

## CORPORATE GOVERNANCE REPORT

### Allied Bank Limited (ABL)

**REPORT DATE:**

December 07, 2016

**RATING ANALYSTS:**

Waqas Munir, FRM

[waqas.monir@jcrvis.com.pk](mailto:waqas.monir@jcrvis.com.pk)

Maryam Tanveer

[maryam.tanveer@jcrvis.com.pk](mailto:maryam.tanveer@jcrvis.com.pk)

#### RATING DETAILS

	Latest Rating	Previous Rating
<b>Rating Category</b>	Corporate Governance	Corporate Governance
<b>Entity</b>	CGR-9+	CGR-9
<b>Rating Date</b>	November 09, '16	December 04, '15

#### COMPANY INFORMATION

<b>Incorporated in 1942</b>	<b>External auditors:</b> KPMG Taseer Hadi & Co., Chartered Accountants
<b>Listed on Pakistan stock Exchange</b>	<b>Chairman of the Board:</b> Mr. Mohammed Naeem Mukhtar
<b>Key Shareholders:</b>	<b>Chief Executive Officer:</b> Mr. Tariq Mahmood
Ibrahim Group – 84.35%	<b>Staff Strength</b> (including outsourced): 10,575
General Public-Individuals– 3.23%	<b>Number of branches:</b> September 2016: 1077 (Conventional 1034, Islamic 43)
Others-12.42%	

#### APPLICABLE METHODOLOGY(IES)

**JCR-VIS Entity Rating Criteria: Corporate Governance Ratings** <http://jcrvis.com.pk/images/cgr.pdf>

## Allied Bank Limited

### OVERVIEW OF THE INSTITUTION

### RATING RATIONALE

*ABL was incorporated in 1942. Ownership and control was taken over by Ibrahim Group in 2004.*

Allied Bank Limited (ABL) is a large sized commercial bank with a market share of 7.40% in total deposits of banking sector as at end-June, 16. The Bank enjoys wide spread branch network with high share of retail customers in its deposit base. During the period under review, shareholding pattern of the Bank largely remained unchanged; Ibrahim Group (IG) continues to hold largest ownership stake. Overall, the Board comprises seasoned professionals with diverse experience. The Bank is compliant with the SBP requirement stipulating minimum 25% members of the Board members to be independent directors.

Deliberations during Board and its committees' meeting are considered comprehensive with follow-up mechanism on actionable items. ToRs of board committees were revised during the period under review in light of regulatory requirements and SBP observations. Performance evaluation mechanism of the Board is in place with defined Key Performance Indicators. Compensation of Board members is in-line with banking industry practices.

Changes were noted in the Bank's organizational structure during the period under review. Commercial Banking Group and Retail Banking Group were merged and restructured as Commercial and Retail Banking Group, Further to this, based on wide geographical span of this function, CRBG has been segregated as Commercial & Retail Banking (South) and Commercial and Retail Banking (North) Moreover, two new groups namely "Digital Banking Group" and "Service Excellence Group" were developed and structured based on the Organization's strategic focus over e-banking initiatives and to achieve customer services excellence. All Business groups frequently disseminate various reports to management committees for analysis and decision-making purpose. ABL has an approved succession plan in place, for ensuring that the Bank has well organised succession hierarchy to support smooth and in time transition of functional responsibilities.

Overall, internal control environment at ABL is considered strong with systems, procedures and sufficient resources in place for all major control functions. During the period under review, the Bank implemented corporate governance framework which outlines institution's policy on Board composition and structure, its roles and responsibilities and meetings and decisions of the Board. Orientation and director development, compensation of directors. M/s KPMG Taseer Hadi & Co., Chartered Accountants, are appointed external auditors on recommendation of Audit Committee of Board.

ABL took various initiatives to augment risk management procedures, including update of Loan Origination Module & macro stress testing scenarios, development of internal risk models to include possible shortfall and back-testing of VaR models. Furthermore, Information Technology Group took various measures to enhance technology infrastructure including upgrading Bank wide data warehouse, business intelligence systems / portals and ancillary MIS.

Human Resource Group is engaged to augment and strengthen relations between management and employees. During 2015, e-learning portal was further strengthened to enhance outreach of the Bank's training activities to smaller cities. ABL pays market based competitive remuneration to its employees and has implemented automated and comprehensive performance evaluation system with clearly defined objectives.

Quality of communications with the shareholders continues to be as per line with the best industry practices. ABL aptly disseminates information useful for its stakeholders through reports and updated website enabling them to formulate an opinion regarding risk faced by the Bank.

**ISSUER RATING SCALE & DEFINITIONS**

**Appendix I**

<b>CGR 10</b> Highest level of corporate governance	<b>CGR 4, CGR 4+, CGR 4++</b> Moderately low level of corporate governance
<b>CGR 9, CGR 9+, CGR 9++</b> Very high level of corporate governance	<b>CGR 3, CGR 3+, CGR 3++</b> Low level of corporate governance
<b>CGR 8, CGR 8+, CGR 8++</b> High level of corporate governance	<b>CGR 2, CGR 2+, CGR 2++</b> Very low level of corporate governance
<b>CGR 7, CGR 7+, CGR 7++</b> Moderately high level corporate governance	<b>CGR 1, CGR 1+, CGR 1++</b> Lowest level of corporate governance
<b>CGR 6, CGR 6+, CGR 6++</b> Satisfactory level of corporate governance	
<b>CGR 5, CGR 5+, CGR 5++</b> Adequate level of corporate governance	

**Governance Watch:** ‘Governance Watch’ may be assigned to highlight identifiable governance events that necessitate re-evaluation of the assigned rating. A ‘Governance Watch’ announcement means that the status of the assigned rating is uncertain and an event or deviation from an expected trend has occurred or is expected and additional information is necessary to take a rating action.

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES				Appendix II	
<b>Name of Rated Entity</b>	Allied Bank Limited				
<b>Sector</b>	Commercial Banks				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Corporate Governance Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	09-Nov-16	CGR 9+	-	-	Upgrade
	04-Dec-14	CGR 9	-	-	Reaffirmed
	28-Nov-14	CGR 9	-	-	Reaffirmed
	22-Oct-13	CGR 9	-	-	Upgrade
	1-Oct-12	CGR 8++	-	-	Upgrade
17- Oct -11	CGR 8+	-	-	Reaffirmed	
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
<b>Probability of Default</b>	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2015 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.				