



## Allied Bank Limited

### Corporate Governance Ratings

Latest	Previous
<b>CGR – 9</b>	<b>CGR – 9</b>
<i>Dec 04, '15</i>	<i>Nov 28, '14</i>

Date: December 07, 2015

Analysts: *Waqas Munir, FRM*  
*Birjees Rabat*

### Factors

1. Regulatory Compliance
2. Board Oversight
3. Management Profile
4. Financial Transparency
5. Self-Regulation
6. Stakeholders' Relations

### Company Information

- Established in 1942
- Listed on KSE, LSE and ISE
- Sector: Commercial Banks
- External Auditors (2015): KPMG Taseer Hadi & Co.
- Major Shareholders
  - Ibrahim Group - 84.35%
  - General Public – Individuals – 3.67%
  - Others–11.98%
- Chairman: Mr. Mohammed Naeem Mukhtar
- Chief Executive Officer: Mr. Tariq Mahmood
- Number of branches: 1000+
- Staff Strength: 9,279 Permanent Employees  
(Permanent Employees)

*CGR-9 denotes 'very high level of corporate governance'*

**Rating Rationale**

Allied Bank Limited (ABL) is a large sized commercial bank with a market share of 7.3% in total deposits of the banking industry. The Bank enjoys a strong franchise represented by a high share of retail customers in its deposit base. With Government of Pakistan (GoP) divesting its stake, changes were witnessed in the shareholding pattern of the Bank during 2014. Ibrahim Group (IG), through Ibrahim Fibers Limited and family members continues to remain the largest shareholder with ownership stake increasing to 84.35% at end-FY14 (FY13: 80.36%). The group is represented by three directors who actively participate in the Board meetings. Overall the Board comprises experienced personnel with diversified backgrounds. The casual vacancy created at the Board during 2014 was timely filled with the appointment of Dr. Muhammad Akram Sheikh. Moreover, number of independent directors on the Board reduced to two in the current term. The bank is compliant with the SBP requirement stipulating minimum 25% members of the Board members to be independent directors.

Deliberation during Board meetings are comprehensive including routine approvals and specific issued being discussed. Performance evaluation criteria exist to measure Board performance. Key Performance Indicators (KPIs) are defined against which actual performance is measured. Board member compensation is largely inline with banking industry practices.

Overall internal control environment at the Bank is considered strong with systems, procedures and sufficient resources in place for all major control functions. A professional and experienced team manages control functions. Presence of an integrated IT system also strengthens the internal control environment at ABL. Multiple links at branches and additional servers at data center have been installed to reduced downtime. In addition to having a large branch network, ABL serves its customers through over 950 ATMs, mobile and internet banking.

The HR department is involved in continuous development of the workforce by updating and improving processes to streamline relations between the organization and its employees. Clear reporting lines are defined in the organogram. Changes in the organizational structure include the creation of a Chief Operating Officer (COO) position with all business groups reporting to the COO who in turn reports to the CEO. Moreover, a new group “Real Estate, Engineering and Infrastructure Development” was created. Some changes were visible at the senior management level which was filled by internal promotions highlighting the effectiveness of succession planning. The salary structure at ABL is competitive in comparison to the industry with a structured career path.

Disclosures made available by the Bank in the annual report are adequate providing investors with sufficient information to be able to form a general opinion over the risks faced by the institution. ABL maintains an updated website with information available for various stakeholders.

Following the expiry of the term of M/s Ernst & Young Ford Rhodes Sidat Hyder in 2014, M/s KPMG Taseer Hadi & Co were appointed as external auditors on recommendation of the Audit Committee of the Board (ACOB).

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix IV**

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

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**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.

REGULATORY DISCLOSURES		Appendix V			
<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>				
	04-Dec-14	CGR9	-	-	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
	02-Dec-10	CGR 8+	-	-	Upgrade
<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.				
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