- 11.4** Bank arranged for valuation of Land and Building as at December 31, 2014 from four independent valuers (Akbari & Javed, Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt.) Ltd.). The revalued amounts of properties have been determined on the basis of professional assessment of present market values. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
- Land (Freehold and leasehold)	9,727,188
- Building	5,732,052

- 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, 2016	December 31, 2015
		Rupees in '000	

<b>11.6</b>	Incremental depreciation charged during the year transferred to profit & loss account	20.1	88,968	93,651
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<b>11.7</b>	Restriction / discrepancy in the title of property having a net book value of		45,401	47,476
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- 11.8** The gross carrying amount of fully depreciated / amortized assets that are still in use:

	Furniture and fixtures	224,775	191,564
	Electrical, office and computer equipments	3,804,924	2,856,180
	Vehicles	46,122	50,170
	Intangible assets - software	209,492	134,454
	Leasehold Improvements	1,033,016	828,186

Amount of fully depreciated assets includes depreciation of Rs. 106.12 million of under Rs.10,000 items which are fully depreciated in the month of purchase.

	December 31, 2016	December 31, 2015
	Rupees in '000	

<b>11.9</b>	The carrying amount of property and equipment that have retired from active use and are held for disposal	361,307	145,684
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- 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".

## for the year ended December 31, 2016

[illegible]

## 12.1 Reconciliation of deferred tax

Deferred debits arising in respect of

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	1,025,312	(875,815)	–	149,497	(93,925)	–	55,572
Post retirement medical benefits	42,980	–	–	42,980	–	–	42,980
Worker's welfare fund	568,933	178,524	–	747,457	167,932	–	915,389
	<u>1,710,101</u>	<u>(697,291)</u>	<u>–</u>	<u>1,012,810</u>	<u>74,007</u>	<u>–</u>	<u>1,086,817</u>
<b>Deferred credits arising due to</b>							
Surplus on revaluation of operating							
fixed assets	(665,889)	43,112	–	(622,777)	31,138	–	(591,639)
Surplus on revaluation of non-banking							
assets	–	–	–	–	–	(13,930)	(13,930)
Surplus on revaluation of investments	(2,480,539)	–	(5,271,787)	(7,752,326)	–	(1,968,778)	(9,721,104)
Actuarial gains	(1,020,658)	–	562,139	(458,519)	–	(155,454)	(613,973)
Accelerated tax depreciation /							
amortization	(1,152,460)	79,021	–	(1,073,439)	(46,413)	–	(1,119,852)
Excess of investment in finance							
lease over written down							
value of leased assets	(13,206)	–	–	(13,206)	–	–	(13,206)
	<u>(5,332,752)</u>	<u>122,133</u>	<u>(4,709,648)</u>	<u>(9,920,267)</u>	<u>(15,275)</u>	<u>(2,138,162)</u>	<u>(12,073,704)</u>
Deferred Tax (Liability) / Asset - Net	(3,622,651)	(575,158)	(4,709,648)	(8,907,457)	58,732	(2,138,162)	(10,986,887)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

**12.2** 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, 2016	December 31, 2015
Rupees in '000			
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		17,621,002	22,858,068
- in foreign currencies		289,597	181,788
Advances, deposits, advance rent and other prepayments		832,110	682,914
Advance taxation (payments less provisions)		3,956,145	2,386,212
Stationery and stamps on hand		184,587	207,893
Due from the employees' retirement benefit schemes			
- Benevolent Fund	34.4	106,116	96,406
- Pension Fund	34.4	4,614,727	3,799,170
Receivable from SBP - customers encashments		9,979	34,845
ATM / POS settlement account		1,161,359	645,740
Non banking assets acquired in satisfaction of claims	13.1	3,476,351	2,432,388
Suspense account		922,303	686,480
Excise duty		11	11
Others		118,060	141,816
		33,292,347	34,153,731
Less: Provision held against other assets	13.2	(926,951)	(1,437,688)
Other assets (net of provision)		32,365,396	32,716,043

**13.1** These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.1.

	December 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
<b>13.2 Provision against Other Assets</b>						
Opening balance	1,250,830	186,858	1,437,688	1,243,274	141,349	1,384,623
Charge for the year	29,951	45,049	75,000	17,350	48,000	65,350
Reversals	-	-	-	(2,108)	-	(2,108)
Net charge	29,951	45,049	75,000	15,242	48,000	63,242
Written off / adjusted*	(585,737)	-	(585,737)	(7,686)	(2,491)	(10,177)
Closing balance	695,044	231,907	926,951	1,250,830	186,858	1,437,688

\*This includes adjustment on account of deficit on revaluation of non-banking assets amounting to Rs. 2.717 million (2015: Nil)

## 14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2016 and December 31, 2015.

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>15. BILLS PAYABLE</b>		
In Pakistan	9,848,795	4,942,189

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>16. BORROWINGS</b>			
In Pakistan		103,487,046	121,660,024
Outside Pakistan		22,881,829	16,299,794
		<u>126,368,875</u>	<u>137,959,818</u>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		103,487,046	121,660,024
In foreign currencies		22,881,829	16,299,794
		<u>126,368,875</u>	<u>137,959,818</u>
<b>16.2 Details of borrowings (Secured / Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	11,334,860	10,114,230
Long term financing facility - Export oriented projects	16.4	6,149,320	20,530
Long term financing facility	16.5	–	5,445,140
Modernization of SMEs	16.6	–	560
Financing Facility for Storage of Agriculture Produce (FFSAP)	16.7	16,430	30,400
		<u>17,500,610</u>	<u>15,610,860</u>
Repurchase agreement borrowings	16.8	78,903,484	99,542,397
<b>Unsecured</b>			
Call borrowings	16.9	29,873,171	22,675,643
Overdrawn nostro accounts	16.10	63,459	101,868
Other borrowings		28,151	29,050
		<u>29,964,781</u>	<u>22,806,561</u>
		<u>126,368,875</u>	<u>137,959,818</u>
<b>16.3</b>	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 2% (2015: 4.5%) per annum. These borrowings are repayable within six months from the deal date.		
<b>16.4</b>	This represents Long Term Financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, 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 3% to 4.5% (2015: 3% to 4.5%) per annum.		
<b>16.5</b>	These borrowings had been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant & machinery for a maximum period of 10 years. The borrowing carried mark-up at 3% to 4.5% per annum (2015: 3% to 4.5%).		
<b>16.6</b>	These represent borrowings from the SBP to finance modernization of SMEs by providing financing facilities for purchase of new imported / local plant & machinery for BMR (Balancing, Modernization and Replacement) of existing units, setting up of new units and financing for import/local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years. The borrowing carries mark-up at the rate of 3% to 3.50% (2015: 3% to 3.50%) per annum.		
<b>16.7</b>	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 7 years. The mark-up rates on these facilities are ranging from 2.50% to 3.50% (2015: 2.50% to 3.50%) per annum.		



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

- 16.8** These represent local currency funds borrowed from the SBP and local interbank market against government securities, carrying mark-up at the rate of 5.50% to 5.85% (2015: 5.50% to 6.50%) per annum maturing on various dates, latest by June 23, 2017.
- 16.9** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 5.55% to 6% (2015: 5.75% to 6.40%) per annum for local currency borrowings, and at rates ranging from 1.50% to 4.15% (2015: 1.15% to 3.53%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by June 23, 2017.
- 16.10** Included in overdrawn nostro account are balances, aggregating to Rs. 5.003 million (2015: Nil), representing balances held with a related party outside Pakistan.

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		176,919,972	195,785,765
Savings deposits		212,372,097	196,693,578
Current accounts - remunerative		97,923,756	88,494,685
- non - remunerative		248,775,260	219,778,464
		735,991,085	700,752,492
<b>Financial Institutions</b>			
Remunerative deposits		63,861,798	30,912,849
Non - remunerative deposits		5,257,951	2,930,825
		805,110,834	734,596,166
<b>17.1 Particulars of deposits</b>			
In local currency		747,297,221	676,637,082
In foreign currencies		57,813,613	57,959,084
		805,110,834	734,596,166
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,471,163	2,834,222
Mark-up / return / interest payable in foreign currency		167,682	140,321
Accrued expenses		2,259,926	1,970,563
Branch adjustment account		150,070	226,573
Unrealized loss on forward foreign exchange contracts		308,138	12,874
Provision for:			
- gratuity	34.4	255,291	561,455
- employees' medical benefits	34.4	1,298,380	1,217,945
- employees' compensated absences	34.4	698,964	761,498
Unclaimed dividends		215,914	185,143
Dividend payable		20,237	20,256
Provision against off-balance sheet obligations	18.1	557,958	571,231
Retention money payable		191,657	152,700
Security deposits		554,178	534,342
Sundry deposits		2,125,685	1,983,883
Workers' welfare fund payable	18.2	2,630,712	2,150,909
Others		2,719,234	2,679,510
		16,625,189	16,003,425
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		571,231	509,735
Charge for the year		11,113	91,919
Reversals		(24,386)	(30,423)
Net charge		(13,273)	61,496
Closing balance		557,958	571,231

The above provision includes provisions made against letters of guarantee issued by the Bank.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

- 18.2** During the current year, 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, 2016	December 31, 2015
	Rupees in '000	
<b>18.3 Particulars of other liabilities</b>		
In local currency	16,325,834	15,743,102
In foreign currencies	299,355	260,323
	<u>16,625,189</u>	<u>16,003,425</u>

## 19. SHARE CAPITAL

### 19.1 Authorized capital

	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
	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, 2016	December 31, 2015	Ordinary shares	December 31, 2016	December 31, 2015
	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
	<u>1,127,525,280</u>	<u>1,127,525,280</u>		<u>11,275,253</u>	<u>11,275,253</u>
			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
	<u>1,145,073,830</u>	<u>1,145,073,830</u>		<u>11,450,739</u>	<u>11,450,739</u>

Ibrahim Holdings (Private) Limited and Ibrahim Fibers Limited, related parties of the Bank, hold 965,879,110 (84.35%) and Nil [2015: Nil and 194,041,916 (16.95%)] ordinary shares of Rs. 10 each respectively, as at reporting date.

	Note	December 31, 2016	December 31, 2015
		Rupees in '000	

## 20. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:			
- operating fixed assets	20.1	6,832,802	6,890,632
- non-banking assets	20.2	1,313,080	-
- investments	20.3	18,053,478	14,397,178
Surplus on revaluation of assets - net of tax		<u>26,199,360</u>	<u>21,287,810</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>20.1 Surplus on revaluation of operating fixed assets</b>			
Surplus on revaluation on operating fixed assets as at January 1, 2016		7,513,409	7,664,202
Surplus on revaluation of operating fixed assets		–	–
Surplus realised on disposal of operating fixed assets		–	(57,142)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(57,830)	(60,873)
Related deferred tax liability		(31,138)	(32,778)
	11.6	(88,968)	(93,651)
Surplus on revaluation as at December 31, 2016		7,424,441	7,513,409
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2016		(622,777)	(665,889)
Deferred tax liability on revaluation surplus of operating fixed assets		–	–
Deferred tax on surplus on disposal of operating fixed assets		–	10,334
Deferred tax on incremental depreciation transferred to profit and loss account		31,138	32,778
	12.1	(591,639)	(622,777)
		<u>6,832,802</u>	<u>6,890,632</u>
<b>20.2 Surplus on revaluation of non-banking assets</b>			
Surplus on revaluation on non-banking assets as at January 1, 2016		–	–
Surplus on revaluation of non-banking assets		1,373,016	–
Surplus realised on disposal of non-banking assets		(43,911)	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,361)	–
Related deferred tax liability		(734)	–
		(2,095)	–
Surplus on revaluation as at December 31, 2016		1,327,010	–
Less: Related deferred tax liability on:			
Revaluation surplus as at January 1, 2016		–	–
Deferred tax liability on revaluation surplus of non-banking assets		(14,903)	–
Deferred tax on surplus on disposal of non-banking assets		239	–
Deferred tax on incremental depreciation transferred to profit and loss account		734	–
	12.1	(13,930)	–
		<u>1,313,080</u>	<u>–</u>
<b>20.3 Surplus / (deficit) on revaluation of 'available-for-sale' securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		27,195	78,008
Pakistan Investment Bonds		5,214,810	6,812,917
Term Finance Certificates		16,666	1,371
Sukuk Bonds		359,452	(54,824)
Shares / Certificates - Listed		21,713,786	15,282,624
Foreign Currency Bonds (US\$)		442,673	–
Open End Mutual Funds		–	29,408
	9.1	27,774,582	22,149,504
Less : Related deferred tax liability	12.1	(9,721,104)	(7,752,326)
		<u>18,053,478</u>	<u>14,397,178</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees in '000	
<b>21. CONTINGENCIES AND COMMITMENTS</b>		
<b>21.1 Direct credit substitutes</b>		
Guarantees in favor of:		
Banks and financial institutions	5,397,846	10,136,906
<b>21.2 Transaction-related contingent liabilities</b>		
Guarantees in favor of:		
Government	341,738	337,994
Others	20,555,816	18,936,699
	20,897,554	19,274,693
<b>21.3 Trade-related contingent liabilities</b>	65,473,604	63,258,242
<b>21.4 Claims against the Bank not acknowledged as debt</b>	6,815,687	4,538,697
<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, 2016	December 31, 2015
	Rupees in '000	
<b>21.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	63,017,979	64,741,951
Sale	38,469,943	51,664,798
<b>21.7 Commitments in respect of forwards</b>		
Forward sale of Federal government securities	–	3,000,000
<b>21.8 Commitments in respect of</b>		
Civil works	704,903	909,419
Acquisition of operating fixed assets	885,447	1,078,477
	1,590,350	1,987,896
<b>21.9 Commitments in respect of operating lease</b>	6,062,254	4,126,800

## 21.10 Other Contingencies

**21.10.1** The income tax assessments of the Bank have been finalized upto and including tax year 2016 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2016, income tax authorities made certain add backs with aggregate tax impact of Rs.21,223 million (2015: 20,572 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.21,223 million (2015: 20,572 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 2015 and created an arbitrary demand of Rs. 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. 1,429 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. 890 million (2015: 633 million). The Bank's appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 890 million (2015: 633 million).



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

**21.10.2** 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**

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

### **Foreign Exchange Swaps**

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

### **Equity Futures**

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

The Bank uses 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances:			
Customers		21,345,591	24,957,086
On investments in:			
Available-for-sale securities		27,447,249	23,749,747
Held-to-maturity securities		15,129,288	22,400,408
Held-for-trading securities		399,575	600,978
		42,976,112	46,751,133
On deposits with financial institutions		9,648	4,212
On securities purchased under resale agreements		147,324	361,750
On certificates of investment		–	5,393
On call money lending		63,639	15,069
On wakala lending		28,045	20,957
On mudaraba lending		21,328	–
On musharaka lending		14,332	630
		64,606,019	72,116,230
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		23,609,425	25,857,592
Long term borrowing		240,637	380,089
Securities sold under repurchase agreements		5,022,492	6,387,054
Call money borrowing		763,764	944,757
Brokerage and commission		174,305	151,971
Mark-up on sub-ordinated loans		–	203,896
Other short term borrowings		1,534,724	2,051,381
		31,345,347	35,976,740
<b>25. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Core fees, commission and brokerage		3,907,989	3,452,295
Account maintenance charges		106,146	118,103
		4,014,135	3,570,398
<b>26. GAIN / (LOSS) ON SALE OF SECURITIES</b>			
Shares - Listed		31,323	2,709
- Unlisted		(20,374)	–
Open Ended Mutual Funds		63,572	61,772
Market Treasury Bills		(37,115)	58,520
Pakistan Investment Bonds		2,635,029	709,796
Sukuk Bonds		1,180	417
		2,673,615	833,214
<b>27. OTHER INCOME</b>			
Rent received on Bank's property		5,179	10,506
Gain on sale of operating fixed assets		36,489	24,897
Gain on sale of non-banking assets / other assets	27.1	12,104	1,658
Recovery from written off loans / others		48,445	128,372
Compensation on delayed tax refund		–	820,248
		102,217	985,681

**27.1** This includes gain / (loss) on sale of two non banking assets, amounting to Rs. 2.446 million and Rs. (18.440) million respectively.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	28.1	10,624,022	9,689,059
Charge for defined benefit plan - net	28.1 & 34	135,858	(3,852)
Contribution to defined contribution plan - provident fund		272,490	256,694
Non-executive directors' fees, allowances and other expenses		13,500	9,900
Rent, taxes, insurance, electricity, etc.		2,478,410	2,117,466
Legal and professional charges		105,275	95,657
Communications		357,206	360,477
Repairs and maintenance		533,774	517,696
Stationery and printing		230,250	215,028
Advertisement and publicity		467,054	350,000
Auditors' remuneration	28.2	16,483	15,735
Depreciation / Amortization	11.2 & 11.3	2,193,546	2,009,189
Depreciation - Islamic financing and related assets		13,431	1,701
Security service charges		1,180,029	1,010,206
Travelling, conveyance and fuel expenses		198,365	185,142
Entertainment		145,032	169,250
Computer expenses		1,129,657	885,636
Subscription		151,804	124,348
Donations	28.3	41,878	139,154
Others	28.4	21,010	26,594
		<b>20,309,074</b>	<b>18,175,080</b>

**28.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Seventy eight (78) employees (2015: 103) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 157 million (2015: Rs. 313 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>28.2 Auditors' Remuneration</b>		
Annual audit	5,850	5,850
Annual audit overseas business unit*	1,535	1,216
Half year review	2,360	2,360
Special certifications and miscellaneous services	4,577	4,859
Sales tax	1,210	–
Out-of-pocket expenses	951	1,450
	<b>16,483</b>	<b>15,735</b>

\*This includes audit fee amounting to Bahraini Dinar 4,250 (2015: 4,250) relating to Wholesale Bahrain Branch.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Dr. Muhammad Akram Sheikh (Independent Director) is director in Quality School Foundation.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
Acumen Fund Pakistan		10,000	–
Agha Khan Hospital & Medical College Foundation		1,000	–
Al Mawrid		–	500
Altaf Mahmood Foundation		500	–
Anjuman Himayat-i-Islam	28.3.1	4,900	4,928
Bakhtawar Amin Memorial Trust Hospital		1,000	4,000
Benazir Shaheed Anf Matrec Fund		–	2,500
Deaf and Dumb Welfare Association		5,763	–
DHQ Teaching Hospital Sargodha		1,375	1,000
Fatimid Foundation		–	196
Fountain House Mental Health Association (MHA)		500	–
Friends of Punjab Institute of Cardiology		–	10,000
International Islamic University		4,000	–
Karachi School of Business And Leadership		–	25,000
Lahore Businessmen Association For Rehabilitation of The Disabled		–	500
Liver Foundation Trust		–	1,000
Markaz-e-Umeed		500	450
Muhammad Usman Zafar (Surgical Treatment in United Kingdom for Cerebral Diplegia)		1,000	–
Namal Education Foundation		–	30,000
National Management Foundation (LUMS)		–	30,000
National University of Science and Technology		–	10,000
Nishtar Hospital Multan		–	200
Progressive Education Network		–	1,000
Quality Schools Foundation		10,000	–
Shaukat Khanum Memorial Cancer Hospital & Research Centre		–	1,500
Solar Pumps for People of Tharparkar (Schneider Electric)		–	13,380
Sundas Foundation		–	500
Tamir Welfare Organization		1,000	2,000
Vocational Training Institute (VTI), Chiniot		340	–
Zubair Ibrahim Siddiqui (Student)		–	500
		<b>41,878</b>	<b>139,154</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. 20.264 million (2015: Rs. 21.748 million).

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>29. OTHER CHARGES</b>		
Penalties imposed by SBP	437	39,517
Penalties imposed by other regulatory authorities	–	170
Workers' welfare fund	479,803	510,068
Education cess	29,610	16,920
Depreciation - non-banking assets	19,696	–
Other assets written off	51	387
	<b>529,597</b>	<b>567,062</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>30. TAXATION</b>			
Current - for the year		8,513,243	8,347,670
- for prior years	30.1	949,657	1,460,245
		9,462,900	9,807,915
Deferred - current		(58,732)	575,158
		9,404,168	10,383,073

**30.1** The amount represents super tax levied on taxable income of the Bank for tax year 2016 vide Finance Act, 2016 (2015: for the tax year 2015 vide Finance Act, 2015).

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>30.2 Relationship between tax expense and accounting profit</b>		
Accounting profit for the year	23,831,218	25,503,380
Tax on income @ 35% (2015: 35%)	8,340,926	8,926,183
Effect of permanent differences	(2,711)	(1,660)
Prior year charge	949,657	1,460,245
Others	116,296	(1,695)
Tax charge for the year	9,404,168	10,383,073

## **31. EARNINGS PER SHARE - BASIC AND DILUTED**

Profit after taxation	14,427,050	15,120,307
Number of Shares		
Weighted average number of ordinary shares outstanding during the year	1,145,073,830	1,145,073,830
Rupees		
Earnings per share - basic and diluted	12.60	13.20

There is no dilution effect on basic earnings per share.

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	73,203,717	56,711,573
Balances with other banks	7	679,923	4,077,598
Overdrawn nostro accounts	16.2	(63,459)	(101,868)
		73,820,181	60,687,303

Numbers			
<b>33. STAFF STRENGTH</b>			
Permanent		10,430	9,792
Temporary / on contractual basis / trainee		286	203
Bank's own staff strength at the end of the year		10,716	9,995
Outsourced	33.1	295	249
Total staff strength		11,011	10,244
Average number of employees		10,628	10,183

**33.1** This excludes outsourced security guards, janitorial and tea service staff.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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, 2016	December 31, 2015
	Numbers	
<b>34.2 Number of Employees under the schemes</b>		
The number of employees covered under the following defined benefit schemes / plans are:		
- Gratuity fund	10,715	9,994
- Pension fund	1,262	3,248
- Benevolent fund	95	113
- Employees' compensated absences	10,782	9,795
- Post retirement medical benefits	10,430	9,795

### 34.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2016 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2016	December 31, 2015
<b>Withdrawal rate</b>			
Gratuity fund		High	High
Pension fund		Low	Low
Benevolent fund		High	High
Employees' compensated absences		High	High
Post retirement medical benefits		High	High
<b>Mortality rate</b>		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
<b>Discount rate</b>	Yield on investments in Government Bonds	8.00%	9.00%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	8.00%	9.00%
Gratuity fund	Yield on investments in Government Bonds	8.00%	9.00%
Benevolent fund	Yield on investments in Government Bonds	8.00%	9.00%
<b>Expected rate of salary increase</b>	Rate of salary increase	6.00%	7.00%

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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

		Note	December 31, 2016				
			Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
			Rupees in '000				
34.4	Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits						
	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
		Note	December 31, 2015				
			Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
			Rupees in '000				
	Present value of defined benefit obligations	34.6	1,971,233	2,043,833	12,355	1,217,945	761,498
	Fair value of plan's / scheme's assets	34.7	(5,770,403)	(1,482,378)	(205,166)	–	–
	Net (asset) / liability		(3,799,170)	561,455	(192,811)	1,217,945	761,498
	Benefit of the surplus not available to the Bank		–	–	96,405	–	–
	Net (asset) / liability		(3,799,170)	561,455	(96,406)	1,217,945	761,498
		Note	December 31, 2016				
			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		(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 (income) / losses		(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
		Note	December 31, 2015				
			Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
			Rupees in '000				
	Opening balance		(4,374,701)	(2,369)	(93,496)	970,059	755,785
	(Reversal) / charge for the year	34.9	(431,801)	227,106	(21,037)	135,634	226,388
	Other comprehensive income		1,007,332	336,718	18,127	243,935	–
	Contribution to the fund / benefits paid		–	–	–	(131,683)	(220,675)
	Closing balance		(3,799,170)	561,455	(96,406)	1,217,945	761,498

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

		December 31, 2016				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
<b>34.6</b>	<b>Reconciliation of present value of defined benefit obligations</b>					
	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 losses / (gains)	172,722	(36,036)	(931)	97,990	(11,662)
	Closing balance	2,001,618	2,285,523	8,776	1,298,380	698,964
		December 31, 2015				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
	Opening balance	2,877,345	1,725,573	10,469	970,060	755,785
	Current service cost	–	218,049	–	28,613	42,892
	Interest cost	246,854	179,694	983	101,724	72,613
	Benefits paid	(1,366,171)	(256,589)	(3,473)	(131,683)	(220,675)
	VRS loss	60,353	9,323	–	5,296	65,171
	Actuarial losses	152,852	167,783	4,376	243,935	45,712
	Closing balance	1,971,233	2,043,833	12,355	1,217,945	761,498
		December 31, 2016				
		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	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 gains	660,173	26,301	1,136	–	–
	Closing balance	6,616,345	2,030,232	221,007	–	–
		December 31, 2015				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
	Opening balance	7,252,046	1,727,942	197,461	–	–
	Expected return on plan assets	739,008	179,960	22,019	–	–
	Bank's contribution	–	–	–	–	–
	Benefits paid	(1,366,171)	(256,589)	(3,473)	–	–
	Actuarial (losses)	(854,480)	(168,935)	(10,841)	–	–
	Closing balance	5,770,403	1,482,378	205,166	–	–



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

December 31, 2016					
	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	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, 2015					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Equity securities	3,094,940	574,514	26,134	—	—
Cash and cash equivalents	2,675,463	907,864	179,032	—	—
	<u>5,770,403</u>	<u>1,482,378</u>	<u>205,166</u>	<u>—</u>	<u>—</u>
Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	3,094,940	574,514	26,134	—	—
Term deposit receipts	2,409,698	873,644	164,716	—	—
Bank balances with ABL	265,765	34,220	14,316	—	—
	<u>5,770,403</u>	<u>1,482,378</u>	<u>205,166</u>	<u>—</u>	<u>—</u>
December 31, 2016					
	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	—	258,156	—	25,602	37,270
Interest cost	—	14,048	—	103,187	68,535
Net interest	(341,926)	—	(17,353)	—	—
Actuarial (gains) / losses recognised	—	—	—	—	(11,662)
VRS loss / (gain)	13,820	6,847	—	(3,506)	29,337
	<u>(328,106)</u>	<u>279,051</u>	<u>(17,353)</u>	<u>125,283</u>	<u>123,480</u>
December 31, 2015					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Current service cost	—	218,049	—	28,614	42,894
Interest cost	—	—	—	101,724	—
Net interest	(492,154)	(266)	(21,037)	—	72,611
Actuarial (gains) / losses recognised	—	—	—	—	45,712
VRS Loss	60,353	9,323	—	5,296	65,171
	<u>(431,801)</u>	<u>227,106</u>	<u>(21,037)</u>	<u>135,634</u>	<u>226,388</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

December 31, 2016					
	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	(172,722)	36,035	931	(97,990)	–
Actuarial gain on assets	660,173	26,301	1,136	–	–
Asset ceiling adjustment			(9,710)	–	–
Actuarial gain / (losses) in OCI	487,451	62,336	(7,643)	(97,990)	–
December 31, 2015					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Actuarial (loss) / gain on obligations	(152,852)	(167,783)	4,376	(243,935)	–
Actuarial (loss) / gain on assets	(854,480)	(168,935)	10,841	–	–
Asset ceiling adjustment	–	–	2,910	–	–
Actuarial (losses) / gain in OCI	(1,007,332)	(336,718)	18,127	(243,935)	–
December 31, 2016      December 31, 2015					
Rupees in '000					
<b>34.11 Actual return on plan assets</b>					
- Pension fund			1,165,145		(115,472)
- Gratuity fund			188,824		11,025
- Benevolent fund			19,439		11,178
<b>34.12 Five year data of defined benefit plan and experience adjustments</b>					
Pension fund					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	2,001,618	1,971,233	2,877,345	2,810,086	2,873,602
Fair value of plan assets	(6,616,345)	(5,770,403)	(7,252,046)	(6,591,550)	(5,993,598)
(Surplus)	(4,614,727)	(3,799,170)	(4,374,701)	(3,781,464)	(3,119,996)
Experience adjustments on plan obligations / assets					
Actuarial (losses) / gains on obligation	(172,722)	(152,852)	(316,213)	(25,739)	1,319,665
Actuarial gains / (losses) on assets	660,173	(854,480)	478,030	340,760	(137,618)
Gratuity fund					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	2,285,523	2,043,833	1,725,573	1,486,417	1,384,215
Fair value of plan assets	(2,030,232)	(1,482,378)	(1,727,942)	(1,438,351)	(1,082,001)
Deficit / (surplus)	255,291	561,455	(2,369)	48,066	302,214
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	36,036	(167,783)	(93,984)	92,014	(58,334)
Actuarial gains / (losses) on assets	26,301	(168,935)	137,284	155,526	(3,400)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Benevolent fund				
	2016	2015	2014	2013	2012
	Rupees in '000				
Present value of defined benefit obligation	8,776	12,355	10,469	10,894	12,992
Fair value of plan assets	(221,007)	(205,166)	(197,461)	(174,403)	(161,107)
(Surplus)	(212,231)	(192,811)	(186,992)	(163,509)	(148,115)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	931	(4,376)	(2,203)	(6,973)	(7,777)
Actuarial gains / (losses) on assets	1,136	(10,841)	5,247	4,593	(4,757)
	Post retirement medical				
	2016	2015	2014	2013	2012
	Rupees in '000				
Present value of defined benefit obligation	1,298,380	1,217,945	970,060	951,480	1,381,400
Fair value of plan assets	—	—	—	—	—
Deficit	1,298,380	1,217,945	970,060	951,480	1,381,400
Experience adjustments on plan obligations					
Actuarial (losses) / gains on obligation	(97,990)	(243,936)	(21,931)	483,192	376,000
	Employees' compensated absences				
	2016	2015	2014	2013	2012
	Rupees in '000				
Present value of defined benefit obligation	698,964	761,498	755,785	820,067	1,020,459
Fair value of plan assets	—	—	—	—	—
Deficit	698,964	761,498	755,785	820,067	1,020,459
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	11,662	(45,712)	(47,308)	186,066	(39,331)

## 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, 2017 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
	Rupees in '000				
Expected (reversal) / charge for the next year	(369,178)	300,576	(16,978)	133,053	93,615

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	2,147,951	1,873,702	—	—	2,002,219	2,001,018	2,009,625	1,993,612
Gratuity fund	2,143,631	2,446,423	2,458,680	2,130,471	2,285,524	2,285,524	2,285,524	2,285,524
Benevolent fund	8,213	9,420	—	—	—	—	8,807	8,737
Post retirement medical	1,298,380	1,212,381	1,396,039	1,354,108	1,298,380	1,298,380	1,298,380	1,298,380
Leave compensated absences	660,611	742,113	746,023	656,473	691,845	706,385	700,952	696,973

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

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.

### 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 Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>35.1 Employee provident fund</b>			
Size of the fund		7,786,324	6,840,459
Investments made (cost)	35.2	6,221,275	5,410,362
Percentage of investment made		79.90%	79.09%
Fair value of investment		7,714,681	6,349,923
<b>35.2 Breakup of investment</b>			
Investment in shares (Listed securities)		1,435,991	1,435,991
Market Treasury bills		4,475,025	–
Pakistan investment bonds		289,807	3,953,919
Open ended mutual funds		20,452	20,452
		<u>6,221,275</u>	<u>5,410,362</u>
<b>35.3 Number of employees - Employees provident fund</b>			
			Number
Number of employees at the end of the year		<u>9,369</u>	<u>8,653</u>
Average number of employees during the year		<u>9,299</u>	<u>8,728</u>



# Notes to the Unconsolidated Financial Statements

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	Note	President / Chief Executive		Non-Executive Directors		Executive	
		2016	2015	2016	2015	2016	2015
Rupees in '000							
<b>36. COMPENSATION OF DIRECTORS AND EXECUTIVES</b>							
Fees	36.1	–	–	13,500	9,900	–	–
Managerial remuneration		13,519	12,242	–	–	1,307,858	1,199,773
Charge for defined benefit plans		4,922	6,063	–	–	190,813	194,819
Contribution to defined contribution plan		1,126	1,020	–	–	107,712	99,941
Rent and house maintenance		8,128	7,322	–	–	714,313	597,658
Utilities		2,526	1,644	–	–	259,039	233,545
Medical		2,526	1,644	–	–	280,775	249,684
Bonus		22,000	19,000	–	–	525,589	503,041
Conveyance and others		3,390	3,354	–	–	713,807	613,714
		58,137	52,289	13,500	9,900	4,099,906	3,692,175
Number of persons		1	1	5	5	1,370	1,290

**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.

## 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 for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 41.2.4 and 41.3 respectively

In the opinion of the management, the fair value 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 is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building and non-banking assets.

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	December 31, 2016				December 31, 2015			
	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

Pakistan Investment Bonds	-	101,819	-	101,819	-	-	-	-
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##### Available-for-sale securities

Market Treasury Bills	-	226,247,239	-	226,247,239	-	138,608,982	-	138,608,982
Pakistan Investment Bonds	-	203,520,070	-	203,520,070	-	161,522,543	-	161,522,543
Ordinary shares of listed companies / certificates of close-ended mutual funds	42,084,599	-	-	42,084,599	34,750,284	-	-	34,750,284
Ordinary shares of unlisted companies	-	-	3,435,841	3,435,841	-	-	3,383,990	3,383,990
Pre IPO shares	-	-	12,240	12,240	-	-	-	-
Units of open Ended Mutual Funds	-	-	-	-	314,407	-	-	314,407
Sukuk Bonds	-	13,306,369	5,151,607	18,457,976	-	6,004,645	1,933,779	7,938,424
Foreign Currency Bonds (US\$)	-	5,177,620	-	5,177,620	-	-	-	-
Term Finance Certificates	-	2,353,869	2,003,063	4,356,932	-	2,407,127	1,773,250	4,180,377
	42,084,599	450,605,167	10,602,751	503,292,517	35,064,691	308,543,297	7,091,019	350,699,007

##### Non - financial assets measured at fair value

Operating fixed assets	-	22,914,819	-	22,914,819	-	20,961,288	-	20,961,288
Non-banking assets	-	3,476,351	-	3,476,351	-	-	-	-

### Off balance sheet financial instruments

Foreign exchange contracts - Purchase	-	63,017,979	-	63,017,979	-	64,741,951	-	64,741,951
Foreign exchange contracts - Sale	-	38,469,943	-	38,469,943	-	51,664,798	-	51,664,798

The valuation techniques used for above assets are same as disclosed in note 5.1, 5.4, 5.6 & 5.14.2 of these financial statements.

	December 31, 2016		December 31, 2015
	Level 2	Level 3	Level 3

Rupees in '000

### 37.1.1 Reconciliation of Investments measured at fair value

Opening balance	445,911,334	7,091,019	6,704,303
Total gains or losses for the period:			
Included in profit or loss	(393,988)	(37,097)	(17,530)
Included in other comprehensive income	(7,053)	-	-
Purchases	638,832,448	4,523,735	796,668
Settlements	(505,756,663)	(974,906)	(392,422)
Closing balance	578,586,078	10,602,751	7,091,019

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for the year ended December 31, 2016

## 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, 2016						
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commercial and Retail Banking	Other	Elimination	Total
Rupees in '000						
Total income	25,948,197	44,557,783	40,152,828	115,275	(34,957,573)	75,816,510
Total expenses	(21,585,449)	(34,210,387)	(37,706,792)	(2,844,405)	34,957,573	(61,389,460)
Net income / (loss)	4,362,748	10,347,396	2,446,036	(2,729,130)	–	14,427,050
Segment assets (gross)	369,840,034	572,327,816	822,485,323	138,227,090	(810,788,433)	1,092,091,830
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	365,607,393	572,327,815	820,893,275	20,900,530	(810,788,433)	968,940,580
Segment return on net assets (ROA) (%)**	6.04%	8.64%	5.26%	–	–	–
Segment cost of funds (%)**	5.27%	5.25%	3.27%	–	–	–

For the year ended December 31, 2015 - Restated*						
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commercial and Retail Banking	Other	Elimination	Total
Rupees in '000						
Total income	28,125,085	47,517,280	47,855,416	1,139,823	(42,766,236)	81,871,368
Total expenses	(25,374,842)	(37,245,174)	(41,988,788)	(4,908,493)	42,766,236	(66,751,061)
Net income / (loss)	2,750,243	10,272,106	5,866,628	(3,768,670)	–	15,120,307
Segment assets (gross)	349,489,547	534,519,724	756,966,002	77,120,606	(702,980,693)	1,015,115,187
Segment non performing loans	5,604,536	–	1,966,276	14,332,917	–	21,903,729
Segment provision required	3,637,147	–	1,225,672	14,301,447	–	19,164,266
Segment liabilities	340,228,443	510,302,867	745,402,700	9,455,738	(702,980,693)	902,409,055
Segment return on net assets (ROA) (%)**	8.60%	10.45%	7.01%	–	–	–
Segment cost of funds (%)**	7.39%	6.31%	3.95%	–	–	–

\* The bank has revised the composition of its reportable segments, which is in line with the management reporting structure. Accordingly the comparative segment information has been restated. This change shall have no impact on the Bank's overall Profit and Loss Account & Statement of Financial Position.

\*\* 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, 2016

Nature of related party transactions	December 31, 2016						December 31, 2015					
	Parent	Directors	Associated Companies*	Subsidiary	Key Management personnel	Other related parties	Parent	Directors	Associated Companies*	Subsidiary	Key Management personnel	Other related parties
Rupees in '000												
Loans												
Loans at the beginning of the period/year	-	36,637	1,777,473	-	264,941	5,379,463	-	47,285	1,985	-	205,255	134
Loans given during the period/year	-	27,681	5,651,902	-	80,198	71,307,904	-	32,675	2,187,167	-	165,744	96,289,134
Loans repaid / adjustment during the period/year	-	(40,181)	(3,043,785)	-	(91,722)	(58,695,453)	-	(43,323)	(411,679)	-	(106,058)	(90,909,805)
Loans at the end of the period/year	-	24,137	4,385,590	-	253,417	17,991,914	-	36,637	1,777,473	-	264,941	5,379,463
Deposits												
Deposits at the beginning of the period/year	-	40,868	102,902	57,482	22,837	9,572,394	-	34,696	25,497	13,744	92,933	6,853,139
Deposits received during the period/year	654	5,505,258	10,566,219	965,420	406,290	94,959,435	-	5,060,426	11,448,550	2,794,505	303,540	101,649,234
Deposits repaid during the period/year	(251)	(5,492,949)	(10,410,847)	(997,394)	(387,022)	(91,282,269)	-	(5,054,254)	(11,371,145)	(2,750,767)	(373,636)	(98,929,979)
Deposits at the end of the period/year	403	53,177	258,274	25,508	42,105	13,249,560	-	40,868	102,902	57,482	22,837	9,572,394
Nostro Balances	-	-	35,968	-	-	-	-	-	41,303	-	-	-
Investment in shares / open end mutual funds	-	-	4,790,874	500,000	-	4,055,035	-	-	4,790,874	500,000	-	4,545,035
Other Receivable	-	6,363	37,246	1,553	81,029	243,311	-	5,058	44,486	1,842	63,147	46,252
Staff retirement benefit funds	-	-	-	-	-	4,419,506	-	-	-	-	-	4,741,357
Non funded exposure	-	-	550	-	-	17,421	-	-	1,265,000	-	-	1,951
Rupees in '000												
December 31, 2016												
December 31, 2015												
Rupees in '000												
Mark-up earned on Loans	-	1,535	232,676	-	15,889	806,191	-	2,214	263,800	-	14,768	416,050
Dividend Income	-	-	1,400,000	-	-	792,637	-	-	1,064,000	-	-	895,372
Capital Gain/ (Loss)	-	-	-	-	-	25,362	-	-	-	-	-	77,875
Sales commission	-	-	-	6,441	-	-	-	-	-	7,505	-	-
Fee commission/ bank charges	-	36	1,969	299	76	413	-	33	2,413	16	71	558
Other Income**	-	-	3,709	1,939	-	180	-	-	1,420	1,637	-	-
Mark-up expense on Deposits	-	1,259	10,569	1,332	553	369,984	-	1,041	851	3,236	274	366,770
Director's meeting fee	-	13,500	-	-	-	-	-	9,900	-	-	-	-
Remuneration	-	58,137	-	-	343,659	-	-	52,289	-	-	276,826	-
Other charges ***	-	-	11,368	-	-	93,898	-	-	56,716	-	-	97,912
Rent Expense****	-	-	8,893	-	-	-	-	-	8,259	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	-	185,416	-	-	-	-	-	(38,714)

Balances held with related parties, outstanding at the end of the current year and transactions made during the year are included in notes 7.1, 9.1, 9.4-9.6, 9.9, 10.8, 16.10, 19.2, 34 and 36 to these unconsolidated financial statements.

\* Associated companies are on the basis of common directorship.

\*\* Other income include rental income from two offices located at ISE Towers rented out to associated company (Ibrahim Fibers Limited ) at market value and with prior permission of State Bank of Pakistan.

\*\*\* Other charges with Other related parties include payments to NIFT amounting to Rs. 89.2 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.

\*\*\*\* Rent Free ATMs are placed at Ibrahim Fibers Limited (Textile Mills) and Ibrahim Fibers Limited (Polyester Plant).

During the period ended December 31, 2016; Movable assets were disposed off for Rs. 41,000 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, 2016

## 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) 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 Advances 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 10.65% on standalone as well as on consolidated basis till December 31, 2016. 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%	1.28%	1.90%	2.50%
<b>Total Capital plus CCB</b>	10.25%	10.65%	11.28%	11.90%	12.50%

\* Consisting of CET1 only.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 20.84% 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 Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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 deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial and insurance entities and deficit on revaluation of available for sale investments etc.

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 60% as at December 31, 2016 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, 2016 is 5.13% (2015: 5.02%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2016; Total Tier 1 capital of the bank amounts to Rs. 67,785,376 thousands (2015: Rs. 63,273,157 thousands) whereas the total exposure measure amounts to Rs. 1,321,677,834 thousands (2015: Rs. 1,260,707,702 thousands).

Shift in leverage ratio is mainly due to decrease in off balance sheet exposure i.e. decrease in securities given as collateral, unconditionally cancellable commitments & commitments in respect of derivatives.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

Detail of the Bank's eligible capital (on an unconsolidated basis) is as follows:

		December 31, 2016	December 31, 2015
		Rupees in '000	
<b>40.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016</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		16,475,798	15,033,093
Gain/(Losses) on derivatives held as Cash Flow Hedge		—	—
Unappropriated/unremitted profits/ (losses)		46,490,244	41,415,882
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>		74,416,781	67,899,714
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments applied to CET1 (Note 40.2.1)</b>		(6,631,405)	(4,626,557)
<b>Common Equity Tier 1</b>	a	67,785,376	63,273,157
<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)	67,785,376	63,273,157
<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		63,309	71,489
Revaluation Reserves		19,411,299	14,262,832
of which: Revaluation reserves on Property		5,329,586	4,616,723
of which: Unrealized Gains/Losses on AFS		14,081,713	9,646,109
Foreign Exchange Translation Reserves		57,687	68,933
Undisclosed/Other Reserves (if any)		—	—
<b>T2 before regulatory adjustments</b>		19,532,295	14,403,254
<b>Total regulatory adjustment applied to T2 capital (Note 40.2.3)</b>		(1,008,517)	(400,993)
Tier 2 capital (T2) after regulatory adjustments		18,523,778	14,002,261
Tier 2 capital recognized for capital adequacy		18,523,778	14,002,261
Portion of Additional Tier 1 capital recognized in Tier 2 capital		—	—
<b>Total Tier 2 capital admissible for capital adequacy</b>	(d)	18,523,778	14,002,261
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	(e=c+d)	86,309,154	77,275,418
<b>Total Risk Weighted Assets</b>	(f)	414,229,849	370,544,497
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA	(a/f)	16.36%	17.08%
Tier-1 capital to total RWA	(c/f)	16.36%	17.08%
Total capital to RWA	(e/f)	20.84%	20.85%

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees in '000	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
of which: capital conservation buffer requirement	0.65%	0.25%
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)	9.71%	10.83%
<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 Plus CCB	10.65%	10.25%

Regulatory Adjustments and Additional Information	December 31, 2016		December 31, 2015	
	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)	(1,348,895)	—	(978,462)	—
3	Shortfall in provisions against classified assets	(936,149)	—	(1,273,406)	—
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	(2,768,836)	(1,845,891)	(1,519,668)	(2,279,502)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(694,412)	—	(495,479)	—
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)	(783,113)	(522,075)	(209,542)	(314,313)
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	(100,000)	—	(150,000)	—
22	<b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>(6,631,405)</b>	<b>—</b>	<b>(4,626,557)</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, 2016

Regulatory Adjustments and Additional Information	December 31, 2016		December 31, 2015	
	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	(100,000)	–	(150,000)	–
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)	(100,000)	–	(150,000)	–
<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	(100,000)	–	(150,000)	–
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)	(908,517)	(605,678)	(250,993)	(376,490)
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)	(1,008,517)	–	(400,993)	–
	Note	December 31, 2016	December 31, 2015	
		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	290,905,734	265,815,830	
(i) of which: deferred tax assets				
(ii) of which: Defined benefit pension fund net assets		1,845,891	2,279,502	
(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		9,501,642	7,286,658	
39 Significant investments in the common stock of financial entities		1,575,653	1,577,180	
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)		63,309	71,489	
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, 2016

		Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2016	Reference
		Rupees in '000		
<b>40.3</b>	<b>Capital Structure Reconciliation</b>			
<b>40.3.1</b>	<b>Step 1</b>			
	<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	10,512,752	
	Investments	589,864,548	589,864,548	
	Advances	330,230,851	330,230,851	
	Operating fixed assets	32,757,221	32,757,221	
	Deferred tax assets	–	–	
	Other assets	32,365,396	32,365,396	
	<b>Total assets</b>	<b>1,069,614,408</b>	<b>1,069,614,408</b>	
	<b>Liabilities &amp; Equity</b>			
	Bills payable	9,848,795	9,848,795	
	Borrowings	126,368,875	126,368,875	
	Deposits and other accounts	805,110,834	805,110,834	
	Sub-ordinated loans	–	–	
	Liabilities against assets subject to finance lease	–	–	
	Deferred tax liabilities	10,986,887	10,986,887	
	Other liabilities	16,625,189	16,625,189	
	<b>Total liabilities</b>	<b>968,940,580</b>	<b>968,940,580</b>	
	Share capital/ Head office capital account	11,450,739	11,450,739	
	Reserves	16,533,485	16,533,485	
	Unappropriated/ Unremitted profit/ (losses)	46,490,244	46,490,244	
	Minority Interest	–	–	
	Surplus on revaluation of assets	26,199,360	26,199,360	
	<b>Total equity</b>	<b>100,673,828</b>	<b>100,673,828</b>	
	<b>Total liabilities &amp; equity</b>	<b>1,069,614,408</b>	<b>1,069,614,408</b>	
<b>40.3.2</b>	<b>Step 2</b>			
	<b>Assets</b>			
	Cash and balances with treasury banks	73,203,717	73,203,717	
	Balanced with other banks	679,923	679,923	
	Lending to financial institutions	10,512,752	10,512,752	
	Investments	589,864,548	589,864,548	
	of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	–	1,691,629	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	–	694,412	d
	of which: Reciprocal cross holdings in Tier2	–	–	e
	of which: others (mention details)	–	–	f
	Advances	330,230,851	330,230,851	
	shortfall in provisions / excess of total EL amount over eligible provisions under IRB"	–	936,149	g
	general provisions reflected in Tier 2 capital	–	63,309	h
	Fixed Assets	32,757,221	32,757,221	
	of which: Intangibles	–	1,361,072	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	32,365,396	32,365,396	
	of which: Goodwill	–	–	l
	of which: Defined-benefit pension fund net assets	–	4,614,727	m
	<b>Total assets</b>	<b>1,069,614,408</b>	<b>1,069,614,408</b>	



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2016	Reference
	Rupees in '000		
<b>Liabilities &amp; Equity</b>			
Bills payable	9,848,795	9,848,795	
Borrowings	126,368,875	126,368,875	
Deposits and other accounts	805,110,834	805,110,834	
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	10,986,887	10,986,887	
of which: DTLs related to goodwill	–	–	p
of which: DTLs related to intangible assets	–	12,177	q
of which: DTLs related to defined pension fund net assets	–	–	r
of which: other deferred tax liabilities	–	–	s
Other liabilities	16,625,189	16,625,189	
<b>Total liabilities</b>	<b>968,940,580</b>	<b>968,940,580</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	16,533,485	16,533,485	
of which: portion eligible for inclusion in CET1: Share Premium	–	–	v
of which: portion eligible for inclusion in CET1 General/ Statutory Reserve	–	16,475,798	w
of which: portion eligible for inclusion in Tier 2	–	57,687	x
Unappropriated profit / (losses)	46,490,244	46,490,244	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	26,199,360	26,199,360	
of which: Revaluation reserves on Property	–	5,329,586	
of which: Unrealized Gains / Losses on AFS	–	14,081,713	ac
In case of Deficit on revaluation (deduction from CET1)	–	–	ad
<b>Total Equity</b>	<b>100,673,828</b>	<b>100,673,828</b>	
<b>Total liabilities &amp; Equity</b>	<b>1,069,614,408</b>	<b>1,069,614,408</b>	
		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	16,475,798	(w)
5	Gain / (losses) on derivatives held as Cash Flow Hedge	–	
6	Unappropriated / unremitted profits/(losses)	46,490,244	(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>74,416,781</b>	
	<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9	Goodwill (net of related deferred tax liability)	–	(l) - (p)
10	All other intangibles (net of any associated deferred tax liability)	1,348,895	(l) - (q)
11	Shortfall of provisions against classified assets	936,149	(g)

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	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	2,768,836	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	694,412	(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)	783,113	(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	100,000	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	6,631,405	
<b>Common Equity Tier 1</b>	<b>67,785,376</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 AT1)	–	(x)
35 of which: instrument issued by subsidiaries subject to phase out	–	
<b>36 AT1 before regulatory adjustments</b>	<b>–</b>	
<b>Additional Tier 1 Capital: regulatory adjustments</b>	<b>–</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	–	
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	–	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	Component of regulatory capital reported by bank	Source reference number from step 2
	Rupees in '000	
45 Additional Tier 1 capital	–	
<b>46 Additional Tier 1 capital recognized for capital adequacy</b>		
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	67,785,376	
<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	63,309	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	5,329,586	portion of (ac)
54 of which: portion pertaining to AFS securities	14,081,713	
55 Foreign Exchange Translation Reserves	57,687	(x)
56 Undisclosed / Other Reserves (if any)	–	
<b>57 T2 before regulatory adjustments</b>	19,532,295	
<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	100,000	
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)	908,517	(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	1,008,517	
64 Tier 2 capital (T2)	18,523,778	
65 Tier 2 capital recognized for capital adequacy	18,523,778	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	18,523,778	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	86,309,154	

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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	Non-cumulative 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 creditors including deposits
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, 2016

## 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, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple)				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,394,047	1,237,152	13,089,649	12,069,777
Claims on Bank for International Settlements, International Monetary Fund, European Central Bank and European Community	—	—	—	—
Claims on Public Sector Entities in Pakistan	775,219	748,822	7,279,047	7,305,576
Claims on Banks	682,757	484,588	6,410,863	4,727,690
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	20,842	104,082	195,700	1,015,434
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	224,911	75,362	2,111,838	735,236
Claims on Corporates (excluding equity exposures)	14,589,448	13,704,663	136,990,123	133,704,030
Claims categorized as retail portfolio	971,387	967,677	9,121,009	9,440,750
Claims fully secured by residential property	270,475	236,079	2,539,676	2,303,208
Past Due loans	85,671	393,379	804,423	3,837,841
Investments in premises, plant and equipment and all other fixed assets	3,344,987	2,856,789	31,408,326	27,871,115
All other assets	942,128	592,379	8,846,274	5,779,305
	23,301,872	21,400,972	218,796,928	208,789,962
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	2,981,216	1,928,076	27,992,640	18,810,506
Performance related contingencies	616,547	610,093	5,789,172	5,952,122
Trade Related contingencies / Other Commitments with original maturity of one year or less	557,430	487,691	5,234,088	4,757,962
	4,155,193	3,025,860	39,015,900	29,520,590
Market related Exposures	82,354	102,870	773,275	1,003,613
Equity Exposure Risk in the Banking Book				
Unlisted equity investments (other than that deducted from capital) held in banking book	347,650	327,277	3,264,319	3,192,949
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,728,123	2,061,948	25,616,179	20,116,564
Unlisted equity investments (other than that deducted from capital) held in banking book	366,268	327,196	3,439,133	3,192,152
	3,442,041	2,716,421	32,319,631	26,501,665
Total Credit Risk (A)	30,981,460	27,246,122	290,905,734	265,815,830



# Notes to the Unconsolidated Financial Statements

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	Capital Requirements		Risk Weighted Assets	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees in '000			
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	197,890	75,035	1,858,118	732,050
Equity position risk etc.	4,095,913	3,264,791	38,459,281	31,851,620
Foreign exchange risk	538,820	179,562	5,059,344	1,751,825
	4,832,623	3,519,388	45,376,743	34,335,495
OPERATIONAL RISK				
Capital Requirement for operational risks subject to Basic Indicator Approach	8,301,395	7,215,300	77,947,372	70,393,172
Total Risk Weighted Assets	44,115,478	37,980,810	414,229,849	370,544,497

	December 31, 2016		December 31, 2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.0%	16.36%	6.0%	17.08%
Tier-1 capital to total RWA	7.5%	16.36%	7.5%	17.08%
Total capital Plus CCB to total RWA	10.65%	20.84%	10.25%	20.85%

## 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 Credit, Country, Liquidity and Market Risk. Effective management of these four risks is the decisive factor in our profitability. In addition, the Bank is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

<b>Credit Risk</b>	This risk is defined as the possibility of loss due to unexpected default or deterioration in credit worthiness of a business partner.
	Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.
<b>Market Risk</b>	The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).
<b>Liquidity Risk</b>	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.
<b>Operational Risk</b>	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.
<b>Reputational Risk</b>	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

### 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.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

- 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). Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Risk Framework of the Bank.

## Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

### 41.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest 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

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 Credit Monitoring Division is responsible for monitoring of country exposure limits.

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## 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.

## 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 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 effect on capital adequacy. The major shocks 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 2016, the coverage ratio was 91.94% 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.

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	December 31, 2016					
	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

Agriculture, Forestry and Hunting	57,053,884	16.35%	51,516,375	6.40%	1,148,556	0.55%
Basic metals (iron, steel)	2,058,364	0.59%	198,042	0.02%	3,545,442	1.71%
Cement/clay & ceramics	8,505,240	2.44%	2,014,255	0.25%	9,257,056	4.46%
Chemical & pharmaceutical	22,439,833	6.43%	2,781,614	0.35%	2,900,978	1.40%
Construction	5,909,235	1.69%	16,497,076	2.05%	3,754,355	1.81%
Education	169,280	0.05%	16,949,394	2.11%	52,377	0.03%
Financial	19,162,776	5.49%	69,119,774	8.59%	106,902,094	51.46%
Fishing	-	0.00%	13,941	0.00%	-	0.00%
Footwear & leather garments	2,537,980	0.73%	817,671	0.10%	654,705	0.32%
Furniture & sports goods	1,093,602	0.31%	499,295	0.06%	66,487	0.03%
Grains, food and beverages	10,384,633	2.98%	3,066,606	0.38%	126,680	0.06%
Health & social welfare	443,584	0.13%	3,537,498	0.44%	112,318	0.05%
Hotel, restaurant & clubs	1,800,101	0.52%	526,725	0.07%	960	0.00%
Individuals	8,492,659	2.43%	327,271,613	40.65%	4,251,182	2.05%
Machinery & equipment	3,294,078	0.94%	1,116,018	0.14%	1,293,276	0.62%
Manufacture of transport equipment	227,009	0.07%	2,214,142	0.28%	32,256	0.02%
Paper & paper boards	8,345,532	2.39%	196,753	0.02%	1,293,708	0.62%
Petroleum products	18,047,811	5.17%	4,475,510	0.56%	14,999,707	7.22%
Power, gas, water & sanitary	93,157,740	26.69%	8,512,129	1.06%	13,257,499	6.38%
Printing, publishing & allied	15,399	0.00%	343,785	0.04%	39,167	0.02%
Real estate, renting, and business activities	3,094,313	0.89%	50,002,825	6.21%	-	0.00%
Rubber & plastic	539,556	0.15%	622,676	0.08%	94,776	0.05%
Sugar	4,907,382	1.41%	1,202,419	0.15%	24,448	0.01%
Textile - Manufacture of madeup & ready made garments	21,469,645	6.15%	1,867,654	0.23%	586,481	0.28%
Textile - Finishing	9,583,531	2.75%	480,997	0.06%	6,343,066	3.05%
Textile - Spinning	11,676,716	3.35%	375,782	0.05%	454,600	0.22%
Textile - Weaving	1,121,173	0.32%	29,384	0.00%	49,810	0.02%
Transport, storage & communication	9,852,656	2.82%	5,261,212	0.65%	6,386,123	3.07%
Wholesale & retail trade	11,356,159	3.25%	16,690,800	2.07%	154,438	0.07%
Others	12,274,852	3.52%	216,908,869	26.94%	29,942,670	14.41%
	<u>349,014,723</u>	<u>100.00%</u>	<u>805,110,834</u>	<u>100%</u>	<u>207,725,217</u>	<u>100.00%</u>

	December 31, 2016					
	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

Public / Government	128,652,631	36.86%	179,176,138	22.25%	30,961,197	14.90%
Private	220,362,092	63.14%	625,934,696	77.75%	176,764,020	85.10%
	<u>349,014,723</u>	<u>100.00%</u>	<u>805,110,834</u>	<u>100.00%</u>	<u>207,725,217</u>	<u>100.00%</u>

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016		December 31, 2015	
	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	565,045	461,329	483,347	320,208
Basic metals (iron, steel)	276,595	263,962	279,105	245,631
Cement / clay & ceramics	75,089	75,089	148,137	91,313
Chemical & pharmaceutical	742,476	741,228	805,429	772,058
Construction	199,756	199,756	513,329	509,286
Education	184	184	237	24
Financial	72,454	72,454	72,454	72,454
Footwear & leather garments	125,404	125,404	133,889	127,525
Furniture & sports goods	230,858	230,711	254,549	252,052
Grains, food & beverages	2,082,302	1,916,022	1,598,527	1,325,250
Health & social welfare	13,857	13,857	19,032	16,247
Hotel, restaurant & clubs	7,664	7,664	7,749	7,749
Individuals	452,019	446,503	472,198	452,297
Machinery & equipment	1,233,588	1,233,588	1,367,126	1,367,126
Manufacture of transport equipment	227,009	227,009	237,847	237,847
Paper & paper boards	213,624	213,624	269,300	269,300
Petroleum products	1,904,067	967,918	2,583,005	1,304,233
Power, gas, water & sanitary	637,015	637,015	637,015	637,015
Printing, publishing & allied	11,558	11,558	16,757	14,138
Real estate, renting, and business activities	12,595	12,595	12,595	12,595
Rubber & plastic	333,813	278,477	354,269	289,991
Sugar	250,716	250,716	52,516	28,141
Textile -Manufacture of made up & ready made garments	3,103,092	3,099,772	3,481,594	3,193,588
Textile - Finishing	3,025,954	2,997,506	3,048,893	3,020,926
Textile - Spinning	1,383,501	1,374,354	1,413,434	1,413,434
Textile - Weaving	45,385	45,385	55,735	55,735
Transport, storage & communication	484,439	149,673	442,178	133,475
Wholesale & retail trade	1,267,062	1,257,189	1,562,953	1,500,805
Others	1,454,488	1,410,021	1,580,530	1,422,334
	<b>20,431,609</b>	<b>18,720,563</b>	<b>21,903,729</b>	<b>19,092,777</b>

	December 31, 2016		December 31, 2015	
	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	136,180	136,180	137,180	137,180
Private	20,295,429	18,584,383	21,766,549	18,955,597
	<b>20,431,609</b>	<b>18,720,563</b>	<b>21,903,729</b>	<b>19,092,777</b>



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016			
	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	22,968,149	1,047,210,040	98,573,793	206,339,330
Middle East	517,851	17,897,498	972,938	1,385,887
Karachi Export Processing Zone	345,218	4,506,870	1,127,097	–
	863,069	22,404,368	2,100,035	1,385,887
	<u>23,831,218</u>	<u>1,069,614,408</u>	<u>100,673,828</u>	<u>207,725,217</u>

## 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 country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.

**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

for the year ended December 31, 2016

## 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 CC C	CCC CC C D

### 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	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, 2016

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	–	–	–	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	–	–	–	–	–
SME's	–	–	–	–	–
Securitizations	–	–	–	–	–
Public sector enterprises	–	–	–	Yes	Yes

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## Credit exposures subject to Standardized Approach

December 31, 2016					December 31, 2015		
Rupees in '000							
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	54,508,815	54,656	54,454,159	40,957,253	779,810	40,177,443
	2	24,223,266	–	24,223,266	33,207,509	–	33,207,509
	3 , 4	622,183	–	622,183	–	–	–
	5 , 6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less	–	89,458,349	78,588,422	10,869,927	103,661,483	99,542,397	4,119,086
Retail	–	14,619,728	1,532,754	13,086,974	17,257,786	4,430,035	12,827,751
Public sector entities	1	30,722,880	7,111,859	23,611,021	41,992,323	52,461	41,939,862
Others	–	771,815,714	2,940,062	768,875,652	696,858,219	–	696,858,219
Unrated	–	199,679,751	65,980,924	133,698,827	189,327,082	69,800,848	119,526,234

### 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 (HFT)', 'available-for-sale (AFS)' 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, 2016

Composition of equity investments			
	Held-for-trading	Available-for-sale	Investment in Subsidiary
	Rupees in '000		
Equity Investments - Publicly Traded	–	22,635,603	–
Equity Investments - Others	–	3,498,063	500,000
Total Value	–	26,133,666	500,000

The cumulative gain of Rs. 74,521 million (2015: 64,481 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. 21,713.786 million (2015: Rs. 15,312.031 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

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Investments in bonds, debentures, etc.

Due to the diversified nature of investments in banking book, it is subject to interest rate and equity price risk.

### Interest Rate Risk – Banking Book

Government securities (PIBs & T-Bills), Bonds, Debentures, etc. and other money market investments are subject to interest rate risk. To capture the risk associated with these securities, extensive modelling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits). Stress testing is also conducted on various macro-economic scenarios to test the resilience of the Bank.

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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, 2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	1,007,924,596	883,833,875	(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
	1,069,614,408	968,940,580	–	100,673,828

	December 31, 2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	927,617,112	827,254,113	(13,077,154)	87,285,845
United States Dollar	62,795,634	67,581,503	6,676,947	1,891,078
Great Britain Pound	734,001	4,787,974	4,081,969	27,996
Japanese Yen	14,190	7,964	(8,726)	(2,500)
Euro	409,265	2,766,077	2,392,491	35,679
Other Currencies	95,310	11,424	(65,527)	18,359
	64,048,400	75,154,942	13,077,154	1,970,612
	991,665,512	902,409,055	–	89,256,457

## 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

for the year ended December 31, 2016

## 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.

December 31, 2016										
Effective Yield / Interest rate	Total	Exposed to Yield/ Interest risk							Not 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
Rupees in '000										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	0.00%	73,203,717	8,435,565	-	-	-	-	-	-	64,768,152
Balances with other banks		679,923	333,002	-	-	-	-	-	-	346,921
Lendings to financial institutions	5.07%	10,512,752	10,012,752	-	-	-	-	-	-	-
Investments	9.18%	589,864,548	71,498,837	141,710,196	16,556,423	74,462,778	111,061,010	73,945,349	8,378,159	44,180,039
Advances	6.70%	330,230,851	62,018,032	109,941,612	71,174,385	37,263,753	4,632,421	2,879,891	31,572,489	2,173,708
Other assets		22,759,481	-	-	-	-	-	-	-	-
		1,027,251,272	152,298,188	252,151,808	87,730,808	111,726,531	115,693,431	76,825,240	39,950,648	46,353,747
Liabilities										
Bills payable		9,848,795	-	-	-	-	-	-	-	-
Borrowings	5.22%	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	3.28%	805,110,834	95,128,635	205,872,981	69,751,195	225,074,398	7,436,987	1,627,872	350,100	193,358
Sub-ordinated loan		-	-	-	-	-	-	-	-	-
Other liabilities		12,732,271	-	-	-	-	-	-	-	-
		954,060,775	182,363,696	219,594,207	84,899,793	225,074,398	11,645,988	1,827,624	2,081,108	4,317,587
On-balance sheet gap		73,190,497	(30,065,508)	32,557,601	2,831,015	(113,347,867)	104,047,443	74,997,616	37,869,540	42,036,160
Off-balance sheet financial instruments										
Commitments in respect of forward exchange contracts - purchase										
Commitments in respect of forward exchange contracts - sale										
Off-balance sheet gap		24,548,036	4,824,933	7,237,212	12,360,419	125,472	-	-	-	-
Total yield / interest risk sensitivity gap		97,738,533	(25,240,575)	39,794,813	15,191,434	(113,222,395)	104,047,443	74,997,616	37,869,540	42,036,160
Cumulative yield / interest risk sensitivity gap		97,738,533	(25,240,575)	14,554,238	29,745,672	(83,476,723)	20,570,720	95,588,336	133,437,876	175,474,036
										181,450,267

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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.

December 31, 2015											
Effective Yield / Interest rate	Total	Exposed to Yield/ Interest risk									Not 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	
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	56,711,573	8,059,663	-	-	-	-	-	-	-	-	48,651,910
Balances with other banks	4,077,598	1,620,231	-	-	-	-	-	-	-	-	2,457,367
Lendings to financial institutions	3,356,091	3,356,091	-	-	-	-	-	-	-	-	-
Investments	544,349,490	16,865,299	33,626,699	1,921,994	231,525,942	59,937,773	65,600,182	44,591,321	51,702,264	-	38,578,016
Advances	321,605,140	90,612,881	163,757,933	50,574,347	2,344,687	535,249	3,371,053	7,365,532	232,506	-	2,810,952
Other assets	27,112,093	-	-	-	-	-	-	-	-	-	27,112,093
	957,211,985	120,514,165	197,384,632	52,496,341	233,870,629	60,473,022	68,971,235	51,956,863	51,934,770	-	119,610,338
Liabilities											
Bills payable	4,942,189	-	-	-	-	-	-	-	-	-	4,942,189
Borrowings	137,959,818	108,614,608	11,473,413	12,399,782	3,000	4,499	180,535	5,283,981	-	-	-
Deposits and other accounts	734,596,166	95,981,960	175,223,561	61,177,251	213,828,738	7,380,448	1,743,773	778,512	161,429	121,402	178,199,102
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,520,370	-	-	-	-	-	-	-	-	-	12,520,370
	890,018,543	204,596,558	186,696,974	73,577,033	213,831,738	7,384,947	1,924,308	6,062,493	161,429	121,402	195,661,661
On-balance sheet gap	67,193,442	(84,082,393)	10,687,658	(21,080,692)	20,038,891	53,088,075	67,046,927	45,894,360	51,773,341	(121,402)	(76,051,323)
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase	64,741,951	27,409,112	23,037,299	12,923,890	1,371,650	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale	(51,664,798)	(24,048,356)	(25,696,912)	(1,919,530)	-	-	-	-	-	-	-
Off-balance sheet gap	13,077,153	3,360,756	(2,659,613)	11,004,360	1,371,650	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	80,270,595	(80,721,637)	8,028,045	(10,076,332)	21,410,541	53,088,075	67,046,927	45,894,360	51,773,341	(121,402)	-
Cumulative yield / interest risk sensitivity gap	80,270,595	(80,721,637)	(72,693,592)	(82,769,924)	(61,359,383)	(8,271,308)	98,775,619	104,669,979	156,443,320	156,321,918	-
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.											
41.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities											
Reconciliation to total assets											
December 31, 2016	December 31, 2015	Reconciliation to total liabilities									
(Rupees in '000)											
Balance as per Statement of Financial Position	1,069,614,408	991,665,512	Balance as per Statement of Financial Position								902,409,055
Less : Non financial assets			Less: Non financial liabilities								
Operating fixed assets	32,757,221	28,849,577	Deferred tax liability								8,907,457
Other assets	9,605,915	5,603,950	Other liabilities								3,483,055
	42,363,136	34,453,527									12,390,512
Total financial assets	1,027,251,272	957,211,985	Total financial liabilities								890,018,543

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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 BoD have delegated the responsibility to ALCO for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

Other than customer's deposits, the Bank's funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Our MIS provides information on expected cash inflows/out flows which allow the Bank to take timely decisions based on the future requirements.

Gap analysis, stress testing and scenario analysis is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devise the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

### 41.3.1

#### 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	589,864,548	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	330,230,851	58,955,704	36,466,504	33,655,852	50,470,301	33,239,974	32,397,645	63,978,764	14,838,788	6,227,319
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
	1,069,614,408	218,168,923	182,956,375	57,257,131	164,837,001	148,408,895	108,556,434	76,267,809	79,930,701	33,231,139
<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	1,827,872	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	16,625,189	4,124,334	6,000,910	1,670,583	686,064	499,805	589,309	950,390	2,103,794	-
	968,940,580	771,146,137	81,743,354	54,247,608	38,994,178	7,037,900	3,688,282	3,297,042	7,524,090	1,261,989
<b>Net assets / (liabilities)</b>	<b>100,673,828</b>	<b>(552,977,214)</b>	<b>101,213,021</b>	<b>3,009,523</b>	<b>125,842,823</b>	<b>141,370,995</b>	<b>104,868,152</b>	<b>72,970,767</b>	<b>72,406,611</b>	<b>31,969,150</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									

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

	December 31, 2015									
	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									
Assets										
Cash and balances with treasury banks	56,711,573	56,711,573	-	-	-	-	-	-	-	-
Balances with other banks	4,077,598	4,077,598	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,356,091	3,356,091	-	-	-	-	-	-	-	-
Investments	544,349,490	12,888,156	32,052,740	170,738	257,975,042	59,994,413	67,614,101	46,106,184	67,538,116	-
Advances	321,605,140	74,883,149	32,261,429	37,146,149	39,021,172	33,151,785	29,476,401	41,890,455	28,031,688	5,742,912
Operating fixed assets	28,849,577	320,655	641,318	961,977	1,923,954	1,367,306	646,939	1,294,289	1,286,598	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	32,716,043	5,378,706	8,647,918	12,959,316	931,698	902,829	-	-	-	3,895,576
	991,665,512	157,625,928	73,603,405	51,236,180	299,851,866	95,416,333	97,737,441	89,290,928	96,855,402	30,046,029
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,596,166	578,380,331	79,740,660	37,634,769	33,385,546	2,649,745	1,743,773	778,512	161,428	121,402
Deferred tax liabilities	8,907,457	28,047	56,095	84,142	93,536	7,096,228	309,266	618,531	621,612	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,003,425	4,355,116	5,375,659	1,759,596	528,972	480,703	567,003	913,946	2,022,430	-
	902,409,055	696,320,291	96,645,826	51,878,289	34,011,054	10,231,175	2,800,577	7,594,971	2,805,470	121,402
Net assets / (liabilities)	89,256,457	(538,694,363)	(23,042,421)	(640,109)	265,840,812	85,185,158	94,936,864	81,695,957	94,049,932	29,924,627
Share capital										
Share capital	11,450,739									
Reserves	15,102,026									
Unappropriated profit	41,415,882									
	67,968,647									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	89,256,457									

**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 Unconsolidated Financial Statements

for the year ended December 31, 2016

41.4

## Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

Expected maturities of non-contractual assets and liabilities has been computed using volatility approach. Under this approach maximum volatility of non contractual assets and liabilities is calculated over a period and classified into core and non-core portion.

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	60,854,420	1,345,171	221,592	-	3,594,178	3,594,178	-	-	-
Balances with other banks	679,923	679,923	-	-	-	-	-	-	-	-
Lendings to financial institutions	10,512,752	10,012,752	500,000	-	-	-	-	-	-	-
Investments	589,864,548	69,665,404	137,611,853	11,123,628	107,972,679	111,842,875	75,033,217	62,776,279	2,420,904	-
Advances	330,230,851	29,694,941	43,029,088	33,793,542	50,470,301	40,760,137	39,917,808	14,838,788	6,227,319	-
Operating fixed assets	32,757,221	661,181	1,322,363	1,983,544	3,967,088	1,766,545	802,627	1,304,705	19,923,972	-
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	4,658,945	-
	1,069,614,408	176,541,964	190,864,307	57,342,007	164,834,854	158,469,200	119,853,295	88,546,940	79,930,701	33,231,140
<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	805,110,834	95,128,635	59,714,460	99,619,679	85,345,251	49,738,713	33,314,457	350,100	193,357	381,706,182
Deferred tax liabilities	10,986,887	1,167,853	2,306,758	242,521	1,870,322	1,497,840	1,271,349	285,544	1,102,711	1,261,989
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,625,189	4,124,334	6,000,910	1,670,583	686,064	499,805	589,309	950,390	2,103,794	-
	988,940,580	197,504,678	81,743,354	116,681,381	87,901,637	55,945,359	35,374,867	3,297,042	7,524,091	382,968,171
<b>Net assets</b>	<b>100,673,828</b>	<b>(20,962,714)</b>	<b>109,120,953</b>	<b>(59,339,374)</b>	<b>76,933,217</b>	<b>102,523,841</b>	<b>84,478,428</b>	<b>85,249,898</b>	<b>72,406,610</b>	<b>(349,737,031)</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									



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

Expected maturities of non-contractual assets and liabilities has been computed using volatility approach. Under this approach maximum volatility of non contractual assets and liabilities is calculated over a period and classified into core and non-core portion.

December 31, 2015										
	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										
Assets										
Cash and balances with treasury banks	56,711,573	43,079,967	665,332	33,793	-	4,310,827	4,310,827	4,310,827	-	-
Balances with other banks	4,077,598	4,077,598	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,356,091	3,356,091	-	-	-	-	-	-	-	-
Investments	544,349,490	12,898,156	32,052,740	170,738	257,975,042	59,994,413	67,614,101	46,106,184	67,538,116	-
Advances	321,605,140	49,539,530	35,287,379	38,036,845	39,021,172	40,294,109	36,618,726	49,032,779	28,031,688	5,742,912
Operating fixed assets	28,849,577	320,655	641,318	961,977	1,923,954	1,367,306	646,939	1,294,289	1,285,598	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	32,716,043	5,378,706	8,647,918	12,959,316	931,698	902,829	-	-	-	3,895,576
	991,665,512	118,650,703	77,294,687	52,162,669	299,851,866	106,869,484	109,190,593	100,744,079	96,855,402	30,046,029
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,596,166	95,981,951	79,832,186	72,847,746	82,910,427	37,862,722	24,500,104	778,512	161,428	339,721,090
Deferred tax liabilities	8,907,457	28,047	56,095	84,142	93,536	7,096,228	309,266	618,531	621,612	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,003,425	4,355,116	5,375,659	1,759,596	528,972	480,703	567,003	913,946	2,022,430	-
	902,409,055	213,921,911	96,737,352	87,091,266	83,535,935	45,444,152	25,556,908	7,594,971	2,805,470	339,721,090
Net assets	89,256,457	(95,271,208)	(19,442,665)	(34,928,597)	216,315,931	61,425,332	83,633,685	93,149,108	94,049,932	(309,675,061)
Share capital										
Share capital	11,450,739									
Reserves										
Reserves	15,102,026									
Unappropriated profit										
Unappropriated profit	41,415,882									
	67,968,647									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	89,256,457									

# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2016

## 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

The Board of Directors of the Bank in its meeting held on February 09, 2017 has proposed a cash dividend in respect of 2016 of Rs. 1.75 per share (2015: 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, 2016 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2017.

## 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 09, 2017 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

**STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF  
OF FIVE HUNDRED THOUSAND OR ABOVE FROM (1st, JANUARY 2016 TO 31st, DECEMBER 2016)**

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	Pakistan Agro Chemicals Pvt Ltd., Office 38-C/W, Block-6, P.E.C.H.S., Karachi.	Abdul Rauf Sadiq Rauf Shahwar Rauf Jamal Rauf	42201-0269107-1 42201-5529633-9 42201-0225132-6 42201-1158728-7	Late M.A. Rauf Abdul Rauf Abdul Rauf Abdul Rauf	69.691	-	45.229	114.920	12.691	-	45.229	57.920
2	ShYo Home Appliances 26, Business at Ramzan Manzil, Bahadurabad, Karachi.	Abdul Aziz Butt	34101-2693788-7	Mohammad Hussain	13.496	-	4.860	18.356	3.255	-	4.860	8.115
3	Zaark Marine & Trading Co., Office G-24, Ecoi House, Awami Markaz, Karachi.	Zubair Aslam	42201-056157-9	Muhammad Aslam	33.516	-	18.163	51.679	-	-	18.162	18.162
4	Raja Amir Khan Flat P-407, 4Th Floor, Sarah Apartment, Sector 15-C, KDA Scheme 33, Corridor, Karachi.	Raja Amir	42101-1554310-1	Bashir Ahmed Khan	1.328	-	0.888	2.216	-	-	0.815	0.815
5	Shakeel Ahmed Plot No R-17, 31-C/2, Korangl Township Karachi.	Shakeel Ahmed	42201-1983958-9	Bashir Ahmed	0.861	-	0.617	1.478	-	-	0.617	0.617
6	Al Abbas Traders A/14, Firdous Colony, Nazimabad, Karachi.	Syed Raia Abbas Rizvi	42201-9778056-3	Syed Abbas Rizvi	0.899	-	0.657	1.556	-	-	0.606	0.606
7	Al Mustafa Construction 71-A Satellite Town, Afandi Colony, Rawalpindi.	Haji Ghulam Mustafa	37405-9685549-7	Muhammad Amin	18.372	-	9.739	28.111	-	-	8.111	8.111
8	Yousaf Rasheed (Pvt) Ltd., 35-A, Davis Road, Lahore.	Waqar Rasheed Sarwar Sultana Naureen Waqar	35202-2946638-7 35202-3967449-2 35202-2130376-6	Abdul Rasheed Abdul Rasheed Waqar Rasheed	-	-	1.251	1.251	-	-	0.744	0.744
9	Sardar Enterprises House No.230-231 Block N, New Samanabad Scheme, Lahore.	Jawad Rashid	35200-1439702-5	Shekh Abdul Rashid	57.875	-	70.961	128.836	-	-	68.037	68.037
10	Hussain Autos 2 Lawrence Road, Lahore.	Mussawar Hussain Bakhtiani	35201-9371577-9	Faqr Hussain	12.978	-	7.823	20.801	-	-	7.553	7.553
11	Eesha Traders House No.1148-B, Mohalla Sattelite Town, Rawalpindi.	Anwar Majeed	37405-4880292-7	Aman Ullah Khan	4.500	-	1.851	6.351	-	-	1.852	1.852
12	Yarn Merchant (Pvt) Ltd., 9-M Yaseen Mansion, Bagh Zehra Street, Kharadar, Karachi	Ashfaq Ahmed Sohail Ashfaq Shakeel Ashfaq Fakhra Jabeen	42301-1082305-5 42301-1082305-3 42301-1082308-1 42301-0972885-2	Haji Muhammad Sadiq Ashfaq Ahmed Ashfaq Ahmed W/O Ashfaq Ahmed	40.679	-	24.194	64.873	-	-	22.873	22.873
13	Amir Brothers 1-House No.1-E Golding Road Lahore 2-House No.36, Dev Smaaj Road, Sanat Nagar Lahore	Mazhar Marghub Amir Marghub	273-57-227417 273-64-227420	Muhammad Marghub Muhammad Marghub	0.899	-	2.301	3.200	-	-	2.200	2.200
14	Sami Sons 1st Floor, Al-Faisal Plaza, Bengali Gali, Gunpat Rd, Lahore.	Sarifraz Ahmed	35202-1002759-7	Sami Ahmed	3.499	-	2.297	5.796	-	-	1.696	1.696
15	Apak Trading Company 1) E-1, F-1, Al-Noor Town, Walton Rd, Lahore Cantt. 2) House # 89/2, Block-M, Phase-1, DHA, Lahore.	Iman Raza Akhtar Iyas Akhtar	35201-1783464-5 35201-4902196-7	Akhtar Malik Akhtar Malik	5.590	-	5.552	11.132	-	-	5.131	5.131
16	Al Jannat Enterprises Al Noor Plaza, Shah Rukne Alam, Multan	Ghulam Abbas	36302-6344137-7	Muhammad Ramzan	4.998	-	3.252	8.250	-	-	2.750	2.750

# ANNEXURE I

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	
17	Rehmat Builders Khan Village Road, New Gulgasht, Multan	Masood Ahmad	36302-1020740-5	Abdul Hameed Ali	0.280	-	1.197	1.477	-	-	0.884	0.884
18	Aslam Brothers Popular Market, Multan Road, Vehari	Muhammad Aslam	36603-1454236-7	Muhammad Siddique	1.600	-	1.092	2.692	-	-	0.692	0.692
19	Aura Enterprises House No. A-501, Block N, North Nazimabad, Karachi	Atique Ahmed	42101-1817894-9	Rafiq Ahmed	9.799	-	4.491	14.290	-	-	0.557	0.557
20	Kings Birds Abdullah Shah Street No.4, Old Kumar Wala, Saddar Town,Karachi	Itikhar Hussain	42301-7233122-3	Jan Muhammad	0.830	-	0.638	1.468	-	-	0.604	0.604
21	Ali Ahmad Lund Village Saeed Khan Lund, P.O. Sindh Aboedgar Suggar Mills, District Tando Muhammad Adam	Ali Hamed Lund	41308-2641143-7	Noor Muhammad Lund	3.000	-	1.799	4.799	-	-	0.541	0.541
22	Fazal Vegetable Ghee Mills Ltd., Plot No.149 To 154 and 169 To 174, I-9 Industrial Area, Islamabad	Parveen Itikhar Luqman Elahi Shauket Majeed Syed Muhammad Zaheen Raja Moazam Ali	37405-1726927-7 211-57-182845 - 211-37-001252 212-72-049200"	Haji Sh. Mukhtar Ahmed	98.692	-	120.825	219.517	28.691	-	120.825	149.516
23	Shah Traders Adda Sarki The: Wazirabad Distt: Gwadda Sarki, Distt: Gujranwala	Syed Tauqeer Hussain	34104-5501225-3	Ch. Itikhar Ahmad Chattia	-	-	2.811	2.811	-	-	0.811	0.811
24	Rahim Metro Centre Opp. Sabzi Mandi, Club Road, Vehari	Khalid Javed Dona	36603-1456978-1	Haji Doney Khan	1.297	-	0.856	2.153	-	-	0.745	0.745
25	Fazal Fertilizer Agency Kali Road, Tando Adam	Muhammad Fazal	44206-7847086-1	Haji Allah Bachayo	0.946	-	0.670	1.616	-	-	0.641	0.641
26	Shahabad Textiles (Pvt) Ltd 1-Km Defence Road, Near Bhobattian Chowk, Tehsil & Distt: Lahore	Syed Shahid Hussain Mrs. Talat Shahid	35202-7712988-3 35202-3181656-6	Syed Ashiq Hussain W/O Syed Shahid Hussain	30.938	-	23.120	54.058	-	-	20.558	20.558
27	Meo Agro Services Sabzi Mandi Road, Bahawalpur	Muhammad Ishaq Meo	31202-4862624-9	Abdul Rahim	1.249	-	0.766	2.015	-	-	0.565	0.565
28	Al-Mustafa Filling Station Mouza Bhotagi, Jajal Pur Road, Lodhran	Mansab Ali Wato	36203-1819034-3	Abdul Jabbar	0.833	-	0.710	1.543	-	-	0.570	0.570
29	Niaz Industry Chah Tarhang Road, Gujrat	Ch. Muhammad Sardar Warrach	34201-0572151-9	Ch. Niaz Ahmed	2.988	-	1.519	4.507	-	-	1.508	1.508
30	Warraich Pottery Chah Tarhang Road, Gujrat	Ch. Muhammad Sardar Warrach	34201-0572151-9	Ch. Niaz Ahmed	2.344	-	1.030	3.374	-	-	0.974	0.974
31	Shah Construction 73-74/B, Tech Society, Lahore.	Mehmood Shah	35202-2107089-5	Ashraf Ali Shah	21.835	-	6.336	28.171	-	-	5.036	5.036
32	Muhammad Rafiq Memon Jam Sahib Road, Nawabshah, House No. C.C-2146/39A Ward-B Kamrah Colony, Nawabshah.	Muhammad Rafiq Memon	45402-5063790-1	Nazar Muhammad Memon	1.497	-	0.882	2.379	-	-	0.503	0.503
	Total				447.299	-	368.377	815.676	44.637	-	347.250	391.887

Amount in Million

## ANNEXURE II

as at December 31, 2016

as referred to in notes 11.10 & 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 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						
Computer Equipment	1,146	1,146	-	94	As Per Bank Policy	INNOVATIVE PVT LIMITED
Electrical Equipment	1,011	1,011	-	110	As Per Bank Policy	ZAIN ENERGY SOLUTIONS
Electrical Equipment	20,725	20,037	688	3,516	As Per Bank Policy	Z-TECH ENGINEERING
<b>Total</b>	<b>22,882</b>	<b>22,194</b>	<b>688</b>	<b>3,720</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	18,249	12,846	5,403	13,150	As Per Bank Policy	MR.SARFRAZ AHMED
Motor Vehicle	5,920	4,933	987	4,376	As Per Bank Policy	MR. SYED RIAZ HUSSAIN
Motor Vehicle	1,645	1,152	493	1,216	As Per Bank Policy	MR. MUHAMMAD SHAHID
Motor Vehicle	1,645	1,152	493	1,211	As Per Bank Policy	MR. WASEEM MIRZA
Motor Vehicle	3,358	2,407	951	2,317	As Per Bank Policy	MR. KHURRAM IMTIAZ
Motor Vehicle	2,810	2,810	-	1,355	As Per Bank Policy	MRS. SABEEN SAAD
Motor Vehicle	5,520	2,136	3,384	5,092	Insurance Claim	EFU GENERAL INSURANCE LIMITED
Motor Vehicle	1,371	1,348	23	1,080	As Per Bank Policy	MR. ATTA RABBANI
Motor Vehicle	3,919	3,919	-	2,872	As Per Bank Policy	MR. SAIED -UR. REHMAN
Motor Vehicle	2,564	2,564	-	1,938	As Per Bank Policy	MR. SHAH FAHAD
<b>Total</b>	<b>47,001</b>	<b>35,267</b>	<b>11,734</b>	<b>34,607</b>		
<b>Other Disposals</b>	<b>66,886</b>	<b>65,890</b>	<b>996</b>	<b>11,629</b>	<b>As Per Bank Policy</b>	<b>MISCELLANEOUS</b>
<b>Grand Total</b>	<b>136,769</b>	<b>123,351</b>	<b>13,466</b>	<b>49,956</b>		
<b>11.11 Items sold to Executives otherwise than through a regular auction</b>						
<b>Electrical &amp; Computer Equipments</b>						
	101	101	-	10	As per Bank policy	MR.ABID ANWAR
	101	101	-	10	As per Bank policy	MR.ABU TURAB
	59	59	-	6	As per Bank policy	MR.AHMAD FAHEEM KHAN
	102	102	-	10	As per Bank policy	MR.AHMAD MANSOOR
	101	101	-	10	As per Bank policy	MR.AKHITAR ABBAS
	102	102	-	10	As per Bank policy	MR.ALAMGIR KADIR
	95	95	-	10	As per Bank policy	MR.ALEE KHALID GHAZNAV
	101	101	-	10	As per Bank policy	MR.AMER SHEKH MUHAMMAD
	102	102	-	10	As per Bank policy	MR.ASIF MALIK MUHAMMAD
	101	101	-	10	As per Bank policy	MR.ATHER AFTAB PASHA
	171	171	-	17	As per Bank policy	MR.AWAIS EJAZ
	171	171	-	17	As per Bank policy	MR.AWAIS YASIN
	95	95	-	10	As per Bank policy	MR.FARAZ QAHRIR
	101	101	-	10	As per Bank policy	MR.IJAZ BASHIR BHATTI
	102	102	-	10	As per Bank policy	MR.IMRAN IDREES
	95	95	-	10	As per Bank policy	MR.JAVAID SIRAJ
	101	101	-	10	As per Bank policy	MR.JAVED IQBAL
	102	102	-	10	As per Bank policy	MR.KHALID MEHMOOD
	15	15	-	2	As per Bank policy	MR.KHALID MEWHMOOD RANA
	101	101	-	10	As per Bank policy	MR.M ALI ZAFAR
	15	15	-	2	As per Bank policy	MR.M AURANGZAIB
	101	101	-	10	As per Bank policy	MR.M FAHEEM SARWAR
	101	101	-	10	As per Bank policy	MR.M HASSAN MEMON
	15	15	-	2	As per Bank policy	MR.M QASIM GHAFAR
	91	91	-	9	As per Bank policy	MR.M SALEH QAMAR
	15	15	-	2	As per Bank policy	MR.M.GULFARM BUTT
	102	102	-	10	As per Bank policy	MR.MALIK MUHAMMAD MUBASHER KHAN
	101	101	-	10	As per Bank policy	MR.MANSOOR ZAIGHUM
	101	101	-	10	As per Bank policy	MR.MIAN AZEEM MUHAMMAD
	15	15	-	2	As per Bank policy	MR.MIAN MAHMUD UL HASSAN
	76	76	-	8	As per Bank policy	MR.MOHAMMAD MOHSIN
	15	15	-	2	As per Bank policy	MR.MOIN KHALID



Rupees in '000						
Particulars	Original cost / revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
	107	107	-	11	As per Bank policy	MR.MUBASHAR RASOOL
	101	101	-	10	As per Bank policy	MR.MUEED MAHMOOD QURESHI
	102	102	-	10	As per Bank policy	MR.MUHAMMAD ABDUL HAYEE
	4	4	-	0	As per Bank policy	MR.MUHAMMAD ALI
	46	46	-	5	As per Bank policy	MR.MUHAMMAD AMER HAMID
	82	82	-	8	As per Bank policy	MR.MUHAMMAD AZHAR NASEEM
	59	59	-	6	As per Bank policy	MR.MUHAMMAD FARHANULLAH KHAN
	101	101	-	10	As per Bank policy	MR.MUHAMMAD TARIQ
	15	15	-	2	As per Bank policy	MR.NADEEM JAVAID
	101	101	-	10	As per Bank policy	MR.NAEEM SHAHZAD
	101	101	-	10	As per Bank policy	MR.NAUMAN UL HAQ QURESHI
	146	146	-	15	As per Bank policy	MR.QASIM GHAFAR
	107	107	-	11	As per Bank policy	MR.REHAN KHAN DAHA
	102	102	-	10	As per Bank policy	MR.SAJID ALI
	171	171	-	17	As per Bank policy	MR.SAJID MUHAMMAD
	70	70	-	7	As per Bank policy	MR.SHAHZAD SADIQ
	50	50	-	5	As per Bank policy	MR.SHFIQUE AHMED UQAILI
	101	101	-	10	As per Bank policy	MR.SIRAG QADIR
	15	15	-	2	As per Bank policy	MR.SIRAJ QADIR
	101	101	-	10	As per Bank policy	MR.SOHAIL RIZVI
	96	96	-	10	As per Bank policy	MR.TAHIR HASSAN QURESH
	15	15	-	2	As per Bank policy	MR.TAHIR KHAN
	101	101	-	10	As per Bank policy	MR.TAHIR MUSHTAQ
	102	102	-	10	As per Bank policy	MR.TARIQ MEHMOOD SHAHID
	101	101	-	10	As per Bank policy	MR.USMAN AFZAL KHAN
	102	102	-	10	As per Bank policy	MR.USMAN GHANI
	15	15	-	2	As per Bank policy	MR.WAQAR ALI
	101	101	-	10	As per Bank policy	MR.YOUNIS MUHAMMAD
<b>Total</b>	<b>5,080</b>	<b>5,079</b>	<b>1</b>	<b>508</b>		

## ANNEXURE III

### Islamic Banking Business

#### Shariah Board's Report

For the year ended December 31, 2016

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 Shariah principles at all times. Shariah Board is pleased to submit a report on the overall Shariah compliance environment of ABL-IBG.

To form basis of our opinion as expressed in this report, Shariah compliance department of the Bank carried out reviews of each class of transactions, the relevant documentation and process flows on sample basis. Besides, we have also reviewed the reports of the internal Shariah 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 2016 are in conformity with the principles and guidelines of Shariah issued by Shariah Board and State Bank of Pakistan.

ABL-IBG has put a mechanism in place to ensure Shariah compliance in their overall operations and will keep its focus on continuous improvement to cater 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 part of the income. During the Shariah compliance review, it was confirmed that ABL-IBG did not earn any non-Shariah compliant income and thus no income was credited to Charity account. However, Rs. 0.005 million was transferred to charity payable account in the normal course of business on account of delay in payments by customers and Rs. 0.014 million was granted to a charitable institution.

As part of the Shariah Governance Framework, a separate internal Shariah audit function has been formed under the Audit and Risk Review Group of the bank which will play a significant role in achieving the objective of ensuring Shariah compliance by evaluating the adherence to Shariah guidelines prescribed by Shariah Board, Resident Shariah Board Member and Shariah guidelines of Islamic Banking Division of SBP, in every activity under taken by the ABL-IBG.

Shariah compliance department of the Bank makes extra effort to understand the customer's business model before formulation of 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 Shariah. 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.

During the year 2016, ABL-IBG has successfully opened 50 new branches. Hence, the total branch network reached to 77 as on December 2016.

#### Review and Development:

**Asset Review:** During the year, financing portfolio has increased to Rs. 605 million, which mainly constitutes of Murabaha (74%), Ijarah (17%) and Diminishing Musharakah (9%). Besides, investment portfolio has also risen to Rs. 7,247 million mainly constituting of Government Ijarah Sukuk and Corporate Sukuk.

**Liability Review:** The total deposits of ABL-IBG have increased by 266%, reaching to Rs. 8,554 million as at December 31, 2016 compared to Rs. 2,334 million as of last year.

**Profit Distribution Policy:** Shariah compliance also conducted review of the process of profit distribution and charging of losses to Mudaraba based remunerative deposits, which was reviewed and approved on monthly basis, is in conformity with the Shariah rules and principles and pool management guidelines of State Bank of Pakistan.

**Product Development:** Following major milestones were achieved during the year 2016:

#### Following policies and procedures were approved during the year:

- Islamic Export Refinance Scheme Manual
- Treasury & Investment Policy
- Credit Policy (with relevance to Islamic Banking)
- Credit Procedural Manual (with relevance to Islamic Banking)

#### Following asset products were approved during the year:

- Istisna Finance
- Forward Cover
- Business Musharakah
- Bai-Muajjal Securities

## ANNEXURE III

### Islamic Banking Business Shariah Board's Report

For the year ended December 31, 2016

#### Following liability products were approved during the year:

- Allied Islamic Institutions Account
- Allied Islamic Premium Account
- Allied Islamic Notice Period Certificate
- Allied Islamic Express Account

Besides the above, Shariah compliance department has also structured 05 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. Shariah compliance department, through Management Development Center of ABL, has arranged various sessions and more than 170 employees attended these sessions. It is expected that management will keep its continued focus on this area and arrange regular training programs for existing staff of ABL-IBG and of conventional groups providing services to ABL-IBG besides new staff. This will ensure capacity building as well as address the possible shariah non-compliance risk. Moreover, six employees attended training session conducted by NIBAF and other reputed Islamic Banking training institutes. It is expected that management will keep its continued focus on this area and arrange regular training programs.

#### Recommendations

Following are some areas, which require continuous focus:

1. ABL-IBG has significantly improved in the area of product development during the year through deployment of dedicated experienced resources. We expect that ABL-IBG will continue its focus on introducing more products during 2017 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 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. Further, the continued focus on employees' training related to Islamic Banking products and services offered by the ABL-IBG is also recommended; with specific focus on front line staff so as to further enhance customer satisfaction especially towards Shariah understanding.

Further, special attention of the management is drawn towards the followings:

- i) Staff provident fund has been invested in Shariah compliant assets. We recommend that these assets should be tagged / segregated specifically for ABL-IBG staff.
- ii) Shariah compliant financing products have already been approved by Shariah Board for staff working at ABL-IBG. It is recommended that their implementation is expedited.

We pray to Almighty ALLAH to provide us guidance to adhere to the Shariah principles in day-to-day operations, to absolve our mistakes and for the success of Islamic Banking in Pakistan.

**Mufti Muhammad Iftikhar Baig**  
Resident Member Shariah Board

**Mufti Mehmood Ahmad**  
Member Shariah Board

**Mufti Ehsan Waquar**  
Chairman Shariah Board

**Date: February 09, 2017**

## ANNEXURE III

### Islamic Banking Business

For the year ended December 31, 2016

- کریڈٹ پالیسی (اسلامی بینکاری سے متعلقہ)
- کریڈٹ پروسیجرنگ (اسلامی بینکاری سے متعلقہ)
- اثاثوں سے متعلق مندرجہ ذیل پراڈکٹس کو اس سال کے دوران منظور کیا گیا:-
- اسٹنا فنانس (Istisna finance)
- فارورڈ کور (Forward Cover)
- بزنس مشارکہ (Business Musharka)
- بیع مؤجل سکیم ریئر (Bai Muijal Securities)
- ذمہ داریوں سے متعلق مندرجہ ذیل پراڈکٹس کو اس سال کے دوران منظور کیا گیا۔

- الائیڈ اسلامک انشورینس اکاؤنٹ
- الائیڈ اسلامک پریمیر اکاؤنٹ
- الائیڈ اسلامک نوٹس ٹریڈر ٹیلیکریٹ
- الائیڈ اسلامک ایکسپریس اکاؤنٹ

مذکورہ بالا اقدامات کے علاوہ شرعی کمپلائنس ڈیپارٹمنٹ نے اثاثوں سے متعلق پانچ پراسس فلو (Process Flow) کسٹمر کی ضرورت کے مطابق وضع کئے اور دو تہاویز کا کسٹمر کی ضرورت کے مطابق حل پیش کیا۔

#### عمل 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 اسلامک بینکنگ گروپ (IBG) کے تمام عملہ کو تربیت فراہم کی گئی۔ شرعی کمپلائنس ڈیپارٹمنٹ نے منجمنٹ ڈیولپمنٹ سنٹر کے تعاون سے مختلف نشستوں کا انعقاد کیا جن میں 170 سے زائد ملازمین نے شرکت کی۔ اس بات کی توقع کی جاتی ہے کہ انتظامیہ اپنی توجہ اس جانب مبذول رکھے گی اور نئے ملازمین اور ABL-IBG کے موجودہ ملازمین کے ساتھ ساتھ کونسل گروپ کے ان ملازمین کے لئے بھی مستقل بنیادوں پر ایسے پروگرامز کا انعقاد کرتی رہے گی جو ABL-IBG کو اپنی خدمات فراہم کرتے ہیں۔ اس سے عمل کی صلاحیتوں میں یقینی اضافہ کے ساتھ ساتھ شرعی اصولوں کی خلاف ورزی جیسے مکہ خدمت کا بھی تدارک ہوگا۔ اس کے علاوہ چھ ملازمین نے NIBAF اور اسلامی بینکنگ کی تربیت دینے والے دیگر معروف اداروں کی جانب سے فراہم کردہ تربیتی نشستوں میں بھی شرکت کی۔ اس بات کی توقع کی جاتی ہے کہ انتظامیہ اس جانب اپنی توجہ مبذول رکھے گی اور مستقل بنیادوں پر تربیتی پروگرامز کا انعقاد جاری رکھے گی۔

#### تہاویز/سفارشات:

مندرجہ ذیل معاملات کے لئے مسلسل توجہ درکار ہے:

- 1- ABL-IBG نے سال کے دوران پراڈکٹ ڈیولپمنٹ کے شعبے میں تجربہ کار، ماہر افراد کی تعیناتی کی ذریعے حوصلہ افزا اصلاحات کی۔ ہم امید کرتے ہیں کہ ABL-IBG اپنی موجودہ پراڈکٹس میں مزید بہتری لانے کے ساتھ ساتھ 2017 میں نئی پراڈکٹس متعارف کروانے پر بھی اپنی توجہ مرکوز رکھے گا۔
  - 2- بینک کی اسلامی بینکاری سے متعلق اپنے صارفین کو آگاہی فراہم کرنے کے حوالے سے بروہتی ہوئی دلچسپی قابل قدر ہے۔ یہ تجویز دی جاتی ہے کہ مستقبل میں بھی اس قسم کی نشستوں کا انعقاد جاری رکھا جائے۔
  - 3- اسلامی بینکاری کی برانچوں میں عمل کی اسلامی بینکاری کے نظریے سے وابستگی کی بنیاد پر تعیناتی کی پالیسی کو لازمی طور پر جاری رہنا چاہیے۔ اس کے علاوہ ملازمین کے لئے اسلامی بینکوں کی مصنوعات اور خدمات کے حوالے سے تربیتی پروگرامز پر توجہ مرکوز رکھنے کی سفارش کی جاتی ہے، جس میں خاص طور پر صارفین کے ساتھ براہ راست معاملات کرنے والے (Front Desk) عمل کی تربیت کو مد نظر رکھا جائے، تاکہ شرعی معاملات کی سمجھ بوجھ کے حوالے سے صارفین کے اعتماد میں اضافہ ہو سکے۔
- اس کے علاوہ انتظامیہ کو مندرجہ ذیل معاملات کی طرف خصوصی توجہ دلائی جاتی ہے:-

- (i) عملہ کے پراڈکٹ فنڈ کی شرعی طور پر منظور شدہ اثاثوں میں سرمایہ کاری کی گئی ہے۔ ہم یہ تجویز دیتے ہیں کہ ایسے اثاثوں کو ABL-IBG کے عملہ کے لئے خد آ کر کے مختص کر دیا جائے۔
- (ii) ABL-IBG میں کام کرنے والے عملہ کے لئے شرعی کمپلائنس ٹرانسنگ پراڈکٹس کی منظوری شرعیہ بورڈ نے پہلے ہی دے رکھی ہے۔ یہ سفارش کی جاتی ہے کہ ان کے جلد نفاذ کو یقینی بنایا جائے۔
- (iii) 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 روک دفرمائے اور پاکستان میں اسلامی بینکاری کو کامیابی عطا فرمائے۔

مفتی محمد افتخار بیگ

مفتی محمود احمد

مفتی محمد افتخار بیگ

ممبر شرعیہ بورڈ

ریزیڈنٹ ممبر شرعیہ بورڈ

رپورٹ تاریخ: فروری 09 2017

## Islamic Banking Business

For the year ended December 31, 2016

## اسلامک بینکنگ بزنس

شریعی بورڈ کی رپورٹ برائے اختتام سال 31 دسمبر 2016

بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ بنیادی طور پر اس بات کے ذمہ دار ہیں کہ وہ الانڈین بینک لمیٹڈ کے اسلامک بینکنگ گروپ (ABL-IBG) میں ہونے والے معاملات کی حدود شرعی اصولوں کے مطابق انجام دی گئی کو یقینی بنائیں۔

ABL-IBG میں شریعت کی پاسداری کو یقینی بنانے کے حوالے سے وضع کردہ مجموعی نظام کے بارے میں رپورٹ پیش کرتے ہوئے شریعی بورڈ کو خوشی محسوس ہو رہی ہے۔

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

مندرجہ بالا عوامل کی بنیاد پر ہمارا نقطہ نظر یہ ہے کہ:

سال 2016 کے دوران ABL-IBG میں کئے گئے کاروباری معاملات بالخصوص لین دین کے معاملات، ان سے متعلق دستاویزات اور طریقہ کار شریعی بورڈ اور اسٹیٹ بینک آف پاکستان کی جانب سے جاری کردہ شرعی اصول و ضوابط سے مکمل مطابقت رکھتے ہیں۔

ABL-IBG نے تمام معاملات میں شریعی کمپلائنس کو یقینی بنانے کے لئے ایک مؤثر نظام وضع کر رکھا ہے اور آئندہ سالوں میں بڑھتے ہوئے برانچ نیٹ ورک کی ضروریات کے پیش نظر اس نظام میں مسلسل بہتری پر اپنی توجہ مرکوز کئے ہوئے ہے۔ بینک کے اندر موجود 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۔ شریعی کمپلائنس کے جائزے کے دوران اس بات کی تصدیق ہو گئی کہ ABL-IBG نے غیر شرعی طریقے سے کوئی رقم نہیں کمائی ہے، لہذا اخلاقی کھاتہ (Charity Fund) میں کوئی رقم جمع نہیں کرائی گئی۔ تاہم صارفین کی جانب سے روزمرہ کاروباری معاملات کے دوران ادائیگیوں کی تاخیر کی مدتیں 0.005 ملین روپے قلمبندی کھاتے میں جمع کرائے گئے اور 0.014 ملین روپے ایک خیراتی ادارے کو دئے گئے۔

شریعی گورننس فریم ورک کی ہدایات پر عمل کرتے ہوئے بینک کے آڈٹ اینڈ رسک ریویلوگروپ کے ماتحت ایک مستقل انٹرنل شریعی آڈٹ کا شعبہ قائم کیا گیا ہے جو ABL-IBG کی جانب سے کی گئی ہر سرگرمی کو شریعی بورڈ اور ریجنل مینجمنٹ شریعی بورڈ ممبر کی جانب سے جاری کردہ شرعی اصول و ضوابط اور اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈویژن کی جانب سے ملنے والی شرعی ہدایات سے ہم آہنگ کر کے شریعی کمپلائنس کے مقاصد کے حصول کو یقینی بنانے میں اہم کردار ادا کرے گا۔

کسی بھی سہولت کے لئے طریقہ کار وضع کرنے سے قبل بینک کا شریعی کمپلائنس ڈیپارٹمنٹ صارف کے کاروبار کے ڈھانچے کو سمجھنے میں اپنی پوری صلاحیتیں صرف کرتا ہے، فیکٹری 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 سے دی جا رہی ہے وہ شرعی اصولوں سے مکمل مطابقت رکھتا ہے۔

سال 2016 کے دوران ABL-IBG نے الحمد للہ کامیابی کے ساتھ 50 نئی برانچوں کا افتتاح کیا، چنانچہ دسمبر 2016 میں برانچوں کی تعداد 77 تک جا پہنچی ہے۔

## ریویو اینڈ ڈیولپمنٹ

اہٹوں کا جائزہ (Review of Assets): سال کے دوران قرضہ جات کا مجموعی حجم 605 ملین روپے تک بڑھ چکا ہے جس کا بیشتر یعنی (74%) مراہقہ (17%) اجارہ اور (9%) شرکت قرضہ پر مشتمل ہے۔

دوسری طرف سرمایہ کاری کا مجموعی حجم بھی بڑھ کر 7,247 ملین ہو چکا ہے، جس کا اکثر حصہ حکومتی اجارہ منسلک اور کارپوریٹ منسلک پر مشتمل ہے۔

واجبات کا جائزہ (Review of Liabilities): گزشتہ سال کے 2,334 ملین کے مقابلے میں ABL-IBG کے مجموعی ڈپازٹس 266 فیصد اضافے کے ساتھ اس سال 31 دسمبر، 2016 میں 8,554 ملین روپے تک جا پہنچے ہیں۔

تقسیم نفع کی پالیسی: شریعی کمپلائنس نے مضاربہ کی بنیاد پر قائم کئے گئے پیداواری کھاتوں (جن کا ماہانہ بنیادوں پر جائزہ اور منظوری لی جاتی ہے) میں نفع اور نقصان کی تقسیم کے طریقہ کار کا جائزہ لیا اور اس کو اسٹیٹ بینک آف پاکستان کی پول مینجمنٹ کے حوالے سے ہدایات اور شرعی اصول و ضوابط سے ہم آہنگ پایا۔

مصنوعات کی تیاری (Product Development): سال 2016 کے دوران مندرجہ ذیل اہم سگم سیل عبور کئے گئے۔

دوران سال مندرجہ ذیل پالیسیوں اور حکمت عملیوں کی منظوری دی گئی:-

- اسلامی برآمدات میں ری فنانس اسکیم کا مینول
- ٹریڈری اور سرمایہ کاری کی پالیسی



## ANNEXURE III

### Islamic Banking Business Shariah Board Members' Profile

#### Mufti Ehsan Waquar Ahmed

Chairman Shariah Board

He is serving as Chairman Shariah Board of Allied Bank Limited and 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 also acquired Masters in Economics & MBA in Finance. He has also accomplished his Bachelor in Legislation and Law (LLB). He is a member of Technical Committee for Developing Accounting & Auditing Standards for Islamic Financial Institutions at the Institute of Chartered Accountants of Pakistan (ICAP) and a member of Shariah Advisers Forum at State Bank of Pakistan. Furthermore, he is a frequent writer and contributes for different periodical 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 Shahadat-ul-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 III

### Islamic Banking Business

The Bank is operating 77 Islamic banking branches at the end of December 31, 2016 (2015: 27).

#### Statement of Financial Position as at December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		624,008	135,599
Balances with other banks		40,870	-
Lendings to financial institutions		1,200,000	272,275
Investments		6,047,476	2,240,542
Islamic financing and related assets	A-III. 2	605,138	139,983
Operating fixed assets		426,925	46,302
Deferred tax assets		-	-
Due from Head Office		-	55,294
Other assets		177,468	23,254
		9,121,885	2,913,249
<b>LIABILITIES</b>			
Bills payable		68,082	11,456
Borrowings		-	18,500
Deposits and other accounts			
- Current accounts -non-remunerative		1,425,226	740,340
- Saving accounts		2,002,964	1,257,699
- Term deposits		236,663	232,770
- Deposit from Financial Institutions - remunerative		4,889,822	103,948
- Deposits from Financial Institutions - non-remunerative		10	-
Deferred tax liability		-	-
Due to Head Office		77,954	-
Other liabilities		45,680	41,943
		8,746,401	2,406,656
<b>NET ASSETS</b>		<b>375,484</b>	<b>506,593</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		500,000	500,000
Reserves		-	-
Unappropriated profit		(175,432)	(28,510)
		324,568	471,490
Surplus on revaluation of assets		50,916	35,103
		375,484	506,593
<b>CHARITY FUND</b>			
Opening balance		11	-
Additions during the year		5	11
Payments/ utilization during the year		(14)	-
Closing balance		2	11

## ANNEXURE III

### Islamic Banking Business

#### Profit and Loss Account

for the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees in '000	
Income / profit earned	385,612	98,086
Income / profit expensed	225,806	37,205
Net income / profit	159,806	60,881
Provision against non-performing loans and advances	—	—
Provision against diminution in the value of investments	—	—
Bad debts written off directly	—	—
	—	—
<b>Net profit / income after provisions</b>	<b>159,806</b>	<b>60,881</b>
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	20,165	4,180
Dividend income	637	17,458
Income from dealing in foreign currencies	101	—
Gain / (loss) on sale of securities	63,572	(15,707)
Unrealized gain on revaluation of investments classified as 'held-for-trading' - net	—	—
Other income	57	23
Total other income	84,532	5,954
	244,338	66,835
<b>OTHER EXPENSES</b>		
Administrative expenses	391,260	118,566
Provision against other assets	—	—
Provision against off-balance sheet obligations - net	—	—
Other charges	—	—
Total other expenses	391,260	118,566
Extra-ordinary / unusual items	—	—
<b>LOSS BEFORE TAXATION</b>	<b>(146,922)</b>	<b>(51,731)</b>
Unappropriated (loss) / profit brought forward	(28,510)	23,221
<b>UNAPPROPRIATED LOSS CARRY FORWARD</b>	<b>(175,432)</b>	<b>(28,510)</b>
<b>Remuneration to Shariah Advisor / Board</b>	<b>7,332</b>	<b>4,879</b>

## ANNEXURE III

### Islamic Banking Business

#### Statement of Cash Flow

for the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(146,922)	(51,731)
Less: Dividend income	(637)	(17,458)
	(147,559)	(69,189)
<b>Adjustments for non-cash items:</b>		
Depreciation / amortization	31,543	13,369
Loss on sale of securities	–	15,707
	31,543	29,076
	(116,016)	(40,113)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(927,725)	35,725
Islamic financing and related assets	(465,155)	(139,983)
Other assets (excluding advance taxation)	(154,214)	(18,975)
	(1,547,094)	(123,233)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	56,626	84
Borrowings	(18,500)	18,500
Deposits and other accounts	6,219,928	1,952,535
Other liabilities	3,737	36,715
	6,261,791	2,007,834
	4,598,681	1,844,488
Income tax paid	–	–
<b>Net cash flows generated from operating activities</b>	4,598,681	1,844,488
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(4,911,286)	(615,981)
Net realization / (investments) in 'held-to-maturity' securities	1,120,165	(1,068,564)
Due from Head Office	133,248	(39,233)
Dividend income received	637	17,458
Investments in operating fixed assets	(412,166)	(33,205)
<b>Net cash flows used in investing activities</b>	(4,069,402)	(1,739,525)
<b>Increase in cash and cash equivalents during the year</b>	529,279	104,963
<b>Cash and cash equivalents at beginning of the year</b>	135,599	30,636
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	664,878	135,599

## ANNEXURE III

### Islamic Banking Business

#### Notes to the Annexure III

for the year ended December 31, 2016

#### A-III. 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

Under the general deposits pool, the Bank - IBG accepts 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.

##### Specific Pools

Specific pool(s) are created where the customers desire to invest in high/low yield assets. These pool(s) rates 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 / 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-III. 2. ISLAMIC FINANCING AND RELATED ASSETS

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
Murabaha - advances		445,181	109,959
Ijarah	A-III. 2.1	105,602	30,024
Diminishing Musharaka - advances		54,355	–
<b>Gross Advance</b>		<b>605,138</b>	<b>139,983</b>
Provision held		–	–
<b>Advance-net of provision</b>		<b>605,138</b>	<b>139,983</b>
<b>A-III. 2.1 Ijarah</b>			
Financings		61,562	21,542
Advances		32,530	7,259
Inventories		11,510	1,223
		<b>105,602</b>	<b>30,024</b>



## for the year ended December 31, 2016

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	5.67%	50%	55,383	3.33%	25%	13,883

Production & Transmission of Energy	503,181	139,983
Manufacturing	54,355	—
Transportation & Logistics	47,602	—
<b>Total Gross Financing &amp; Related Assets</b>	<b>605,138</b>	<b>139,983</b>
GOP Ijarah Sukuk	2,296,489	856,289
Cement	—	1,069,846
Power/Energy Generation	2,850,987	—
Financial Institutions	2,100,000	272,275
Mutual Funds	—	314,407
<b>Total Investments &amp; Placements</b>	<b>7,247,476</b>	<b>2,512,817</b>
<b>Total Invested Funds</b>	<b>7,852,614</b>	<b>2,652,800</b>





Consolidated Financial Statements

# **ALLIED BANK LIMITED**

for the year ended December 31, 2016

## Directors' Report on Consolidated Financial Statements

For the year ended December 31, 2016

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:

	2016	2015	Growth
	Rs. in Million		%
Profit after tax for the year	14,700	15,314	-4%
Accumulated profits brought forward	42,284	37,728	12%
Effect of re-measurement of defined benefit plans - net of tax	289	(1,043)	128%
Transferred from surplus on revaluation of fixed assets - net of tax	58	99	-41%
Transferred from surplus on revaluation of non banking assets - net of tax	45	—	100%
<b>Profit available for appropriation</b>	<b>57,376</b>	<b>52,098</b>	<b>10%</b>
Final cash dividend for the year ended December 31, 2015 at Rs. 1.75			
per share (2015: Year ended December 31, 2014 at Rs. 2.00 per share)	(2,004)	(2,290)	-13%
1st interim cash dividend for the year ended			
December 31, 2016 at Rs. 1.75 per share (2015: Rs. 1.75 per share)	(2,004)	(2,004)	0%
2nd interim cash dividend for the year ended			
December 31, 2016 at Rs. 1.75 per share (2015: Rs. 1.75 per share)	(2,004)	(2,004)	0%
3rd interim cash dividend for the year ended			
December 31, 2016 at Rs. 2.00 per share (2015: Rs. 1.75 per share)	(2,290)	(2,004)	14%
Transfer to statutory Reserves	(1,443)	(1,512)	-5%
<b>Accumulated profits carried forward</b>	<b>47,631</b>	<b>42,284</b>	<b>13%</b>
<b>Earnings Per Share (EPS) (Rs.)</b>	<b>12.84</b>	<b>13.37</b>	<b>-4%</b>

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2016 is included in the Annual Report.

For and on behalf of the Board,

Tahir Hassan Qureshi  
Chief Executive Officer

Place: Lahore  
Dated: February 09, 2017

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

## Auditors' Report

to the Members

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 2016 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of cash flows 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 2016 and the results of their operations for the year then ended.

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

Lahore  
Date: 09 February 2017



# Consolidated Statement of Financial Position

as at December 31, 2016

December 31, 2016	December 31, 2015		Note	December 31, 2016	December 31, 2015
US \$ in '000				Rupees in '000	
ASSETS					
699,855	542,184	Cash and balances with treasury banks	6	73,203,767	56,711,623
6,500	38,983	Balances with other banks	7	679,938	4,077,611
100,506	32,085	Lendings to financial institutions	8	10,512,752	3,356,091
5,649,459	5,211,409	Investments	9	590,924,972	545,105,538
3,157,520	3,075,072	Advances	10	330,271,881	321,647,931
313,421	276,004	Operating fixed assets	11	32,783,340	28,869,612
—	—	Deferred tax assets	12	—	—
312,315	315,213	Other assets	13	32,667,653	32,970,839
10,239,576	9,490,950			1,071,044,303	992,739,247
LIABILITIES					
94,158	47,249	Bills payable	15	9,848,795	4,942,189
1,208,133	1,318,946	Borrowings	16	126,368,875	137,959,818
7,696,956	7,022,529	Deposits and other accounts	17	805,090,074	734,546,015
—	—	Sub-ordinated loans		—	—
—	—	Liabilities against assets subject to finance lease		—	—
105,175	85,178	Deferred tax liabilities	12	11,001,128	8,909,508
161,762	155,421	Other liabilities	18	16,920,059	16,256,802
9,266,184	8,629,323			969,228,931	902,614,332
973,392	861,627	NET ASSETS		101,815,372	90,124,915
REPRESENTED BY					
109,473	109,473	Share capital	19	11,450,739	11,450,739
158,067	144,381	Reserves		16,533,485	15,102,026
455,377	404,254	Unappropriated profit		47,631,788	42,284,340
722,917	658,108			75,616,012	68,837,105
250,475	203,519	Surplus on revaluation of assets - net of tax	20	26,199,360	21,287,810
973,392	861,627			101,815,372	90,124,915

## 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, 2016

December 31, 2016	December 31, 2015		Note	December 31, 2016	December 31, 2015	
US \$ in '000				Rupees in '000		
617,697	689,483	Mark-up / return / interest earned	23	64,610,157	72,118,859	
299,661	343,857	Mark-up / return / interest expensed	24	31,344,015	35,966,922	
318,036	345,626	Net mark-up / interest income		33,266,142	36,151,937	
		Net reversal of provision against non-performing				
(3,207)	(2,755)	loans and advances	10.4	(335,359)	(288,120)	
716	17,328	Provision for diminution in the value of investments	9.3	74,906	1,812,488	
—	—	Bad debts written off directly	10.6	—	—	
(2,491)	14,573			(260,453)	1,524,368	
320,527	331,053	Net mark-up / interest income after provisions		33,526,595	34,627,569	
NON MARK-UP / INTEREST INCOME						
42,792	38,524	Fee, commission and brokerage income	25	4,476,029	4,029,507	
36,121	33,864	Dividend income		3,778,178	3,542,135	
6,171	8,014	Income from dealing in foreign currencies		645,444	838,256	
26,192	8,516	Gain on sale of securities	26	2,739,679	890,788	
		Unrealized gain on revaluation of investments				
1,237	226	classified as 'held-for-trading' - net	9.10	129,343	23,667	
959	9,418	Other income	27	100,260	985,130	
113,472	98,562	Total non-markup / interest income		11,868,933	10,309,483	
433,999	429,615			45,395,528	44,937,052	
NON MARK-UP / INTEREST EXPENSES						
197,128	176,524	Administrative expenses	28	20,619,264	18,464,116	
717	605	Provision against other assets	13.2	75,000	63,242	
		(Reversal) / provision against off-balance sheet				
(127)	588	obligations - net	18.1	(13,273)	61,496	
5,131	5,474	Other charges	29	536,671	572,617	
202,849	183,191	Total non-markup / interest expenses		21,217,662	19,161,471	
—	—	Extra-ordinary / unusual items		—	—	
231,150	246,424	PROFIT BEFORE TAXATION		24,177,866	25,775,581	
Taxation						
81,977	80,594	Current		8,574,615	8,430,000	
9,079	13,969	Prior years		949,657	1,461,091	
(445)	5,451	Deferred		(46,542)	570,215	
90,611	100,014		30	9,477,730	10,461,306	
140,539	146,410	PROFIT AFTER TAXATION		14,700,136	15,314,275	
404,253	360,695	Unappropriated profit brought forward		42,284,340	37,728,181	
455,377	404,253	PROFIT AVAILABLE FOR APPROPRIATION		47,631,788	42,284,340	
In US\$						In Rupees
0.12	0.13	Earnings per share - Basic and Diluted	31	12.84	13.37	

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, 2016

December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
US \$ in '000			Rupees in '000	
140,539	146,410	<b>Profit after taxation for the year</b>	14,700,136	15,314,275
<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				
(108)	389	in foreign operating branches	(11,246)	40,640
<i>Items not to be reclassified to profit and loss account in subsequent periods:</i>				
4,246	(15,356)	Actuarial gain / (loss) relating to defined benefit plans	444,154	(1,606,112)
(1,486)	5,375	Related deferred tax (charge) / reversal	(155,454)	562,139
2,760	(9,981)		288,700	(1,043,973)
143,191	136,818	<b>Comprehensive income transferred to equity</b>	14,977,590	14,310,942
<b>Components of comprehensive income not reflected in equity:</b>				
<i>Items to be reclassified to profit and loss account in subsequent periods:</i>				
53,778	74,865	Net change in fair value of 'available-for-sale' securities	5,625,078	7,830,738
(18,822)	(50,401)	Related deferred tax charge	(1,968,778)	(5,271,787)
34,956	24,464		3,656,300	2,558,951
178,147	161,282	<b>Total Comprehensive Income</b>	18,633,890	16,869,893

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, 2016

December 31, 2016	December 31, 2015	Note	December 31, 2016	December 31, 2015
US \$ in '000			Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES				
231,149	246,424	Profit before taxation	24,177,866	25,775,581
(36,121)	(33,864)	Less: Dividend income	(3,778,178)	(3,542,135)
195,028	212,560		20,399,688	22,233,446
Adjustments for non-cash items:				
21,249	19,292	Depreciation / amortization	2,222,565	2,017,941
(3,206)	(2,755)	Reversal against non-performing loans and advances	(335,359)	(288,120)
716	17,328	Provision for diminution in the value of investments	74,906	1,812,488
(1,237)	(226)	Unrealized gain on revaluation of 'held-for-trading' securities	(129,343)	(23,667)
(127)	588	(Reversal) / provision against off-balance sheet obligations	(13,273)	61,496
717	605	Provision against other assets	75,000	63,242
4,655	4,930	Provision for workers' welfare fund	486,877	515,623
(349)	(246)	Gain on sale of operating fixed assets	(36,471)	(25,783)
22	–	Loss on sale of non-banking assets / other assets	2,294	–
22,440	39,516		2,347,196	4,133,220
217,468	252,076		22,746,884	26,366,666
(Increase) / Decrease in operating assets				
(68,419)	(15,280)	Lendings to financial institutions	(7,156,661)	(1,598,304)
(2,647)	89,152	Net (Investments) / realizations in 'held-for-trading' securities	(276,851)	9,325,161
(79,242)	(146,292)	Advances	(8,288,590)	(15,301,926)
40,335	(16,203)	Other assets (excluding advance taxation)	4,218,970	(1,694,854)
(109,973)	(88,623)		(11,503,132)	(9,269,923)
Increase / (decrease) in operating liabilities				
46,909	1,055	Bills payable	4,906,606	110,388
(110,446)	687,487	Borrowings	(11,552,534)	71,910,103
674,427	637,506	Deposits and other accounts	70,544,059	66,682,144
(2,124)	(24,430)	Other liabilities	(222,213)	(2,555,354)
608,766	1,301,618		63,675,918	136,147,281
716,261	1,465,071		74,919,670	153,244,024
(106,152)	(45,374)	Income tax paid	(11,103,317)	(4,746,081)
610,109	1,419,697	Net cash flows generated from operating activities	63,816,353	148,497,943
CASH FLOWS FROM INVESTING ACTIVITIES				
(1,405,788)	(1,119,084)	Net investments in 'available-for-sale' securities	(147,043,339)	(117,054,506)
1,024,683	(17,522)	Net realizations / (investments) in 'held-to-maturity' securities	107,180,271	(1,832,810)
33,863	33,870	Dividend received	3,541,998	3,542,764
(58,607)	(32,528)	Investments in operating fixed assets	(6,130,195)	(3,402,355)
479	1,778	Proceeds from sale of operating fixed assets	50,069	186,019
(405,370)	(1,133,486)	Net cash flows used in investing activities	(42,401,196)	(118,560,888)
CASH FLOW FROM FINANCING ACTIVITIES				
–	(28,624)	Repayment of sub-ordinated loan	–	(2,994,000)
(79,074)	(78,996)	Dividends paid	(8,271,033)	(8,262,818)
(79,074)	(107,620)	Net cash flows used in financing activities	(8,271,033)	(11,256,818)
(108)	389	Effect of translation of net investment in foreign operating branches	(11,246)	40,640
125,557	178,980	Increase in cash and cash equivalents during the year	13,132,878	18,720,877
580,034	401,317	Cash and cash equivalents at the beginning of the year	60,670,689	41,977,178
159	(102)	Effect of exchange rate changes on opening cash and cash equivalents	16,679	(10,687)
705,750	580,195	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	73,820,246	60,687,368

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, 2016

	Capital Reserve		Statutory Reserve	Revenue Reserves		Total
	Share Capital	Exchange Translation Reserve		General Reserve	Un-appropriated Profit	
Rupees in '000						
Balance as at January 01, 2015	11,450,739	28,293	13,515,062	6,000	37,728,181	62,728,275
Changes in equity during the year ended						
December 31, 2015						
Total comprehensive income for the year ended						
December 31, 2015						
Net profit for the year ended December 31, 2015	-	-	-	-	15,314,275	15,314,275
Effect of remeasurement of defined benefit						
plan-net of deferred tax	-	-	-	-	(1,043,973)	(1,043,973)
Effect of translation of net investment in						
foreign operating branches	-	40,640	-	-	-	40,640
	-	40,640	-	-	14,270,302	14,310,942
Transactions with owners recognized						
directly in equity						
Final cash dividend for the year ended						
December 31, 2014 (Rs. 2 per ordinary share)	-	-	-	-	(2,290,145)	(2,290,145)
First interim cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,880)	(2,003,880)
Second interim cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,880)	(2,003,880)
Third interim cash dividend for the year ended						
December 31, 2015 (Rs. 1.75 per ordinary share)	-	-	-	-	(2,003,880)	(2,003,880)
	-	-	-	-	(8,301,785)	(8,301,785)
Transferred from surplus on revaluation of fixed assets						
to un-appropriated profit-net of tax	-	-	-	-	99,673	99,673
Transfer to statutory reserve	-	-	1,512,031	-	(1,512,031)	-
Balance as at December 31, 2015	11,450,739	68,933	15,027,093	6,000	42,284,340	68,837,105
Changes in equity during the year ended						
December 31, 2016						
Total comprehensive income for the year ended						
December 31, 2016						
Net profit for the year ended December 31, 2016	-	-	-	-	14,700,136	14,700,136
Effect of remeasurement 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



# Consolidated Statement of Changes in Equity

for the year ended December 31, 2016

	Capital Reserve		Statutory Reserve	Revenue Reserves		Total
	Share Capital	Exchange Translation Reserve		General Reserve	Un-appropriated Profit	
Rupees in '000						
Transactions with owners recognized						
directly in equity						
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 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)	-
Balance as at December 31, 2016	11,450,739	57,687	16,469,798	6,000	47,631,788	75,616,012

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, 2016

## 1. STATUS AND NATURE OF BUSINESS

The “Group” consists 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 1,148 (2015: 1,048) branches in Pakistan including 77 (2015: 27) Islamic banking branches, 1 branch (2015:1) in Karachi Export Processing Zone and 1 Wholesale Banking Branch (2015: 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 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 Companies Ordinance, 1984. The Company received certificate for commencement of business on December 31, 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 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).

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, 2016.

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 Group operates and functional currency of the Group 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 104.5985 per US Dollar has been used for 2016 and 2015, as it was the prevalent rate on reporting date.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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.

Material intra-group balances and transactions have been eliminated.

## 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:

- Non-banking assets acquired in satisfaction of claims (Note 5.1)
- Investments (Note 5.4);
- Certain operating fixed assets (Note 5.6);
- Staff retirement and other benefits (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 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, 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, the Companies Ordinance, 1984 and the directives issued by SBP and SECP shall prevail.

**3.2** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard (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.

**3.3** 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.

**3.4** 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 Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

**3.5** The State Bank of Pakistan through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 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.

## **3.6 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 3.7 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2017.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have an impact on the Group's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The change would result in disclosures regarding change in balances of liabilities arising from financing activities.
- Amendments to IFRS 2 - 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 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 the Group's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 01, 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Group's financial statements.

Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards and are not likely to have material impact on the financial statements of the Group:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after January 01, 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after January 01, 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.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after January 01, 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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 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.
- 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 or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In 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 and 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 benefit plans

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.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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.

### 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 except for the change explained in note 5.1. Significant accounting policies are enumerated as follows:

### 5.1 Change in accounting policy

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

The Group has changed its accounting policy regarding non-banking assets acquired in compliance with the requirements of the 'Regulations for Debt Property Swap', effective from the date of issuance by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016.

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 is charged to profit and loss account and not capitalised.

Effect of change in policy is as follows:

	Rupees in '000
<b>Impact on statement of financial position:</b>	
Increase in non-banking assets	1,329,105
Increase in surplus on revaluation	1,327,010
Increase in deferred tax liability (surplus on revaluation)	13,930
Increase in deferred tax liability (accelerated depreciation)	22,227
<b>Impact on profit and loss account:</b>	
Depreciation expense	19,696
Deferred tax expense	22,227

### 5.2 Cash and cash equivalents

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

### 5.3 Lendings to / borrowings from financial institutions

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

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

**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.

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.

## 5.4 Investments

**5.4.1** 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.

**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.

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

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

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

Unrealized surplus / (deficit) arising on revaluation of the Group's 'held-for-trading' investment portfolio is taken to the profit and loss account. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available-for-sale' is kept in a separate account shown in the statement of financial position 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

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.

## 5.5 Advances

### a) Loans and advances

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

### b) Net investment in Finance Lease

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

### c) Islamic Financing and Related Assets

The Group provides Islamic financing and related assets mainly through Murabaha, Ijarah, Diminishing Musharakah 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.

## 5.6 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 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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.

## 5.7 Taxation

### a) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using the prevailing tax rates or tax rates expected to apply to the profits for the year. 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 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'.

## 5.8 Staff retirement and other benefits

### 5.8.1 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 and age as on June 30, 2002 are payable to all employees whose date of joining the Group is on or before July 01, 1992 i.e., who have completed 10 years of service as on June 30, 2002;

During the year, the beneficiary employees 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 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.

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 the 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 10 years of service as on June 30, 2002.

Until December 31, 2008, the Group operated a contributory benevolent fund, which was discontinued for active employees. The beneficiary employees as on that date were also given an option to settle their monthly grant with

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

a lump sum payment. Those who have not opted for the lump sum option will continue to receive benevolent grant (defined benefit scheme).

## c) **Post retirement medical benefits**

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

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

## 5.8.2 **Other long term benefit**

### **Employees' compensated absences**

Employees' entitlement to annual leave is recognised 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 unavailed 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.

## 5.9 **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 or prolonged decline in the fair value of these investments below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the normal volatility in share price in the case of listed equity securities. In addition, impairment may be appropriate when there is evidence of deterioration in the financial condition of the investee, industry and sector performance and changes in technology.

### b) **Non-financial assets**

The carrying amount of the Group's assets (other than deferred tax assets) are reviewed at each 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.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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.

## 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 ruling 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

Interest or mark-up recoverable on classified loans, advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

Dividend income is recognized when the right to receive the dividend is established.

Gains and losses on sale of investments are recognized in the profit and loss account.

## b) Lease financing

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealised income on classified leases is recognized on receipt basis.

Gains / losses on termination of lease contracts and other lease income are recognized when realized.

## c) Islamic financing and related assets

Ijarah and Diminishing Musharakah income is recognised on an accrual basis as and when the rental becomes due.

Murabaha and Salam income is recognised on deferred income basis.

## d) Fees, brokerage and commission

Fee, Commission and Brokerage income is recognized on an accrual basis except where, in the opinion of management, it would not be prudent to do so.

## 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, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		11,886,895	12,368,441
Foreign currencies		1,061,186	887,146
		12,948,081	13,255,587
<b>Remittances in transit</b>		291,364	386,250
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	32,998,864	20,266,767
Foreign currency current account	6.2	9,620	40,019
		33,008,484	20,306,786
Foreign currency deposit accounts			
Non-remunerative	6.1	2,813,207	2,686,554
Remunerative	6.3	8,435,565	8,059,663
		11,248,772	10,746,217
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		15,439,067	11,831,544
<b>National Prize Bonds</b>		267,999	185,239
		73,203,767	56,711,623

**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, 2016, carries mark-up at the rate of 0% (2015: 0%) per annum.

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current account		15	16
<b>Outside Pakistan</b>			
On current accounts	7.1	271,111	2,457,366
On deposit accounts		408,812	1,620,231
		679,938	4,077,613

**7.1** Included in nostro accounts are balances, aggregating to Rs. 40.971 million (2015: Rs. 41.303 million), representing balances held with a related party outside Pakistan.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	2,091,970	1,200,000
Repurchase agreement lendings (Reverse Repo)	8.2 & 8.7	7,220,782	2,156,091
Musharaka lending	8.3	700,000	–
Mudaraba lending	8.4	500,000	–
Certificates of investment	8.5	70,000	70,000
	8.6	10,582,752	3,426,091
Provision against lendings to financial institutions	8.8	(70,000)	(70,000)
		10,512,752	3,356,091

**8.1** This represents call money lending in foreign currency carrying mark-up at the rate of 0.65% (2015: local currency lendings at the rate of 6.50%) per annum, maturing on January 03, 2017.

**8.2** These are short-term lendings to financial institutions against the government securities shown in note 8.7 below. These carry mark-up at the rate of 5.90% to 6.20% (2015: 6.45% to 6.50%) per annum and are maturing on various dates, latest by January 23, 2017.

**8.3** This represents lending by Islamic banking business under Musharaka agreement at profit of 5.0% (2015: Nil) per annum, maturing on January 09, 2017.

**8.4** This represents lending by Islamic banking business under Mudaraba agreement at profit of 5.55% (2015: Nil) per annum, maturing on February 10, 2017.

**8.5** This represents a classified certificate of investment amounting to Rs. 70 million (2015: Rs. 70 million).

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>8.6 Particulars of lending</b>		
In local currency	8,490,782	3,426,091
In foreign currencies	2,091,970	–
	10,582,752	3,426,091

December 31, 2016			December 31, 2015		
Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
Rupees in '000					

## 8.7 Securities held as collateral against lending to Financial Institutions

Market Treasury Bills	1,220,782	–	1,220,782	1,491,091	–	1,491,091
Pakistan Investment Bonds	6,000,000	–	6,000,000	665,000	–	665,000
	7,220,782	–	7,220,782	2,156,091	–	2,156,091

	December 31, 2016	December 31, 2015
Rupees in '000		

## 8.8 Particulars of provision

Opening balance	70,000	70,000
Charge for the year	–	–
Reversal	–	–
Net charge	–	–
Closing balance	70,000	70,000

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

Note		December 31, 2016			December 31, 2015			
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
Rupees in '000								
9.	INVESTMENTS							
9.1	Investments by types							
Held-for-trading securities								
	Pakistan Investment Bonds	102,531	–	102,531	–	–	–	
	Units of open-ended mutual funds / pension funds - related parties	1,390,368	–	1,390,368	1,212,748	–	1,212,748	
	Sukuk bonds	40,000	–	40,000	19,633	–	19,633	
		1,532,899	–	1,532,899	1,232,381	–	1,232,381	
Available-for-sale securities								
	Market Treasury Bills	202,224,770	23,995,274	226,220,044	113,476,903	25,054,061	138,530,964	
	Pakistan Investment Bonds	144,961,948	53,343,313	198,305,261	83,273,356	71,436,281	154,709,637	
	Ordinary shares of listed companies / certificates of close-ended mutual funds	14,493,083	–	14,493,083	13,614,525	-	13,614,525	
	Preference shares	–	–	–	25,000	–	25,000	
	Pre IPO shares	12,240	–	12,240	–	–	–	
	Units of open-ended mutual funds	–	–	–	150,000	–	150,000	
	Ordinary shares of unlisted companies	2,487,929	–	2,487,929	2,123,767	–	2,123,767	
	Investment in related parties							
	- Listed shares	8,142,520	–	8,142,520	8,142,520	–	8,142,520	
	- Unlisted shares	997,894	–	997,894	1,352,894	–	1,352,894	
	- Units of open-ended mutual funds	–	–	–	135,000	–	135,000	
	Sukuk bonds	5,423,031	–	5,423,031	1,945,563	–	1,945,563	
	GOP Sukuk	10,550,356	–	10,550,356	5,359,194	–	5,359,194	
	GOP Ijara Sukuk	2,148,084	–	2,148,084	700,275	–	700,275	
	Foreign Currency Bonds (US\$)	4,734,946	–	4,734,946	–	–	-	
	Term Finance Certificates (TFCs)	4,340,267	–	4,340,267	4,179,005	–	4,179,005	
		400,517,068	77,338,587	477,855,655	234,478,002	96,490,342	330,968,344	
Held-to-maturity securities								
	Pakistan Investment Bonds	83,222,932	–	83,222,932	185,697,197	–	185,697,197	
	GOP Sukuk	1,051,562	–	1,051,562	1,054,700	–	1,054,700	
	GOP Ijara Sukuk	100,000	–	100,000	150,319	–	150,319	
	Bai Muajjal Placements (GOP Sukuks)	–	–	–	272,275	–	272,275	
	Foreign Currency Bonds (US\$)	1,595,719	–	1,595,719	4,906,147	–	4,906,147	
	TFCs, Bonds and PTCs	358,879	–	358,879	1,428,725	–	1,428,725	
		86,329,092	–	86,329,092	193,509,363	–	193,509,363	
	Investment at cost	488,379,059	77,338,587	565,717,646	429,219,746	96,490,342	525,710,088	
	Provision for diminution in the value of investments	9.3	(2,696,599)	–	(2,696,599)	(2,777,721)	–	(2,777,721)
	Investment (cost net of provisions)		485,682,460	77,338,587	563,021,047	426,442,025	96,490,342	522,932,367
	Surplus on revaluation of 'held-for-trading' securities	9.10	129,343	–	129,343	23,667	–	23,667
	Surplus on revaluation of 'available-for-sale' securities	20.3	25,895,586	1,878,996	27,774,582	18,654,545	3,494,959	22,149,504
	Total investments at market value		511,707,389	79,217,583	590,924,972	445,120,237	99,985,301	545,105,538

**9.1.1** Under the instructions of SBP, Bai Muajjal placements of 'Government of Pakistan (GOP) Sukuks' with GOP have been reclassified from 'Lending to financial institutions' to 'Investments'.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities			
- Market Treasury Bills	9.2.1 - 9.2.3	226,220,044	138,530,964
- Pakistan Investment Bonds	9.2.1 & 9.2.2	281,630,724	340,406,834
- Foreign Currency Bonds (US\$)	9.2.1 & 9.2.4	6,330,665	4,906,147
- GOP Ijara Sukuk	9.2.1	2,248,084	850,594
- GOP Sukuk	9.2.1	11,601,918	6,413,894
- Bai Muajjal Placements (GOP Sukuks)		—	272,275
Fully paid up ordinary shares of listed companies / certificates of close-ended mutual funds			
	9.4	22,635,603	21,757,045
Fully paid up ordinary shares of unlisted companies	9.5	3,498,063	3,476,661
Investment in units of open-ended mutual funds	9.6	1,390,368	1,497,748
Fully paid up preference shares		—	25,000
Term Finance Certificates (TFCs), Bonds and Participation Term Certificates			
Term Finance Certificates			
- Listed	9.7	2,455,310	2,523,862
- Unlisted	9.7	2,043,836	1,814,022
Sukuk Bonds	9.8	5,663,031	3,235,042
Investments at cost		565,717,646	525,710,088
Less: Provision for diminution in the value of investments	9.3	(2,696,599)	(2,777,721)
Investments (cost net of provisions)		563,021,047	522,932,367
Surplus on revaluation of 'held-for-trading' securities	9.10	129,343	23,667
Surplus on revaluation of 'available-for-sale' securities	20.2	27,774,582	22,149,504
Total investments at market value		590,924,972	545,105,538

## 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, 2017 to August, 2017	5.77% - 5.98%	On maturity	At maturity
Pakistan Investment Bonds	July, 2017 to August, 2031	7.00% - 13.00%	On maturity	Half Yearly
Foreign Currency Bonds (US\$)	June, 2017 to September, 2025	6.875% - 8.25%	On maturity	Half Yearly
GOP Ijara Sukuk	June, 2017 to February, 2019	6M MTB minus (0.50% - 2.00%)	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. 23,816.042 million (2015: Rs. 24,873.964 million) and Pakistan Investment Bonds having a book value of Rs. 53,343.313 million (2015: Rs.71,436.281 million), given as collateral against repurchase agreement borrowings from financial institutions.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

**9.2.3** Included herein are Market Treasury Bills having a book value of Rs. 179.232 million (2015: Rs 180.097 million), held by the SBP against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2016	December 31, 2015
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	31-Mar-17	10 Years	4,734,946	–
Euro Dollar Bond (\$10,500,000)	6.875%	31-May-07	01-Jun-17	30-May-17	10 Years	1,083,920	1,054,374
Euro Dollar Bond (\$5,000,000)	6.875%	01-Jun-07	01-Jun-17	30-May-17	10 Years	511,799	488,451
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	30-Mar-16	6.5 Years	–	312,055
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	30-Mar-16	5.9 Years	–	333,967
Euro Dollar Bond (\$14,910,000)	7.125%	30-Mar-06	31-Mar-16	30-Mar-16	10 Years	–	1,547,930
Euro Dollar Bond (\$1,800,000)	7.125%	05-Jan-11	31-Mar-16	30-Mar-16	5 Years	–	187,589
Euro Dollar Bond (\$2,000,000)	7.125%	07-Mar-11	31-Mar-16	30-Mar-16	5 Years	–	207,702
Euro Dollar Bond (\$3,000,000)	7.125%	08-Mar-11	31-Mar-16	30-Mar-16	5 Years	–	311,552
Euro Dollar Bond (\$4,457,000)	7.125%	01-Oct-10	31-Mar-16	30-Mar-16	5.5 Years	–	462,527
						6,330,665	4,906,147
Note						December 31, 2016	December 31, 2015
Rupees in '000							

## 9.3 Particulars of provision

Opening balance		2,777,721	977,183
Charge for the year		78,582	1,820,557
Reversals		(3,676)	(8,069)
Net charge		74,906	1,812,488
Reversal on disposal of shares		(156,028)	(11,950)
Closing balance	9.3.1	2,696,599	2,777,721

## 9.3.1 Particulars of provision in respect of type and segment

<b>By type:</b>			
<b>Available-for-sale securities</b>			
Ordinary shares / certificates of mutual funds		2,264,790	2,289,386
Ordinary shares of unlisted companies		49,982	92,671
Preference shares		–	25,000
Sukuk Bonds		22,948	11,785
		2,337,720	2,418,842
<b>Held-to-maturity securities</b>			
TFCs, Debentures, Bonds and PTCs		358,879	358,879
		2,696,599	2,777,721
<b>By Segment:</b>			
<b>Fully Paid up Ordinary Shares</b>			
Ordinary shares of listed companies		2,264,790	2,289,386
Ordinary shares of unlisted companies		49,982	92,671
Preference shares		–	25,000
		2,314,772	2,407,057
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates</b>			
Bonds		222,948	211,785
Term Finance Certificates		158,879	158,879
		381,827	370,664
		2,696,599	2,777,721

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

Name of Company / Mutual Fund	Cost per share / certificates  Rupees	December 31, 2016		December 31, 2015	
		No. of shares / certificates	Total Cost	No. of shares / certificates	Total Cost
			Rupees in '000		Rupees in '000

## 9.4 Investments in Listed Ordinary Shares / Certificates of Mutual Funds

<b>Available-for-sale</b>					
AgriTech Limited	16.16	16,601,113	268,289	13,961,851	175,755
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	-	-
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
First Dawood Investment Bank Limited	-	-	-	10,362,554	87,405
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	-	-
Hub Power Company Limited - related party	36.51	112,000,000	4,089,011	112,000,000	4,089,011
Kot Addu Power Company Limited - related party	46.06	88,000,000	4,053,509	88,000,000	4,053,509
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
Pakistan Oilfield 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	324.51	1,486,500	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	2,500,000	25,000
United Bank Limited	158.01	6,064,800	958,277	6,064,800	958,277
			22,635,603		21,757,045

Name of Company	Percentage of Holding	No. of shares	Break-up Value per share	Paid up Value per share	Dec. 31, 2016 Cost	Based on audited accounts as at	Name of Chief Executive/Managing Agent
			Rupees	Rupees	Rupees '000		

## 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	19.50	10	355,000	30-Jun-16	Mr. Maqsood Ahmed Basraa
Central Depository Company of Pakistan Limited	1.00%	1,000,000	43.60	10	40,300	30-Jun-16	Mr. Muhammad Hanif Jakhura
Eastern Capital Limited	-	500,000	-	-	5,000	-	Under liquidation
First Women Bank Limited	2.67%	7,734,927	9.79	10	21,200	31-Dec-15	Ms. Tahira Raza
Habib Allied Holding Limited - related party	9.38%	5,803,275	147.46	£1	990,367	31-Dec-15	Mr. Hassan Raza
ISE Towers REIT Management Company Limited*	0.83%	3,034,603	11.67	10	30,346	30-Jun-16	Mr. Mian Ayyaz Afzal
LSE Financial Services Limited*	0.66%	843,975	12.21	10	8,440	30-Jun-15	Mr. Naveed Amin
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	2,266,609	33.06	10	1,527	30-Jun-16	Mr. Haider Wahab
Nishat Hotels and Properties Limited	9.84%	94,497,049	9.83	10	944,970	30-Jun-16	Mr. Mian Hassan Mansha
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) - related party	3.33%	1,000	-	10	1,000	31-Mar-13	Mr. Muhammad Khan Khichi
Pakistan Mortgage Refinancing Company- Pre IPO	-	-	-	-	12,240	-	Mr. N.K. Rupan
Security General Insurance Company Limited	18.22%	12,401,871	133.78	10	1,075,653	31-Dec-15	Mr. Farrukh Aleem
SME Bank Limited	0.32%	774,351	1.49	10	5,250	31-Dec-15	Mr. Ihsan ul Haq Khan
Society for Worldwide Interbank Financial Telecommunication	0.01%	10	327,430	€ 125	1,770	31-Dec-14	Mr. Gottfried Leibbrandt
					3,498,063		

\*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, 2016

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2016	2015		2016	2015
				Rupees in '000	

## 9.6 Detail of Investment in Open Ended Mutual Funds

ABL Cash Fund- related party	985,822	1,155,552	10	10,100	11,573
ABL Government Securities Fund- related party	–	3,788,879	10	–	39,247
ABL Income Fund- related party	63,562,919	16,502,806	10	645,566	169,685
ABL Stock Fund- related party	19,144,409	3,807,389	10	292,484	50,364
UBL Al Ameen Shariah Stock Fund	–	1,483,838	100	–	150,000
ABL AMC Islamic Stock Fund - related party	–	11,206,388	10	–	135,000
ABL Islamic Financial Planning Fund - related party	50,000	2,501,654	10	5,000	250,165
ABL Financial Planning Fund - related party	2,293,226	5,000,000	10	225,208	500,000
ABL Pension Fund - Equity Sub Fund - related party	300,000	300,000	10	38,644	33,544
ABL Pension Fund - Debt Sub Fund - related party	300,000	300,000	10	37,392	32,729
ABL Pension Fund - Money Market Sub Fund - related party	300,000	300,000	10	32,277	30,712
ABL Islamic Pension Fund - Equity Sub Fund - related party	300,000	300,000	10	39,270	33,563
ABL Islamic Pension Fund - Debt Sub Fund - related party	300,000	300,000	10	32,419	30,558
ABL Islamic Pension Fund - Money Market Sub Fund - related party	300,000	300,000	10	32,008	30,608
				1,390,368	1,497,748

## 9.7 Detail of Investment in TFCs

### Listed

Habib Bank Limited	15,000	15,000	100,000	1,499,700	1,500,000
Bank Alfalah Limited TFC V	64,618	64,618	5,000	322,638	322,767
JS TFC II	37,500	37,500	5,000	131,250	161,719
Jahangir Siddiqi & Company Limited	–	30,000	5,000	–	37,500
NIB Bank TFC II	76,800	76,800	5,000	383,616	383,770
Telecard Limited	75,888	75,888	5,000	118,106	118,106
				2,455,310	2,523,862

### Unlisted

Faysal Bank Limited	70,000	70,000	5,000	174,650	349,300
(Chief Executive: Mr. Nauman Ansari)					
Dewan Farooque Spinning Mills Limited	25,000	25,000	5,000	30,274	30,274
(Chief Executive: Mr. Ishtiaq Ahmed)					
Khairpur Sugar Mills Limited	13	13	55,536		
(Chief Executive: Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	454	454
Bachani Sugar Mills Limited	23	23	135,227		
(Chief Executive: Mr. Najmuddin Ansari)	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 IV	–	90,000	5,000	–	449,190
(Chief Executive: Mr. Mansoor Ali Khan)					
Bank Al-Habib TFC V	107,000	–	5,000	534,894	–
(Chief Executive: Mr. Mansoor Ali Khan)					
Standard Chartered Bank TFC III	75,000	75,000	5,000	375,000	375,000
(Chief Executive: Mr. Shazad Dada)					
Askari Bank Limited TFC V	120,000	120,000	5,000	599,520	599,760
(Chief Executive: Mr. Syed M. Husaini)					
Jahangir Siddiqi & Company Limited	63,800	–	5,000	319,000	–
(Chief Executive: Mr. Suleman Lalani)					
				2,043,836	1,814,022

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Name of Sukuk Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
							2016	2015
Rupees in '000								
9.8	Detail of Investment in Sukuk Bonds							
	Liberty Power Tech. Limited I	3 MK+3%	18-Mar-09	17-Mar-21	01-Jan-17	Quarterly	1,485,408	1,728,757
	Liberty Power Tech. Limited II	3 MK+3%	30-Nov-10	31-Dec-21	01-Jan-17	Quarterly	166,199	193,237
	Quetta Textile Mills Limited	6 MK+1.75%	26-Sep-08	25-Sep-19	25-Mar-16	Quarterly	22,948	23,569
	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	17-Mar-17	Quarterly	248,476	–
	K-Electric Limited	3 MK +2.25%	19-Mar-14	19-Mar-17	19-Mar-17	Quarterly	40,000	–
	Neelum Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	29-Jun-16	29-Jun-26	29-Jun-17	Half Yearly	1,200,000	–
	Neelum Jhelum Hydropower Company (Pvt) Limited	6 MK+1.75%	27-Oct-16	29-Jun-26	27-Apr-17	Half Yearly	1,400,000	–
	Meezan Bank's Sukuk	6 MK+0.5%	22-Sep-16	22-Sep-26	22-Mar-17	Half Yearly	900,000	–
	Maple Leaf Cement Factory Limited	3 MK + 1.70%	03-Dec-07	03-Dec-18	03-Mar-16	Quarterly	–	1,089,479
							5,663,031	3,235,042

Name of Security	2016		2015	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	

## 9.9 Quality of 'available-for-sale' Securities

### Government securities

Market treasury bills	226,247,239	Un Rated	138,608,982	Un Rated
Pakistan Investment Bonds	203,533,463	Un Rated	161,522,543	Un Rated

### Listed TFCs

Habib Bank Limited	1,503,449	AAA	1,500,000	AA
NIB Bank TFC II	387,972	A+	379,932	A+
Bank Alfalah Limited - TFC V	331,119	AA-	328,657	AA-
JS TFC II	131,329	AA+	161,861	AA+
Jahangir Siddiqi & Company Limited	–	–	36,676	AA+

### Unlisted TFCs

Faysal Bank Limited	174,650	AA-	349,300	AA-
Bank Al-Habib Limited TFC IV	–	–	449,190	AA
Bank Al-Habib Limited TFC V	534,893	AA	–	–
Standard Chartered Bank	375,000	AAA	375,000	AAA
Askari Bank Limited TFC V	599,520	AA-	599,760	AA-
Jahangir Siddiqi & Company Limited	319,000	**	–	–

### Unlisted Shares

Arabian Sea Country Club Limited* - related party	5,000	**	5,000	**
Atlas Power Limited*	355,000	AA-&A1+	355,000	AA-&A1+
Al-Baraka Bank Limited	–	–	148,333	A-&A-2
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	BBB+&A2
Habib Allied Holding Limited* - related party	990,367	**	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	531,546	A-&A2
Nishat Hotels and Properties Limited	413,425	A-&A2	255,930	A-&A2
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	BB&B
SWIFT	1,770	**	1,770	**



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for the year ended December 31, 2016

Name of Security	2016		2015	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>Listed Shares / Certificates</b>				
Agritech Limited	210,502	**	130,543	D
Attock Petroleum Limited	916,330	**	676,078	**
Dolmen City REIT	450,464	RR1	444,662	RR1
Fatima Fertilizer Company Limited	2,313,003	AA-&A1+	2,804,571	AA-&A1
Fauji Fertilizer Company Limited	1,615,815	AA&A1+	1,826,519	**
First Dawood Investment Bank	—	—	13,782	**
Habib Bank Limited	1,809,733	AAA&A1+	1,325,393	AAA&A1+
Hub Power Company Limited* - related party	7,519,932	AA+&A1+	6,248,340	AA+&A1+
Hub Power Company Limited - related party	6,309,828	AA+&A1+	5,242,860	AA+&A1+
Kot Addu Power Company Limited.* - related party	6,934,400	AA+&A1+	7,128,000	AAA&A1+
Nishat Chunian Power Limited*	1,664,400	**	1,651,500	A-&A2
Nishat Power Limited*	1,922,700	A+&A1	1,610,400	A+&A1
Pakistan Oilfield Limited*	1,886,674	**	945,843	**
Pakistan Oilfield Limited	2,981,763	**	1,494,841	**
Pakistan Petroleum Limited*	1,799,516	**	1,164,837	**
Pakistan State Oil Company Limited	645,453	AA&A1+	484,257	AA+&A1+
PICIC Growth Mutual Fund	203,403	**	150,449	**
Pioneer Cement Limited	15,173	**	9,702	**
Saif Power Limited	493,893	A+&A1	454,865	A+&A1
United Bank Limited	1,448,881	AAA&A1+	939,741	AA+&A1+
Trust Investment Bank Limited	18,700	**	3,100	**
Habib Metropolitan Bank Limited	370,000	AA+&A1+	—	—
Engro Fertilizer Limited	554,037	AA-&A1+	—	—
<b>Preference Shares</b>				
Trust Investment Bank Limited	—	—	25,000	**
<b>Investment in Mutual Funds</b>				
ABL Cash Fund- related party	10,153	AA(f)	11,911	AA(f)
ABL Government Securities Fund- related party	—	—	39,593	A(f)
ABL Income Fund- related party	651,634	A(f)	171,614	A(f)
ABL Stock Fund- related party	360,531	MFR 4-Star	50,440	MFR 4-Star
UBL Al Ameen Shariah Stock Fund	—	—	173,594	MFR 3-Star
ABL AMC Islamic Stock Fund - related party	—	—	140,813	MFR 4-Star
ABL Islamic Financial Planning Fund - related party	5,183	**	250,394	**
ABL Financial Planning Fund - related party	238,179	**	500,062	**
ABL Pension Fund - Equity Sub Fund - related party	56,527	**	38,644	**
ABL Pension Fund - Debt Sub Fund - related party	40,452	**	37,392	**
ABL Pension Fund - Money Market Sub Fund - related party	33,540	**	32,277	**
ABL Islamic Pension Fund - Equity Sub Fund - related party	57,037	**	39,270	**
ABL Islamic Pension Fund - Debt Sub Fund - related party	33,864	**	32,419	**
ABL Islamic Pension Fund - Money Market Sub Fund - related party	32,978	**	32,008	**
<b>Sukuk Bonds</b>				
Liberty Power Tech Limited I	1,485,408	A+	1,728,757	A+
Liberty Power Tech Limited II	166,199	A+	193,237	A+
Quetta Textile Mills Limited	22,948	**	23,569	**
K-Electric Limited	250,988	AA+	—	—
Neelum Jhelum Hydropower Company (Pvt) Limited	2,600,000	AAA	—	—
Meezan Bank's Sukuk	900,000	AA-	—	—
GOP Ijara Sukuk	2,196,404	**	—	—
GOP Sukuk	10,858,893	**	5,298,675	**

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

Name of Security	2016		2015	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
<b>Foreign Currency Bonds (US\$)</b>				
Euro Bonds	5,177,620	**	—	—
* Strategic Investments of the Bank				
** Ratings are not available				

Note	December 31, 2016	December 31, 2015
	Rupees in '000	

## 9.10 Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading'

ABL Cash Fund	55	338
ABL Financial Planning Fund	12,971	62
ABL Income Fund	6,067	1,929
ABL Stock Fund	68,047	76
ABL Government Securities Fund	—	346
ABL Islamic Financial Planning Fund	183	229
ABL Pension Fund - Equity Sub Fund	17,882	5,100
ABL Pension Fund - Debt Sub Fund	3,060	4,661
ABL Pension Fund - Money Market Sub Fund	1,263	1,565
ABL Islamic Pension Fund - Equity Sub Fund	17,767	5,707
ABL Islamic Pension Fund - Debt Sub Fund	1,444	1,861
ABL Islamic Pension Fund - Money Market Sub Fund	970	1,401
Sukuk bonds	347	392
Pakistan investment bonds	(713)	—
	<b>129,343</b>	<b>23,667</b>

## 10. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	334,088,692	324,608,053
Outside Pakistan	7,876,267	9,290,527
	<b>341,964,959</b>	<b>333,898,580</b>
Islamic financing and related assets	A-III. 2	605,138
Net investment in finance lease - in Pakistan	10.2	2,131,845
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	2,665,812	1,355,182
Payable outside Pakistan	1,687,999	3,345,595
	<b>4,353,811</b>	<b>4,700,777</b>
<b>Advances - gross</b>	<b>10.1</b>	<b>349,055,753</b>
Provision for non-performing advances	10.3 & 10.4	(18,720,563)
General provision	10.4	(63,309)
		<b>(18,783,872)</b>
<b>Advances - net of provision</b>		<b>330,271,881</b>

### 10.1 Particulars of advances (Gross)

<b>10.1.1</b> In local currency	322,091,390	303,983,756
In foreign currencies	26,964,363	36,828,441
	<b>349,055,753</b>	<b>340,812,197</b>
<b>10.1.2</b> Short term (for up to one year)	183,305,212	187,147,249
Long term (for over one year)	165,750,541	153,664,948
	<b>349,055,753</b>	<b>340,812,197</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016				December 31, 2015			
	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	548,277	1,191,271	123,062	1,862,610	614,849	1,084,489	128,694	1,828,032
Residual value	66,446	319,475	164,983	550,904	78,949	291,376	159,881	530,206
Minimum lease payments	614,723	1,510,746	288,045	2,413,514	693,798	1,375,865	288,575	2,358,238
Financial charges for future periods	(28,902)	(117,424)	(135,343)	(281,669)	(60,328)	(95,708)	(129,345)	(285,381)
Present value of minimum lease payments	585,821	1,393,322	152,702	2,131,845	633,470	1,280,157	159,230	2,072,857

**10.3** Advances include Rs. 20,431.609 million (2015: Rs. 21,903.729 million) which have been placed under non-performing status as detailed below:

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

Category of Classification	December 31, 2015								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned	152,314	–	152,314	4,496	–	4,496	4,496	–	4,496
Substandard	1,459,082	–	1,459,082	362,376	–	362,376	362,376	–	362,376
Doubtful	586,044	–	586,044	293,022	–	293,022	293,022	–	293,022
Loss	19,706,289	–	19,706,289	18,432,883	–	18,432,883	18,432,883	–	18,432,883
	21,903,729	–	21,903,729	19,092,777	–	19,092,777	19,092,777	–	19,092,777

**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 a syndicated long term loan facility granted to Northern Power Generation Company Limited, valuing Rs. 5,160 million (2015: Rs. 5,339 million), which is secured against a government guarantee. Pursuant to its restructuring at the syndicate level, State Bank of Pakistan has allowed relaxation against classification vide Letter No. BPRD/ BRD-Policy/ 2015-22984 dated October 19, 2015 and vide Letter No. BPRD/ BRD-Policy/ 2015-29247 dated December 28, 2015.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

		Note	December 31, 2016			December 31, 2015		
			Specific	General	Total	Specific	General	Total
Rupees in '000								
10.4	Particulars of provision against non-performing advances							
	Opening balance		19,092,777	71,489	19,164,266	19,694,645	115,919	19,810,564
	Charge for the year		1,841,422	—	1,841,422	1,612,696	—	1,612,696
	Reversals	10.5	(2,168,601)	(8,180)	(2,176,781)	(1,856,386)	(44,430)	(1,900,816)
	Charged to profit and loss account		(327,179)	(8,180)	(335,359)	(243,690)	(44,430)	(288,120)
	Amounts written off	10.6	(45,035)	—	(45,035)	(358,178)	—	(358,178)
	Closing balance		18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266
10.4.1	In local currency		18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266
	In foreign currencies		—	—	—	—	—	—
			18,720,563	63,309	18,783,872	19,092,777	71,489	19,164,266

**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. 188.472 million (2015: Rs. 192.709 million).

	Note	December 31, 2016	December 31, 2015
		Rupees in '000	
<b>10.6</b>	<b>Particulars of write-offs</b>		
<b>10.6.1</b>	Against provisions	45,035	358,178
	Directly charged to Profit and Loss account	–	–
		45,035	358,178
<b>10.6.2</b>	Write-offs of Rs. 500,000 and above	44,637	358,178
	Write-offs of below Rs. 500,000	398	–
		45,035	358,178

## 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, 2016 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.

	Note	December 31, 2016	December 31, 2015
		Rupees in '000	
<b>10.8</b>	<b>Particulars of loans and advances to directors, related parties, etc.</b>		
	Debts due from directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		
	Balance at beginning of the year	7,048,372	6,846,305
	Loans granted during the year	2,426,220	2,037,520
	Repayments	(1,756,941)	(1,835,453)
	Balance at end of the year	7,717,651	7,048,372

Details of loans and advances to associates, subsidiary and other related parties are given in note 39.

## 11. OPERATING FIXED ASSETS

	Capital work-in-progress	11.1	3,293,373	2,345,890
	Property and equipment	11.2	28,493,367	25,731,840
	Intangible assets	11.3	996,600	791,882
			32,783,340	28,869,612

### 11.1 Capital work-in-progress

	Civil works	2,381,725	1,641,015
	Equipment	686,367	523,238
	Advances to suppliers and contractors	225,281	181,637
		3,293,373	2,345,890

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 11.2 Property and equipment

Description	Note	Cost / Revaluation			Accumulated Depreciation			Annual rate of depreciation %			
		At January 1, 2016	Additions/ (Deletions)	Write-off	At December 31, 2016	At January 1, 2016	Charge for the year/ (Depreciation on deletions/ Exchange and other adjustments		Write-off	At December 31, 2016	Net book value 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	643,108	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	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

Description	Note	Cost / Revaluation			Accumulated Depreciation			Annual rate of depreciation %			
		At January 1, 2015	Additions/ (Deletions)	Write-off	At December 31, 2015	Charge for the year/ (Depreciation on deletions)/ Exchange and other adjustments	At December 31, 2015		Net book value at December 31, 2015		
Rupees in '000											
Land-Freehold	11.4	9,329,747	1,190,938 (35,000)	-	10,485,685	-	-	-	10,485,685	-	
Land-Leasehold	11.4	3,219,245	49,167 (18,360)	-	3,250,052	-	-	-	3,250,052	-	
Buildings-Freehold	11.4	4,983,827	219,320 (109,971)	-	5,093,176	442,857 (31,109)	231,359	-	643,108	4,450,068	5
Buildings-Leasehold	11.4	2,758,763	167,579 (8,741)	-	2,917,601	-	142,204 (85)	-	142,119	2,775,482	5
Building improvements (rented premises)		1,737,601	433,972 (124)	-	2,171,449	1,094,686 (124)	241,036	-	1,335,598	835,851	20
Furniture and fixtures		1,036,484	172,524 (3,196)	-	1,205,812	468,619 (2,882)	116,603	-	582,346	623,466	10
Electrical, office and computer equipments		7,388,683	1,024,869 (61,913)	-	8,351,639	4,519,203 (57,725)	958,089	-	5,419,584	2,932,055	14.28 - 50
Vehicles		572,699	202,464 (49,656)	-	725,507	277,942 (43,441)	111,825	-	346,326	379,181	20
Total		31,027,049	3,460,833 (286,961)	-	34,200,921	6,803,307 (135,366)	1,801,116	-	8,469,081	25,731,840	
									23		
11.3 Intangible assets											
Description		Cost		Accumulated Amortization			Net book value at December 31, 2016	Rate of amortization %			
		At January 1, 2016	Addition (Deletions)	At December 31, 2016	At January 1, 2016	At December 31, 2016					
Rupees in '000											
Computer software		1,567,587	465,928	2,033,515	775,705	261,210	1,036,915	996,600	14.28 - 33.33		
Description		Cost		Accumulated Amortization			Net book value at December 31, 2015	Rate of amortization %			
		At January 1, 2015	Addition (Deletions)	At December 31, 2015	At January 1, 2015	At December 31, 2015					
Rupees in '000											
Computer software		1,568,037	52,888 (53,338)	1,567,587	597,272	215,124 (36,691)	775,705	791,882	14.28 - 33.33		



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

- 11.4** Bank arranged for valuation of Land and Building as at December 31, 2014 from four independent valuers {Akbani & Javed, Unicorn International Surveyors, Indus Surveyors (Pvt.) Limited and Harvester Services (Pvt). Ltd.}. The revalued amounts of properties have been determined on the basis of professional assessment of present market values. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
- Land (Freehold and leasehold)	9,727,188
- Building	5,732,052

- 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, 2016	December 31, 2015
		Rupees in '000	

<b>11.6</b>	Incremental depreciation charged during the year transferred to profit & loss account	20.1	88,968	93,651
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<b>11.7</b>	Restriction / discrepancy in the title of property having a net book value of		45,401	47,476
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<b>11.8</b>	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		224,775	191,564
	Electrical, office and computer equipments		3,804,924	2,856,180
	Vehicles		46,122	50,170
	Intangible assets - software		218,396	134,454
	Leasehold Improvements		1,033,016	828,186

Amount of fully depreciated assets includes depreciation of Rs. 106.12 million of under Rs.10,000 items which are fully depreciated in the month of purchase.

	December 31, 2016	December 31, 2015
	Rupees in '000	

<b>11.9</b>	The carrying amount of property and equipment that have retired from active use and are held for disposal	361,307	145,684
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- 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 the unconsolidated financial statements.

- 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 the unconsolidated financial statements.

## Notes to the Consolidated Financial Statements

[illegible]

## 12.1 Reconciliation of deferred tax

Deferred debits arising in respect of

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	1,025,312	(875,815)	–	149,497	(93,925)	–	55,572
Post retirement medical benefits	42,980	–	–	42,980	–	–	42,980
Worker's welfare fund	568,933	178,524	–	747,457	167,932	–	915,389
	<u>1,710,101</u>	<u>(697,291)</u>	<u>–</u>	<u>1,012,810</u>	<u>74,007</u>	<u>–</u>	<u>1,086,817</u>
<b>Deferred credits arising due to</b>							
Surplus on revaluation of operating							
fixed assets	(665,889)	43,112	–	(622,777)	31,138	–	(591,639)
Surplus on revaluation of non-banking							
assets	–	–	–	–	–	(13,930)	(13,930)
Surplus on revaluation of investments	(2,486,141)	4,741	(5,271,787)	(7,753,187)	(12,572)	(1,968,778)	(9,734,537)
Actuarial gains	(1,020,658)	–	562,139	(458,519)	–	(155,454)	(613,973)
Accelerated tax depreciation /							
amortization	(1,153,852)	79,223	–	(1,074,629)	(46,031)	–	(1,120,660)
Excess of investment in finance							
lease over written down							
value of leased assets	(13,206)	–	–	(13,206)	–	–	(13,206)
	<u>(5,339,746)</u>	<u>127,076</u>	<u>(4,709,648)</u>	<u>(9,922,318)</u>	<u>(27,465)</u>	<u>(2,138,162)</u>	<u>(12,087,945)</u>
Deferred Tax (Liability) / Asset - Net	(3,629,645)	(570,215)	(4,709,648)	(8,909,508)	46,542	(2,138,162)	(11,001,128)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

- 12.2** 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, 2016	December 31, 2015
Rupees in '000			
<b>13. OTHER ASSETS</b>			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		17,621,002	22,861,867
- in foreign currencies		289,597	181,788
Advances, deposits, advance rent and other prepayments		1,135,333	931,063
Advance taxation (payments less provisions)		3,955,179	2,389,060
Stationery and stamps on hand		184,587	207,893
Due from the employees' retirement benefit schemes			
- Benevolent Fund	34.4	106,116	96,406
- Pension Fund	34.4	4,614,727	3,799,170
Receivable from SBP - customers encashments		9,979	34,845
ATM / POS settlement account		1,161,359	645,740
Non banking assets acquired in satisfaction of claims	13.1	3,476,351	2,432,388
Suspense account		922,303	686,480
Excise duty		11	11
Others		118,060	141,816
		33,594,604	34,408,527
Less: Provision held against other assets	13.2	(926,951)	(1,437,688)
Other assets (net of provision)		32,667,653	32,970,839

- 13.1** These assets are stated at revalued amount in accordance with accounting policy mentioned in note 5.1.

	December 31, 2016			December 31, 2015		
	Specific	General	Total	Specific	General	Total
Rupees in '000						

## 13.2 Provision against Other Assets

Opening balance	1,250,830	186,858	1,437,688	1,243,274	141,349	1,384,623
Charge for the year	29,951	45,049	75,000	17,350	48,000	65,350
Reversals	-	-	-	(2,108)	-	(2,108)
Net charge	29,951	45,049	75,000	15,242	48,000	63,242
Written off / adjusted*	(585,737)	-	(585,737)	(7,686)	(2,491)	(10,177)
Closing balance	695,044	231,907	926,951	1,250,830	186,858	1,437,688

\*This includes adjustment on account of deficit on revaluation of non banking assets amounting to Rs. 2.717 million (2015: Nil)

## 14. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2016 and December 31, 2015.

	December 31, 2016	December 31, 2015
Rupees in '000		

## 15. BILLS PAYABLE

In Pakistan	9,848,795	4,942,189
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# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>16. BORROWINGS</b>			
In Pakistan		103,487,046	121,660,024
Outside Pakistan		22,881,829	16,299,794
		<u>126,368,875</u>	<u>137,959,818</u>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		103,487,046	121,660,024
In foreign currencies		22,881,829	16,299,794
		<u>126,368,875</u>	<u>137,959,818</u>
<b>16.2 Details of borrowings (Secured / Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	11,334,860	10,114,230
Long term financing facility - Export oriented projects	16.4	6,149,320	20,530
Long term financing facility	16.5	–	5,445,140
Modernization of SMEs	16.6	–	560
Financing Facility for Storage of Agriculture Produce (FFSAP)	16.7	16,430	30,400
		<u>17,500,610</u>	<u>15,610,860</u>
Repurchase agreement borrowings	16.8	78,903,484	99,542,397
<b>Unsecured</b>			
Call borrowings	16.9	29,873,171	22,675,643
Overdrawn nostro accounts	16.10	63,459	101,868
Other borrowings		28,151	29,050
		<u>29,964,781</u>	<u>22,806,561</u>
		<u>126,368,875</u>	<u>137,959,818</u>

**16.3** 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 2% (2015: 4.5%) per annum. These borrowings are repayable within six months from the deal date.

**16.4** This represents Long Term Financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, 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 3% to 4.5% (2015: 6%) per annum.

**16.5** These borrowings had been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant & machinery for a maximum period of 10 years. The borrowing carried mark-up at 3% to 4.5% per annum (2015: 3% to 4.5%).

**16.6** These represent borrowings from the SBP to finance modernization of SMEs by providing financing facilities for purchase of new imported/local plant & machinery for BMR (Balancing, Modernization and Replacement) of existing units, setting up of new units and financing for import/local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years. The borrowing carries mark-up at the rate of 3% to 3.50% (2015: 3% to 3.50%) per annum.

**16.7** 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 7 years. The mark-up rates on these facilities are ranging from 2.50% to 3.50% (2015: 2.50% to 3.50%) per annum.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

- 16.8** These represent local currency funds borrowed from the SBP and local interbank market against government securities, carrying mark-up at the rate of 5.50% to 5.85% (2015: 5.50% to 6.50%) per annum maturing on various dates, latest by June 23, 2017.
- 16.9** These represent unsecured borrowings in local and foreign currency from the local and foreign interbank market, carrying mark-up at rates ranging from 5.55% to 6% (2015: 5.75% to 6.40%) per annum for local currency borrowings, and at rates ranging from 1.50% to 4.15% (2015: 1.15% to 3.53%) per annum for foreign currency borrowings. These borrowings are maturing on various dates, latest by June 23, 2017.
- 16.10** Included in overdrawn nostro account are balances, aggregating to Rs. 5.003 million (2015: Nil), representing balances held with a related party outside Pakistan.

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		176,919,971	195,785,765
Savings deposits		212,372,097	196,693,578
Current accounts - remunerative		97,923,755	88,494,685
- non - remunerative		248,775,261	219,778,464
		735,991,084	700,752,492
<b>Financial Institutions</b>			
Remunerative deposits		63,841,039	30,862,698
Non - remunerative deposits		5,257,951	2,930,825
		805,090,074	734,546,015
<b>17.1 Particulars of deposits</b>			
In local currency		747,276,461	676,586,931
In foreign currencies		57,813,613	57,959,084
		805,090,074	734,546,015
<b>18. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		2,471,163	2,834,222
Mark-up / return / interest payable in foreign currency		167,682	140,321
Accrued expenses		2,306,655	2,019,874
Branch adjustment account		150,070	226,573
Unrealized loss on forward foreign exchange contracts		308,138	12,874
Provision for:			
- gratuity	34.4	255,291	561,455
- employees' medical benefits	34.4	1,298,380	1,217,945
- employees' compensated absences	34.4	700,997	763,257
Unclaimed dividends		215,914	185,143
Dividend payable		20,237	20,256
Provision against off-balance sheet obligations	18.1	557,958	571,231
Retention money payable		191,657	152,700
Security deposits		554,178	534,342
Sundry deposits		2,125,685	1,983,883
Workers' welfare fund payable	18.2	2,660,212	2,173,335
Others		2,935,842	2,859,391
		16,920,059	16,256,802
<b>18.1 Provision against off-balance sheet obligations</b>			
Opening balance		571,231	509,735
Charge for the year		11,113	91,919
Reversals		(24,386)	(30,423)
Net charge		(13,273)	61,496
Closing balance		557,958	571,231

The above provision includes provisions made against letters of guarantee issued by the Bank.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

- 18.2** During the current year, 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, 2016	December 31, 2015
	Rupees in '000	
<b>18.3 Particulars of other liabilities</b>		
In local currency	16,620,704	15,996,479
In foreign currencies	299,355	260,323
	<u>16,920,059</u>	<u>16,256,802</u>

## 19. SHARE CAPITAL

### 19.1 Authorized capital

	December 31, 2016	December 31, 2015		December 31, 2016	December 31, 2015
	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, 2016	December 31, 2015	Ordinary shares	December 31, 2016	December 31, 2015
	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		11,450,739	11,450,739	
1,145,073,830	1,145,073,830				

Ibrahim Holdings (Private) Limited and Ibrahim Fibers Limited, related parties of the Bank, hold 965,879,110 (84.35%) and Nil [2015: Nil and 194,041,916 (16.95%)] ordinary shares of Rs. 10/- each respectively, as at reporting date.

	Note	December 31, 2016	December 31, 2015
		Rupees in '000	

## 20. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:

- operating fixed assets	20.1	6,832,802	6,890,632
- non-banking assets	20.2	1,313,080	-
- investments	20.3	18,053,478	14,397,178
Surplus on revaluation of assets - net of tax		<u>26,199,360</u>	<u>21,287,810</u>



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>20.1 Surplus on revaluation of operating fixed assets</b>			
Surplus on revaluation on operating fixed assets as at January 1, 2016		7,513,409	7,664,202
Surplus on revaluation of operating fixed assets		–	–
Surplus realised on disposal of operating fixed assets		–	(57,142)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(57,830)	(60,873)
Related deferred tax liability		(31,138)	(32,778)
	11.6	(88,968)	(93,651)
Surplus on revaluation as at December 31, 2016		7,424,441	7,513,409
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2016		(622,777)	(665,889)
Deferred tax liability on revaluation surplus of operating fixed assets		–	–
Deferred tax on surplus on disposal of operating fixed assets		–	10,334
Deferred tax on incremental depreciation transferred to profit and loss account		31,138	32,778
	12.1	(591,639)	(622,777)
		6,832,802	6,890,632
<b>20.2 Surplus on revaluation of non-banking assets</b>			
Surplus on revaluation on non-banking assets as at January 1, 2016		–	–
Surplus on revaluation of non-banking assets		1,373,016	–
Surplus realised on disposal of non-banking assets		(43,911)	–
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(1,361)	–
Related deferred tax liability		(734)	–
		(2,095)	–
Surplus on revaluation as at December 31, 2016		1,327,010	–
Less: Related deferred tax liability on :			
Revaluation surplus as at January 1, 2016		–	–
Deferred tax liability on revaluation surplus of non-banking assets		(14,903)	–
Deferred tax on surplus on disposal of non-banking assets		239	–
Deferred tax on incremental depreciation transferred to profit and loss account		734	–
	12.1	(13,930)	–
		1,313,080	–
<b>20.3 Surplus / (deficit) on revaluation of 'available-for-sale' securities</b>			
Federal Government Securities			
Market Treasury Bills		27,195	78,008
Pakistan Investment Bonds		5,214,810	6,812,917
Term Finance Certificates		16,666	1,371
Sukuk Bonds		359,452	(54,824)
Shares / Certificates - Listed		21,713,786	15,282,624
Foreign Currency Bonds (US\$)		442,673	–
Open End Mutual Funds		–	29,408
	9.1	27,774,582	22,149,504
Less : Related deferred tax liability	12.1	(9,721,104)	(7,752,326)
		18,053,478	14,397,178

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees in '000	
<b>21. CONTINGENCIES AND COMMITMENTS</b>		
<b>21.1 Direct credit substitutes</b>		
Guarantees in favor of:		
Banks and financial institutions	5,397,846	10,136,906
<b>21.2 Transaction-related contingent liabilities</b>		
Guarantees in favor of:		
Government	341,738	337,994
Others	20,555,816	18,936,699
	20,897,554	19,274,693
<b>21.3 Trade-related contingent liabilities</b>	65,473,604	63,258,242
<b>21.4 Claims against the Bank not acknowledged as debt</b>	6,815,687	4,538,697
<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, 2016	December 31, 2015
	Rupees in '000	
<b>21.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	63,017,979	64,741,951
Sale	38,469,943	51,664,798
<b>21.7 Commitments in respect of forwards</b>		
Forward sale of Federal government securities	—	3,000,000
<b>21.8 Commitments in respect of</b>		
Civil works	704,903	909,419
Acquisition of operating fixed assets	885,447	1,078,477
	1,590,350	1,987,896
<b>21.9 Commitments in respect of operating lease</b>	6,062,254	4,126,800
<b>21.10 Other Commitments</b>	61,551	43,651

## 21.11 Other Contingencies

**21.11.1** The income tax assessments of the Group have been finalized upto and including tax year 2016 for local, Azad Kashmir and Gilgit Baltistan operations. While finalizing income tax assessments upto tax year 2016, income tax authorities made certain add backs with aggregate tax impact of Rs.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.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 2015 and created an arbitrary demand of Rs. 1,439 million. The Group appeals before CIR(A)/Appellate Tribunal Inland Revenue (ATIR) are pending for adjudication. The management is confident that these appeals will be decided in favor of the Group; therefore, no provision has been made against the said demand of Rs. 1,439 million.

Tax authorities have also issued orders under Federal Excise Act, 2005/Sales Tax Act, 1990/Sindh Sales Tax on Services Act, 2011 for the year 2008 to 2014 thereby creating arbitrary aggregate demand of Rs. 890 million (2015: 633 million). The Group's appeal 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. 890 million (2015: 633 million).

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

**21.11.2** 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**

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These obligor use this product to hedge themselves from unfavorable movements in a foreign currency, however, by agreeing to fix the exchange rate, they do not benefit from favorable movements in that currency.

An FEC is a contract between the Obligor and the Bank in which both agree to exchange an amount of one currency for another currency at an agreed forward exchange rate for settlement over more than two business days after the FEC is entered into (the day on which settlement occurs is called the value date). FEC is entered with those Obligors whose credit worthiness has already been assessed, and they have underlined trade transactions.

If the relevant exchange rate moves un-favorably, Obligor will benefit from that movement because the Bank must exchange currencies at the FEC rate. In order to mitigate this risk of adverse exchange rate movement, the Bank hedges its exposure by taking opposite forward position in inter-bank FX.

### **Foreign Exchange Swaps**

A Foreign Exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "inter-bank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favorable exchange rate movement in the relevant currency pair between the time Bank enters into the transaction deal and when settlement occurs. Cancellation of the swap may also result in exposure to market movements. The key advantage of an FX swap is that it provides the Bank with protection against unfavorable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

### **Equity Futures**

An equity futures contract is a standardized contract, traded on a futures counter of the stock exchange, to buy or sell a certain underlying script at a certain date in the future, at a specified price.

The Bank uses 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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>23. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances:			
Customers		21,347,070	24,958,573
On investments in:			
Available-for-sale securities		27,447,249	23,749,747
Held-to-maturity securities		15,129,288	22,398,526
Held-for-trading securities		402,109	601,973
		42,978,646	46,750,246
On deposits with financial institutions		9,773	4,359
On securities purchased under resale agreements		147,324	361,750
On certificates of investment		–	5,393
On call money lending		63,639	16,951
On wakala lending		28,045	20,957
On mudaraba lending		21,328	–
On musharaka lending		14,332	630
		64,610,157	72,118,859
<b>24. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		23,608,093	25,854,355
Long term borrowing		240,637	380,089
Securities sold under repurchase agreements		5,022,492	6,387,054
Call money borrowing		763,764	944,757
Brokerage and commission		174,305	145,390
Mark-up on sub-ordinated loans		–	203,896
Other short term borrowings		1,534,724	2,051,381
		31,344,015	35,966,922
<b>25. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Core fees, commission and brokerage		4,369,883	3,911,404
Account maintenance charges		106,146	118,103
		4,476,029	4,029,507
<b>26. GAIN / (LOSS) ON SALE OF SECURITIES</b>			
Shares - Listed		31,323	2,709
- Unlisted		(20,374)	–
Open Ended Mutual Funds		129,636	119,346
Market Treasury Bills		(37,115)	58,520
Pakistan Investment Bonds		2,635,029	709,796
Sukuk Bonds		1,180	417
		2,739,679	890,788
<b>27. OTHER INCOME</b>			
Rent received on Bank's property		3,240	9,069
Gain on sale of operating fixed assets		36,471	25,783
Gain on sale of non-banking assets / other assets	27.1	12,104	1,658
Recovery from written off loans / others		48,445	128,372
Compensation on delayed tax refund		–	820,248
		100,260	985,130

**27.1** This includes gain / (loss) on sale of two non banking assets, amounting to Rs. 2.446 million and Rs. (18.440) million respectively.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	28.1	10,761,294	9,864,279
Charge for defined benefit plan - net	28.1 & 34	137,631	(2,558)
Contribution to defined contribution plan - provident fund		276,440	262,422
Non-executive directors' fees, allowances and other expenses		14,700	10,400
Rent, taxes, insurance, electricity, etc.		2,499,332	2,134,130
Legal and professional charges		107,714	99,306
Communications		364,229	365,422
Repairs and maintenance		539,429	522,927
Stationery and printing		231,845	215,956
Advertisement and publicity		550,636	368,831
Auditors' remuneration	28.2	17,357	16,220
Depreciation / Amortization	11.2 & 11.3	2,202,869	2,016,240
Depreciation - Islamic financing and related assets		13,431	1,701
Security service charges		1,180,029	1,010,206
Travelling, conveyance and fuel expenses		198,758	187,680
Entertainment		146,425	170,995
Computer expenses		1,129,657	885,636
Subscription		184,600	168,576
Donations	28.3	41,878	139,154
Others	28.4	21,010	26,593
		<u>20,619,264</u>	<u>18,464,116</u>

**28.1** The Bank announced the Voluntary Retirement Scheme (VRS) for its employees. Seventy eight (78) employees (2015: 103) of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 157 million (2015: Rs. 313 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>28.2 Auditors' remuneration</b>		
Annual audit	6,150	6,150
Annual audit overseas business unit*	1,535	1,216
Half year review	2,435	2,435
Special certifications and miscellaneous services	4,972	4,894
Sales tax	1,210	–
Out-of-pocket expenses	1,055	1,525
	<u>17,357</u>	<u>16,220</u>

\*This includes audit fee amounting to Bahraini Dinar 4,250 (2015: 4,250) relating to Wholesale Bahrain Branch.

**28.3** None of the directors, executives and their spouses had any interest in the donees, except Dr. Muhammad Akram Sheikh (Independent Director) is director in Quality School Foundation.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
Acumen Fund Pakistan		10,000	–
Agha Khan Hospital & Medical College Foundation		1,000	–
Al Mawrid		–	500
Altaf Mahmood Foundation		500	–
Anjuman Hirayat-i-Islam	28.3.1	4,900	4,928
Bakhtawar Amin Memorial Trust Hospital		1,000	4,000
Benazir Shaheed Anf Matrec Fund		–	2,500
Deaf and Dumb Welfare Association		5,763	–
DHQ Teaching Hospital Sargodha		1,375	1,000
Fatimid Foundation		–	196
Fountain House Mental Health Association (MHA)		500	–
Friends of Punjab Institute of Cardiology		–	10,000
International Islamic University		4,000	–
Karachi School of Business and Leadership		–	25,000
Lahore Businessmen Association for Rehabilitation of the Disabled		–	500
Liver Foundation Trust		–	1,000
Markaz-e-Umeed		500	450
Muhammad Usman Zafar (Surgical Treatment in United Kingdom for Cerebral Diplegia)		1,000	–
Namal Education Foundation		–	30,000
National Management Foundation (LUMS)		–	30,000
National University of Science and Technology		–	10,000
Nishtar Hospital Multan		–	200
Progressive Education Network		–	1,000
Quality Schools Foundation		10,000	–
Shaukat Khanum Memorial Cancer Hospital & Research Centre		–	1,500
Solar Pumps for People of Tharparkar (Schneider Electric)		–	13,380
Sundas Foundation		–	500
Tamir Welfare Organization		1,000	2,000
Vocational Training Institute (VTI), Chiniot		340	–
Zubair Ibrahim Siddiqui (Student)		–	500
		<b>41,878</b>	<b>139,154</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. 20.264 million (2015: Rs. 21.748 million).

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>29. OTHER CHARGES</b>		
Penalties imposed by SBP	437	39,517
Penalties imposed by other regulatory authorities	–	170
Workers' welfare fund	486,877	515,623
Education cess	29,610	16,920
Depreciation - non-banking assets	19,696	–
Other assets written off	51	387
	<b>536,671</b>	<b>572,617</b>



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>30. TAXATION</b>			
Current - for the year		8,574,615	8,430,000
- for prior years	30.1	949,657	1,461,091
		9,524,272	9,891,091
Deferred - current		(46,542)	570,215
		9,477,730	10,461,306

**30.1** The amount represents super tax levied on taxable income of the Bank for tax year 2016 vide Finance Act, 2016 (2015: for the tax year 2015 vide Finance Act, 2015).

	December 31, 2016	December 31, 2015
Rupees in '000		
<b>30.2 Relationship between tax expense and accounting profit</b>		
Accounting profit for the year	24,177,866	25,775,581
Tax on income @ 35% * (2015: 35%)	8,462,253	9,013,287
Effect of permanent differences	(2,711)	(1,660)
Adjustments in respect of tax at reduced rates	–	(9,717)
Prior year charge	949,657	1,461,091
Others	68,531	(1,695)
Tax charge for the year	9,477,730	10,461,306

\* Rate of tax for subsidiary is 31% (2015: 32%)

## **31. EARNINGS PER SHARE - BASIC AND DILUTED**

Profit after taxation	14,700,136	15,314,275
Number of Shares		
Weighted average number of ordinary shares outstanding during the year	1,145,073,803	1,145,073,830
Rupees		
Earnings per share - basic and diluted	12.84	13.37
There is no dilution effect on basic earnings per share.		

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	73,203,767	56,711,623
Balances with other banks	7	679,938	4,077,613
Overdrawn nostro accounts	16.2	(63,459)	(101,868)
		73,820,246	60,687,368

		Numbers	
<b>33. STAFF STRENGTH</b>			
Permanent		10,582	9,898
Temporary / on contractual basis / trainee		286	203
Bank's own staff strength at the end of the year		10,868	10,101
Outsourced	33.1	295	249
Total staff strength		11,163	10,350
Average number of employees		10,757	10,272

**33.1** This excludes outsourced security guards, janitorial and tea service staff.

# Notes to the Consolidated Financial Statements

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## 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, 2016	December 31, 2015
	Numbers	

### 34.2 Number of Employees under the schemes

The number of employees covered under the following defined benefit schemes / plans are:		
- Gratuity fund	10,715	9,994
- Pension fund	1,262	3,248
- Benevolent fund	95	113
- Employees' compensated absences	10,927	9,920
- Post retirement medical benefits	10,430	9,795

### 34.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2016 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2016	December 31, 2015
<b>Withdrawal rate</b>			
Gratuity fund		High	High
Pension fund		Low	Low
Benevolent fund		High	High
Employees' compensated absences		High	High
Post retirement medical benefits		High	High
<b>Mortality rate</b>			
		Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005
<b>Discount rate</b>			
	Yield on investments in Government Bonds	8.00%	9.00%
<b>Expected rate of return on plan assets</b>			
Pension fund	Yield on investments in Government Bonds	8.00%	9.00%
Gratuity fund	Yield on investments in Government Bonds	8.00%	9.00%
Benevolent fund	Yield on investments in Government Bonds	8.00%	9.00%
<b>Expected rate of salary increase</b>			
	Rate of salary increase	6.00%	7.00%

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.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

		Note	December 31, 2016				
			Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
			Rupees in '000				
34.4	Reconciliation of (receivable from) / payable to defined benefit plans / other long term benefits						
	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
		Note	December 31, 2015				
			Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
			Rupees in '000				
	Present value of defined benefit obligations	34.6	1,971,233	2,043,833	12,355	1,217,945	763,257
	Fair value of plan's / scheme's assets	34.7	(5,770,403)	(1,482,378)	(205,166)	–	–
	Net (asset) / liability		(3,799,170)	561,455	(192,811)	1,217,945	763,257
	Benefit of the surplus not available to the Bank		–	–	96,405	–	–
	Net (asset) / liability		(3,799,170)	561,455	(96,406)	1,217,945	763,257
		Note	December 31, 2016				
			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		(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 (income) / losses		(487,451)	(62,336)	7,643	97,990	–
	Contribution to the fund / benefits paid		–	(522,879)	–	(142,838)	(187,513)
	Closing balance		(4,614,727)	255,291	(106,116)	1,298,380	700,997
		Note	December 31, 2015				
			Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
			Rupees in '000				
	Opening balance		(4,374,701)	(2,369)	(93,496)	970,059	757,179
	(Reversal) / charge for the year	34.9	(431,801)	227,106	(21,037)	135,634	227,684
	Other comprehensive income		1,007,332	336,718	18,127	243,935	–
	Contribution to the fund / benefits paid		–	–	–	(131,683)	(221,606)
	Closing balance		(3,799,170)	561,455	(96,406)	1,217,945	763,257

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

December 31, 2016					
	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	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 losses / (gains)	172,722	(36,036)	(931)	97,990	(11,662)
Closing balance	2,001,618	2,285,523	8,776	1,298,380	700,997

December 31, 2015					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Opening balance	2,877,345	1,725,573	10,469	970,060	757,179
Current service cost	–	218,049	–	28,613	42,892
Interest cost	246,854	179,694	983	101,724	73,909
Benefits paid	(1,366,171)	(256,589)	(3,473)	(131,683)	(221,606)
VRS loss	60,353	9,323	–	5,296	65,171
Actuarial losses	152,852	167,783	4,376	243,935	45,712
Closing balance	1,971,233	2,043,833	12,355	1,217,945	763,257

December 31, 2016					
	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	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 gains	660,173	26,301	1,136	–	–
Closing balance	6,616,345	2,030,232	221,007	–	–

December 31, 2015					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Opening balance	7,252,046	1,727,942	197,461	–	–
Expected return on plan assets	739,008	179,960	22,019	–	–
Bank's contribution	–	–	–	–	–
Benefits paid	(1,366,171)	(256,589)	(3,473)	–	–
Actuarial (losses)	(854,480)	(168,935)	(10,841)	–	–
Closing balance	5,770,403	1,482,378	205,166	–	–

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

		December 31, 2016				
		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	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, 2015				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
	Equity securities	3,094,940	574,514	26,134	–	–
	Cash and cash equivalents	2,675,463	907,864	179,032	–	–
		<u>5,770,403</u>	<u>1,482,378</u>	<u>205,166</u>	<u>–</u>	<u>–</u>
	Fair value of Bank's financial instruments included in plan assets					
	Shares of ABL	3,094,940	574,514	26,134	–	–
	Term deposit receipts	2,409,698	873,644	164,716	–	–
	Bank balances with ABL	265,765	34,220	14,316	–	–
		<u>5,770,403</u>	<u>1,482,378</u>	<u>205,166</u>	<u>–</u>	<u>–</u>
		December 31, 2016				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
<b>34.9</b>	<b>Charge for defined benefit plan</b>					
	Current service cost	–	258,156	–	25,602	39,043
	Interest cost	–	14,048	–	103,187	68,535
	Net interest	(341,926)	–	(17,353)	–	–
	Actuarial (gains) / losses recognised	–	–	–	–	(11,662)
	VRS loss / (gain)	13,820	6,847	–	(3,506)	29,337
		<u>(328,106)</u>	<u>279,051</u>	<u>(17,353)</u>	<u>125,283</u>	<u>125,253</u>
		December 31, 2015				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
		Rupees in '000				
	Current service cost	–	218,049	–	28,614	42,894
	Interest cost	–	–	–	101,724	–
	Net interest	(492,154)	(266)	(21,037)	–	73,907
	Actuarial (gains) / losses recognised	–	–	–	–	45,712
	VRS Loss	60,353	9,323	–	5,296	65,171
		<u>(431,801)</u>	<u>227,106</u>	<u>(21,037)</u>	<u>135,634</u>	<u>227,684</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

December 31, 2016					
	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	(172,722)	36,035	931	(97,990)	–
Actuarial gain on assets	660,173	26,301	1,136	–	–
Asset ceiling adjustment			(9,710)	–	
Actuarial gain / (losses) in OCI	487,451	62,336	(7,643)	(97,990)	–
December 31, 2015					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Actuarial (loss) / gain on obligations	(152,852)	(167,783)	4,376	(243,935)	–
Actuarial (loss) / gain on assets	(854,480)	(168,935)	10,841	–	–
Asset ceiling adjustment	–	–	2,910	–	–
Actuarial (losses) / gain in OCI	(1,007,332)	(336,718)	18,127	(243,935)	–
December 31, 2016      December 31, 2015					
Rupees in '000					
<b>34.11 Actual return on plan assets</b>					
- Pension fund			1,165,145	(115,472)	
- Gratuity fund			188,824	11,025	
- Benevolent fund			19,439	11,178	
<b>34.12 Five year data of defined benefit plan and experience adjustments</b>					
Pension fund					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	2,001,618	1,971,233	2,877,345	2,810,086	2,873,602
Fair value of plan assets	(6,616,345)	(5,770,403)	(7,252,046)	(6,591,550)	(5,993,598)
(Surplus)	(4,614,727)	(3,799,170)	(4,374,701)	(3,781,464)	(3,119,996)
Experience adjustments on plan obligations / assets					
Actuarial (losses) / gains on obligation	(172,722)	(152,852)	(316,213)	(25,739)	1,319,665
Actuarial gains / (losses) on assets	660,173	(854,480)	478,030	340,760	(137,618)
Gratuity fund					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	2,285,523	2,043,833	1,725,573	1,486,417	1,384,215
Fair value of plan assets	(2,030,232)	(1,482,378)	(1,727,942)	(1,438,351)	(1,082,001)
Deficit / (surplus)	255,291	561,455	(2,369)	48,066	302,214
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	36,036	(167,783)	(93,984)	92,014	(58,334)
Actuarial gains / (losses) on assets	26,301	(168,935)	137,284	155,526	(3,400)



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Benevolent fund					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	8,776	12,355	10,469	10,894	12,992
Fair value of plan assets	(221,007)	(205,166)	(197,461)	(174,403)	(161,107)
(Surplus)	(212,231)	(192,811)	(186,992)	(163,509)	(148,115)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	931	(4,376)	(2,203)	(6,973)	(7,777)
Actuarial gains / (losses) on assets	1,136	(10,841)	5,247	4,593	(4,757)
Post retirement medical					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	1,298,380	1,217,945	970,060	951,480	1,381,400
Fair value of plan assets	–	–	–	–	–
Deficit	1,298,380	1,217,945	970,060	951,480	1,381,400
Experience adjustments on plan obligations					
Actuarial (losses) / gains on obligation	(97,990)	(243,936)	(21,931)	483,192	376,000
Employees' Compensated absences					
	2016	2015	2014	2013	2012
Rupees in '000					
Present value of defined benefit obligation	700,997	763,257	755,785	820,067	1,020,459
Fair value of plan assets	–	–	–	–	–
Deficit	700,997	763,257	755,785	820,067	1,020,459
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	11,662	(45,712)	(47,308)	186,066	(39,331)

### 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, 2017 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employees' compensated absences
Rupees in '000					
Expected (reversal) / charge for the next year	(369,178)	300,576	(16,978)	133,053	93,615

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	2,147,951	1,873,702	–	–	2,002,219	2,001,018	2,009,625	1,993,612
Gratuity fund	2,143,631	2,446,423	2,458,680	2,130,471	2,285,524	2,285,524	2,285,524	2,285,524
Benevolent fund	8,213	9,420	–	–	–	–	8,807	8,737
Post retirement medical	1,298,380	1,212,381	1,396,039	1,354,108	1,298,380	1,298,380	1,298,380	1,298,380
Leave compensated absences	660,611	742,113	746,023	656,473	691,845	706,385	700,952	696,973

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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.

### 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 Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

	Note	December 31, 2016	December 31, 2015
Rupees in '000			
<b>35.1 Employee provident fund</b>			
Size of the fund		7,846,302	6,895,392
Investments made (cost)	35.2	6,257,476	5,447,670
Percentage of investment made		80.67%	85.28%
Fair value of investment		7,756,913	6,387,425
<b>35.2 Breakup of investment</b>			
Investment in shares (Listed securities)		1,435,991	1,473,299
Market Treasury bills		4,475,025	–
Pakistan investment bonds		289,807	3,953,919
Open ended mutual funds		56,653	20,452
		<u>6,257,476</u>	<u>5,447,670</u>
<b>35.3 Number of employees - Employees provident fund</b>		<b>Number</b>	
Number of employees at the end of the year		<u>9,521</u>	<u>8,759</u>
Average number of employees during the year		<u>9,455</u>	<u>8,830</u>

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	Note	President / Chief Executive		Non-Executive Directors		Executive	
		2016	2015	2016	2015	2016	2015
Rupees in '000							
36.	COMPENSATION OF DIRECTORS AND EXECUTIVES						
Fees	36.1	–	–	14,700	10,400	–	–
Managerial remuneration		13,519	12,242	–	–	1,356,942	1,278,315
Charge for defined benefit plans		4,922	6,063	–	–	191,929	195,542
Contribution to defined contribution plan		1,126	1,020	–	–	112,519	104,179
Rent and house maintenance		8,128	7,322	–	–	714,313	597,658
Utilities		2,526	1,644	–	–	259,039	233,545
Medical		2,526	1,644	–	–	280,775	249,684
Bonus		22,000	19,000	–	–	563,114	532,446
Conveyance and others		3,390	3,354	–	–	769,395	623,383
		58,137	52,289	14,700	10,400	4,248,026	3,814,752
Number of persons		1	1	11	7	1,415	1,320

**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.

## 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 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 for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 41.2.4 and 41.3 respectively

In the opinion of the management, the fair value 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 is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of land and building and non-banking assets.

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	December 31, 2016				December 31, 2015			
	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

Pakistan Investment Bonds	-	101,819	-	101,819	-	-	-	-
Units of open-ended mutual funds	1,520,077	-	-	1,520,077	1,236,023	-	-	1,236,023
Sukuk Bonds	-	40,347	-	40,347	-	20,026	-	20,026
	1,520,077	142,166	-	1,662,243	1,236,023	20,026	-	1,256,049

##### Available-for-sale securities

Market Treasury Bills	-	226,247,239	-	226,247,239	-	138,608,982	-	138,608,982
Pakistan Investment Bonds	-	203,520,070	-	203,520,070	-	161,522,543	-	161,522,543
Ordinary shares of listed companies / certificates of close-ended mutual funds	42,084,599	-	-	42,084,599	34,750,284	-	-	34,750,284
Ordinary shares of unlisted companies	-	-	3,435,841	3,435,841	-	-	3,383,990	3,383,990
Pre IPO shares	-	-	12,240	12,240	-	-	-	-
Units of open Ended Mutual Funds	-	-	-	-	314,407	-	-	314,407
Sukuk Bonds	-	13,306,369	5,151,607	18,457,976	-	6,004,645	1,933,779	7,938,424
Foreign Currency Bonds (US\$)	-	5,177,620	-	5,177,620	-	-	-	-
Term Finance Certificates	-	2,353,869	2,003,063	4,356,932	-	2,407,127	1,773,250	4,180,377
	42,084,599	450,605,167	10,602,751	503,292,517	35,064,691	308,543,297	7,091,019	350,699,007

#### Non - financial assets measured at fair value

Operating fixed assets	-	22,914,819	-	22,914,819	-	20,961,288	-	20,961,288
Non-banking assets	-	3,476,351	-	3,476,351	-	-	-	-

### Off balance sheet financial instruments

Foreign exchange contracts - Purchase	-	63,017,979	-	63,017,979	-	64,741,951	-	64,741,951
Foreign exchange contracts - Sale	-	38,469,943	-	38,469,943	-	51,664,798	-	51,664,798

The valuation techniques used for above assets are same as disclosed in note 5.1, 5.4, 5.6 & 5.14.2 of these financial statements.

	December 31, 2016		December 31, 2015
	Level 2	Level 3	Level 3

Rupees in '000

### 37.1.1 Reconciliation of Investments measured at Fair value

Opening balance	445,931,360	7,091,019	6,704,303
Total gains or losses for the period:			
Included in profit or loss	(393,641)	(37,097)	(17,530)
Included in other comprehensive income	(7,053)	-	-
Purchases	638,872,448	4,523,735	796,668
Settlements	(505,776,689)	(974,906)	(392,422)
Closing balance	578,626,425	10,602,751	7,091,019

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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, 2016							
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commerical and Retail Banking	Other	Asset Management	Eliminations	Total
Rupees in '000							
Total income	25,948,197	44,557,783	40,152,828	115,275	672,564	(34,967,557)	76,479,090
Total expenses	(21,585,449)	(34,210,387)	(37,706,792)	(2,844,405)	(399,478)	34,967,557	(61,778,954)
Net income / (loss)	4,362,748	10,347,396	2,446,036	(2,729,130)	273,086	–	14,700,136
Segment assets (gross)	369,840,034	572,327,816	822,485,323	138,227,090	1,952,208	(811,310,746)	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	365,607,393	572,327,815	820,893,275	20,900,530	310,664	(810,810,746)	969,228,931
Segment return on net assets (ROA) (%)**	6.04%	8.64%	5.26%	0.00%	13.93%	–	–
Segment cost of funds (%)**	5.27%	5.25%	3.27%	0.00%	0%	–	–

For the year ended December 31, 2015							
	Corporate & Investment Banking	Trading & Sale (Treasury)	Commerical and Retail Banking	Other	Asset Management	Eliminations	Total
Rupees in '000							
Total income	28,125,085	47,517,280	47,855,416	1,139,823	568,229	(42,777,491)	82,428,342
Total expenses	(25,374,842)	(37,245,174)	(41,988,788)	(4,908,493)	(374,261)	42,777,491	(67,114,067)
Net income / (loss)	2,750,243	10,272,106	5,866,628	(3,768,670)	193,968	–	15,314,275
Segment assets (gross)	349,489,547	534,519,724	756,966,003	77,120,606	1,625,730	(703,532,689)	1,016,188,921
Segment non performing loans	5,604,536	–	1,966,276	14,332,917	–	–	21,903,729
Segment provision required	3,637,147	–	1,225,672	14,301,447	–	–	19,164,266
Segment liabilities	340,228,443	510,302,867	745,402,700	9,455,739	257,272	(703,032,689)	902,614,332
Segment return on net assets (ROA) (%)**	8.60%	10.45%	7.01%	–	11.93%	–	–
Segment cost of funds (%)**	7.39%	6.31%	3.95%	–	0.00%	–	–

\* The Group has revised the composition of its reportable segments, which is in line with the management reporting structure. Accordingly the comparative segment information has been restated. This change shall have no impact on the Group's overall Profit and Loss Account & Statement of Financial Position.

\*\* 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 relationship with its parent, companies with common directors, employees 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 Consolidated Financial Statements

for the year ended December 31, 2016

Nature of related party transactions	December 31, 2016					December 31, 2015				
	Parent	Directors	Associated Companies*	Key management personnel	Other related parties	Parent	Directors	Associated Companies*	Key management personnel	Other related parties
Rupees in '000										
Loans										
Loans at the beginning of the period / year	-	36,637	1,777,473	276,413	5,379,463	-	47,285	1,985	217,707	134
Loans given during the period / year	-	27,681	5,651,902	80,198	71,307,904	-	32,675	2,187,167	165,744	96,289,134
Loans repaid / adjustment during the period / year	-	(40,181)	(3,043,785)	(103,195)	(58,695,453)	-	(43,323)	(411,679)	(107,038)	(90,909,805)
Loans at the end of the period / year	-	24,137	4,385,590	253,416	17,991,914	-	36,637	1,777,473	276,413	5,379,463
Deposits										
Deposits at the beginning of the period / year	-	40,868	102,902	22,837	9,572,394	-	34,696	25,497	92,933	6,853,139
Deposits received during the period / year	654	5,505,258	10,566,219	406,290	94,959,435	-	5,060,426	11,448,550	303,540	101,649,234
Deposits repaid during the period / year	(251)	(5,492,949)	(10,410,847)	(387,022)	(91,282,269)	-	(5,054,254)	(11,371,145)	(373,636)	(98,929,979)
Deposits at the end of the period / year	403	53,177	258,274	42,105	13,249,560	-	40,868	102,902	22,837	9,572,394
Nostro Balances	-	-	35,968	-	-	-	-	41,303	-	-
Investment in shares / open end mutual funds	-	-	4,790,874	-	5,445,403	-	-	4,790,874	-	5,857,283
Other Receivable	-	6,363	37,246	81,029	513,103	-	5,058	44,486	63,147	263,339
Net receivable from Staff retirement benefit funds	-	-	-	-	4,419,506	-	-	-	-	4,741,357
Non funded exposure	-	-	550	-	17,421	-	-	1,265,000	-	1,951
Nature of related party transactions	December 31, 2016					December 31, 2015				
	Parent	Directors	Associated Companies*	Key management personnel	Other related parties	Parent	Directors	Associated Companies*	Key management personnel	Other related parties
Rupees in '000										
Mark-up earned on Loans	-	1,535	232,676	16,258	806,191	-	2,214	263,800	15,137	416,050
Dividend Income	-	-	1,400,000	-	795,022	-	-	1,064,000	-	909,918
Capital Gain / (Loss)	-	-	-	-	25,362	-	-	-	-	77,875
Sales commission / management fee sharing	-	-	-	-	11,597	-	-	-	-	13,274
Fee commission / bank charges	-	36	1,969	76	413	-	33	2,413	71	558
Management fee income	-	-	-	-	403,128	-	-	-	-	412,495
Other Income**	-	-	3,709	-	180	-	-	1,420	-	-
Mark-up expense on Deposits	-	1,259	10,569	553	369,984	-	1,041	851	274	366,770
Directors meeting fee	-	14,700	-	-	-	-	10,400	-	-	-
Remuneration	-	58,137	-	369,445	-	-	44,194	-	307,736	-
Other charges ***	-	-	11,368	-	93,898	-	-	56,716	-	97,912
Rent Expense****	-	-	25,648	-	-	-	-	23,860	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	189,366	-	-	-	-	(32,986)

Balances held with related parties, outstanding at the end of the current year and transactions made during the year are included in notes 7.1, 9.1, 9.4-9.6, 9.9, 10.8, 16.10, 19.2, 34 and 36 to these consolidated financial statements.

\* Associated companies are on the basis of common directorship.

\*\* Other income include rental income from two offices located at ISE Towers rented out to associated company (Ibrahim Fibers Limited ) at market value and with prior permission of State Bank of Pakistan.

\*\*\* Other charges with Other related parties include payments to NIFT amounting to Rs. 89.2 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.

\*\*\*\* Rent Free ATMs are placed at Ibrahim Fibers Limited (Textile Mills) and Ibrahim Fibers Limited (Polyester Plant).

During the period ended December 31, 2016; Movable assets, were disposed off for Rs. 41,000 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, 2016

## 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) 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 Advances Stress Testing assesses overall capital adequacy on a periodic basis in relation to Bank's risk profile. Utilizing sensitivity and stress analysis techniques, bank assess 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 10.65% on standalone as well as on consolidated basis till December 31, 2016. 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%	1.28%	1.90%	2.50%
<b>Total Capital plus CCB</b>	10.25%	10.65%	11.28%	11.90%	12.50%

\* Consisting of CET1 only.

The paid up capital and CAR of the Bank stands at Rs. 11.451 billion and 20.88% 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, 2016

## 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 deductions for investments in the equity of subsidiary companies engaged in banking and financial activities, reciprocal cross holdings in capital instruments of banking, financial and insurance entities and deficit on revaluation of available for sale investments etc.

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 60% as at December 31, 2016 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, 2016 is 5.17% (2015: 5.10%). The ratio has been computed as prescribed by State Bank of Pakistan through Instructions for Basel III Implementation in Pakistan.

As on December 31, 2016; Total Tier 1 capital of the Group amounts to Rs. 68,373,829 thousands (2015: Rs. 64,302,411 thousands) whereas the total exposure measure amounts to Rs. 1,323,107,729 thousands (2015: Rs. 1,261,781,437 thousands).

Shift in leverage ratio is mainly due to decrease in off balance sheet exposure i.e. decrease in securities given as collateral, unconditionally cancellable commitments & commitments in respect of derivatives.

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for the year ended December 31, 2016

Detail of the Bank's eligible capital (on an consolidated basis) is as follows:

		December 31, 2016	December 31, 2015
		Rupees in '000	
<b>40.2 CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2016</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		16,475,798	15,033,093
Gain/(Losses) on derivatives held as Cash Flow Hedge		–	
Unappropriated/unremitted profits/ (losses)		47,631,788	42,284,340
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>		<b>75,558,325</b>	<b>68,768,172</b>
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>			
<b>Total regulatory adjustments applied to CET1 (Note 40.2.1)</b>		<b>(7,184,496)</b>	<b>(4,465,761)</b>
<b>Common Equity Tier 1</b>	<b>a</b>	<b>68,373,829</b>	<b>64,302,411</b>
<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>–</b>	<b>–</b>
<b>Total regulatory adjustment applied to AT1 capital (Note 40.2.2)</b>		<b>–</b>	<b>–</b>
<b>Additional Tier 1 capital after regulatory adjustments</b>		<b>–</b>	<b>–</b>
<b>Additional Tier 1 capital recognized for capital adequacy</b>	<b>b</b>	<b>–</b>	<b>–</b>
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>(c=a+b)</b>	<b>68,373,829</b>	<b>64,302,411</b>
<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		63,309	71,489
Revaluation Reserves		19,411,299	14,262,832
of which: Revaluation reserves on Property		5,329,586	4,616,723
of which: Unrealized Gains/Losses on AFS		14,081,713	9,646,109
Foreign Exchange Translation Reserves		57,687	68,933
Undisclosed/Other Reserves (if any)		–	–
<b>T2 before regulatory adjustments</b>		<b>19,532,295</b>	<b>14,403,254</b>
<b>Total regulatory adjustment applied to T2 capital (Note 40.2.3)</b>		<b>(1,172,272)</b>	<b>(232,168)</b>
Tier 2 capital (T2) after regulatory adjustments		18,360,022	14,171,086
Tier 2 capital recognized for capital adequacy		18,360,022	14,171,086
Portion of Additional Tier 1 capital recognized in Tier 2 capital		–	–
<b>Total Tier 2 capital admissible for capital adequacy</b>	<b>(d)</b>	<b>18,360,022</b>	<b>14,171,086</b>
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>(e=c+d)</b>	<b>86,733,851</b>	<b>78,473,497</b>
<b>Total Risk Weighted Assets</b>	<b>(f)</b>	<b>415,395,823</b>	<b>373,749,213</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>			
CET1 to total RWA	<b>(a/f)</b>	<b>16.46%</b>	<b>17.20%</b>
Tier-1 capital to total RWA	<b>(c/f)</b>	<b>16.46%</b>	<b>17.20%</b>
Total capital to RWA	<b>(e/f)</b>	<b>20.88%</b>	<b>21.00%</b>

# Notes to the Consolidated Financial Statements

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	December 31, 2016	December 31, 2015
	Rupees in '000	
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	6.65%	6.25%
of which: capital conservation buffer requirement	0.65%	0.25%
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)	9.81%	10.95%
<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 plus CCB	10.65%	10.25%

Regulatory Adjustments and Additional Information	December 31, 2016		December 31, 2015	
	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)	(1,357,330)		(983,382)	
3	Shortfall in provisions against classified assets	(936,149)		(1,273,406)	
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	(2,768,836)	(1,845,891)	(1,519,668)	(2,279,502)
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	(694,412)		(495,479)	
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)	(1,357,324)	(904,883)	(193,826)	(290,739)
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)	(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>(7,184,496)</b>	<b>—</b>	<b>(4,465,761)</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, 2016

Regulatory Adjustments and Additional Information		December 31, 2016		December 31, 2015	
		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)	-	-	-	-
40.2.3	Tier 2 Capital: regulatory adjustments				
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-	-
33	Investment in own Tier 2 capital instrument	-	-	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	(1,172,272)	(781,515)	(232,168)	(348,252)
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)	(1,172,272)	-	(232,168)	-
		Note	December 31, 2016	December 31, 2015	
			Rupees in '000		
40.2.4	Additional Information				
Risk Weighted Assets subject to pre-Basel III treatment					
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	40.5	290,167,580	265,645,829	
(i)	of which: deferred tax assets				
(ii)	of which: Defined benefit pension fund net assets		1,845,891	2,279,502	
(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		-	-	
Amounts below the thresholds for deduction (before risk weighting)					
38	Non-significant investments in the capital of other financial entities		11,011,566	7,286,658	
39	Significant investments in the common stock of financial entities		1,075,653	1,077,180	
40	Deferred tax assets arising from temporary differences (net of related tax liability)		-	-	
Applicable caps on the inclusion of provisions in Tier 2					
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		63,309	71,489	
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, 2016

		Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2016	Reference
		Rupees in '000		
<b>40.3</b>	<b>Capital Structure Reconciliation</b>			
<b>40.3.1</b>	<b>Step 1</b>			
	<b>Assets</b>			
	Cash and balances with treasury banks	73,203,767	73,203,767	
	Balances with other banks	679,938	679,938	
	Lendings to financial institutions	10,512,752	10,512,752	
	Investments	590,924,972	590,924,972	
	Advances	330,271,881	330,271,881	
	Operating fixed assets	32,783,340	32,783,340	
	Deferred tax assets	—	—	
	Other assets	32,667,653	32,667,653	
	<b>Total assets</b>	<b>1,071,044,303</b>	<b>1,071,044,303</b>	
	<b>Liabilities &amp; Equity</b>			
	Bills payable	9,848,795	9,848,795	
	Borrowings	126,368,875	126,368,875	
	Deposits and other accounts	805,090,074	805,090,074	
	Sub-ordinated loans	—	—	
	Liabilities against assets subject to finance lease	—	—	
	Deferred tax liabilities	11,001,128	11,001,128	
	Other liabilities	16,920,059	16,920,059	
	<b>Total liabilities</b>	<b>969,228,931</b>	<b>969,228,931</b>	
	Share capital/ Head office capital account	11,450,739	11,450,739	
	Reserves	16,533,485	16,533,485	
	Unappropriated/ Unremitted profit/ (losses)	47,631,788	47,631,788	
	Minority Interest	—	—	
	Surplus on revaluation of assets	26,199,360	26,199,360	
	<b>Total equity</b>	<b>101,851,372</b>	<b>101,851,372</b>	
	<b>Total liabilities &amp; equity</b>	<b>1,071,044,303</b>	<b>1,071,044,303</b>	
<b>40.3.2</b>	<b>Step 2</b>			
	<b>Assets</b>			
	Cash and balances with treasury banks	73,203,767	73,203,767	
	Balanced with other banks	679,938	679,938	
	Lending to financial institutions	10,512,752	10,512,752	
	Investments	590,924,972	590,924,972	
	of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold		2,529,597	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		694,412	d
	of which :Reciprocal cross holdings in Tier2			e
	of which: others (mention details)			f
	Advances	330,271,881	330,271,881	
	shortfall in provisions / excess of total EL amount over eligible provisions under IRB"		936,149	g
	general provisions reflected in Tier 2 capital		63,309	h
	Fixed Assets	32,783,340	32,783,340	
	of which: Intangibles		1,369,507	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	32,667,653	32,667,653	
	of which: Goodwill			l
	of which: Defined-benefit pension fund net assets		4,614,727	m
	<b>Total assets</b>	<b>1,071,044,303</b>	<b>1,071,044,303</b>	



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Balance sheet as in published financial statements	Under regulatory scope of consolidation December 31, 2016	Reference
	Rupees in '000		
<b>Liabilities &amp; Equity</b>			
Bills payable	9,848,795	9,848,795	
Borrowings	126,368,875	126,368,875	
Deposits and other accounts	805,090,074	805,090,074	
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	11,001,128	11,001,128	
of which: DTLs related to goodwill			p
of which: DTLs related to intangible assets		12,177	q
of which: DTLs related to defined pension fund net assets			r
of which: other deferred tax liabilities			s
Other liabilities	16,920,059	16,920,059	
<b>Total liabilities</b>	<b>969,228,931</b>	<b>969,228,931</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	16,533,485	16,533,485	
of which: portion eligible for inclusion in CET1: Share Premium			v
of which: portion eligible for inclusion in CET1 General / Statutory Reserve		16,475,798	w
of which: portion eligible for inclusion in Tier 2		57,687	x
Unappropriated profit / (losses)	47,631,788	47,631,788	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	26,199,360	26,199,360	
of which: Revaluation reserves on Property		5,329,586	
of which: Unrealized Gains / Losses on AFS		14,081,713	ac
In case of Deficit on revaluation (deduction from CET1)			ad
<b>Total Equity</b>	<b>101,815,372</b>	<b>101,815,372</b>	
<b>Total liabilities &amp; Equity</b>	<b>1,071,044,303</b>	<b>1,071,044,303</b>	

	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	16,475,798	(w)
5	Gain / (losses) on derivatives held as Cash Flow Hedge		
6	Unappropriated / unremitted profits/(losses)	47,631,788	(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>75,558,325</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)	1,357,330	(i) - (q)
11	Shortfall of provisions against classified assets	936,149	(g)

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	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	2,768,836	{(m) - (r)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	694,412	(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)	1,357,324	(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)	70,445	
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)	7,184,496	
<b>Common Equity Tier 1</b>	<b>68,373,829</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 AT1)	-	(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, 2016

	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>	68,373,829	
<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	63,309	(h)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	5,329,586	portion of (ac)
54 of which: portion pertaining to AFS securities	14,081,713	
55 Foreign Exchange Translation Reserves	57,687	(x)
56 Undisclosed / Other Reserves (if any)	–	
<b>57 T2 before regulatory adjustments</b>	19,532,295	
<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)	1,172,272	(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	1,172,272	
64 Tier 2 capital (T2)	18,360,022	
65 Tier 2 capital recognized for capital adequacy	18,360,022	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	–	
67 Total Tier 2 capital admissible for capital adequacy	18,360,022	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	86,733,851	

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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 creditors including deposits
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, 2016

## 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, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees in '000			
Credit Risk				
On-Balance sheet				
Portfolios subject to standardized approach (Simple)				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1,394,048	1,237,152	13,089,649	12,069,777
Claims on Public Sector Entities in Pakistan	775,218	748,822	7,279,047	7,305,576
Claims on Banks	682,757	484,588	6,410,863	4,727,690
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	20,842	104,082	195,700	1,015,434
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	224,911	75,362	2,111,838	735,236
Claims on Corporates (excluding equity exposures)	14,587,829	13,704,759	136,974,917	133,704,970
Claims categorized as retail portfolio	974,665	971,248	9,151,781	9,475,594
Claims fully secured by residential property	270,475	236,079	2,539,676	2,303,208
Past Due loans:	85,671	393,433	804,423	3,838,367
Investments in premises, plant and equipment and all other fixed assets	3,346,870	2,858,339	31,426,012	27,886,230
All other assets	974,421	617,828	9,149,496	6,027,586
	23,337,707	21,431,692	219,133,402	209,089,668
Off- Balance Sheet				
Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	2,981,216	1,928,077	27,992,640	18,810,506
Performance related contingencies	616,547	610,093	5,789,172	5,952,122
Trade Related contingencies / Other Commitments with original maturity of one year or less	557,430	487,691	5,234,088	4,757,962
	4,155,193	3,025,860	39,015,900	29,520,590
Market related Exposures	82,354	102,870	773,275	1,003,613
Equity Exposure Risk in the Banking Book				
Unlisted equity investments (other than that deducted from capital) held in banking book	338,688	276,027	3,180,171	2,692,949
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	2,702,512	2,064,286	25,375,699	20,139,377
Unlisted equity investments (other than that deducted from capital) held in banking book	286,393	327,962	2,689,133	3,199,632
	3,327,593	2,668,275	31,245,003	26,031,958
Total Credit Risk (A)	30,902,847	27,228,698	290,167,580	265,645,829

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	Capital Requirements		Risk Weighted Assets	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees in '000			
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	212,237	75,035	1,992,838	732,050
Equity position risk etc.	4,172,722	3,523,361	39,180,486	34,374,256
Foreign exchange risk	538,821	179,562	5,059,350	1,751,825
	4,923,780	3,777,958	46,232,674	36,858,131
OPERATIONAL RISK				
Capital Requirement for operational risks subject to Basic Indicator Approach	8,413,028	7,302,638	78,995,569	71,245,253
Total Risk Weighted Assets	44,239,655	38,309,295	415,395,823	373,749,213

	December 31, 2016		December 31, 2015	
	Required	Actual	Required	Actual
CET1 to total RWA	6.0%	16.46%	6.0%	17.20%
Tier-1 capital to total RWA	7.5%	16.46%	7.5%	17.20%
Total capital Plus CCB to total RWA	10.65%	20.88%	10.25%	21.00%

## 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 Credit, Country, Liquidity and Market Risk. Effective management of these four risks is the decisive factor in our profitability. In addition, the Bank is subject to certain consequential risks that are common to all business undertakings. These risks are grouped under two headings: Operational and Reputational Risk. The Framework is organized with reference to these five risk categories, as detailed below:

<b>Credit Risk</b>	This risk is defined as the possibility of loss due to unexpected default or deterioration in credit worthiness of a business partner.
	Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.
<b>Market Risk</b>	The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).
<b>Liquidity Risk</b>	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfill commitments to lend.
<b>Operational Risk</b>	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.
<b>Reputational Risk</b>	The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

### 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.



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

- 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). Independent supervision of risk management activities is provided by the Audit Committee.
- The Risk Management Group is headed by a Group Chief responsible to set-up and implement the Risk Framework of the Bank.

## Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Technical Appraisal and Enterprise Risk which interalia includes Risk Architecture, Operational Risk and Market & Liquidity Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

### 41.1 Credit Risk

Credit risk, the potential default of one or more debtors, is the largest 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

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 Credit Monitoring Division is responsible for monitoring of country exposure limits.

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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.

## 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 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 effect on capital adequacy. The major shocks 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 2016, the coverage ratio was 91.94% 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, 2016

	December 31, 2016					
	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

Agriculture, Forestry and Hunting	57,053,884	16.35%	51,516,375	6.40%	1,148,556	0.55%
Basic metals (iron, steel)	2,058,364	0.59%	198,042	0.02%	3,545,442	1.71%
Cement/clay & ceramics	8,505,240	2.44%	2,014,255	0.25%	9,257,056	4.46%
Chemical & pharmaceutical	22,439,833	6.43%	2,781,614	0.35%	2,900,978	1.40%
Construction	5,909,235	1.69%	16,497,076	2.05%	3,754,355	1.81%
Education	169,280	0.05%	16,949,394	2.11%	52,377	0.03%
Financial	19,162,776	5.49%	69,099,014	8.59%	106,902,094	51.46%
Fishing	-	0.00%	13,941	0.00%	-	0.00%
Footwear & leather garments	2,537,980	0.73%	817,671	0.10%	654,705	0.32%
Furniture & sports goods	1,093,602	0.31%	499,295	0.06%	66,487	0.03%
Grains, food and beverages	10,384,633	2.98%	3,066,606	0.38%	126,680	0.06%
Health & social welfare	443,584	0.13%	3,537,498	0.44%	112,318	0.05%
Hotel, restaurant & clubs	1,800,101	0.52%	526,725	0.07%	960	0.00%
Individuals	8,533,689	2.43%	327,271,613	40.65%	4,251,182	2.05%
Machinery & equipment	3,294,078	0.97%	1,116,018	0.14%	1,293,276	0.62%
Manufacture of transport equipment	227,009	0.03%	2,214,142	0.28%	32,256	0.02%
Paper & paper boards	8,345,532	2.39%	196,753	0.02%	1,293,708	0.62%
Petroleum products	18,047,811	5.17%	4,475,510	0.56%	14,999,707	7.22%
Power, gas, water & sanitary	93,157,740	26.69%	8,512,129	1.06%	13,257,499	6.38%
Printing, publishing & allied	15,399	0.00%	343,785	0.04%	39,167	0.02%
Real estate, renting, and business activities	3,094,313	0.89%	50,002,825	6.21%	-	0.00%
Rubber & plastic	539,556	0.15%	622,676	0.08%	94,776	0.05%
Sugar	4,907,382	1.41%	1,202,419	0.15%	24,448	0.01%
Textile - Manufacture of madeup & ready made garments	21,469,645	6.15%	1,867,654	0.23%	586,481	0.28%
Textile - Finishing	9,583,531	2.75%	480,997	0.06%	6,343,066	3.05%
Textile - Spinning	11,676,716	3.35%	375,782	0.05%	454,600	0.22%
Textile - Weaving	1,121,173	0.32%	29,384	0.00%	49,810	0.02%
Transport, storage & communication	9,852,656	2.82%	5,261,212	0.65%	6,386,123	3.07%
Wholesale & retail trade	11,356,159	3.27%	16,690,800	2.07%	154,438	0.07%
Others	12,274,852	3.52%	216,908,869	26.94%	29,961,991	14.41%
	<u>349,055,753</u>	<u>100.00%</u>	<u>805,090,074</u>	<u>100%</u>	<u>207,744,536</u>	<u>100.00%</u>

	December 31, 2016					
	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

Public / Government	128,652,631	36.86%	179,176,138	22.26%	30,961,197	14.90%
Private	220,403,122	63.14%	625,913,936	77.74%	176,783,339	85.10%
	<u>349,055,753</u>	<u>100.00%</u>	<u>805,090,074</u>	<u>100.00%</u>	<u>207,744,536</u>	<u>100.00%</u>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016		December 31, 2015	
	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	565,045	461,329	483,347	320,208
Basic metals (iron, steel)	276,595	263,962	279,105	245,631
Cement / clay & ceramics	75,089	75,089	148,137	91,313
Chemical & pharmaceutical	742,476	741,228	805,429	772,058
Construction	199,756	199,756	513,329	509,286
Education	184	184	237	24
Financial	72,454	72,454	72,454	72,454
Footwear & leather garments	125,404	125,404	133,889	127,525
Furniture & sports goods	230,858	230,711	254,549	252,052
Grains, food & beverages	2,082,302	1,916,022	1,598,527	1,325,250
Health & social welfare	13,857	13,857	19,032	16,247
Hotel, restaurant & clubs	7,664	7,664	7,749	7,749
Individuals	452,019	446,503	472,198	452,297
Machinery & equipment	1,233,588	1,233,588	1,367,126	1,367,126
Manufacture of transport equipment	227,009	227,009	237,847	237,847
Paper & paper boards	213,624	213,624	269,300	269,300
Petroleum products	1,904,067	967,918	2,583,005	1,304,233
Power, gas, water & sanitary	637,015	637,015	637,015	637,015
Printing, publishing & allied	11,558	11,558	16,757	14,138
Real estate, renting, and business activities	12,595	12,595	12,595	12,595
Rubber & plastic	333,813	278,477	354,269	289,991
Sugar	250,716	250,716	52,516	28,141
Textile -Manufacture of made up & ready made garments	3,103,092	3,099,772	3,481,594	3,193,588
Textile - Finishing	3,025,954	2,997,506	3,048,893	3,020,926
Textile - Spinning	1,383,501	1,374,354	1,413,434	1,413,434
Textile - Weaving	45,385	45,385	55,735	55,735
Transport, storage & communication	484,439	149,673	442,178	133,475
Wholesale & retail trade	1,267,062	1,257,189	1,562,953	1,500,805
Others	1,454,488	1,410,021	1,580,530	1,422,334
	<b>20,431,609</b>	<b>18,720,563</b>	<b>21,903,729</b>	<b>19,092,777</b>

	December 31, 2016		December 31, 2015	
	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	136,180	136,180	137,180	137,180
Private	20,295,429	18,584,383	21,766,549	18,955,597
	<b>20,431,609</b>	<b>18,720,563</b>	<b>21,903,729</b>	<b>19,092,777</b>

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

	December 31, 2016			
	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	23,314,797	1,048,639,935	99,715,337	206,358,649
Middle East	517,851	17,897,498	972,938	1,385,887
Karachi Export Processing Zone	345,218	4,506,870	1,127,097	–
	863,069	22,404,368	2,100,035	1,385,887
	24,177,866	1,071,044,303	101,815,372	207,744,536

## 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 country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.

**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, 2016

## 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 CC C	CCC CC C D

### 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	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, 2016

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	–	–	–	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	–	–	–	–	–
SME's	–	–	–	–	–
Securitizations	–	–	–	–	–
Public sector enterprises	–	–	–	Yes	Yes



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## Credit exposures subject to Standardized Approach

December 31, 2016					December 31, 2015		
Rupees in '000							
Exposures	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	54,549,163	54,656	54,494,507	40,957,253	779,810	40,177,443
	2	24,223,266	–	24,223,266	33,207,509	–	33,207,509
	3 , 4	622,183	–	622,183	–	–	–
	5 , 6	–	–	–	–	–	–
Claims on banks with original maturity of 3 months or less	–	89,458,349	78,588,422	10,869,927	103,661,483	99,542,397	4,119,086
Retail	–	14,660,758	1,532,754	13,128,004	17,304,245	4,430,035	12,874,210
Public sector entities	1	30,722,880	7,111,859	23,611,021	41,992,323	52,461	41,939,862
Others	–	771,535,360	2,940,062	768,595,298	696,945,527	–	696,945,527
Unrated	–	199,656,475	65,980,924	133,675,551	189,328,023	69,800,848	119,527,175

### 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 (HFT)', 'available-for-sale (AFS)' 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

for the year ended December 31, 2016

Composition of equity investments		
	Held-for-trading	Available-for-sale
	Rupees in '000	
Equity Investments - Publicly Traded	1,390,368	22,635,603
Equity Investments - Others	–	3,498,063
Total Value	1,390,368	26,133,666

The cumulative gain of Rs. 140.585 million (2015: 122.055 million) was realized from sale of equity securities / certificates of close ended mutual funds and units of open ended mutual funds; however unrealized gain of Rs. 21,713.786 million (2015: Rs. 15,312.031 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:

- Available-for-sale securities - (other than listed equity)
- Held-to-maturity securities

Treasury investments parked in the banking book include:

- Government securities
- Capital market investments
- 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 & T-Bills), Bonds, Debentures, etc. and other money market investments are subject to interest rate risk. To capture the risk associated with these securities, extensive modelling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

### Stress Testing

The Bank also conducts Stress Testing of the Bank's investment portfolio to ascertain the impact of various scenarios on the capital adequacy and sustainability of the Bank. The exercise assumes various stress conditions, with respect to Market Risk (Rise or Fall in Interest Rates, leading to interest rate risk), Equity Price Risk resulting from Stock Market movements, FX Rate Risk leading from adverse movements in exchange rates and Liquidity Risk (ability to meet short-term obligations if there is a run on deposits).

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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, 2016			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	1,009,355,185	884,122,226	(24,548,036)	100,684,923
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	51,293	3,150	(36,696)	11,447
	61,689,118	85,106,705	24,548,036	1,130,449
	1,071,044,303	969,228,931	–	101,815,372

	December 31, 2015			
	Assets	Liabilities	Off-balance sheet items	Net currency exposure
	Rupees in '000			
Pakistani Rupee	928,690,847	827,459,390	(13,077,154)	88,154,303
United States Dollar	62,795,634	67,581,503	6,676,947	1,891,078
Great Britain Pound	734,001	4,787,974	4,081,969	27,996
Japanese Yen	14,190	7,964	(8,726)	(2,500)
Euro	409,265	2,766,077	2,392,491	35,679
Other Currencies	95,310	11,424	(65,527)	18,359
	64,048,400	75,154,942	13,077,154	1,970,612
	992,739,247	902,614,332	–	90,124,915

## 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, 2016

## 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.

December 31, 2016										
Effective Yield/ Interest rate	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	Not exposed to Yield/ Interest Risk
Rupees in '000										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	0.00%	73,203,767	-	-	-	-	-	-	-	64,768,152
Balances with other banks		679,938	-	-	-	-	-	-	-	346,921
Lendings to financial institutions	5.07%	10,512,752	500,000	-	-	-	-	-	-	-
Investments	9.18%	590,924,972	141,750,543	16,556,423	74,462,778	111,061,010	73,945,349	8,378,159	44,180,039	2,420,904
Advances	6.70%	330,271,881	109,941,613	71,174,390	37,263,817	4,632,795	2,880,516	31,575,280	2,187,810	3,578,394
Other assets		22,759,482	-	-	-	-	-	-	-	22,759,482
		1,028,352,792	152,298,254	252,192,156	87,730,813	111,726,595	115,693,805	76,825,865	39,953,439	5,999,298
Liabilities										
Bills payable		9,848,795	-	-	-	-	-	-	-	9,848,795
Borrowings	5.22%	126,388,875	13,721,226	15,148,598	-	4,209,001	199,752	1,731,008	4,124,229	-
Deposits and other accounts	3.28%	805,090,074	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	11,645,988	1,827,624	2,081,108	4,317,587	222,551,244
On-balance sheet gap		74,017,907	(30,063,437)	32,616,704	2,831,020	(113,347,803)	74,998,241	37,872,331	42,050,262	5,999,298
Off-balance sheet financial instruments										
Commitments in respect of forward exchange contracts - purchase										
		63,017,979	20,680,281	21,891,192	20,127,299	319,207	-	-	-	-
Commitments in respect of forward exchange contracts - sale										
		(38,469,943)	(15,855,348)	(14,653,980)	(7,766,880)	(193,735)	-	-	-	-
Off-balance sheet gap		24,548,036	4,824,933	7,237,212	12,360,419	125,472	-	-	-	-
Total yield / interest risk sensitivity gap		98,565,943	(25,238,504)	39,853,916	15,191,439	(113,222,331)	104,047,817	74,998,241	42,050,262	5,999,298
Cumulative yield / interest risk sensitivity gap		98,565,943	(25,238,504)	14,615,412	29,806,851	(83,415,480)	20,632,337	95,630,578	133,502,909	175,553,171
										181,552,469

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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.

December 31, 2015													
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk								Not 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 years to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Above 10 years	
													Rupees in '000
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.00%	56,711,623	8,059,663	-	-	-	-	-	-	-	-	-	48,651,960
Balances with other banks		4,077,613	1,620,231	-	-	-	-	-	-	-	-	-	2,457,382
Lendings to financial institutions	6.03%	3,356,091	3,356,091	-	-	-	-	-	-	-	-	-	-
Investments	10.39%	545,105,538	16,865,298	33,626,699	3,178,043	231,525,942	59,937,773	65,600,182	44,591,321	51,202,264	-	-	38,578,016
Advances	8.36%	321,647,931	90,613,088	163,758,349	50,574,970	2,345,934	537,742	3,373,546	7,369,686	242,892	20,772	-	2,810,952
Other assets		27,366,889	-	-	-	-	-	-	-	-	-	-	27,366,889
		958,265,685	120,514,371	197,385,048	53,753,013	233,871,876	60,475,515	68,973,728	51,961,007	51,445,156	20,772	-	119,865,199
Liabilities													
Bills payable		4,942,189	-	-	-	-	-	-	-	-	-	-	4,942,189
Borrowings	6.34%	137,959,818	108,614,608	11,473,413	12,399,782	3,000	4,499	180,535	5,283,981	-	-	-	-
Deposits and other accounts	3.94%	734,546,015	95,981,412	175,223,561	61,172,453	213,783,923	7,380,448	1,743,773	778,512	161,429	121,402	-	178,199,102
Sub-ordinated loan	10.49%	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		12,773,747	-	-	-	-	-	-	-	-	-	-	12,773,747
		890,221,769	204,596,020	186,696,974	73,572,235	213,786,923	7,384,947	1,924,308	6,082,493	161,429	121,402	-	195,915,038
On-balance sheet gap		68,043,916	(84,081,649)	10,688,074	(19,819,222)	20,094,953	53,090,568	67,049,420	45,898,514	51,283,727	(100,630)	-	(76,049,839)
Off-balance sheet financial instruments													
Commitments in respect of forward exchange contracts - purchase													
Commitments in respect of forward exchange contracts - sale		64,741,951	27,409,112	23,037,299	12,923,890	1,371,650	-	-	-	-	-	-	-
Off-balance sheet gap		(51,664,798)	(24,046,356)	(25,696,912)	(1,919,530)	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		13,077,153	3,360,756	(2,659,619)	11,004,360	1,371,650	-	-	-	-	-	-	-
Cumulative yield / interest risk sensitivity gap		81,121,069	(80,720,893)	8,028,461	(8,814,862)	21,456,603	53,090,568	67,049,420	45,898,514	51,283,727	(100,630)	-	-
Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.		81,121,069	(80,720,893)	(72,692,432)	(81,507,294)	(60,050,691)	(6,960,123)	60,089,297	105,987,811	157,271,538	157,170,908	-	-
Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.													
Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities													
Reconciliation to total assets			December 31, 2016	December 31, 2015	Reconciliation to total liabilities								
			(Rupees in '000)			(Rupees in '000)							
Balance as per Statement of Financial Position			1,071,044,303	992,739,247	Balance as per Statement of Financial Position			969,228,931	902,614,332				
Less : Non financial assets						Less: Non financial liabilities							
Operating fixed assets			32,783,340	28,869,612	Deferred tax liability			11,001,128	8,909,508				
Other assets			9,908,171	5,603,950	Other liabilities			3,892,918	3,483,055				
			42,691,511	34,473,562				14,894,046	12,392,563				
Total financial assets			1,028,352,792	958,265,685	Total financial liabilities			954,334,885	890,221,769				

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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 BoD have delegated the responsibility to ALCO for ensuring that Bank's policy for liquidity management is adhered to on a continual basis.

Other than customer's deposits, the Bank's funding source is the inter-bank money market. Change in the government monetary policy and market expectations of interest rate are all important factors that can adversely affect our key funding source. Efficient and accurate planning plays a critical role in liquidity management. Our MIS provides information on expected cash inflows/out flows which allow the Bank to take timely decisions based on the future requirements.

Gap analysis, stress testing and scenario analysis is done on periodic basis to capture any adverse effect of market movements on liquidity position. Based on the results produced, ALCO devise the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

### 41.3.1 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	-	-	-	-	-	-	-	-
Lendings 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	58,955,705	36,466,505	33,655,857	50,470,365	33,240,348	32,398,270	63,981,555	14,852,890	6,250,386
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	218,283,219	183,111,478	58,316,686	164,878,109	148,416,517	108,564,307	76,273,793	79,945,987	33,254,207
<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	2,308,748	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	1,693,948	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>	101,815,372	(553,036,042)	101,288,031	4,045,398	125,881,506	141,376,676	104,874,377	72,976,407	72,420,469	31,988,550
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									



# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

December 31, 2015										
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										
Assets										
Cash and balances with treasury banks	56,711,623	56,711,623	-	-	-	-	-	-	-	
Balances with other banks	4,077,613	4,077,613	-	-	-	-	-	-	-	
Lendings to financial institutions	3,356,091	3,356,091	-	-	-	-	-	-	-	
Investments	545,105,538	12,888,155	33,308,789	170,738	257,975,042	59,994,413	67,614,101	46,106,184	67,038,116	
Advances	321,647,931	74,883,362	32,261,844	37,146,771	39,022,419	33,154,277	29,478,893	41,894,608	28,042,074	5,763,683
Operating fixed assets	28,869,612	321,547	643,099	964,648	1,929,297	1,371,419	648,531	1,297,982	1,285,548	20,407,541
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	32,970,839	5,619,192	8,650,915	12,963,140	932,639	904,329	2,049	2,999	-	3,895,576
	992,739,247	157,867,583	74,864,647	51,245,297	299,859,397	95,424,438	97,743,574	89,301,773	96,365,738	30,066,800
Liabilities										
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-	-
Deposits and other accounts	734,546,015	578,330,180	79,740,660	37,634,769	33,385,546	2,649,745	1,743,773	778,512	161,428	121,402
Deferred tax liabilities	8,909,508	28,388	56,778	85,167	93,536	7,096,228	309,266	618,531	621,614	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,256,802	4,533,604	5,409,805	1,779,036	530,093	482,946	569,246	918,431	2,033,641	-
	902,614,332	696,448,969	96,680,655	51,898,754	34,012,175	10,233,418	2,802,820	7,599,456	2,816,683	121,402
Net assets / (liabilities)	90,124,915	(538,581,386)	(21,816,008)	(653,457)	265,847,222	85,191,020	94,940,754	81,702,317	93,549,055	29,945,398
Share capital										
Reserves	11,450,739									
	15,102,026									
Unappropriated profit	42,284,340									
	68,837,105									
Surplus on revaluation of assets										
- net of tax	21,287,810									
	90,124,915									

**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, 2016

## 41.4 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

Expected maturities of non-contractual assets and liabilities has been computed using volatility approach. Under this approach maximum volatility of non contractual assets and liabilities is calculated over a period and classified into core and non-core portion.

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	60,854,470	1,345,171	221,592	-	3,594,178	3,594,178	-	-	-
Balances with other banks	679,938	679,938	-	-	-	-	-	-	-	-
Lendings 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	10,252,919	62,776,279	2,420,904	-
Advances	330,271,881	29,694,942	43,029,089	33,793,547	50,470,365	40,760,511	39,918,433	14,852,890	6,250,386	-
Operating fixed assets	32,783,340	661,783	1,323,571	1,985,356	3,970,712	1,773,793	809,875	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	1,010,930	1,010,929	4,658,945	-
	1,071,044,303	176,673,159	191,019,233	58,675,968	164,878,109	159,530,858	87,388,134	79,945,987	33,254,207	-
<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	1,731,008	4,124,229	-	-
Deposits and other accounts	805,090,074	95,126,629	59,714,460	99,614,783	85,340,355	49,733,817	350,100	193,357	381,706,182	-
Deferred tax liabilities	11,001,128	1,169,366	2,309,748	242,836	1,872,747	1,499,781	265,888	1,104,140	1,263,625	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-	-
Other liabilities	16,920,059	4,316,705	6,078,013	1,693,948	686,064	499,805	950,390	2,103,793	2,032	-
	969,228,931	197,686,556	81,823,447	116,700,165	87,899,166	55,942,404	3,297,386	7,525,519	382,871,839	-
<b>Net assets</b>	<b>101,815,372</b>	<b>(21,023,397)</b>	<b>109,195,786</b>	<b>(58,024,197)</b>	<b>76,978,943</b>	<b>103,588,454</b>	<b>84,090,748</b>	<b>72,420,468</b>	<b>(349,717,632)</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									

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

Expected maturities of non-contractual assets and liabilities has been computed using volatility approach. Under this approach maximum volatility of non contractual assets and liabilities is calculated over a period and classified into core and non-core portion.

	December 31, 2015								
	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	Above 10 years
Rupees in '000									
Assets									
Cash and balances with treasury banks	56,711,623	43,080,017	665,332	33,793	-	4,310,827	4,310,827	4,310,827	-
Balances with other banks	4,077,613	4,077,613	-	-	-	-	-	-	-
Lendings to financial institutions	3,356,091	3,356,091	-	-	-	-	-	-	-
Investments	545,105,538	12,898,155	33,308,789	170,738	257,975,042	59,994,413	67,614,101	46,106,184	-
Advances	321,647,931	49,539,737	35,287,795	38,037,468	39,022,419	40,296,602	36,621,219	49,036,933	-
Operating fixed assets	28,869,612	321,547	643,099	964,648	1,929,297	1,371,419	648,531	1,297,982	5,763,684
Deferred tax assets	-	-	-	-	-	-	-	-	20,407,541
Other assets	32,970,839	5,619,192	8,650,915	12,963,140	932,639	904,328	2,049	2,999	-
	992,739,247	118,892,352	78,555,930	52,169,787	299,859,397	106,877,589	109,196,727	100,754,925	3,895,577
								96,365,738	30,066,802
Liabilities									
Bills payable	4,942,189	4,942,189	-	-	-	-	-	-	-
Borrowings	137,959,818	108,614,608	11,473,412	12,399,782	3,000	4,499	180,535	5,283,982	-
Deposits and other accounts	734,546,015	95,981,412	79,832,186	72,846,146	82,905,177	37,861,122	24,500,104	778,512	339,679,928
Deferred tax liabilities	8,909,508	28,388	56,778	85,167	93,536	7,096,228	309,266	618,531	-
Sub-ordinated loan	-	-	-	-	-	-	-	-	-
Other liabilities	16,256,802	4,533,604	5,409,805	1,779,036	530,093	482,946	569,246	918,431	-
	902,614,332	214,100,201	96,772,181	87,110,131	83,531,806	45,444,795	25,559,151	7,599,456	339,679,928
Net assets	90,124,915	(95,207,849)	(18,216,251)	(34,940,344)	216,327,591	61,432,794	83,637,576	93,155,469	(309,613,126)
Share capital									
Reserves	11,450,739								
	15,102,026								
Unappropriated profit	42,284,340								
	68,837,105								
Surplus on revaluation of assets									
- net of tax	21,287,810								
	90,124,915								

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2016

## 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

The Board of Directors of the Bank in its meeting held on February 09, 2017 has proposed a cash dividend in respect of 2016 of Rs. 1.75 per share (2015: 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, 2016 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2017.

## 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 09, 2017 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, 2016.

## 1 Issued, Subscribed and Paid-up Capital

ORDINARY SHARES	As on December 31, 2016		As on December 31, 2015	
	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
Issued as bonus shares	720,745,186	7,207,451,860	720,745,186	7,207,451,860
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
Total	1,145,073,830	11,450,738,300	1,145,073,830	11,450,738,300

## 2 Major shareholding

Holding more than 5% of the total paid-up capital

Name of Shareholder	No. of Shares Held	Percentage Held
Ibrahim Holdings (Private) Limited	965,879,110	84.35

No. of Shareholders	From	Shareholdings	To	Total Shares Held
6,085	1		100	233,364
9,272	101		500	2,569,384
1,205	501		1,000	881,568
2,166	1,001		5,000	4,657,465
422	5,001		10,000	3,120,130
147	10,001		15,000	1,854,530
73	15,001		20,000	1,304,850
59	20,001		25,000	1,340,457
31	25,001		30,000	867,807
25	30,001		35,000	820,429
21	35,001		40,000	792,213
12	40,001		45,000	512,289
16	45,001		50,000	781,673
5	50,001		55,000	264,214
13	55,001		60,000	740,635
1	60,001		65,000	60,522
5	65,001		70,000	346,196
3	70,001		75,000	219,500
4	75,001		80,000	315,069
5	80,001		85,000	415,501
2	85,001		90,000	174,663
1	90,001		95,000	94,839
12	95,001		100,000	1,192,781
3	100,001		105,000	309,700
3	105,001		110,000	319,800

## Pattern of Shareholding

Allied Bank Limited

No. of Shareholders	From	Shareholdings	To	Total Shares Held
2	110,001		115,000	223,871
3	115,001		120,000	351,214
2	120,001		125,000	242,000
3	130,001		135,000	399,600
2	145,001		150,000	300,000
2	150,001		155,000	304,127
1	155,001		160,000	156,956
1	160,001		165,000	164,000
1	165,001		170,000	165,500
1	170,001		175,000	170,500
2	175,001		180,000	355,450
1	180,001		185,000	181,820
1	195,001		200,000	200,000
1	215,001		220,000	218,957
1	220,001		225,000	221,900
1	235,001		240,000	236,437
1	240,001		245,000	242,000
1	245,001		250,000	250,000
1	285,001		290,000	285,105
1	295,001		300,000	299,900
1	300,001		305,000	300,700
1	315,001		320,000	320,000
1	335,001		340,000	340,000
1	340,001		345,000	343,000
1	345,001		350,000	345,400
2	375,001		380,000	755,800
1	450,001		455,000	454,545
1	460,001		465,000	461,000
4	495,001		500,000	2,000,000
1	530,001		535,000	534,500
1	555,001		560,000	556,501
1	580,001		585,000	582,500
1	600,001		605,000	601,000
1	650,001		655,000	652,500
1	720,001		725,000	722,600
1	755,001		760,000	755,711
1	820,001		825,000	822,151
1	890,001		895,000	891,700
1	935,001		940,000	938,500
1	995,001		1,000,000	1,000,000
1	1,015,001		1,020,000	1,015,897



## Pattern of Shareholding

Allied Bank Limited

No. of Shareholders	From	Shareholdings	To	Total Shares Held
1	1,090,001		1,095,000	1,092,614
1	1,235,001		1,240,000	1,236,651
1	1,255,001		1,260,000	1,260,000
1	1,325,001		1,330,000	1,327,500
1	1,355,001		1,360,000	1,355,500
1	1,430,001		1,435,000	1,433,604
1	1,495,001		1,500,000	1,500,000
1	1,765,001		1,770,000	1,770,000
1	1,790,001		1,795,000	1,794,914
1	1,900,001		1,905,000	1,904,433
1	1,955,001		1,960,000	1,956,900
1	1,995,001		2,000,000	2,000,000
1	2,135,001		2,140,000	2,140,000
1	2,485,001		2,490,000	2,485,747
1	2,660,001		2,665,000	2,665,000
1	2,770,001		2,775,000	2,773,000
1	3,090,001		3,095,000	3,091,000
1	3,545,001		3,550,000	3,549,800
1	3,795,001		3,800,000	3,795,400
1	3,925,001		3,930,000	3,926,000
1	4,995,001		5,000,000	4,999,950
1	5,115,001		5,120,000	5,117,039
1	5,325,001		5,330,000	5,325,400
1	9,755,001		9,760,000	9,755,604
1	29,995,001		30,000,000	30,000,000
1	37,385,001		37,390,000	37,385,743
1	965,875,001		965,880,000	965,879,110
<b>19,672</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
<b>Sub Total</b>	<b>2</b>	<b>1,003,264,853</b>	<b>87.6157</b>
<b>Directors, Chief Executive Officer, and their spouse and minor children</b>			
Mohammad Naeem Mukhtar	1	2,500	0.0002
Sheikh Mukhtar Ahmed	1	2,500	0.0002
Muhammad Waseem Mukhtar	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
<b>Sub Total</b>	<b>7</b>	<b>41,620</b>	<b>0.0035</b>
<b>Banks Development Financial Institutions, Non Banking Financial Institutions</b>			
Habib Bank Limited	1	3,926,000	0.3428
National Bank of Pakistan Limited	5	5,022,240	0.4386
Bank Al Habib Limited	1	377,800	0.0330
Soneri Bank Limited	1	534,500	0.0467
Bank Alfalah Limited	1	891,700	0.0779
The Bank of Khyber	1	150,000	0.0131
MCB Bank Limited	1	5,325,400	0.4651
First Women Bank Limited	1	25,000	0.0022
First Dawood Investment Bank Limited	1	8,600	0.0008
The Bank of Punjab	1	2,000,000	0.1747
First Credit & Investment Bank Limited	1	20,000	0.0017
Escorts Investment Bank Limited	1	77	0.0000
Sindh Bank Limited	1	3,091,000	0.2699
Trust Leasing Corporation Limited	1	200	0.0000
Al-Faysal Investment Bank	1	55	0.0000
Standard Chartered Bank	1	22,118	0.0019
Habib Metropolitan Bank Limited	1	582,500	0.0509
<b>Sub Total</b>	<b>21</b>	<b>21,977,190</b>	<b>1.9193</b>

## 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 Corporation of Pakistan	3	14,438	0.0013
<b>Sub Total</b>	<b>4</b>	<b>15,200</b>	<b>0.0014</b>
<b>Executives*</b>			
Executives*	1	308	0.0000
Other Employees	825	1,066,292	0.0931
<b>Sub Total</b>	<b>826</b>	<b>1,066,600</b>	<b>0.0931</b>
<b>Insurance Companies</b>			
Premier Insurance Limited	1	96,700	0.0084
State Life Insurance Corporation of Pakistan	1	2,485,747	0.2171
EFU General Insurance Limited	1	120,000	0.0105
EFU Life Assurance Limited	1	3,549,800	0.3100
Alpha Insurance Company Limited	1	121,000	0.0106
Jubilee Life Insurance Company Limited	1	1,794,914	0.1567
Century Insurance Company Limited	1	36,925	0.0032
Habib Insurance Company Limited	1	12,500	0.0011
Adamjee Insurance Company Limited	1	2,773,000	0.2422
Gulf Insurance Company Limited	1	723	0.0001
Orient Insurance Company Limited	1	404	0.0000
Habib Insurance Company Limited	1	27,500	0.0024
<b>Sub Total</b>	<b>12</b>	<b>11,019,213</b>	<b>0.9623</b>
<b>Modarabas and Mutual Funds</b>			
Descon Chemicals Limited Gratuity Fund	1	700	0.0001
Modaraba Al Mali	1	116	0.0000
First Fidelity Leasing Modaraba	1	614	0.0001
MCBFSL - Trustee JS Value Fund	1	10,000	0.0009
CDC - JS Large Capital Fund	1	100,000	0.0087
CDC - AKD Index Tracker Fund	1	37,162	0.0032
CDC - NAFA Stock Fund	1	3,795,400	0.3315
CDC - NAFA Multi Asset Fund	1	299,900	0.0261
CDC - NIT-Equity Market Opportun	1	1,092,614	0.0954
CDC - Lakson Equity Fund	1	722,600	0.0631
CDC - NAFA Asset Allocation Fund	1	300,700	0.0263
CDC - Askari Equity Fund	1	15,000	0.0013
CDC - PIML Asset Allocation Fund	1	5,500	0.0005

\*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 Lakson Tactical Fund	1	96,081	0.0084
First Tawakkal Modaraba	1	347	0.0000
CDC - ICI MSDC Superannuation Fund	1	35,000	0.0031
<b>Sub Total</b>	<b>16</b>	<b>6,511,734</b>	<b>0.5688</b>
<b>Foreign Investors</b>			
Alpha Beta Finance Limited	1	221,900	0.0194
Russell INSTI Fnds PLC - Consilium Inves	1	1,236,651	0.1080
RTCC EMP Benefit FDS TRT Russell Frontie	1	218,957	0.0191
Consilium Frontier Equity Fund LP	1	5,117,039	0.4469
Russell Investment Company- Russell Emer	1	938,500	0.0820
J.P. Morgan Securities PLC	1	57,100	0.0050
The Bank of New York Mellon	1	1	0.0000
Fisher Investments Institutional Group	1	131,100	0.0114
Credit Agricole (Suisse) Hong Kong	1	56,000	0.0049
Mohammad Tahir Butt	1	3,824	0.0003
Habib Bank AG Zurich, Zurich, Switzerland	1	285,105	0.0248
Habib Bank AG Zurich, Deira Dubai	1	2,665,000	0.2327
TARIIC Holding Company BSC (Closed)	1	107,600	0.0094
Tundra Pakistan Fund	1	1,904,433	0.1663
<b>Sub Total</b>	<b>14</b>	<b>12,943,210</b>	<b>1.1303</b>
<b>General Public-Individual</b>	<b>18,611</b>	<b>42,210,329</b>	<b>3.6863</b>
<b>Others</b>	<b>159</b>	<b>46,023,881</b>	<b>4.0193</b>
<b>Grand Total</b>	<b>19,672</b>	<b>1,145,073,830</b>	<b>100.0000</b>

All the trades in shares carried out by the Directors, Executives and their spouse and minor children are reported, as under:

Sr. No.	Name	Designation	Sale	Purchased
1	Zafar Iqbal	Director	47,500	-
2	Mohammad Naeem Mukhtar	Director	*266,143,269	2,500
3	Muhammad Waseem Mukhtar	Director	*267,122,274	2,500
4	Sheikh Mukhtar Ahmed	Director	*238,571,651	2,500

Apart from the above there have been no trade in the shares of the Bank carried out by its Directors, Executives, their spouses and minor children.

\* Shares of Sponsor Directors transferred to M/s Ibrahim Holdings (Private) Limited by CDC under SECP approval and SBP instructions.

## 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

## 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 other party in making financial and operating decisions.

## Revenue Reserve

Reserves set aside for future distribution and investment.

## Subsidiary Company

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

## Shareholders' Funds

Total of Issued and fully paid share capital and revenue reserves.

## Statutory Reserve Funds

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

## Weighted Average Cost of Deposits

Percentage of the total interest expensed on average deposits of the bank for the period.

AGM

On Tuesday,  
March 28, 2017 at 11:00 am  
Pearl Continental Hotel, Lahore.

# Form of Proxy

71<sup>st</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 71<sup>st</sup> Annual General Meeting of  
the Bank to be held on Tuesday, March 28, 2017 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 \_\_\_\_\_ 2017.

## Witness

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

AFFIX  
Revenue  
Stamp of Rs. 5/-

Signature  
The signature should  
agree with the specimen  
registered with the Company

## Witness

2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

## IMPORTANT NOTES:

1. A member entitled to attend and vote at the 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.
4. **For CDC Account holders / Corporate Entities:**
  - i) Attested copies of valid computerized National Identity Cards ("CNIC") or the passport of the beneficial owners and the proxy shall be provided with proxy form.
  - ii) The Proxy shall produce his / her original valid CNIC or Passport at the time of the meeting.
  - iii) In case of a 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 by a member 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 Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before start of the book closure so that entitlement, if any, be dispatched at the correct address.



AFFIX  
CORRECT  
POSTAGE

**Company Secretary  
Allied Bank Limited**

Head Office / Registered Office  
3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore - Pakistan.  
Postal Code: 54000  
Phone: +92 42 35880043  
Website: [www.abl.com](http://www.abl.com)

پراکسی فارم  
71 واں سالانہ اجلاس عام  
الائیڈ بینک لمیٹڈ

میں منشی / مسماتہ \_\_\_\_\_ ولد / زوجہ \_\_\_\_\_ ساکن \_\_\_\_\_ ضلع \_\_\_\_\_  
بحیثیت ممبر الائیڈ بینک لمیٹڈ اور عامل عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر \_\_\_\_\_ اور / یا سی ڈی سی شراکت دار آئی ڈی نمبر \_\_\_\_\_ اور اکاؤنٹ / ذیلی اکاؤنٹ نمبر \_\_\_\_\_  
محترم / محترمہ \_\_\_\_\_ کو اپنے / ہمارے ایماء پر بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ میری / ہماری طرف سے بینک کے اجلاس عام جو بتاریخ  
28 مارچ 2017ء بروز منگل منعقد ہو رہا ہے میں اور یا اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے، بات کرے اور حق رائے دہی استعمال کرے بالکل اس طرح جیسے اگر میں  
خود اس جگہ موجود ہوتا / ہوتی۔

میرے دستخط بتاریخ \_\_\_\_\_ 2017ء

پانچ روپے کا ریونیو سٹیپ

دستخط بینک میں رجسٹرڈ نمونے  
سے مطابقت رکھنے چاہیے۔

گواہ نمبر 1

نام \_\_\_\_\_

پتہ \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_

دستخط \_\_\_\_\_

گواہ نمبر 2

نام \_\_\_\_\_

پتہ \_\_\_\_\_

شناختی کارڈ نمبر \_\_\_\_\_

دستخط \_\_\_\_\_

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 اضافی پراکسی فارم استعمال کرنا چاہے تو وہ اس فارم کی فوٹو کاپی 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۔
- 4) سی ڈی سی اکاؤنٹ رکھنے والوں / کارپوریٹ اداروں کے لیے:

\* مستقیم 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 کہنی کو جمع کروانا ہوگی۔

- 5) اگر ایک رکن ایک سے زیادہ پراکسی مقرر کرتا ہے اور شیئر رجسٹرار 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 رجسٹرار میسرز ٹیکنالوجی ٹریڈ (پرائیویٹ) لمیٹڈ، ڈاگیا ہاؤس C-241، بلاک - 2 پی ای سی ایچ اے ایس، 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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