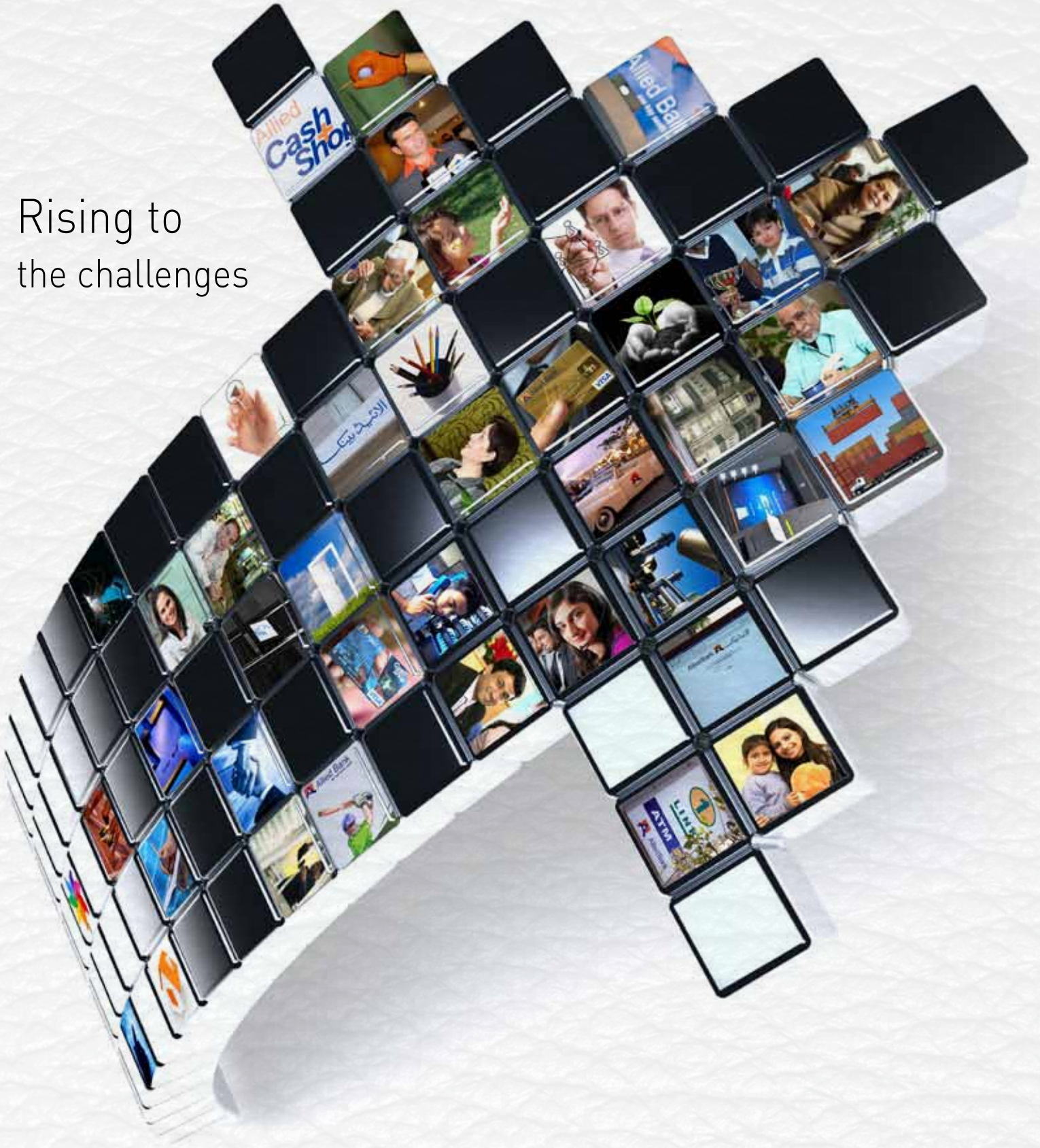


Rising to  
the challenges





Profit (After Tax) Up by 16%  
Rs. 8.2 billion (2009: Rs. 7.1 billion)

---

EPS Up by 16%  
Rs. 10.52 (2009: Rs. 9.11)

---

Deposits Up by 13%  
Rs. 371.3 billion (2009: Rs. 328.9 billion)

---

Advances Up by 08%  
Rs. 268.5 billion (2009: Rs. 249.9 billion)

---

Total Assets Up by 08%  
Rs. 449.9 billion (2009: Rs. 418.4 billion)

---

ROA 1.9%  
(2009: 1.8%)

---



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## Corporate Values that bind us together



### 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

# Company Information

## Board of Directors

Mohammad Naeem Mukhtar  
Chairman / Non Executive Director

Sheikh Mukhtar Ahmad  
Non Executive Director

Muhammad Waseem Mukhtar  
Non Executive Director

Abdul Aziz Khan  
Independent Director

Sheikh Jalees Ahmed  
Executive Director

Mubashir A. Akhtar  
Independent Director

Pervaiz Iqbal Butt  
Independent Director

Khalid A. Sherwani  
Chief Executive Officer

## Audit Committee

Sheikh Mukhtar Ahmad  
Chairman

Mubashir A. Akhtar  
Member

Sheikh Jalees Ahmed  
Member

## Company Secretary

Muhammad Raffat

## Auditors

Ernst & Young Ford Rhodes  
Sidat Hyder  
Chartered Accountants

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Adviser

Haidermota and Company,  
Advocates and Solicitors

## Shares Registrar

Technology Trade (Pvt.) Ltd.

## Head Office/

## Registered Office

8-Kashmir / Egerton Road,  
Lahore - 54000  
Pakistan  
UAN: (92 42) 111-110-110

## Website & Email

www.abl.com  
info@abl.com

Toll Free Number  
0800-22522



# Board of Directors







(Left to Right)

Pervaiz Iqbal Butt  
Abdul Aziz Khan  
Mubashir A. Akhtar  
Khalid A. Sherwani  
Mohammad Naeem Mukhtar  
Muhammad Waseem Mukhtar  
Sheikh Mukhtar Ahmad  
Sheikh Jalees Ahmed

## Board of Directors



**Mohammad Naeem Mukhtar**  
Chairman

He is on the Board of Allied Bank since 2004. He has done his MBA from Cardiff Business School U.K, Post Graduate diploma in Textiles from UK and Chartered Textile Engineer (CText ATI) from The Textile Institute in Manchester U.K. He has 25 years of experience of finance and industry. Besides Chairman Board of Directors of Allied Bank he is CEO of Ibrahim Fibres Limited, Director Pakistan Business Council and Member Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS).



**Muhammad Waseem Mukhtar**

He holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, UK and has diversified experience of Finance, IT and Industry. He is on the Board of Allied Bank since 2004. His proactive strategic guidance played a vital role in technological up-gradation to enhance service quality across Allied Bank.



**Sheikh Mukhtar Ahmad**

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. Under his auspices, Ibrahim Group has emerged as a leading conglomerate of the country. He joined the Board of Allied Bank in 2004.



**Abdul Aziz Khan**

He has enriched and diversified experience of over 47 years in local and international banking. His international banking experience is in diverse financial markets, including Switzerland. He has been on the Board of Allied Bank since 2004.



**Sheikh Jalees Ahmed**

He joined Allied Bank's Board in 2004 and has more than 35 years of diverse experience in the fields of Finance and Industry. Allied Bank benefits from his professional expertise particularly in the areas of strategic and financial planning, systems and controls and HR management.



**Pervaiz Iqbal Butt**

He is an Electrical Engineer and has 41 years of experience in marine engineering and other heavy Industries. He Joined the Board of Allied Bank in 2007. His extensive and diversified exposure of Industrial Management effectively complements the decision making process at the Board level.



**Mubashir A. Akhtar**

He is a law graduate and has 42 years of banking experience in local and international markets. His extensive international banking experience includes key assignments in Turkey, Oman and UK. He is a Financial Consultant of Asian Development Bank (ADB) and is actively involved in various assignments of ADB especially on capital markets development and reforms of NBFIs in Pakistan. He has been on the Board of Allied Bank since 2006.



**Khalid Ahmed Sherwani**  
Chief Executive Officer

He is a seasoned banker with over 40 years of experience. He earlier served Allied Bank as CEO for two successive terms from 2000 to 2007 before re-appointment in June 2010 and played a key role in the turnaround of the bank since its restructuring in 2004.

Before joining Allied Bank he was associated with United Bank Limited as CEO and House Building Finance Corporation as a Managing Director.

# Board Committees



## Audit Committee

Constitution:

- a) Sheikh Mukhtar Ahmad  
Chairman
- b) Sheikh Jalees Ahmed  
Member
- c) Mubashir A. Akhtar  
Member

## Terms of Reference

Primary responsibilities of the Audit Committee are to determine appropriateness of measures taken by the management to safeguard bank's assets, ensure consistency of accounting policies, review financial statements and recommend appointment of and coordinate with external auditors. 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. Implementation of the management testing plan, assessing the testing results and advising appropriate corrective action is also amongst the major responsibilities of the Audit Committee.

## Board Risk Management Committee

Constitution:

- a) Abdul Aziz Khan  
Chairman
- b) Muhammad Waseem Mukhtar  
Member
- c) Mubashir A. Akhtar  
Member
- d) Khalid A. Sherwani  
Member

## Terms of Reference

The primary functions of Board Risk Management Committee (BRMC) is the monitoring of management's adherence to prudent and sound risk policies, assessing the ever changing risk profile and providing risk appetite to the business units. It also ensures development of risk management principles to build stakeholders confidence, safeguard and enhance reputation. The committee approves risk limits for Credit, market and operational risks, Credit approval grid and proposals regarding rescheduling/write-offs and filing of recovery suits. Overseeing of certain management committees and groups is also undertaken by the BRMC. The Committee also monitors the initiatives and expenses pertaining to Basel II and up gradation of Risk Management Systems.

## e-Vision Committee

Constitution:

- a) Mohammad Naeem Mukhtar  
Chairman
- b) Muhammad Waseem Mukhtar  
Member
- c) Pervaiz Iqbal Butt  
Member
- d) Khalid A. Sherwani  
Member

## Terms of Reference

One of the key missions of the e-Vision committee is to provide strategic direction for e-banking and adoption of evolving technology. Strategic plans for IT infrastructure and review/implementation of medium to long term plans, including alternate delivery channels are also reviewed by the e-Vision committee. The Committee provides assistance to the Board with insights regarding international developments in the field of e-banking adoption. It also oversees performance of Project Steering Committee (T24 Core Banking Project) IT steering Committee, and IT Group.

## Strategic Planning & Monitoring Committee

Constitution:

- a) Muhammad Waseem Mukhtar  
Chairman
- b) Sheikh Jalees Ahmed  
Member
- c) Abdul Aziz Khan  
Member
- d) Khalid A. Sherwani  
Member

### Terms of Reference

The Strategic Planning and Monitoring Committee (SPMC) is responsible to review in detail long term strategic plan, operational plan and budget of the Bank before their consideration by the Board. The Committee also monitors progress against above referred plans and budget. SPMC is also responsible to approve capital, insurance and publicity expenses above certain threshold. As per ToRs, SPMC has also to assist the Board on corporate development activities including, but not limited to acquisitions, mergers, alliances, joint ventures and divestitures etc.

Besides overseeing certain management committees and groups, it also approves filing of legal suits and criminal complaints involving significant amount.

## Human Capital Committee

Constitution:

- a) Sheikh Jalees Ahmed  
Chairman
- b) Abdul Aziz Khan  
Member
- c) Muhammad Waseem Mukhtar  
Member
- d) Khalid A. Sherwani  
Member

### Terms of Reference

The committee defines the organizational structure and functional responsibilities of each group. It approves staff strength, key appointments, salary revisions, bonuses and any special allowances. It nominates the management personnel on the boards of other companies / subsidiaries. It also recommends amendments in Human Resources Policy to the Board, besides monitoring performance of Human Resources Group.

## Board of Directors and Board's Committees meetings attended by Directors during 2010

Directors	Board of Directors	Board Risk Management Committee	Strategic Planning & Monitoring Committee	Audit Committee	Human Capital Committee	e-Vision Committee
Mr. Mohammad Naeem Mukhtar	5	-	-	-		8
Sheikh Mukhtar Ahmad	6	-	-	8		
Mr. Muhammad Waseem Mukhtar	4	6	6	-	3	8
Mr. Abdul Aziz Khan	6	7	6	-	4	
Sheikh Jalees Ahmed	6	-	6	8	4	
Mr. Farrakh Qayyum*	1	-	-	2		
Mr. Mubashir A. Akhtar	6	7	-	5		
Mr. Pervaiz Iqbal Butt	6	-	-	-		4
Mr. Khalid A. Sherwani**	4	5	4	-	1	2
Mr. Mohammad Aftab Manzoor***	2	2	1	-	2	4
Mr. Tariq Mahmood****	-	-	1	-	1	2
Number of meetings held	6	7	6	8	4	8

\* Withdrawn by GoP w.e.f. 01.03.2010

\*\* Joined ABL on 18.06.2010

\*\*\* Resigned on 18.06.2010

\*\*\*\* Attended meetings as acting CEO

## Chairman's Message



In a time of great uncertainty when floods washed away a large portion of our cultivated lands and made millions homeless, we were more resolute than ever. In a time when confidence and patience was tested, we were patient and more confident than ever of our nation's extraordinary resilience in the face of adversity and that our team members at Allied Bank are satisfying customers' financial needs and helping them succeed in all circumstances.

Now, more than ever before, we recommit our belief of doing what is right for our customers.

This belief has guided our efforts as we have worked to help customers and communities ride out the economic, political and social storms and floods of 2010.

### **Prudence**

The continuing economic difficulties and ever changing market dynamics require prudent risk management. With that in mind, industry experts with engineering background and risk management expertise are being inducted to mitigate risk.

To counteract the impact of the financial turmoil and economic recession, we carefully planned our use of capital and tightened the control of the growth of risk weighted assets throughout the year. We re-aligned our asset portfolio in line with changing dynamics to have lesser exposure in risky segments.

### **Growing the Right Way**

Our challenge and opportunity is to take advantage of what we have built and make it work even better. Today, we're working to improve our ability to support the financial health of all those we serve. To provide financial solutions which are clearly explained and easily understood, through a prudent business model that generates attractive returns for our shareholders.

For me and for everyone at Allied Bank what counts today, is not only how many branches and ATMs we have opened, rather what counts most is the way all our delivery channels work together for our customers and our communities when they need us the most.

### **Positioned for growth**

Complacency is not a sustainable position and growth is the only way to stay ahead. It is due to this belief that today, your Bank stands on a solid foundation of quality products and services.

The continuous introduction of innovative products and services keeps yielding good results. The robust performance of your Bank, increasing asset base and quality is reflected by the "Positive Outlook" assigned to the long term rating of "AA" and short term rating of "A1+" by PACRA.

With a vision to 21st century banking, we are in the process of implementing Temenos T-24, a core bank-

ing software solution, which will improve our service capability, achieve customer centricity, enhance efficiency and will ensure our competitive advantage in the long run.

The Board of Directors of your bank firmly believes in uniformity in service standards across the entire 800+ branches in the country. We are investing heavily in human resource development, infrastructure improvements and automation of processes and systems.

A Service Quality team of professionals has been formed to identify and evaluate the growing needs of customers and to introduce service benchmarks accordingly. The team also runs a 24/7 state-of-the-art call center to help and guide customers on phone whereas Customer Services Officers at the branches facilitate the customers.

The renovation of branches continues nationwide in order to provide improved ambience, facilities and personalized services for a richer and unified customer experience. Similarly, we continue to lead the way by having the largest ATM network that continues to grow nationwide.

### **The year ahead**

In 2011 we will continue to focus on our vision and on doing what's right for our customers. Now more than ever before, we at Allied Bank, want to stand by our customers and do what is right for them just as we have done in the past.

I want to communicate my appreciation and thanks to the entire management team and staff of Allied Bank for their accomplishments during what has been one of the challenging years for Pakistan. I thank our customers for entrusting us with more of their business and continue relationship with us for their next financial solutions. I thank our communities for allowing us to serve them. My thanks go to the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their support, trust and valuable contributions. And last, but not the least, I thank you, our shareholders, for your continual confidence in Allied Bank Limited.

Mohammad Naeem Mukhtar  
Chairman

# Directors' Report

## Dear Shareholders

On behalf of the Board, we are pleased to present the annual report of your Bank for the year ended December 31, 2010.

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

The Board of Directors has proposed a final cash dividend of Rs. 2 per share (aggregate cash dividend of Rs. 4 per share including interim dividend) and to issue bonus shares in the proportion of 1 share for every 10 shares held, i.e., 10% for the year 2010. This, together with the interim dividend declared during 2010 will be approved in the forthcoming annual general meeting.

## Performance Review

Your bank posted pre-tax profit of Rs. 12,343 million during 2010 compared to Rs. 10,536 million in previous year, registering a healthy YoY growth of 17.2%. The profit after tax also rose by 15.5% from previous year to Rs. 8,225 million during 2010. Resultantly, the EPS of your bank increased to Rs. 10.52 during 2010 as compared to Rs. 9.11 during 2009. The profitability ratios measured in terms of ROA and ROE also remain healthy at 1.89% and 28.83%, respectively, for 2010.

The balance sheet size of your bank registered a YoY growth of 7.5% to reach Rs. 449,932 million as at December 31, 2010. The growth was mainly achieved in less risky quality avenues considering the prevailing operating environment. Core equity of the bank also expanded to Rs. 31,166 million, a healthy growth of 20.4% on the back of improved profitability. The bank achieved a CAR of 13.84% as at December 31, 2010 (December 31, 2009: 13.47%). Deposits of your bank increased to Rs. 371,284 million as at December 31, 2010 compared to Rs. 328,875 million in previous year, a YoY growth of 12.9%. Meanwhile, the gross advances rose to Rs. 268,530 million at December 31, 2010, a YoY rise of 7.5%.

Net Mark-up/Interest Income of your bank increased by 20.7% to reach Rs. 22,565 million; mainly led by growth in average earning asset and improving deposit mix towards low cost core deposits. Meanwhile, the contribution of Non-Markup/Interest Income remained at around one-fifth of the total Gross Income despite lower YoY forex revenue and limited avenues for generating Investment Banking Fee Income. The bank's operating expenses (excluding the impact of Voluntary Retirement Scheme offered to employees during the year of Rs. 294 million) increased by 16.1% to Rs. 11,273 million. This when compared with inflationary trends and increasing outlays on infrastructure strengthening reflects effectiveness of the cost rationalization strategies adopted by the management. The Provision against financing and investments reduced by Rs. 414 million to Rs. 4,083 million during 2010 compared to the previous year. The provision coverage against advances, however, remained strong at 82.5% at December 31, 2010. No benefit of FSV has been taken while determining the provision against NPLs as allowed under BSD Circular No. 02 of 2010 dated June 03, 2010.





Regional Headquarter, Faisalabad

	Rs. In million		Growth %
	2010	2009	
Profit after tax for the year	8,225	7,122	15.49
Accumulated profits brought forward	12,199	8,537	42.90
Transfer from surplus on revaluation of fixed assets - net of tax	36	32	12.5
Profit available for appropriation	20,460	15,691	30.39
Interim cash dividend for the year ended December 31, 2010 at Rs. 2 per share (2009: Year ended December 31, 2009 at Rs. 2 per share)	(1,564)	(1,422)	9.99
Final cash dividend for the year ended December 31, 2009 at Re. 2 per share (2009: Year ended December 31, 2008 at Rs. 1 per share)	(1,422)	(646)	120.12
Bonus shares for the year ended December 31, 2009 @ 10% (2009: Year ended December 31, 2008 @ 10%)*	-	-	-
Transfer to statutory Reserves	(1,645)	(1,424)	15.52
Accumulated profits carried forward	15,829	12,199	29.76
Earning Per Share (EPS) (Rs.)	10.52	9.11	15.48

\* Appropriation out of Share Premium Account

# Directors' Report

## Calendar of Major Events

Incorporation of Australasia Bank Limited	1942
Nationalization and merger of other three Banks i.e. Pak Bank Limited, Lahore Commercial Bank Limited and Sarhad Bank Limited with and into Australasia Bank Limited and its renaming as Allied Bank of Pakistan Limited	1974
Privatization under ESOP	1991
Reconstruction of Allied Bank of Pakistan Limited and handing over of its management to Ibrahim Group	2004
Change of the name from Allied Bank of Pakistan Limited to Allied Bank Limited	2005
Listing on all the three Stock Exchanges of Pakistan	2005

## Financial Calendar

### - 2010

1st Quarter Results issued on	April 26, 2010
2nd Quarter Results issued on	August 12, 2010
3rd Quarter Results issued on	October 18, 2010
Recommendation of Annual Results by the BOD	February 11, 2011
65th AGM Scheduled for Approval of Annual Results	March 16, 2011

### - 2009

1st Quarter Results issued on	April 25, 2009
2nd Quarter Results issued on	August 11, 2009
3rd Quarter Results issued on	October 24, 2009
Recommendation of Annual Results by the BOD	February 17, 2010
64th AGM held for Approval of Annual Results	March 26, 2010

## Statement under Code of Corporate Governance

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

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed 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 is attached.
- The book value of investment of



Pension Fund, Provident Fund and Gratuity Fund is Rs. 5,367 million, Rs. 3,328 million and Rs. 759 million, respectively, as per audited accounts of these funds for the year ended December 31, 2010.

- 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.
- We have criteria for nomination of Bank's executives on the Boards of other companies where Allied Bank is an investor company. The Human Capital Committee of the Board decides these nominations.
- The committees of Board of Directors along with their terms of reference/charter have been separately disclosed in the annual report.
- The details of Board & Board's Committees meetings held during the year and attendance by each director have been separately disclosed in the Annual Report.

### Change in the Board of Directors

During 1Q2010, the Government replaced its Nominee Director Mr. Farrakh Qayyum with the then Chairman Federal Board of Revenue (FBR). However, he expressed his inability to accept the position. The position is still vacant.

The Board places on record its sincerest appreciation for Mr. Farrakh Qayyum to whom we are indebted for his prudent, professional and diligent guidance.

### Chief Executive Officer's Review

The Directors of your bank fully endorse the Chief Executive Officer's Review on the bank's performance for the year ended December 31, 2010.

### Statement of Internal Controls

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

### Risk Management Framework

The Bank manages risk through a framework of sound risk principles which includes an optimum organizational structure, risk assessment and monitoring processes. The Risk Management Group (RMG) 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). RMG took several steps in 2010 to further strengthen the Risk Management Framework. Some of the major initiatives carried out were:

- Launched the Operational Risk Framework as a step to comply with the Basel II Operational Risk Standardized Approach. Initiated implementation of the Operational Risk Monitor; a state of the art software solution that will automate the requirements of the Operational Risk Framework.
- Implemented the newly devised Market Risk Management Framework with the assistance of an internationally reputed consultant. Comprehensive reports and analytics are now prepared for the management and the Board to efficiently manage the liquidity and market risk.

# Directors' Report

- Completed the development work on an automated Basel II Capital Calculator for Credit Risk Standardized Approach, which at present is undergoing design validation. This will meet the regulatory requirements as set out by the State Bank of Pakistan for Basel II reporting.
- Launched an internally developed Loan Origination System (LOS) with an embedded risk rating engine to evaluate borrowers with enhanced efficiency and improved credit assessment process.

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

## Entity Ratings

The Pakistan Credit Rating Agency (PACRA) has assigned "Positive Outlook" to the ratings of Allied Bank Limited [current ratings: long-term: AA and short-term: A1+]. The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. The Positive outlook acknowledges Allied Bank's consistent robust performance, emanating from sustained growth and sound asset quality.

## TFCs Issues

JCR-VIS Credit Rating Company has maintained rating of AA- (Double A Minus) assigned to your Bank's 1st TFC Issue (issue date: December 06, 2006). This rating denotes high credit quality. The rating of your bank's second TFC Issue (Issue date: August 28, 2009) of Rs. 3,000 million has also been maintained at AA- (Double A Minus) by PACRA. The rating denotes a very strong capacity for timely payment of financial commitments.

## Corporate Governance Rating

Corporate Governance Rating (CGR) is meant to indicate the relative level to which an organization accepts and follows the codes and guidelines of corporate governance practices. JCR-VIS Credit Rating Company Limited has "Upgraded" the CGR rating of Allied Bank to "CGR 8+" during the year from "CGR 8" which denotes 'high level of corporate governance'. The

rating action takes into account improvement in areas of internal audit and compliance, risk management, customer service, IT including the progress towards implementation of new core banking system, and the strengthening of the overall control environment.

## Auditors

The present auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants and Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible offer themselves for re-appointment.

The Board of Directors, on the recommendation of the Audit Committee, has recommended Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, and Messrs KPMG Taseer Hadi & Co., Chartered Accountants, 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 Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

## Acknowledgements

On behalf of the Board and management, we would like to express our sincere appreciation to our customers and shareholders for their patronage, State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their continuous guidance and support, and employees for all their continued dedication, enthusiasm and loyalty.

For and on behalf of the Board,

Khalid A. Sherwani  
Chief Executive Officer

Dated: February 11, 2011  
Place: Lahore



# The Management



**Khalid Ahmed Sherwani**  
Chief Executive Officer

He is a seasoned banker with over 40 years of experience. He earlier served Allied Bank as CEO for two successive terms from 2000 to 2007 before re-appointment in June 2010 and played a key role in the turnaround of the bank since its restructuring in 2004.

Before joining Allied Bank he was associated with United Bank Limited as CEO and House Building Finance Corporation as a Managing Director.



**Sheikh Jalees Ahmed**  
Executive Director, Strategic Planning

He joined Allied Bank's Board in 2004 and has more than 35 years of diverse experience in the fields of Finance and Industry. Allied Bank benefits from his professional expertise particularly in the areas of strategic and financial planning, systems and controls and HR management.



**Tariq Mahmood**  
Group Chief, Operations

He is heading the Operations Group at Allied Bank since January 2007. He has a vast banking experience of 39 years in senior positions covering areas of Retail Banking, Foreign Trade, Operations and Credit while associated with major commercial banks. He has served with Askari Bank Ltd., as a member of pioneer team, prior to joining Allied Bank, with demonstrated record of developing business, processes and branch network.



**Zia Ijaz**  
Group Chief, Commercial and Retail Banking

He has over 20 years of diversified experience in the areas of accountancy, financial management and Commercial & Retail Banking in domestic & international markets. He has also served as CFO of Allied Bank for 5 years. Before joining ABL, he has worked in Riyadh Bank, Saudi Arabia and Askari Bank in Pakistan at senior positions. Prior to the banking profession, he was associated with Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants. Mr. Zia Ijaz is a Fellow Member of the Institute of Chartered Accountants of Pakistan and CPA from AICPA, USA.



### Muhammad Jawaid Iqbal

Group Chief, Corporate & Investment Banking

He is a Chartered Financial Analyst and holds a Masters in Business Administration degree with almost 20 years of experience in the field of Corporate & Investment Banking. He joined Allied Bank in May 2005 and has been instrumental in setting up of the Corporate & Investment Banking Group at ABL. In a short span of six years, Allied Bank has emerged as one of the leading corporate and investment banks and has won numerous awards.

Prior to joining Allied Bank, he served at National Bank of Pakistan and at Emirates Bank International. He is also the president of the CFA Association of Pakistan.



### Fareed Vardag

Group Chief, Risk Management

He is the Chief Risk Officer of Allied Bank since March 2005 and is credited with the set-up of the Risk Management Group since the restructuring and recapitalization of the bank in 2004. He is a seasoned Banker with more than 25 years of extensive experience in domestic and international banking involving Corporate Banking, Trade Finance, Credit and Enterprise Risk Management. Since start of his Banking Career in 1985, he has worked in various capacities with renowned institutions such as Habib Bank Limited, American Express Bank and Standard Chartered Bank



### Muhammad Yaseen

Group Chief, Treasury

He has extensive banking experience of 41 years, including over 30 years in Treasury Function, with leading institutions in the local and international industry. He has been heading Allied Bank's Treasury function since 2005 and remained on various committees of SBP for development of foreign exchange regime in Pakistan.



### Tahir Hassan Qureshi

Chief Financial Officer

He is a fellow member of the Institute of Chartered Accountants of Pakistan. He has diversified experience of more than 21 years including over 17 years of experience in the banking industry where he has held senior management positions in Finance, Taxation and Corporate Affairs in HBL, MCB and BOP. He is also a member of the Institute of Chartered Accountants of Pakistan on Banking Committee and Pakistan Banking Association's sub-committee on Accounting and Taxation. He took up the assignment of the Chief Financial Officer at Allied Bank in October 2008.

# The Management



## **Mohammad Abbas Sheikh**

Group Chief, Special Assets Management

He possesses diversified experience of 25 years in the local and international banking industry. During last 12 years he successfully headed Remedial Asset Groups of two large Banks of the country and settled numerous old and chronic defaulters' accounts. He has been heading Special Assets Management Group at Allied Bank since restructuring and recapitalization in 2004.



## **Mujahid Ali**

Group Chief, Information Technology

He joined Allied Bank in 2008 as Group Chief Information Technology and possesses over 20 years experience in the area of IT Planning & Development, Project Management & Systems Implementation. Prior to joining Allied Bank, Mr. Mujahid was heading the IT Department at Ibrahim Group. He has to his credit the successful implementation of various IT projects during his extensive career. Currently he has been mandated with the task of implementing T-24 at Allied Bank, the state of the art core banking application and host of other IT initiatives aimed at enhancing customers' experience and bank's operational efficiency.



## **Shafique Ahmed Uqaili**

Group Chief, Human Resource

He joined the bank in year 2006. He is a seasoned HR specialist having multi-faceted national and international professional work experience in a wide variety of HR functions for over 26 years in different business sectors, including commercial banking, non banking financial institutions, pharmaceuticals industry and retail/consumer businesses. He has a bachelors degree in engineering, a masters degree in computer science and business administration with specialization in human resource management.



## **Muhammad Shahzad Sadiq**

Group Chief, Audit & CRR

He is a fellow member of the Institute of Chartered Accountants of Pakistan. He possesses vast & diversified experience of having worked for more than 20 years in multinational and local banks as well as in leading industrial organizations of Pakistan. While working with various institutions he held the key positions like Chief Financial Officer, Head of Planning & Corporate Affairs, Head of Credit & Marketing besides representing his institution on the Board of Directors of various companies as nominee director.





### **Khawaja Mohammad Almas**

Head Core Banking Projects

He commenced his professional career with Allied Bank in 1983 and has 27 years of banking experience to his credit in key slots in Business as well as Supporting Groups. He completed MBA from IBA, Punjab University in 1982 and professional qualification (DAIBP) in the year 1986.

He has participated in numerous domestic and International conferences and represented Allied Bank as trainer on different forums within Pakistan and internationally. His current assignment of implementing Core Banking Software is of great significance for the Bank.



### **Waheed Ur Rehman**

Group Chief, Compliance

He is a Fellow Member (F.C.A) of the Institute of Chartered Accountants of Pakistan. During his professional career of over 24 years, Mr. Rehman has worked in the capacity of Management Consultant, Operational Auditor and Chief Internal Auditor with leading institutions. He obtained enriched experience of Leasing Industry during his association with National Development Leasing Corporation Limited (NDLC) in the capacity of Chief Internal Auditor, Head of Credit and Company Secretary. He joined Allied Bank in 2005 in Finance Group.

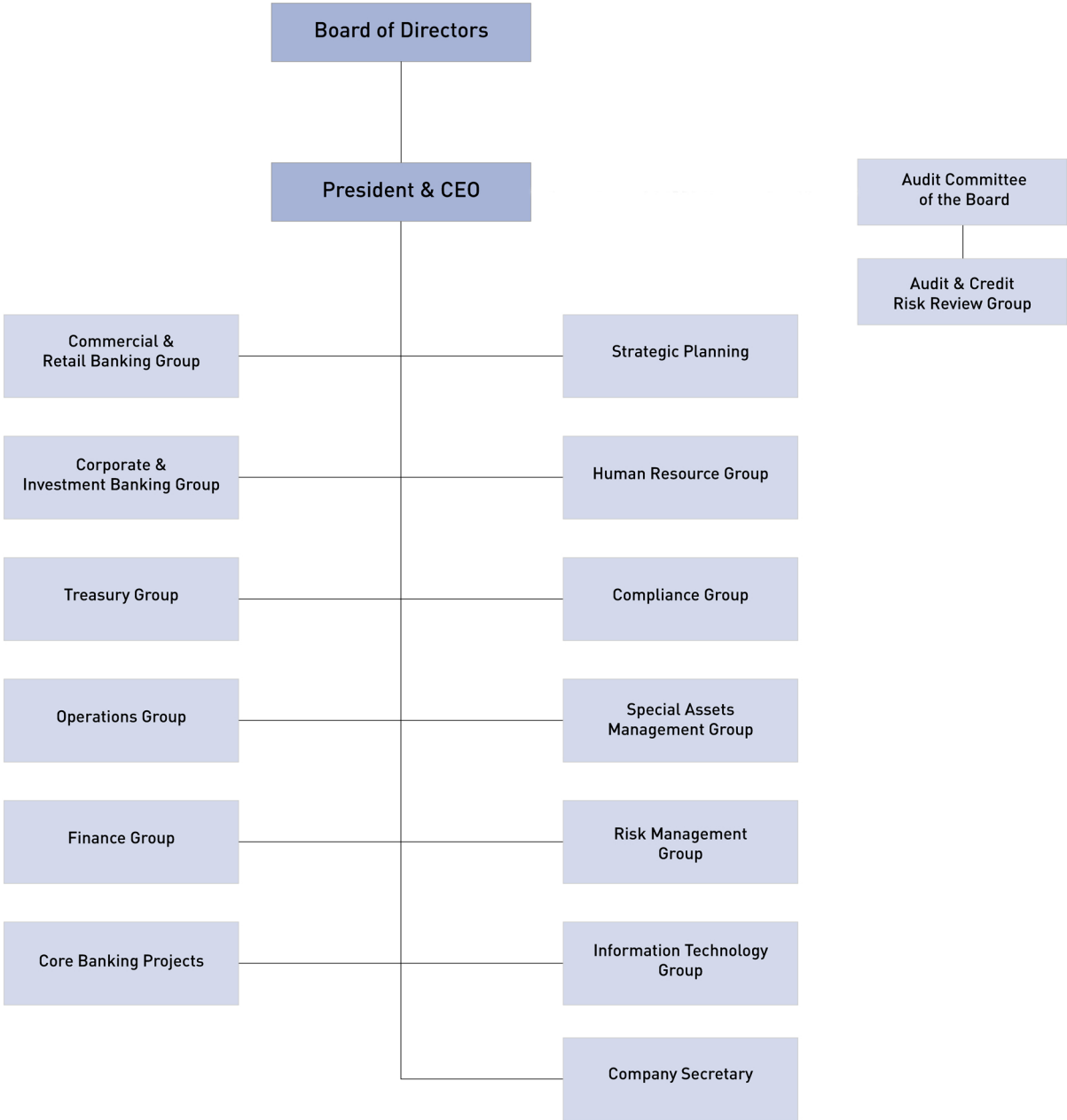


### **Muhammad Raffat**

Company Secretary

He has a long association with Allied Bank spread over 30 years and has remained posted in various banking areas during his career. His qualification includes DAIBP, M.A. and LL.B. He has been appointed as Company Secretary of the Bank in April 2010 and looks after Corporate Affairs Group.

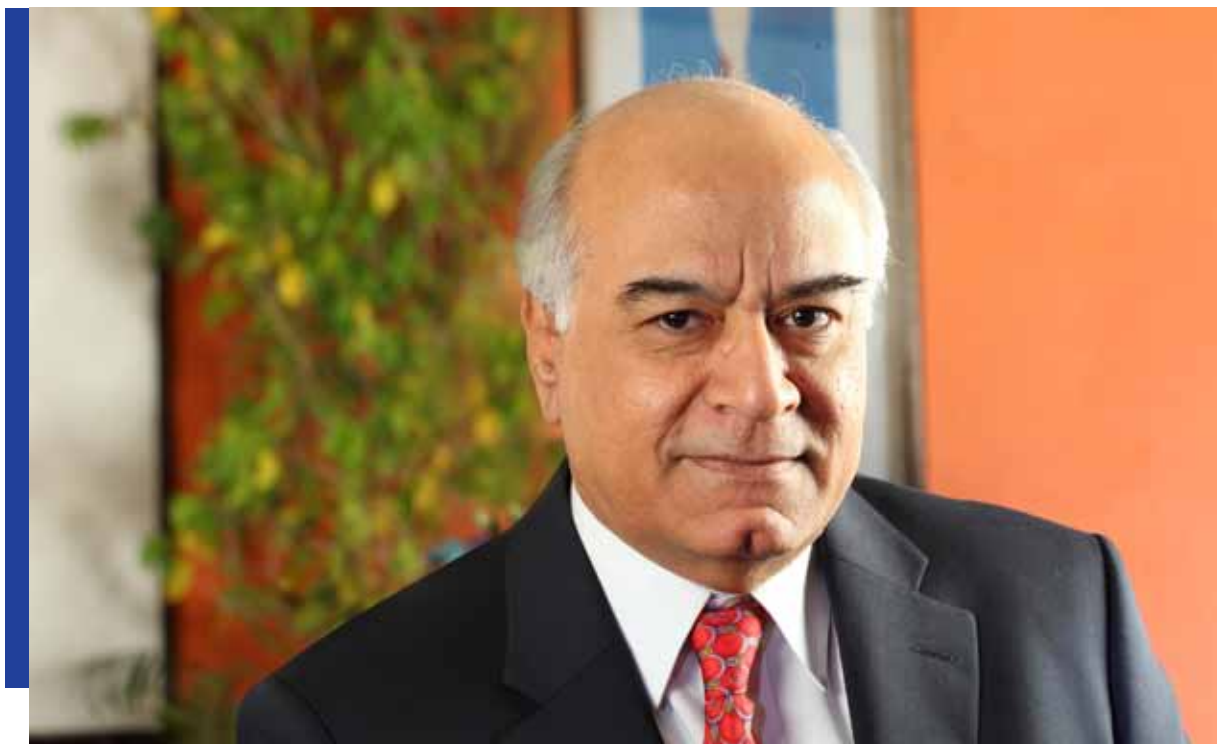
# Organogram



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## Chief Executive Officer's Review



During 2010 the economy's ability to achieve sustainable recovery remains constrained. The key variables impeding stabilization and thereby growth were persistent high inflation, fiscal distress, severe energy shortage, devastating floods and the security situation.

GDP Growth recovered to 4.1% in FY 2010 from a low base – after the transition to macro stability in second half 2009 – mainly due to recovery in the manufacturing and services sectors' performance. However, risks to macroeconomic stability have also been gaining traction on the back of rising fiscal pressures and relentless high inflation. The average inflation having fallen to 11.7% in FY10 has risen to 14.6% during 1H-FY11 and the surge in recent months is broad based.

The destructive floods in the second half of 2010 derailed the economy further with total losses of USD 9-10 billion, of which USD 3-4 billion were in the agricultural sector. This together with acute electricity and gas shortage has taken a toll on the growth of economic activity which is now widely expected to be around 2-3% for FY11 from an initial target of 4.5%. Meanwhile, global outlook continues to remain fragile and uneven as the weaknesses in major developed economies continue to drag the global recovery despite exceptional performance of emerging markets.

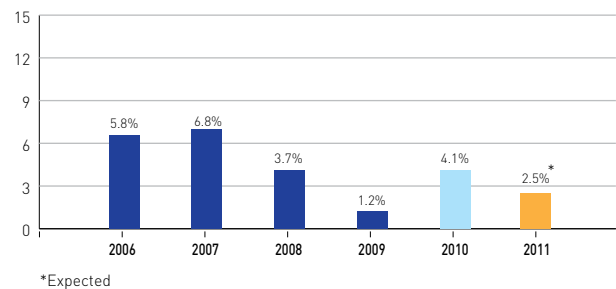
As against targeted growth of 26% in tax revenues for FY11, the actual tax collection during 1H-FY11 registered a growth of 13% only. Meanwhile, rising expenditure, primarily owing to the need for relief and reconstruction efforts in floods affected areas, subsidies for energy and food items and security related activities further indicate the difficulties that lie ahead. Under the circumstances, there is an increasing reliance by the government to fund the rising deficit through borrowings from SBP and the banking sector. While the fiscal position awaits progress, the external current account has shown notable improvement in 1H-FY11 mainly on account of robust growth in exports owing to high international prices for textiles and rice, continuing strong inflows of home remittances and disbursement of the Coalition Support Fund. However, the impact of this improved outlook may be neutralized by growing uncertainty regarding capital and financial inflows.

Recognizing the risks to the economy caused by high inflation that was being exacerbated by a structural fiscal deficit, the State Bank of Pakistan resorted to three successive 50bps hikes in the policy rate in FY11. Despite an increase in the policy rate and its transmission to market interest rates, the growth in key monetary aggregates remained substantial as M2 grew by 15.1% during the 1H-FY11 due to sharp growth in credit to the Government from the banking system. In addition, the outstanding stock of credit extended to the public sector for procurement of commodities and Public Sector Enterprises (PSEs) remained at an elevated level. Meanwhile, the credit to the private sector depicted a modest growth of 4.8% as against a contraction of 1.8% a year earlier. The credit to private sector was primarily for working capital financing whereas credit for fixed investment showed a consistent declining trend.

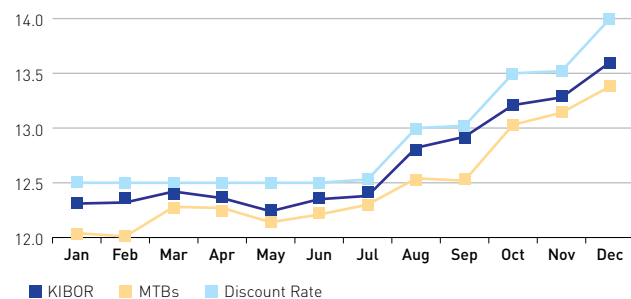
Despite adequate liquidity, the banking sector largely remained cautious in extending credit to the private sector mainly due to prevalent circumstances in the country; which partly also fueled the growth in Non-Performing Loans (NPLs), rising close to Rs. 500 billion by the end of Q1-FY11. At the same time, government's growing financing needs provided banks the opportunity to invest in risk free government securities.

Under the current difficult environment, your Bank remained committed to its strategy of maintaining steady growth in carefully selected quality avenues. In order to achieve the strategic objective the management of Your bank not only continued to re-align risk management framework to effectively respond to rapidly changing dynamics of the operating environment; but also stayed focused on cost effective deposit mix whereby further increasing proportion of Current and Savings (CASA) deposits. Additionally Your bank continues to build business by increasing penetration in retail segment, strengthening our corporate and commercial relationships; product innovation and strong focus on service quality.

### GDP Growth (Percentage)



### Interest Rates (2010)



## CEO's Review



### Business Performance

#### Commercial & Retail Banking

Commercial & Retail Banking Group, catering to the needs of individuals, middle sized customers, Small and Medium Enterprises (SMEs) and agriculture sector, provides its customers with integrated financing and offers various deposits solutions including speedy funds transfers through its extensive online network and a strong Alternate Delivery Channel (ADC) platform. During 2010, the Group successfully embarked upon its strategy of increasing the proportion of low cost deposits. Deposits grew by 13% to reach Rs. 371 billion as at December 31, 2010 over the previous year with share of CASA improving on average volume basis from 53% during 2009 to 55% in 2010, thereby managing the cost of funds in contributing to improved profitability.

There have been renewed efforts by the Group to enhance penetration in the commercial & retail lending segments and agriculture sector with a view to increase its share in the total loan book of the bank. In this regard various new products were launched to

attract customers. The team of Relationship Managers (RMs) is being strengthened to identify and attract customers having strong business profile matching the bank's risk acceptance criteria. The bank continued to adopt a cautious stance towards consumer financing in the current difficult high inflationary environment and remained cognizant to offer consumer products to its strong profile customers at large. A structural shift thus made during the year was the merging of Consumer segment into Commercial & Retail Group.

Going forward, the Group focuses on further contribution in the bank's bottom line through growth in quality avenues and improvement in deposit mix while effectively exploiting cross sell opportunities and optimization of branch banking/ADCs platform to generate sustainable sources of fee based income.

#### Corporate & Investment Banking

The Corporate and Investment Banking Group (CIBG) continued to provide strategic and structured financial solutions and advisory services to leading corporates, backed by a high quality relationship management



team. Despite a difficult macroeconomic outlook, the Group maintained its position as one of the leading player and closed a number of high value and complex transactions for premier corporate entities encompassing both debt and equity based solutions. During 2010 Allied Bank won the "Corporate Finance Equity/ Advisory House" by CFA Association of Pakistan" and "Best Domestic Investment Bank of the year – Pakistan" award by the Asset Magazine Hong Kong for the second consecutive year. The awards are recognition of our continuous endeavors in providing quality solutions to our corporate clientele.

Considering the challenging environment at hand, the Group focus remained on asset quality during the year and followed a two pronged strategy a) increasing exposure to only premier corporates having strong business fundamentals and tested payment track record and, b) reducing/rationalizing exposure in sectors with weak dynamics. Priority remained on extending short term working capital/trade based financing facilities which provide the ability to make swift adjustments to portfolio in line with prevalent macro and industry specific factors.

Focus on industry specific products and solutions for client receivables, payments and liquidity management has enabled Cash Management Unit to generate appreciable growth in fee income. Our entire product offering is fully customizable and supported by comprehensive real-time MIS delivery to the customers.

Allied Bank, in a short span of time, has acquired prominent position in the industry in International In-bound Remittance. Associated with a vast number of International Correspondents, our Home Remittance Service is the channel of choice for most large Pakistani Expatriate locations across the globe. Our newly streamlined systems ensure near-immediate transaction throughput, making all transactions available across the entire Allied Bank's network instantly. There has been an impressive 42% growth in remittance volumes handled by the bank during 2010.

The Group is also looking after the Allied Bank's initiatives to establish international footprint and is at an advanced stage for opening a branch in Bahrain and a Representative Office in Dubai with an objective to tap business opportunities in these markets.

# CEO's Review



## Treasury & FX Management

Being cognizant of the developments on economic front, Treasury played a vital role not only in managing the funds to maximize bank's revenues but also remained focused on customers' orientation in collaboration with other groups to broaden the base of trade related business activities. The year 2010 saw a shifting in the interest environment owing to higher inflation, budget deficit etc. As a result of upward shift in yield curve due to hikes in SBP Discount rate during the year under review, the Treasury cautiously reduced the duration of investment portfolio. The strategy resulted in ensuring better return on investments which partially offset the corresponding increase in offering return to Banks' remunerable depositors.

## Special Asset Management

Owing to the rising trend in NPLs across the banking sector, the role of Special Asset Management Group (SAMG) has become increasingly important to recover bank's stuck up funds in a timely manner. Through the joint efforts of SAMG and Business Groups, the bank made recoveries and regularization of around Rs. 3 billion during 2010, thereby contributing to bank's low infection ratio compared to industry averages and peers. Efforts are underway to bring further structural improvements in the Group and increasing focus on capacity building through inductions at key slots.

## Human Resource

At Allied Bank we recognize our employees as the prime asset and key contributors to the performance of the bank and place great emphasis on the attraction, development, motivation and retention thereof. During the year under review, the bank remained active in attracting the best of the industry talent by offering market based compensation and a congenial work environment. As part of continuing strategy to mix youth with experience, the management pursued the policy of inducting fresh Post Graduates in business and Commerce from leading business schools as Management Trainee Officers by following meticulous selection process. During the last three years over 1400 MTOs through various batches have been hired and were provided comprehensive in-house training before being assigned to various functions.

Employees' professional development remained one of the key elements of our human resource strategy. To keep abreast with technological development and changing business needs, human capital enrichment through extensive in-house and external training is indispensable. During the year, 5,687 employees participated in various in-house training programs arranged at Management Development Centers in Karachi, Lahore and Islamabad. In addition, the bank nominated 2,162 employees for ex-house training in Pakistan while 45 employees were also sent abroad for attending training and seminars. During 2010, the bank has incurred an amount of Rs. 79 million on training of employees as compared to Rs. 58 million spent in previous year.

To promote employees engagement and satisfaction, a performance evaluation system is in place whereby 'pay to performance criteria' inculcates the motivation amongst the employees to achieve the goals/targets. Recognizing it to be a long-term investment having lasting benefits, the management continued to invest in human resource strengthening and rationalization. Since the restructuring and recapitalization of the bank in 2004, the permanent workforce increased by one-third of the total strength at end-Dec 2004. The bank has promoted the philosophy of women participation in every sphere of economic activity. Female employment ratio at Allied Bank has increased from 4% to 12% of the total employees during the last 6 years with further increase targeted in the coming years.





## CEO's Review



### Service Quality

Keeping in view Allied Bank's customer centric vision, the bank has in place a dedicated service quality function entrusted with the responsibility to monitor and recommend for improvement in the service quality standards. In line with the commitment to provide enriched customer experience, 'verbalized ATM/T-Pin generation process' has been introduced by 24/7 Allied Phone Banking, along with host of personalized banking services. In addition, Complaint Management Unit established last year has been made more effective to provide speedy and effective resolutions to build a strong rapport with the customer.

Internal Service Measures (ISMs) are in place to ensure that set Service Standards in terms of timeliness & quality are being achieved across the bank. To uplift the service culture at branch level, the placements of Customer Support Officers have been initiated. Moreover, Customer Satisfaction Survey is conducted on periodic basis by Service Quality to gauge customer satisfaction levels.

## Risk Management

Risk Management involves setting the most appropriate course of action under uncertainty by identifying, assessing, understanding, communicating and addressing risk issues. Recognizing the international trends and global focus; At Allied Bank risk management is an essential pillar of our banking strategy. The Risk Management Group, is actively measuring, monitoring, controlling and reporting risks across the Bank. Modern analytical tools are used in combination with traditional techniques to assess credit, operational, market and liquidity risks. Risk appetite in the form of regulatory capital allocation has been determined for the above three risk forms in addition to capital adequacy.

During the year under review, focus remained on development and implementation of policies & procedures to further strengthen risk management in every area. Further, the Bank has developed an Internal Capital Adequacy Assessment Process (ICAAP) as per central bank guidelines.

The internal obligor risk rating system has been redesigned to further strengthen the credit decision process and to identify the high risk portfolio. The obligor risk rating models are being embedded in a newly developed automated workflow of credit approval (Loan Origination System). Industry experts and engineers have been engaged and placed in the Risk and Business units to not only provide their expert opinions on the obligor's technical viability but also to support the Bank's credit risk strategy through detailed industry analysis.

The Group has implemented the newly devised Market Risk Management Framework with the assistance of an internationally reputed consultant. Comprehensive reports and analytics are now prepared for the management and the oversight of the Board to efficiently manage the liquidity and market risk. In-order to ascertain that adequate capital cushion is available to absorb market risk shocks; stress testing is regularly carried out on different risk factors.

The management has been cognizant of the fact that operational risk, like other risks, needs to be proactively mitigated. Allied Bank has developed and is de-

veloping an Operational Risk Management Framework (ORMF) which provides detailed guidelines besides tools such as Risk & Control Self Assessment, Key Risk Indicators and Incident Data Management.

The Bank is endeavoring towards automated Basel II Capital Calculations through implementation of a world-class software solution. The Credit Risk Capital Calculator is operational whereas the automation of Operational Risk and Market Risk reporting is underway.

## Technology

After the successful completion of first phase during 2009, which involved migration of Treasury, centralized Trade Factories, all Controlling Offices and development of centralized processing units for account opening and verification; the second phase of Roll out of T-24, a state-of-the art core banking solution, in branches began in May 2010. To date 79 high volume branches have been successfully migrated to the new system. Besides all new branches are being opened under T-24 environment taking the total number of branches currently operating on T-24 to 101. In order to cater to high speed connectivity requirement for the new core banking solution, infrastructure up gradation and bandwidth improvements are being actively pursued. Efforts are also underway for up gradation of IT security framework across all applications and systems and provision of effective disaster recovery mechanism.

The technology team is effectively managing the bank's strong ADCs platform bringing constant up gradation and improvements in the products/services offered. To achieve paper-less environment, the Group is fast automating the various approval processes and work flows, bringing efficiencies in decision making besides savings of cost.

## Operations, System & Control

Operations group continued to focus on centralization of processes and business continuity. Strong operational support provided to the businesses to ensure the successful launch of new products and services during the year. The Internal Controls Division under the ambit of Operations Group is entrusted with the re-

## CEO's Review



sponsibility of expediting rectification of irregularities and control lapses in branches' operations and various controlling offices pointed out through audit reviews.

The Compliance Group ensures adherence to the regulatory requirements and Bank's internal policies and procedures. During the year the Group revisited the AML / KYC Policy and realigned it with the changes in the regulatory environment. Specific training sessions were held to apprise the field functionaries as to AML/ KYC policies and procedures. Besides introducing certain automated off-site monitoring tools in the vast network of branches on a daily basis, the bank has also procured a name search solution through OFAC.

Recognizing it to be an ongoing process, the Management of Allied Bank has adopted an internationally accepted Internal Control COSO Framework, with the assistance of a reputable advisory firm in accordance with guidelines on Internal Controls from the State Bank of Pakistan, as elaborated in "Statement of Internal Controls" being integral part of the Annual Report.

### Alternate Delivery Channels (ADCs)

Leveraging technology to deliver the best customer experience and enhance the efficiency of operations remained the corner stone of our business strategy. The bank continued to maintain its lead of being the top Bank with highest number of ATMs, which increased to 569 at December 31, 2010 (13% of the industry share) covering 145+ cities whereby making it the widest geographical coverage for ATM based service amongst all the banks in Pakistan. Additionally, the bank also has

installed 5 cash deposit machines in major cities. With completely on line network of 806 branches we enjoy a market share of 12% amongst the online branches in the country. To effectively leverage e-Banking initiatives, the face of Allied Direct – Internet Banking – was upgraded with more user-friendly and real time processes. A great addition in the feature-set of our Internet Banking this year is the formal domestic remittance service with the name of Allied Pay Anyone wherein Allied Bank customers can send cash to any individual in Pakistan even if the beneficiary doesn't have a bank account. Allied Bank has a market share of 13% in the overall e-Banking Payments in the country.

Following launch of Visa Debit Cards in August 2008, the activity speeded up during 2009 and 2010 with 350,000 cards issued to customers during the year, taking the total number of cards to 622,000 at end-Dec 2010. With pick up in usage of these cards, the fee flows from this avenue have started to strengthen appreciably.

### Awards, Recognition and Ratings

Your Bank won a host of awards and recognitions for its strong performance during 2010 and improvement in systems and processes. Allied Bank was awarded the Best Domestic Bank – Pakistan by Asia Money. The evaluation criteria take into account the performance, leadership, financial strength and corporate strategy during the year under review of the banks operating in Pakistan.

Allied Bank has also been adjudged as "Best Bank" of 2009 by CFA Association of Pakistan in its 7th Annual Excellence Awards. Your Bank has also been ranked 1st in Pakistan and 9th Globally by the Banker Magazine, UK for yielding best profits on capital.

The Bank also received the corporate excellence award in financial institutions category for the second consecutive year by Management Association of Pakistan (MAP) in recognition of its Corporate Governance and Overall Management Best practices.

As mentioned above the Banks' Corporate & Investment Banking Group has won "Corporate Finance Equity/Advisory House" by CFA Association of Pakistan" and Best Domestic Investment Bank of the year – Paki-

stan” award by the Asset Magazine Hong Kong for the second consecutive year

During the year Pakistan Credit Rating Agency has assigned ‘Positive Outlook’ to our entity Ratings of AA/A1+. The Positive Outlook acknowledges Allied Bank’s consistent robust performance emanating from sustained growth and sound asset quality.

The Corporate Governance Rating of the Bank has also been enhanced to ‘CGR-8+’ during the year from ‘CGR 8’ by JCR-VIS Credit Rating Company which denotes high level of Corporate Governance. The rating actions takes into account the improvements in the area of internal audit and compliance, risk management, customer service, IT including the progress towards the implementation of new core banking system, and strengthening of the overall control environment.

As part of our initiatives to constantly improve and judge ourselves against best international practices and benchmarks, the Bank voluntarily got itself rated from Moody’s Investor Services, one of the premier International Rating Agency. The ratings [Bank Deposits – Foreign Currency: B3/NP; Bank Deposits – Local Currency: B1/NP; Bank Financial Strength: E+], though also influenced by the Sovereign Ratings of Pakistan, are at par with the international ratings of Tier-1 Peer Banks in the domestic Industry as well as important regional players.

#### **ABL Asset Management Company Limited (ABL AMC)**

ABL AMC, a wholly owned subsidiary of Allied Bank Limited, is fast positioning itself as a prominent player in the asset management industry. After the launch of two new funds during 2010, the AMC is now managing four open end funds, including conventional and an Islamic money market fund, an income fund and a stock fund. The company’s funds have provided superior returns in their respective categories during FY10. The Assets under management of the company expanded to over Rs. 12 billion at December 31, 2010 (End-Dec 2009: Rs. 8 billion). JCR-VIS has recently upgraded the Management Quality rating of ABL AMC to ‘AM3+’ from ‘AM3’, while the Rating Outlook has also been changed to ‘Positive’ from ‘Stable’. The rating action acknowledges the improvement in systems and controls and performance of the company.



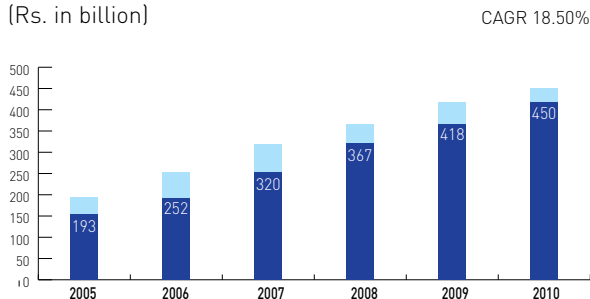
# Chief Executive Officer's Review

## Financial Analysis Balance Sheet Growth & Mix

The asset base of the bank grew by 8% over 2009 to Rs. 449,932mln while equity base expanded by healthy 20% to Rs. 35,975 million as at December 31, 2010 due to improved profitability and its retention. The risk absorption capacity of the bank augmented as Equity to Assets ratio improved to 8% at December 31, 2010 from 7% at December 31, 2009. Consequently, the CAR also increased to 13.84% at December 31, 2010 from 13.47% last year. The asset mix remained dominated by advances comprising 56% of the total assets at end-Dec 2010. However, investments emerged as the main contributor towards increase in assets during 2010 registering a growth of 28%, primarily in risk-free MTBs. Gross advances grew by 8% over 2009 whereas deposits rose by 13% at end-Dec 2010 over 2009. The Advances to Deposit Ratio decreased from 72% at end-Dec 2009 to 68% at end-Dec 2010.

In line with the management's strategy to diversify the loan mix towards Commercial & Retail Loans, their proportion in the total financing enhanced to 21% at end-Dec 2010 from 19% at end-Dec 2009. Under the current difficult environment, your bank adopted the strategy to pro-actively monitor the weak accounts and speeded-up the recovery efforts and regularization/rescheduling of the existing accounts facing difficulties though otherwise having sound viability prospects. Consequently, the YoY rise in NPLs is lower compared to the corresponding period and infection ratio of 7% as at December 31, 2010 notably below the industry and peer average, reflecting the quality of loan underwriting practices and credit processes.

## Size of Financial Position (Rs. in billion)



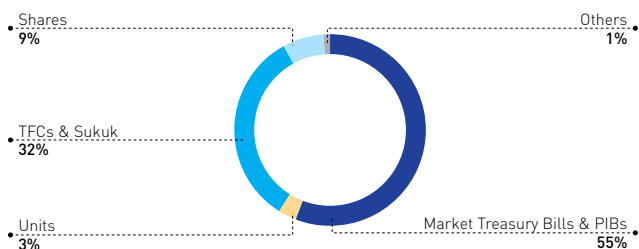
## Segmental Advances - Performing (Rs. in billion)



## Average Deposits Composition (Percentage)



## Investments (Percentage)

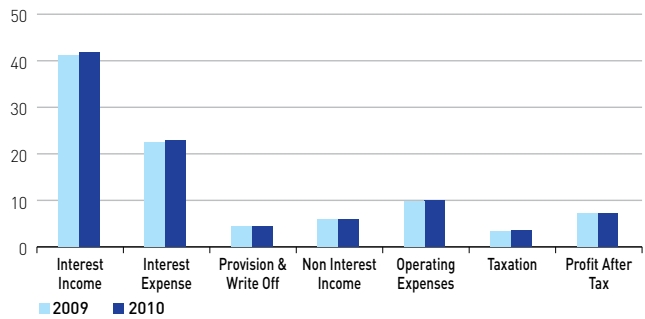


### Profitability

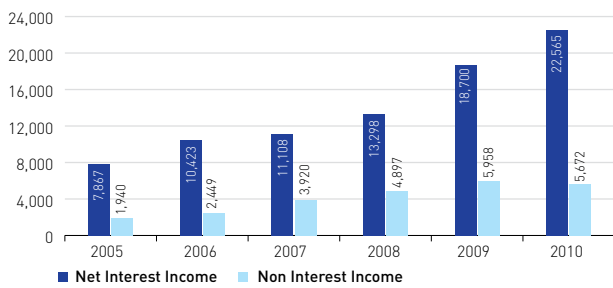
Under the current challenging environment, the bank managed to maintain a healthy growth in its profitability with key profitability indicators remaining robust. The Profit Before Tax and After Tax during 2010 rose by 17% and 16%, respectively, over the corresponding year. Resultantly, the EPS improved from Rs. 9.11 in 2009 to Rs. 10.52 in 2010. The average ROA and ROE remained strong at 1.9% and 28.8%, respectively.

Despite lower YoY average yields on earning assets on account of comparatively lower average KIBOR prevailing during the year, interest income grew by 9% to Rs. 44,993 million owing to higher average volumes under investments and advances. Interest expense on other hand increased marginally as deposits cost declined notably on the back of improvement in mix of CASA in total deposits. Consequently, Net Interest Income registered a healthy 21% growth, contributing to the overall improvement in profitability.

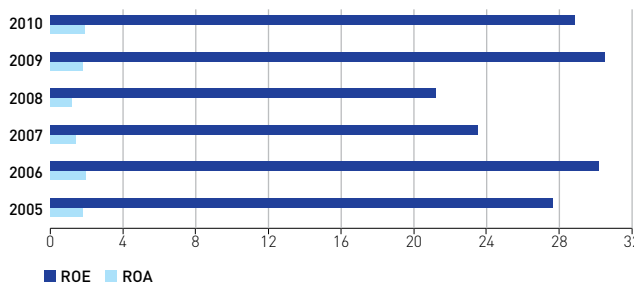
### Profit and Loss Composition (Rs. in billion)



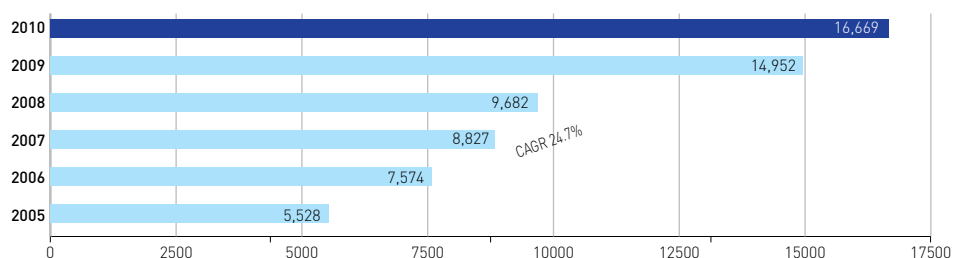
### Gross Income Composition (Rs. in million)



### ROE & ROA (Percentage)



### Operating Income Before Provision and Tax (Rs. in million)



## CEO's Review



Meanwhile, the contribution of Non-Markup/Interest Income remained at around one-fifth of the total Gross Income despite lower YoY forex revenue and limited avenues for generating Investment Banking Fee Income. Among fee income components, Cash Management fee, income from remittance, Commission on handling import and export transactions, ATM and Visa Debit Card fee, Bancassurance income have shown appreciable YoY growth. Going forward, the management aims to further enhance the contribution of fee and commission in the overall income of the bank through leveraging strong technology platform and offering products and services satisfying customers' needs.

The bank's operating expenses (excluding the impact of Voluntary Retirement Scheme offered to employees during the year of Rs. 294 million) increased by 16% to Rs. 11,273 million. This when compared with inflationary trends and increasing outlays on infrastructure strengthening, higher security and insurance charges under the prevailing security situation in the country reflects effectiveness of the cost rationalization strategies adopted by the management.

The provision against financing and investments reduced by Rs. 414 million to Rs 4,083 million during 2010 compared to the previous year. The provision coverage against advances, however, remained strong at

83% at December 31, 2010. No benefit of FSV has been taken while determining the provision against NPLs as allowed under BSD Circular No. 02 of 2010 dated June 03, 2010.

### Future Outlook

Economic environment is likely to remain tough during 2011 owing to persistently high inflation, soaring fiscal deficit coupled with structural issues like energy shortages. This will lead to continuing pressure on private sector credit demand and borrowers' repayment capacity. Under the circumstance, Allied Bank would continue its pursuit of steady growth. Key focus for Allied Bank during 2011 would be on quality of assets, effective liability management through enhancing the proportion of core deposits, controlling costs and improving efficiencies while making efforts to attain higher standards of service quality and building on our non-fund based income streams.



## Entity Ratings of Allied Bank

### Entity Ratings by PACRA

Long term	AA
Short term	A1+
Outlook	Positive

### Corporate Governance Rating by JCR-VIS

'CGR-8+'

#### 'AA'

Very high credit quality. 'AA' ratings denote a very low expectation of credit risk & indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

#### 'A1+'

Obligations supported by the highest capacity for timely repayment.

#### 'CGR-8+'

High level of corporate governance



# Performance Highlights

December 31	2005	2006	2007	2008	2009	2010
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Cash and balances with treasury and other banks	18,035	24,745	30,408	25,751	27,716	31,845
Lending to financial institutions	5,777	19,050	18,419	15,793	28,123	11,489
Investments- Gross	45,269	47,156	84,151	84,602	96,975	123,855
Advances - Gross	119,866	151,705	178,524	223,640	249,887	268,530
Operating Fixed assets	4,721	6,445	7,549	11,134	12,447	15,360
Other assets	7,908	10,800	11,368	18,399	17,955	16,965
<b>Total assets - Gross</b>	<b>201,575</b>	<b>259,902</b>	<b>330,419</b>	<b>379,319</b>	<b>433,103</b>	<b>468,044</b>
Provisions against non-performing advances	(8,659)	(7,672)	(10,117)	(10,668)	(12,543)	(15,430)
Other provisions	[342]	[203]	[192]	(1,956)	[2,186]	[2,682]
<b>Total assets - net of provision</b>	<b>192,574</b>	<b>252,027</b>	<b>320,110</b>	<b>366,696</b>	<b>418,374</b>	<b>449,932</b>
<b>LIABILITIES</b>						
Customer deposits	161,410	206,031	263,972	297,475	328,875	371,284
Inter bank borrowings	9,694	18,410	22,934	27,778	39,819	20,774
Bills payable	2,449	2,278	3,494	2,952	3,162	4,119
Other liabilities	4,472	5,119	7,332	13,636	11,061	12,284
Sub-ordinated loans	-	2,500	2,499	2,498	5,497	5,495
<b>Total Liabilities</b>	<b>178,025</b>	<b>234,339</b>	<b>300,231</b>	<b>344,340</b>	<b>388,414</b>	<b>413,957</b>
<b>Net Assets / Liabilities</b>	<b>14,550</b>	<b>17,688</b>	<b>19,878</b>	<b>22,356</b>	<b>29,960</b>	<b>35,975</b>
Share capital	4,489	4,489	5,386	6,464	7,110	7,821
Share premium	4,316	4,316	3,419	2,341	1,695	984
Reserves	1,377	1,817	2,632	3,463	4,888	6,533
Un - appropriated profit / (loss)	2,732	5,608	6,971	8,537	12,198	15,829
<b>Equity - Tier I</b>	<b>12,914</b>	<b>16,230</b>	<b>18,408</b>	<b>20,805</b>	<b>25,891</b>	<b>31,166</b>
Surplus on revaluation of assets	1,636	1,458	1,470	1,550	4,069	4,808
	14,550	17,688	19,878	22,356	29,960	35,975
<b>PROFITABILITY</b>						
Markup / Return / Interest earned	9,892	17,216	21,201	30,571	41,122	44,993
Markup / Return / Interest expensed	2,025	6,793	10,093	17,273	22,422	22,428
<b>Net Markup / Interest income</b>	<b>7,867</b>	<b>10,423</b>	<b>11,108</b>	<b>13,298</b>	<b>18,700</b>	<b>22,565</b>
Fee, Commission, Brokerage and Exchange income	1,471	1,636	2,258	3,266	3,470	2,910
Capital gain & Dividend income	196	540	1,585	1,571	2,452	2,511
Other income	273	273	77	59	36	251
<b>Non interest income</b>	<b>1,940</b>	<b>2,449</b>	<b>3,920</b>	<b>4,897</b>	<b>5,958</b>	<b>5,672</b>
<b>Gross income</b>	<b>9,807</b>	<b>12,872</b>	<b>15,029</b>	<b>18,195</b>	<b>24,658</b>	<b>28,237</b>
Operating expenses	4,264	5,289	6,174	8,431	9,609	11,529
Profit before provisions	5,543	7,583	8,855	9,764	15,049	16,708
Donations	15	9	28	82	97	38
Provisions	(694)	(913)	(2,874)	(3,561)	(4,416)	(4,326)
<b>Profit before taxation</b>	<b>4,834</b>	<b>6,661</b>	<b>5,953</b>	<b>6,121</b>	<b>10,536</b>	<b>12,343</b>
Taxation	(1,744)	(2,264)	(1,877)	(1,964)	(3,414)	(4,118)
<b>Profit after taxation</b>	<b>3,090</b>	<b>4,397</b>	<b>4,076</b>	<b>4,157</b>	<b>7,122</b>	<b>8,225</b>
<b>CASH FLOW STATEMENT - SUMMARY</b>						
Cash Flow from Operating Activities	(5,893)	9,328	46,350	564	10,811	36,200
Cash Flow from Investing Activities	11,664	(4,241)	(38,461)	(3,544)	(10,000)	(28,822)
Cash Flow from Financing Activities	-	1,403	(1,904)	(1,755)	926	(2,982)
<b>Cash &amp; Cash equivalent at the Beginning of the Year</b>	<b>12,129</b>	<b>17,753</b>	<b>24,303</b>	<b>29,842</b>	<b>25,190</b>	<b>27,276</b>
Effect of Exchange Rate changes on Cash & Cash equivalent	(21)	124	65	511	428	79
<b>Cash &amp; Cash equivalent at the End of the Year</b>	<b>17,877</b>	<b>24,368</b>	<b>30,353</b>	<b>25,618</b>	<b>27,355</b>	<b>31,751</b>

December 31	2005	2006	2007	2008	2009	2010
<b>FINANCIAL RATIOS</b>						
Return on equity (ROE)	27.6%	30.2%	23.5%	21.2%	30.5%	28.8%
Return on assets (ROA)	1.78%	1.98%	1.42%	1.21%	1.81%	1.89%
Profit before tax ratio	49.3%	51.8%	39.6%	33.6%	42.7%	43.7%
Gross spread ratio (Net markup income / Gross markup income)	79.5%	60.5%	52.4%	43.5%	45.5%	50.2%
Return on Capital employed	28.0%	26.0%	21.0%	19.0%	26.0%	25.3%
Advances to deposits ratio (ADR) - Gross	74.3%	73.6%	67.6%	75.2%	76.0%	72.3%
Advances to deposits ratio (ADR) - Net	68.9%	69.9%	63.8%	71.6%	72.2%	68.2%
Income / Expense ratio	2.3	2.4	2.4	2.2	2.6	2.5
Cost to revenue ratio	43.5%	41.1%	41.1%	46.2%	39.0%	40.8%
Growth in gross income	58%	31%	17%	21%	36%	15%
Growth in net profit after tax	1511%	42%	-7%	2%	71%	16%
Total assets to shareholders' funds (Tier 2)	13.2	14.2	16.1	16.4	14.0	12.5
Intermediation cost ratio	3.0%	2.9%	2.6%	3.0%	3.1%	3.3%
NPL ratio	10.6%	6.9%	6.4%	6.2%	6.5%	7.0%
Net infection ratio	3.6%	2.0%	0.7%	1.5%	1.6%	1.3%
Weighted average cost of debt	1.44%	3.53%	4.21%	5.53%	6.84%	6.13%
Capital Adequacy ratio **	12.17%	12.80%	10.26%	10.90%	13.47%	13.84%
Breakup value per share without Surplus on						
Revaluation of Fixed Assets ***	16.5	20.8	23.5	26.6	33.1	39.8
Breakup value per share including the effect of						
Surplus on Revaluation of Fixed Assets ***	18.6	22.6	25.4	28.6	38.3	46.0
Weighted Average cost of deposit	1.27%	3.37%	3.98%	5.10%	6.10%	5.15%
Earning asset to total asset ratio	84.08%	83.34%	84.59%	84.92%	86.11%	85.74%
<b>SHARE INFORMATION</b>						
Cash Dividend Per Share	2.50	2.50	3.00	2.50	4.00	4.00
Bonus Shares issues	-	20%	20%	10%	10%	10%
Dividend Yield Ratio (based on cash dividend)	2.9%	2.7%	2.3%	8.0%	6.8%	5.7%
Dividend payout ratio (Total payout)	36%	46%	66%	54%	50%	48%
Earning Per Share (EPS) *	3.95	5.62	5.21	5.31	9.11	10.52
Price to earning ratio * (PE x)	12.6	9.5	17.2	4.9	5.9	6.7
Price to book value ratio	2.67	2.37	3.53	0.91	1.39	1.53
Net assets per share	32.4	39.4	36.9	34.6	42.1	46.0
Market Capitalisation	38,827	41,969	70,104	20,244	41,757	55,138
<b>INDUSTRY SHARE</b>						
Deposits	6.1%	7.0%	7.3%	7.7%	7.5%	7.3%
Advances	5.9%	6.4%	6.7%	7.1%	7.5%	7.7%
Total Assets	5.6%	6.3%	6.6%	7.0%	6.9%	6.6%
<b>OTHER INFORMATION</b>						
Non - performing loans (NPLs)	12,699	10,479	11,355	13,772	16,281	18,688
Imports and Exports business	96,072	113,571	150,698	194,186	196,211	192,973
Number of employees - Permanent	6,909	7,139	8,181	8,325	8,713	8,947
Number Of employees - Total	8,273	8,879	10,297	11,108	11,690	12,588
Number of branches	741	742	757	766	779	806
Number of ATMs	98	289	397	489	530	574

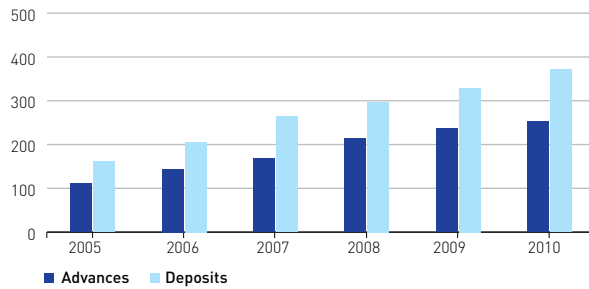
\* EPS for prior years has been adjusted to affect bonus shares issue during 2010

\*\* Numbers for 2007 and onwards are based on BASEL II framework

\*\*\* Adjusted for prior years to affect bonus shares issue during 2010.

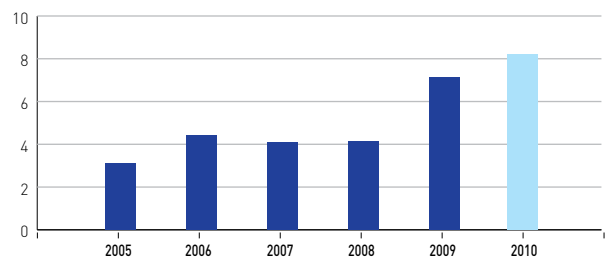
# Performance Highlights

## Advances & Deposits (Rs. in billion)



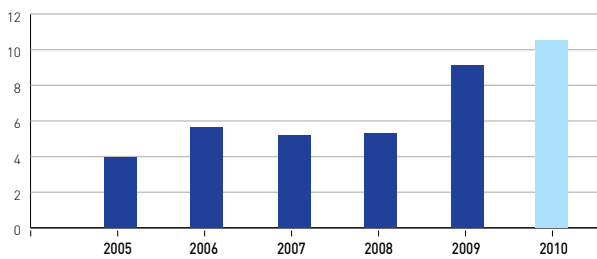
## Profit after Tax (Rs. in billion)

CAGR 21.6%

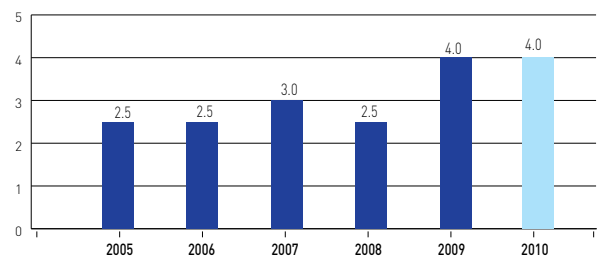


## Earning Per Share (Rupees)

CAGR 21.6%



## Cash Dividend (Rs. per share)

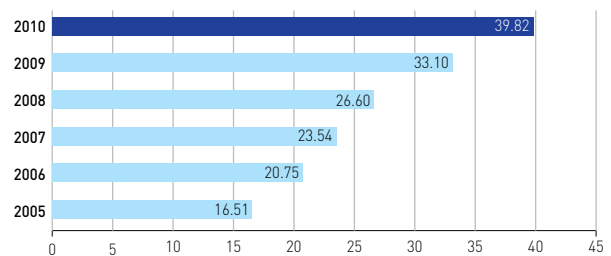


## ABL Share Price Movements

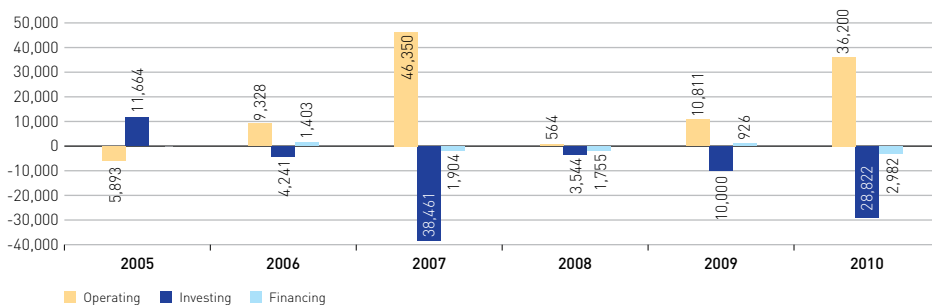
Year	Share Price	+/-%	Highest	Lowest	AVG
2010	70.50	20.00%	71.24	48.51	59.13
2009	58.73	87.52%	66.30	19.85	43.67
2008	31.32	-75.94%	161.50	31.32	90.90
2007	130.15	39.20%	147.50	92.05	116.93
2006	93.5	8.09%	112.85	76.25	92.15
2005	86.5	104.01%	88.35	35.00	65.99

## Break-up Value (Rupees)

CAGR 19.3%

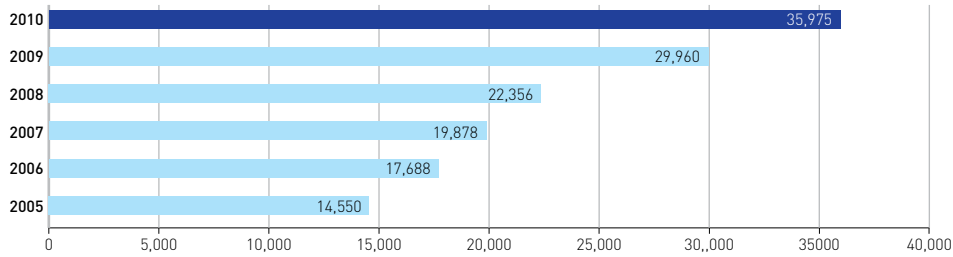


## Cash Flow Analysis (Rs. in million)



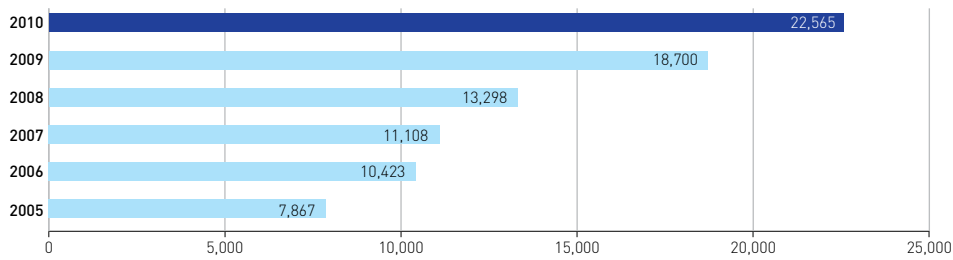
**Total Shareholders' Equity**  
(Rs. in million)

CAGR 19.9%

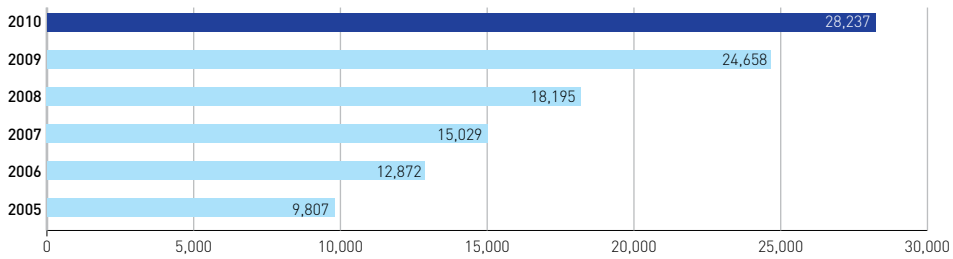


**Fund Based Income**  
(Rs. in million)

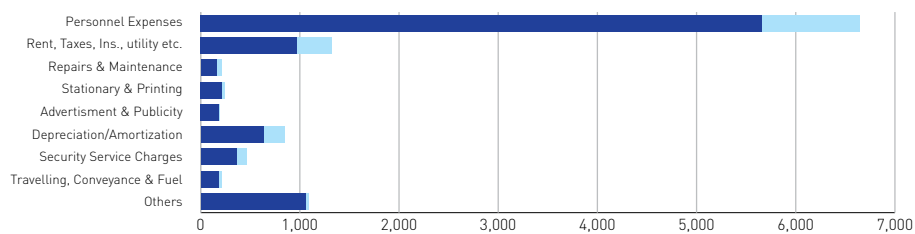
CAGR 23.46%



**Gross Income**  
(Rs. in million)



**Operating Expenses Composition**  
(Rs. in million)

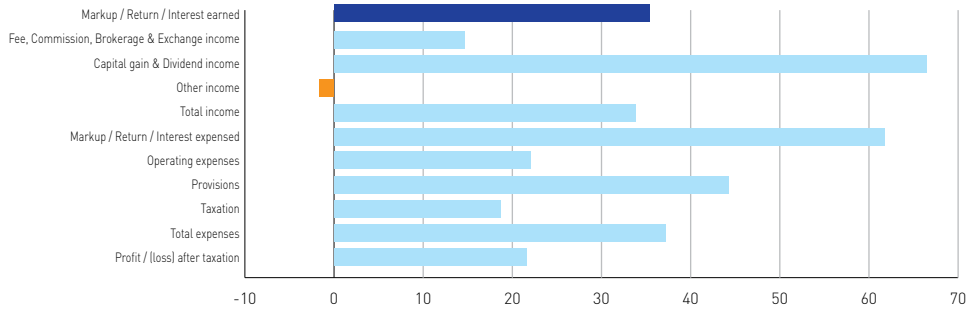


# Horizontal Analysis

	2010 10 Vs 09		2009 09 Vs 08		2008 08 Vs 07		2007 07 Vs 06		2006 06 Vs 05		2005 05 Vs 04	
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
<b>Balance Sheet</b>												
<b>ASSETS</b>												
Cash and balances with treasury												
and other banks	31,845	14.9%	27,716	7.6%	25,751	-15.3%	30,408	22.9%	24,745	37.2%	18,035	46.4%
Lending to financial institutions	11,489	-59.1%	28,123	78.1%	15,793	-14.3%	18,419	-3.3%	19,050	229.7%	5,777	-64.3%
Investments - Net	121,173	27.8%	94,789	14.7%	82,646	-1.6%	83,958	78.8%	46,953	4.5%	44,927	-21.6%
Advances - Net	253,100	6.6%	237,344	11.4%	212,972	26.5%	168,407	16.9%	144,033	29.5%	111,207	86.9%
Operating Fixed assets	15,360	23.4%	12,447	11.8%	11,134	47.5%	7,549	17.1%	6,445	36.5%	4,721	85.0%
Other assets	16,965	-5.5%	17,955	-2.4%	18,399	61.9%	11,368	5.3%	10,800	36.6%	7,908	11.8%
<b>Total assets</b>	<b>449,932</b>	<b>7.5%</b>	<b>418,374</b>	<b>14.1%</b>	<b>366,695</b>	<b>14.6%</b>	<b>320,110</b>	<b>27.0%</b>	<b>252,026</b>	<b>30.9%</b>	<b>192,574</b>	<b>24.3%</b>
<b>LIABILITIES &amp; EQUITY</b>												
Customer deposits	371,284	12.9%	328,875	10.6%	297,475	12.7%	263,972	28.1%	206,031	27.6%	161,410	27.7%
Inter bank borrowings	20,774	-47.8%	39,819	43.3%	27,778	21.1%	22,934	24.6%	18,410	89.9%	9,694	-22.7%
Bills payable	4,119	30.2%	3,162	7.1%	2,952	-15.5%	3,494	53.4%	2,278	-7.0%	2,449	-3.4%
Other liabilities	12,284	11.1%	11,061	-18.9%	13,636	86.0%	7,332	43.2%	5,119	14.5%	4,472	39.5%
Sub-ordinated loans	5,495	0.0%	5,497	120.1%	2,498	0.0%	2,499	0.0%	2,500	100.0%	-	-
<b>Total Liabilities</b>	<b>413,957</b>	<b>6.6%</b>	<b>388,414</b>	<b>12.8%</b>	<b>344,340</b>	<b>14.7%</b>	<b>300,231</b>	<b>28.1%</b>	<b>234,339</b>	<b>31.6%</b>	<b>178,025</b>	<b>23.1%</b>
Share capital	7,821	10.0%	7,110	10.0%	6,464	20.0%	5,386	20.0%	4,489	0.0%	4,489	1.9%
Reserves	7,517	14.2%	6,583	13.4%	5,805	-4.1%	6,051	-1.3%	6,133	7.7%	5,693	-49.9%
Un - appropriated profit	15,829	29.8%	12,198	42.9%	8,537	22.5%	6,971	24.3%	5,608	105.3%	2,732	143.3%
<b>Equity - Tier I</b>	<b>31,166</b>	<b>20.4%</b>	<b>25,891</b>	<b>24.5%</b>	<b>20,805</b>	<b>13.0%</b>	<b>18,408</b>	<b>13.4%</b>	<b>16,230</b>	<b>25.7%</b>	<b>12,914</b>	<b>36.7%</b>
Surplus on revaluation of assets	4,808	18.2%	4,069	162.4%	1,550	5.5%	1,470	0.8%	1,458	-10.8%	1,636	102.4%
<b>Total Equity</b>	<b>35,975</b>	<b>38.6%</b>	<b>29,960</b>	<b>34.0%</b>	<b>22,356</b>	<b>12.5%</b>	<b>19,878</b>	<b>12.4%</b>	<b>17,688</b>	<b>21.6%</b>	<b>14,550</b>	<b>41.9%</b>
<b>Profit &amp; Loss Account</b>												
<b>Interest / Return / Non Interest</b>												
<b>Income earned</b>												
Markup / Return / Interest earned	44,993	9%	41,122	35%	30,571	44%	21,201	23%	17,216	74%	9,892	89%
Fee, Commission, Brokerage and												
Exchange income	2,910	-16%	3,470	6%	3,266	45%	2,258	38%	1,636	11%	1,471	-3%
Capital gain & Dividend income	2,511	2%	2,452	56%	1,571	-1%	1,585	194%	540	175%	196	202%
Other income	251	598%	36	-39%	59	-24%	77	-72%	273	0%	273	76%
<b>Total</b>	<b>50,664</b>	<b>8%</b>	<b>47,080</b>	<b>33%</b>	<b>35,467</b>	<b>41%</b>	<b>25,122</b>	<b>28%</b>	<b>19,665</b>	<b>66%</b>	<b>11,832</b>	<b>69%</b>
<b>Markup / Return / Non Interest Expense</b>												
Markup / Return / Interest expensed	[22,428]	0%	[22,422]	30%	[17,273]	71%	[10,093]	49%	[6,793]	236%	[2,025]	155%
Operating expenses	[11,568]	19%	[9,706]	14%	[8,513]	37%	[6,201]	17%	[5,298]	24%	[4,279]	4%
Provisions	[4,326]	-2%	[4,416]	24%	[3,561]	24%	[2,874]	215%	[913]	31%	[694]	-56%
Taxation	[4,118]	21%	[3,414]	74%	[1,964]	5%	[1,877]	-17%	[2,264]	30%	[1,744]	502%
<b>Total expense - percentage of</b>												
<b>total income</b>	<b>[42,439]</b>	<b>6%</b>	<b>[39,957]</b>	<b>28%</b>	<b>[31,311]</b>	<b>49%</b>	<b>[21,045]</b>	<b>38%</b>	<b>[15,267]</b>	<b>75%</b>	<b>[8,742]</b>	<b>29%</b>
<b>Profit after taxation</b>	<b>8,225</b>	<b>16%</b>	<b>7,122</b>	<b>71%</b>	<b>4,157</b>	<b>2%</b>	<b>4,076</b>	<b>-7%</b>	<b>4,397</b>	<b>42%</b>	<b>3,090</b>	<b>1511%</b>

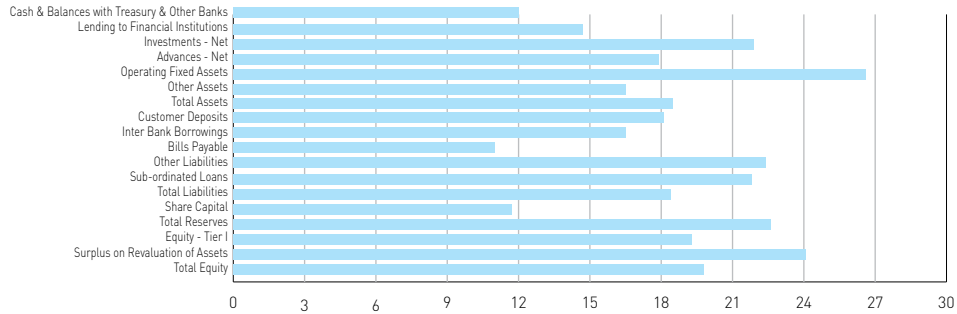
### Profit & Loss Horizontal Analysis

(Compounded average growth rate for the last Five years - annualised)



### Statement of Financial Position Horizontal Analysis

(Compounded average growth rate for the last Five years - annualised)

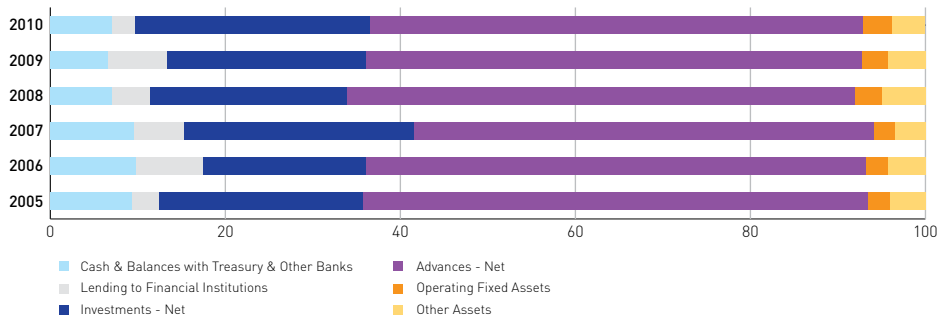


# Vertical Analysis

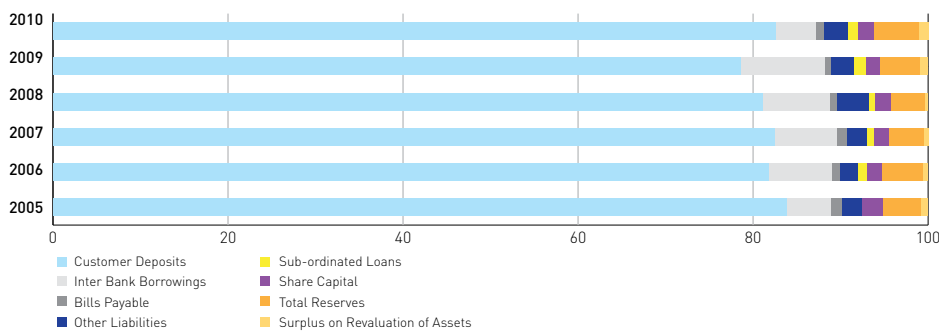
	2010		2009		2008		2007		2006		Rs. in Million 2005	
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
<b>Balance Sheet</b>												
<b>ASSETS</b>												
Cash and balances with treasury												
and other banks	31,845	7%	27,716	7%	25,751	7%	30,408	9%	24,745	10%	18,035	10%
Lending to financial institutions	11,489	3%	28,123	7%	15,793	4%	18,419	6%	19,050	8%	5,777	3%
Investments - Net	121,173	27%	94,789	23%	82,646	23%	83,958	26%	46,953	19%	44,927	23%
Advances - Net	253,100	56%	237,344	56%	212,972	58%	168,407	53%	144,033	56%	111,207	58%
Operating Fixed assets	15,360	3%	12,447	3%	11,134	3%	7,549	2%	6,445	3%	4,721	2%
Other assets	16,965	4%	17,955	4%	18,399	5%	11,368	4%	10,800	4%	7,908	4%
<b>Total assets</b>	<b>449,932</b>	<b>100%</b>	<b>418,374</b>	<b>100%</b>	<b>366,695</b>	<b>100%</b>	<b>320,110</b>	<b>100%</b>	<b>252,026</b>	<b>100%</b>	<b>192,574</b>	<b>100%</b>
<b>LIABILITIES &amp; EQUITY</b>												
Customer deposits	371,284	82%	328,875	78%	297,475	80%	263,972	83%	206,031	82%	161,410	84%
Inter bank borrowings	20,774	5%	39,819	10%	27,778	8%	22,934	7%	18,410	7%	9,694	5%
Bills payable	4,119	1%	3,162	1%	2,952	1%	3,494	1%	2,278	1%	2,449	1%
Other liabilities	12,284	3%	11,061	3%	13,636	4%	7,332	2%	5,119	2%	4,472	2%
Sub-ordinated loans	5,495	1%	5,497	1%	2,498	1%	2,499	1%	2,500	1%	-	0%
<b>Total Liabilities</b>	<b>413,957</b>	<b>92%</b>	<b>388,414</b>	<b>93%</b>	<b>344,340</b>	<b>94%</b>	<b>300,231</b>	<b>94%</b>	<b>234,339</b>	<b>93%</b>	<b>178,025</b>	<b>92%</b>
<b>Net assets</b>	<b>35,975</b>	<b>8%</b>	<b>29,960</b>	<b>7%</b>	<b>22,355</b>	<b>6%</b>	<b>19,878</b>	<b>6%</b>	<b>17,687</b>	<b>7%</b>	<b>14,550</b>	<b>8%</b>
Represented by												
Share capital	7,821	2%	7,110	2%	6,464	2%	5,386	2%	4,489	2%	4,489	2%
Reserves	7,517	2%	6,583	2%	5,804	2%	6,051	2%	6,133	2%	5,693	3%
Un - appropriated profit	15,829	3%	12,198	2%	8,537	2%	6,971	2%	5,608	2%	2,732	1%
<b>Equity - Tier I</b>	<b>31,166</b>	<b>7%</b>	<b>25,891</b>	<b>6%</b>	<b>20,804</b>	<b>6%</b>	<b>18,408</b>	<b>6%</b>	<b>16,230</b>	<b>6%</b>	<b>12,914</b>	<b>7%</b>
Surplus on revaluation of assets	4,808	1%	4,069	1%	1,550	0%	1,470	0%	1,458	1%	1,636	1%
<b>Total Equity</b>	<b>35,975</b>	<b>8%</b>	<b>29,960</b>	<b>7%</b>	<b>22,355</b>	<b>6%</b>	<b>19,878</b>	<b>6%</b>	<b>17,688</b>	<b>7%</b>	<b>14,550</b>	<b>8%</b>
<b>Profit &amp; Loss Account</b>												
<b>Interest / Return / Non Interest</b>												
<b>Income earned</b>												
Markup / Return / Interest earned	44,993	89%	41,122	88%	30,571	87%	21,201	85%	17,216	88%	9,892	84%
Fee, Commission, Brokerage and												
Exchange income	2,910	6%	3,470	7%	3,266	9%	2,258	9%	1,636	8%	1,471	12%
Capital gain & Dividend income	2,511	5%	2,452	5%	1,571	4%	1,585	6%	540	3%	196	2%
Other income	251	0%	36	0%	59	0%	77	0%	273	1%	273	2%
<b>Total</b>	<b>50,664</b>	<b>100%</b>	<b>47,080</b>	<b>100%</b>	<b>35,467</b>	<b>100%</b>	<b>25,122</b>	<b>100%</b>	<b>19,665</b>	<b>100%</b>	<b>11,832</b>	<b>100%</b>
<b>Markup / Return / Non Interest Expense</b>												
Markup / Return / Interest expensed	(22,428)	-44%	(22,422)	-48%	(17,273)	-48%	(10,093)	-41%	(6,793)	-34%	(2,025)	-17%
Operating expenses	(11,568)	-23%	(9,706)	-21%	(8,513)	-24%	(6,201)	-25%	(5,298)	-27%	(4,279)	-36%
Provisions	(4,326)	-9%	(4,416)	-9%	(3,561)	-10%	(2,874)	-11%	(913)	-5%	(694)	-6%
Taxation	(4,118)	-8%	(3,414)	-7%	(1,964)	-6%	(1,877)	-7%	(2,264)	-12%	(1,744)	-15%
<b>Total expense - percentage of total income</b>	<b>(42,439)</b>	<b>-84%</b>	<b>(39,957)</b>	<b>-85%</b>	<b>(31,311)</b>	<b>-88%</b>	<b>(21,045)</b>	<b>-84%</b>	<b>(15,267)</b>	<b>-78%</b>	<b>(8,742)</b>	<b>-74%</b>
<b>Profit after taxation</b>	<b>8,225</b>	<b>16%</b>	<b>7,122</b>	<b>15%</b>	<b>4,157</b>	<b>12%</b>	<b>4,076</b>	<b>16%</b>	<b>4,397</b>	<b>22%</b>	<b>3,090</b>	<b>26%</b>



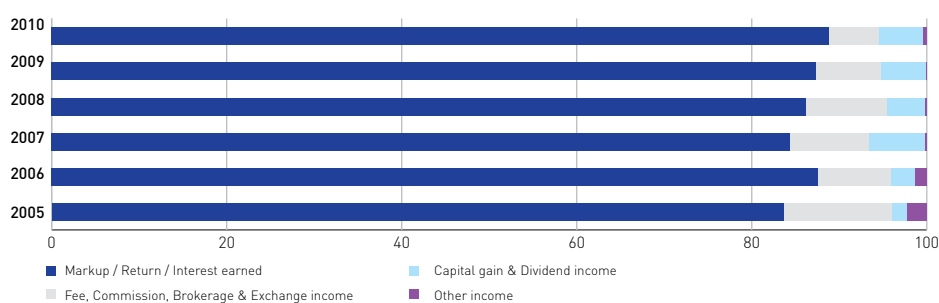
### Statement of Financial Position Vertical Analysis - Assets (Composition for the last six years)



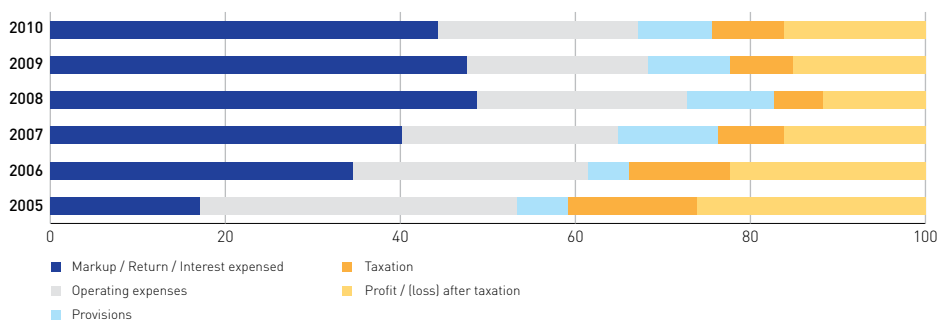
### Statement of Financial Position Vertical Analysis - Liabilities & Equity (Composition for the last six years)



### Profit & Loss Vertical Analysis - Income (Composition for the last six years)



### Profit & Loss Vertical Analysis - Expenses & Profit after Tax (Composition for the last six years)



# Statement of Value Addition

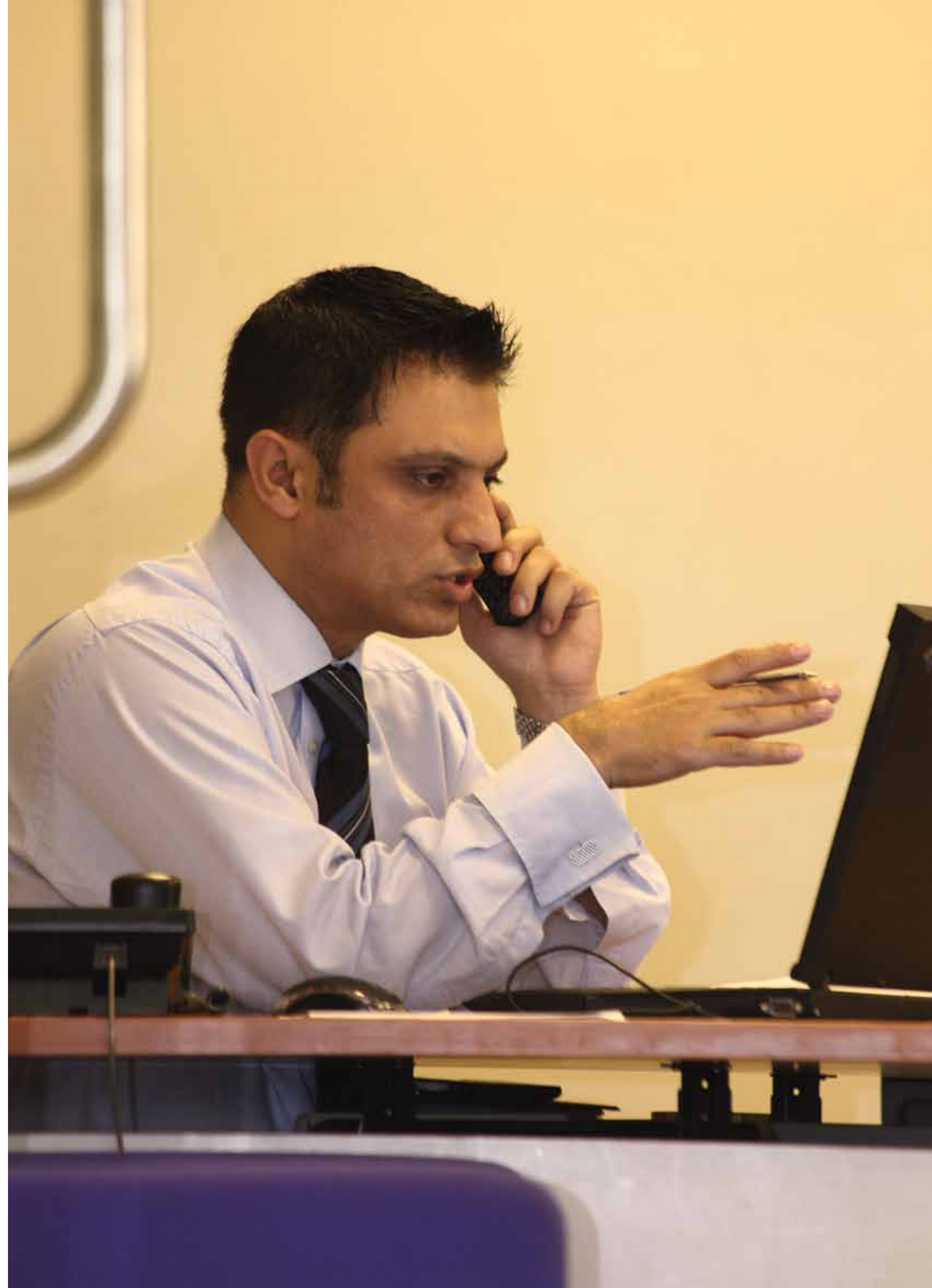
	2010	%	2009	%
<b>Value Added</b>				
Income from banking services	28,224,853		24,653,623	
Cost of services	(4,922,488)		(4,043,758)	
Value added by banking services	23,302,385		20,609,865	
Non - banking income	11,977		4,220	
Provision against non-performing assets	(4,326,223)		(4,415,820)	
	<b>18,988,119</b>		<b>16,198,265</b>	
<b>Value Allocated</b>				
to employees				
Salaries, allowances and other benefits	6,645,013	35.0%	5,662,145	35.0%
to Government				
Income tax	4,117,774	21.7%	3,413,953	21.1%
to providers of capital				
as dividends	3,697,205	19.5%	2,714,730	16.8%
to expansion and growth				
Depreciation / Amortization	850,357	4.5%	633,056	3.9%
Retained in business	3,677,590	19.4%	3,774,381	23.3%
	<b>18,988,119</b>	<b>100%</b>	<b>16,198,265</b>	<b>100%</b>

## Value Addition - 2010 (Percentage)



## Value Addition - 2009 (Percentage)





# Corporate Social Responsibility

We are one of the few organizations in Pakistan who have clearly defined Corporate Social Responsibility Policy as well as a Donations Policy. One of our CSR objectives is to behave ethically, follow best practices and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. Our philosophy of CSR is simple: Being one of the top most successful organizations in Pakistan, it is our moral and ethical responsibility to lend a helping hand to the members of the community in need.

## Our CSR Track Record

We at Allied Bank feel that our first and foremost responsibility is to be successful in order to pay our shareholders the best value against their investment; introduce new and innovative products for our customers, at the same time, facilitate them by providing a comfortable environment at the branch level as well as introducing new ways and means for easy banking; create growth opportunities for our employees and their family members; and give back to the communities irrespective of their geographical locations, ethnic origins, and cast, color or creed. We realize our responsibility towards the financial, emotional and physical well being of our employees and their families. We feel responsible towards our customers who expect the best products, care and environment while doing business with us – our rapidly increasing branch network offering comfortable banking environment and the largest network of ATMs is a reflection of our commitment to the customer.

Our CSR philosophy has focussed around some key areas over the years, such as education, healthcare, sports promotion, environment, promotion of art and artists, staff welfare and engaging the staff in healthy activities.

Allied Bank has always answered the call in times of crises on national level, be it the earthquake of 2005 in the northern areas of Pakistan or the recent floods that rendered millions homeless and swept away a large portion of cultivated lands.

## Education

We believe that a nation's progress is relative to the level of its investment in education. We realize our responsibility to contribute significantly to help impart quality education to the bright and young men and women of our society who may have financial constraints. Keeping that in mind, we have been furthering the cause of education by sponsorships and donations to leading educational institutions as well as those run on not-for-profit basis. Institute of Business Administration (IBA) has been key beneficiary of our Donations Policy. Some of the noteworthy contributions we made during 2010 are:

- Institute of Business Administration
- Book Group
- National Textile College, Mananwala Faisalabad
- The Citizens' Foundation
- Bharia University
- Shah Abdul Latif University
- Institute of Chartered Accountants of Pakistan
- Lahore Grammar School
- Punjab University
- Mehran University
- Baluchistan University of Information Technology & Management Sciences
- SOS Children Villages
- Care Foundation
- Development in Literacy (DIL)
- Institute of Business Management



Donation of Ambulances to Chhipa Welfare Association on behalf of Allied Bank's shareholders



Allied Bank amongst Top 5 in PCP Corporate Philanthropy Awards



Donation to Aga Khan University Hospital

## Healthcare

We believe that healthy individuals make healthy nations. In line with that belief, we have been contributing substantial amounts to leading healthcare institutions over the years. Our main beneficiaries over the last few years have been the Aga Khan University Hospital and Shaukat Khanum Memorial Cancer Hospital. The list of institutions we supported during the year are:

- Shaukat Khanum Memorial Cancer Hospital
- Aga Khan University Hospital
- Chhipa Welfare Association
- Liver Center, Civil Hospital
- Patient Welfare Association, DMC and Civil Hospital
- Bakhtawar Amin Memorial Hospital
- The Medical Aid Foundation
- Bait ul Sukoon Cancer Hospital
- Lahore Businessmen Association for Rehabilitation of Disabled



1. Allied Bank honors its employee "Aleem Dar" - The Best ICC Umpire of the year for the second consecutive year
3. Allied Bank's Employees Inter-Departmental Cricket Tournament

2. 6th All Pakistan Allied Bank Golf Tournament
4. Vintage Car Rally from Karachi to Islamabad sponsored by Allied Bank

## Sports

It would be fair to say that the field of sports has been one key area which earns a country enormous amount of respect worldwide and also acts as a major source of forming favorable perception on international level – probably more than any other field. The country has produced a large number of sports personalities, majority of who still live in history and record books of world sports. It is that thought that makes us realize our responsibility towards investing in sports promotion for an improved image of the country, in the years to come.

The Bank honored the world renowned Cricket umpire Mr. Aleem Dar, who was declared "The Best ICC Umpire of the Year" for the second consecutive year. Mr. Aleem Dar who is a regular employee at Allied Bank for the last 16 years, is on the ICC's Elite Panel of Umpires.

The Vintage & Classic Car Club of Pakistan (VCCCP) organized a car rally from Karachi to Islamabad during the latter part of the year, which was

sponsored by Allied Bank. The key objective of the rally was to project Pakistan's softer image to the outside world.

The Bank also sponsored a number of other sporting events during the year, including golf, polo, basketball and tennis, besides sports festivals and Olympiads.

## Staff Engagement

Allied Bank aims at having one of the best in class human resource, consisting of youth and experience. The Bank owes its phenomenal growth and success to the wonderful men and women whose exemplary work ethics, attitude towards collective growth and sheer sense of belonging has made this organization one of the top banks in Pakistan. The management believes in looking after its employees in terms of their physical, spiritual and emotional wellbeing at all times. Following global best practices, the management has set up a dedicated department to engage the employees in positive and fun-filled activities. As part of our Staff Engagement Program, inter-departmental Cricket Tournaments were organized for employees and their families in Lahore



Relief activities in flood affected areas - Allied Bank standing with Nation in hour of need

and Islamabad separately. These tournaments were unique in the sense that lady colleagues also participated as players, side-by-side to the male colleagues, making the tournaments truly family events.

Similarly, an essay competition titled "Technology – the way forward" was organized which was open to all 8,000 employees country-wide.

More such programs including a Staff Volunteering Program are also in the pipeline for the year 2011.

### Deluge

The recent floods which washed away a large portion of cultivated lands and livestock, rendered millions of people homeless in Khyber Pakhtunkhwa, Southern Punjab and Sindh. The Bank as well as its employees jointly contributed an amount of Rs. 15 million to provide the affected people with immediate supplies such as food, blankets and tents for temporary shelter. The Bank through its regional offices mobilized medical teams to provide immediate medical assistance in all flood hit areas. Mobile

medical dispensaries carrying essential medical supplies and accompanied by qualified doctors were sent to the affected areas. These dispensaries covered the remotest of areas in KPK, Punjab and Sindh and provided immediate medical assistance to people, majority of which were suffering from stomach and skin related illnesses. In addition to that, the Bank also contributed Rs. 5 million to the Chief Minister of Punjab's Fund to help provide immediate relief to the flood affected people.

In the backdrop of colossal loss caused to the affected families and the fact that there are still thousands of families without a roof on their heads, the Bank plans to build number of houses in the form of sponsoring certain locations in the affected areas during 2011 and beyond.

# Notice of 65<sup>TH</sup> Annual General Meeting

Notice is hereby given that the 65th Annual General Meeting of Allied Bank Limited will be held at Hotel Avari, Lahore on Wednesday 16th March, 2011 at 11:00 a.m. to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the Sixty Fourth Annual General Meeting held on 26th March, 2010.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2010 together with the Directors' and Auditors' Reports thereon.
3. To consider and approve Cash Dividend @ 20% (i.e. Rs.2.00/= per share) as recommended by the Board of Directors in addition to Interim Dividend of 20% already paid for the year 2010.
4. To appoint Auditors for the year 2011 and fix their remuneration. Both the retiring Auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s Ernst & Young Ford Rhodes Sidat Hyder being eligible have offered themselves for reappointment.
5. To accord post-facto approval regarding payment of out-of-pocket expenses @ Rs. 1 Million made to each of the auditors namely M. Yousuf Adil Saleem & Co. and KPMG Taseer Hadi & Co. for the year 2009 against approved amount of Rs. 0.5 Million. Increase was allowed as audit was conducted at two locations i.e. Lahore & Karachi.

## Special Business:

6. To accord post facto approval for upward revision in the Directors' fee for attending Board and its Sub Committees' meetings from Rs. 25,000 to Rs. 50,000 per meeting w.e.f. October 18, 2010.
7. To consider and approve issuance of Bonus Shares by utilizing Share Premium Account @ 10 % [i.e. one (1) share for every ten (10) shares as recommended by the Board of Directors of the Bank for the year ended December 31, 2010.
8. To consider and if deemed fit, pass the following Special Resolution, with or without modification(s) regarding increase in authorized capital of the Bank from Rs. 10 billion to Rs. 15 billion.

## "RESOLVED THAT

- a) The Authorised Share Capital of the Company be and is hereby increased from Rs. 10,000,000,000 (Rupees Ten Billion) divided into 1,000,000,000 (One Billion) Ordinary Shares of Rs. 10/- each, to Rs. 15,000,000,000 (Rupees Fifteen Billion) divided into 1,500,000,000 (One Billion Five Hundred Million) Ordinary Shares of Rs. 10/- each.
- b) The figures and words "Rs. 10,000,000,000 (Rupees Ten Billion) divided into 1,000,000,000 (One Billion) ordinary shares of Rs. 10/- each" appearing in clause 5 of the Memorandum of Association of the Company be and are hereby substituted by the figures and words "Rs. 15,000,000,000 (Rupees Fifteen Billion) divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of Rs. 10/- each."

- c) The figures and words "Rs. 10,000,000,000 (Rupees Ten Billion) divided into 1,000,000,000 (One Billion) shares of Rs. 10/- each" appearing in clause 6 of the Articles of Association of the Company be and are hereby substituted by the figures and words "Rs. 15,000,000,000 (Rupees Fifteen Billion) divided into 1,500,000,000 (One Billion Five Hundred Million) ordinary shares of Rs. 10/- each".

FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby authorized to sign all necessary documents singly or jointly and to take further necessary actions/steps as may be required for the purpose."

Note: Statements required under section 160 (1) (b) of the Companies Ordinance, 1984 are appended below.

## Other Business:

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

By Order of the Board  
Muhammad Raffat

Date: 23<sup>rd</sup> February 2011  
Place: Lahore  
Registered Office:  
8-Kashmir /Egerton Road,  
Lahore.

## 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 notarially certified copy of that power of attorney or authority in order to be effective must be deposited at the Registered Office of Allied Bank Limited not less than 48 hours before the time for holding the Meeting.
- iv) Share Transfer Books of Allied Bank Limited will remain closed from 10<sup>th</sup> March, 2011 to 16<sup>th</sup> March, 2011 (both days inclusive). Share transfers requests received at M/s Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi, the Registrar and Share Transfer Office of the Bank at the close of business on 09<sup>th</sup> March, 2011 will be treated as being in time for the purpose of entitlement of cash dividend and bonus shares to the transferees.
- v) Members are requested to immediately notify the changes, if any, in their registered address to Bank's Share Registrar M/S Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement, if any, be dispatched at the correct address.



- vi) CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

**A. For Attending the Meeting:**

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

**B. For Appointing Proxies:**

- 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 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 CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv) The proxy shall produce his/her original CNIC or original passport at the time of the Meeting.
- v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (if it has not been provided earlier) along with the proxy form of the Company.

**Statements under Section 160 of the Companies Ordinance, 1984**

**ITEM NO 6: TO RATIFY THE REVISION OF MEETING FEES FOR DIRECTORS FOR ATTENDING BOARD OR ITS SUB COMMITTEES' MEETINGS**

In view of Board's responsibilities and enhanced role under the Code of Corporate Governance and other statutory obligations, directors have to devote more time and expertise in the overall stewardship of the Bank.

In view of the foregoing, the Board in its 180th meeting held on October 18, 2010 enhanced meeting fees for attending meeting(s) of the Board/Sub Committees of the Board, to Rs. 50,000/- per meeting, besides usual traveling and accommodation expenses as allowed in terms of Article 111 of the Articles of Association of the Bank. In terms of SBP, BPRD Circular No.3 dated April 23, 2007 the matter is being placed before the shareholders for post facto approval.

In this respect, the following Ordinary Resolution is proposed to be passed:

"Resolved that Directors' Fee for attending the Board

meeting or meeting of the Board Committees be and hereby increased from Rs. 25,000/- to Rs. 50,000/- per meeting with effect from October 18, 2010."

**ITEM NO 7: ISSUANCE OF BONUS SHARES**

To approve capitalization of a sum of Rs. 782,100,830/- (Rupees seven hundred eighty two million one hundred thousand eight hundred thirty only) out of Share Premium Account for the issuance of bonus shares (B-7) in the proportion of one share for every ten shares and approve the following resolution by way of Ordinary Resolution:

"Resolved that:

- a) A sum of Rs. 782,100,830/- out of shares premium account be capitalized and applied for the issuance of 78,210,083 Ordinary shares of Rs. 10 each in the proportion of one share for every ten Ordinary Shares held, allotted as fully paid-up Bonus Shares to the members of the Bank whose names appear on the Register of Members of the Bank as at close of business on March 9, 2011.
- b) The bonus shares shall rank pari passu in all respects with the existing shares.
- c) The bonus shares entitlement in fraction be consolidated into whole shares and Company Secretary is hereby authorize to sell the same in the Stock Market and proceeds of sale when realized be given to a charitable institution.
- d) CEO and the Company Secretary of the Bank be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issuance, allotment and distribution of Bonus Shares (B-7)."

The Directors of the Company have no interest in the property or profits of the Bank other than that as holders of ordinary shares in the capital of the Bank and dividends, if any declared by the Bank according to their share holding.

**ITEM NO 8: INCREASE IN AUTHORIZED CAPITAL OF THE BANK**

The Authorised Capital of the Bank is Rs. 10 Billion. At present the Paid up Capital of the Bank is over Rs. 7.82 billion leaving small room for further increase. Based on the expansion plan, vision and mission, the Bank would become major market player. To achieve aggressive growth in key areas the Bank would require a higher capital base. Increase in the capital base would also facilitate the Bank to comply with SBP's future Capital Adequacy and Paid up Capital requirements.

Accordingly, the Board of Directors of Allied Bank Limited in its 182nd meeting held on February 11, 2011 decided to increase its Authorised Capital from Rs. 10 billion to Rs. 15 billion. The amendments suggested in the Memorandum & Articles of Association of the Bank are essential consequent upon the increase in the Authorised Capital if approved by the members.

# 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 Prudential Regulation No.G-1, and Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges (Guarantee) Ltd. 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 adopted the Code of Corporate Governance and applied the principles contained in the Code in the following manner:

1. The directors have confirmed that none of them is serving as a director in more than ten listed companies including the Bank.
2. The Bank encourages representation of independent directors on its Board of Directors. At present, the Board includes 3 independent directors, 3 non-executive sponsors' directors and 1 executive director.
3. All the directors of the Bank have confirmed that they are registered tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI and NBFC.
4. Election of the Directors was held on August 19, 2009 for a fresh term of three years.
5. One casual vacancy occurred in the Board during the year 2010. The vacancy was created due to replacement of Mr. Farrakh Qayyum by the Ministry of Finance with Mr. Sohail Ahmed (the then Chairman FBR). However, Mr. Sohail Ahmed has expressed his inability to accept the position. The position is still vacant.
6. The Bank has adopted a "Statement of Ethics & Business practices", which has been signed by all the directors and employees.
7. The mission / vision statement, overall corporate strategy and significant policies have been approved by the Board. The Bank maintains a complete record of the particulars of significant policies along with the dates on which these were approved or amended.
8. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer are taken by the Board.
9. Related party transactions carried out on "Arm's Length Basis" in accordance with the Related Party Transaction Policy were placed before Audit Committee of the Board and Board of Directors.
10. The meetings of the Board were presided over by the Chairman. The Chairman of the Board is a nonexecutive director. 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.
11. Appropriate arrangements were made for Orientation of Directors to acquaint them with their duties and responsibilities. Pakistan Institute of Corporate Governance (PICG) had awarded six of the Board members title of "Certified Director". The Bank also encourages participation of members of Board to attend Seminars/ workshops conducted by various forums.
12. The Board has approved appointments of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.
13. The Directors' Report for the year ended December 31, 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
15. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
16. The Bank has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee which comprises three members; two of the members including Chairman of the Committee are non-executive directors out of whom one is an independent director.
18. The meetings of the Audit Committee are held at least once in every quarter, prior to the approval of interim and the annual financial statements of the Bank as required by the Code. The Board had approved Charter of the Audit Committee.
19. An independent Internal Audit Group is in place.
20. The statutory joint auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
21. The statutory joint auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board.

**Khalid A. Sherwani**  
Chief Executive Officer

Place: Lahore  
Dated: February 11, 2011

# Statement of Ethics and Business Practices

All employees of Allied Bank Limited, hereinafter called ABL shall:-

## Abidance of Laws/Rules

- Conform to and abide by the ABL's rules and obey all lawful orders and directives which may from time to time be given by any person or persons under whose jurisdiction, superintendence or control they may for the time being, be placed. They shall comply with and observe all applicable laws, regulations and ABL's policies.
- Stand firmly against supporting the activities of any group or individual that unlawfully threatens public order and safety. They shall not express views detrimental to the ideology, sovereignty or integrity of Pakistan.
- Not bring or attempt to bring political or other pressure/ influence directly or indirectly to bear on the authorities / superior officers or indulge in derogatory pamphleteering, contribute, or write letters to the news papers, anonymously or in their own name with an intent to induce the authority/superior officers to act in a manner inconsistent with rules, in respect of any matter relating to appointment, promotion, transfer, punishment, retirement or for any other conditions of service of employment.

## Integrity

- Conduct themselves with the highest standards of ethics, professional integrity and dignity in all dealings with the public, clients, investors, employees, and fellow bankers and not engage in acts discreditable to ABL, profession and nation. If they become aware of any irregularity that might affect the interests of ABL, they shall inform the senior management immediately.
- Maintain all books, data, information and records with scrupulous integrity, reporting in an accurate and timely manner all transactions / reports.
- Avoid all such circumstance in which there is personal interest conflict, or may appear to be in conflict, with the interests of ABL or its customers.
- Not use their employment status to seek personal gain from those doing business or seeking to do business with ABL, nor accept such gain if offered. They shall not accept any gift, favour, entertainment or other benefits the size of frequency of which exceeds normal business contacts from a constituent or a subordinate employee of ABL or from persons likely to have dealings with ABL and candidates for employment in ABL.
- Not accept any benefits from the estate of, or a trust created by a customer, or from an estate or trust of which ABL's Company or business units is an executor, administrator or trustee.

## Confidentiality

Maintain the privacy and confidentiality of all the information acquired during the course of professional activities and refrain from disclosing the same unless otherwise required by statutory authorities/law. All such information will remain as a trust and will only be used for the purpose for which it is intended and will not be used for the personal benefits of any individual(s). Inside information about ABL's customers'affairs shall not be used for their own gain or for that of others either directly or indirectly.

## Professionalism

- Serve ABL honestly and faithfully and shall strictly serve ABL's affairs and the affairs of its constituents. They shall use utmost endeavor to promote the interest and goodwill of ABL and shall show courtesy and attention in all transactions/correspondence with officers of Government, State Bank of Pakistan, other Banks & Financial Institutions, others establishments dealing with ABL, ABL's constituents and the public.
- Disclose and assign to ABL all interest in any invention, improvement, discovery or work of authorship that they may make or conceive and which may arise out of their employment with ABL. If their employment is terminated, all rights to property and information generated or obtained as part of their employment relationship will remain the exclusive property of ABL.
- Not engage in Money Laundering and will be extremely vigilant in protecting ABL from being misused by anyone to launder money by strictly complying with "Know Your Customer" policies and procedures.

## Business/Work Ethics

- Respect fellow colleagues and work as a team. They shall at all times be courteous and not let any personal differences affect their work. They will treat every customer of ABL with respect and courtesy.
- Ensure good attendance and punctuality and demonstrate a consistently good record in this area. For any absence during working hours, they shall obtain written permission of their immediate supervisor. They shall not absent themselves from their duties, nor leave their station over night, without having first obtained the permission of the competent authority.
- Maintain a standard of personal hygiene and dress appropriately for attendance at work. Their appearance must inspire confidence and convey a sense of professionalism.

- As personal responsibility, safeguard both the tangible and intangible assets of ABL and its customer(s) that are under their personal control and shall not use ABL's assets for their personal benefits except where permitted by ABL. They shall not use any ABL's facilities including a telephone to promote trade union activities, or carry weapons into ABL premises unless so authorized by the management, or carry on trade union activities during office hours, or subject ABL's officials to physical harassment.
- Not indulge in any kind of harassment including sexual harassment or intimidation whether committed by or against any senior/junior, co-worker, customer, vendor or visitor. They shall not use language, written or spoken in intra-office communication(s) or communication(s) with individual(s) outside the office that may contain any statement or material that is offensive to others. They shall never use ABL's system to transmit or receive electronic image or text containing ethnic slurs, social epithets or anything that might be construed as harassing, offensive or insulting to others.
- To meet their responsibilities to fellow employees, customers and investors they shall help in maintaining a healthy and productive work environment and shall not engage in the selling, manufacturing, distributing, using, any illegal substance or being under the influence of illegal drugs while on the job.
- Ensure strict adherence to all health and safety policies as may be implemented from time to time by ABL.
- Not give any interview in the print/electronic media or have their photograph displayed or act in television / stage plays or in cinema without having permission from the competent authority.
- Intimate Human Resource Division of any changes in the personal circumstances relating to their employment or benefits.

Employees shall also not indulge in any of the following activities except with the prior permission of the competent authority: Borrow money from or in any way place themselves under pecuniary obligation to broker or moneylender or any employee of ABL or any firm or person having dealings with ABL.

- Buy or sell stock, share or securities of any description without funds to meet the full cost in the case of purchase or scrips for delivery in the case of sale. However, they can make a bona-fide investment of their own funds in such stock, shares and securities as they may wish to buy.
- Lend money in their private capacity to a constituent of ABL or have personal dealings with a constituent in the purchase or sale of bills of exchange, Government paper or any other securities
- Guarantee in their private capacity the pecuniary obligation of another person or agree to indemnify in such capacity any person from loss.
- Act as agent for an insurance company otherwise than as agent for on behalf of ABL.
- Be connected with the formation or management of a joint stock company.
- Engage in any other commercial business or pursuit either on their own account or as agent for another or others.
- Accept or seek any outside employment or office whether stipendiary or honorary.
- Undertake part-time work for a private or public body or private person, or accept fee thereof.

## Statement of Internal Controls

The Bank's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The management is also responsible for evaluating the effectiveness of the bank's internal control system that covers material matters by identifying control objective and reviewing significant policies and procedures.

The scope of Audit and Credit Risk Review Group (A & CRRG), independent from line management, inter-alia includes, review and assessment of the adequacy and effectiveness of the control activities across the bank as well as to ensure implementation of and compliance with all the prescribed policies and procedures. All significant and material findings of the internal audit reviews are reported to the Audit Committee of the Board of Directors. The Audit Committee actively monitors implementations to ensure that identified risks are mitigated to safeguard the interest of the bank.

The Internal Controls Division under the ambit of Operations Group is entrusted with the responsibility of expediting rectification of irregularities and control lapses in branches' operations and various controlling offices pointed out through audit reviews. Vigorous efforts are made by Operations Group to improve the Control Environment at grass root level by continuous review & streamlining of procedures to prevent & rectify control lapses as well as imparting training at various levels. The Compliance Group, through its regional offices, ensures adherence to the regulatory requirements and Bank's internal policies and procedures, with specific emphasis on KYC/AML.

The Bank's internal control system has been designed to provide reasonable assurance to the Bank's management and Board of Directors. All Internal Control Systems, no matter how well designed, have inherent limitations that they may not entirely eliminate misstatements. Also projections

of evaluation of effectiveness 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 ongoing process that includes identification, evaluation and management of significant risks faced by the Bank.

Recognizing it to be an ongoing process, the Management of Allied Bank has adopted an internationally accepted Internal Control COSO Framework, with the assistance of a reputable advisory firm in accordance with guidelines on Internal Controls from the State Bank of Pakistan. Allied Bank has completed the first four stages of the internal control program as per these guidelines, which include mapping and documentation of AS-IS processes and controls in the form of detailed process flow charts, identification of gaps and requisite recommendations, development of remediation plans and management testing plans. In addition, the management testing framework and entity selection criteria have also been developed for ensuring an on-going operating effectiveness of the key controls. Currently the Bank is in the phase of implementing the management testing plans and project initiatives, as planned. This will be followed by quality assurance and validation of the initiatives completed.

The Board of Directors being ultimately responsible for the internal control system endorses the management evaluation and efforts to adopt above mentioned internationally accepted standards in improving controls and processes to ensure better risk mitigation.

**Khalid A. Sherwani**  
Chief Executive Officer  
Date: February 11, 2011

# Auditors' Review Report to the Members

## On Statement of Compliance with Best Practices of Code of Corporate Governance

### **KPMG Taseer Hadi & Co.**

Chartered Accountants  
201-Office Block, Siddiq Trade Centre  
72 - Main Boulevard, Gulberg II,  
Lahore.

### **Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Mall View Building  
4 - Bank Square,  
Lahore.

We have reviewed the Statement of Compliance with the best practices (the "Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Allied Bank Limited (the Bank) to comply with Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 of the Karachi Stock Exchange, Listing Regulation No. 35 of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. 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 part of our audit of 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's 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.

Further, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require the Bank to place before the Board of Directors for their consideration and approval 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 while recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2010.

KPMG Taseer Hadi & Co.  
Chartered Accountants

Lahore  
Date: February 11, 2011

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Lahore  
Date: February 11, 2011

Un-consolidated Financial Statements

**Allied Bank Limited**

for the year ended December 31, 2010





## **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 2010 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows 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 22 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 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 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 amounts and disclosures in the financial statements. An audit also includes assessing 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 60% 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 statement of financial position and 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 account and are further in accordance with accounting policies consistently applied.;

- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash flows 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 2010 and its true balance of the profit, its comprehensive income, its cash flows and 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.

The financial statements of the Bank for the year ended 31 December 2009 were audited by M. Yousuf Adil Saleem & Co., Chartered Accountants and KPMG Taseer Hadi & Co., Chartered Accountants whose report dated 17 February 2010 expressed an unqualified opinion thereon.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

Engagement Partner:  
Kamran I. Yousafi

Engagement Partner:  
Naseem Akbar

Date : February 11, 2011

Place : Lahore

## Unconsolidated Statement of Financial Position

as at December 31, 2010

December 31, 2010	December 31, 2009		Note	December 31, 2010	December 31, 2009
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
365,096	313,807	Cash and balances with treasury banks	6	31,265,608	26,435,633
6,768	15,200	Balances with other banks	7	579,555	1,280,443
134,159	333,837	Lendings to financial institutions	8	11,488,944	28,122,932
1,414,971	1,125,210	Investments	9	121,173,409	94,789,492
2,955,503	2,817,421	Advances	10	253,099,509	237,344,038
179,359	147,751	Operating fixed assets	11	15,359,742	12,446,748
5,656	-	Deferred tax assets	12	484,387	-
192,445	213,138	Other assets	13	16,480,372	17,955,045
5,253,957	4,966,364			449,931,526	418,374,331
<b>LIABILITIES</b>					
48,096	37,540	Bills payable	15	4,118,791	3,162,429
242,588	472,671	Borrowings	16	20,774,450	39,818,532
4,335,574	3,903,951	Deposits and other accounts	17	371,284,268	328,875,037
64,164	65,253	Sub-ordinated loans	18	5,494,800	5,497,000
-	-	Liabilities against assets subject to finance lease		-	-
-	22	Deferred tax liabilities	12	-	1,871
143,447	131,283	Other liabilities	19	12,284,360	11,059,484
4,833,869	4,610,720			413,956,669	388,414,353
420,088	355,644	<b>NET ASSETS</b>		35,974,857	29,959,978
<b>REPRESENTED BY</b>					
91,328	84,400	Share capital	20	7,821,009	7,110,008
87,777	78,142	Reserves		7,516,910	6,582,845
184,834	144,803	Unappropriated profit		15,828,533	12,198,425
363,939	307,345			31,166,452	25,891,278
56,149	48,299	Surplus on revaluation of assets – net of tax	21	4,808,405	4,068,700
420,088	355,644			35,974,857	29,959,978
<b>Contingencies and commitments</b>			22		

The annexed notes 1 to 46 and annexures I to II 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, 2010

December 31, 2010	December 31, 2009		Note	December 31, 2010	December 31, 2009
US \$ in '000				Rupees in '000	
525,390	488,138	Mark-up/Return/Interest earned	24	44,992,696	41,121,503
261,893	266,159	Mark-up/Return/Interest expensed	25	22,427,652	22,421,694
263,497	221,979	Net Mark-up/Interest income		22,565,044	18,699,809
35,903	37,546	Provision against non-performing loans and advances	10.4	3,074,576	3,162,963
15,057	12,512	Provision for diminution in the value of investments – net	9.3	1,289,404	1,054,046
(3,277)	3,331	Provision against lending to financial institutions	8.5	(280,595)	280,595
–	–	Bad debts written off directly	10.5	–	–
47,683	53,389			4,083,385	4,497,604
215,814	168,590	Net Mark-up/Interest income after provisions		18,481,659	14,202,205
<b>Non mark-up/interest income</b>					
29,090	32,146	Fee, commission and brokerage income	26	2,491,200	2,708,002
13,058	16,322	Dividend income		1,118,270	1,374,967
4,887	9,045	Income from dealing in foreign currencies		418,524	761,934
16,541	12,880	Gain on sale of securities	27	1,416,532	1,085,043
–	–	Unrealized loss on revaluation of investments			
(279)	(94)	classified as held for trading – net	9.14	(23,884)	(7,897)
2,933	427	Other income	28	251,144	35,985
66,230	70,726	Total Non-markup/Interest income		5,671,786	5,958,034
282,044	239,316			24,153,445	20,160,239
<b>Non mark-up/interest expenses</b>					
131,271	111,863	Administrative expenses	29	11,241,587	9,423,503
3,866	(670)	Provision / (Reversal) against other assets – net	13.2	331,077	(56,431)
		Reversal against off-balance sheet			
(1,030)	(301)	obligations – net	19.1	(88,239)	(25,353)
2,974	2,552	Workers Welfare fund	31	254,666	215,023
832	800	Other charges	30	71,248	67,377
137,913	114,244	Total non-markup/Interest expenses		11,810,339	9,624,119
–	–	Extra-ordinary/unusual items		–	–
144,131	125,072	<b>Profit before taxation</b>		12,343,106	10,536,120
<b>Taxation</b>					
			32		
48,591	42,099	Current		4,161,179	3,546,462
4,367	–	Prior years		373,941	–
(4,873)	(1,573)	Deferred		(417,346)	(132,509)
48,085	40,526			4,117,774	3,413,953
96,046	84,546	<b>Profit after taxation</b>		8,225,332	7,122,167
142,444	101,336	Unappropriated profit brought forward		12,198,425	8,536,697
421	384	Transfer from surplus on revaluation of fixed assets – net of tax		36,046	32,360
142,865	101,720			12,234,471	8,569,057
238,911	186,266	<b>Profit available for appropriation</b>		20,459,803	15,691,224
0.120	0.110	<b>Earnings per share – Basic and Diluted (in Rupees)</b>	33	10.52	9.11

The annexed notes 1 to 46 and annexures I to II 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, 2010

	December 31, 2010	December 31, 2009
Rupees in '000		
Profit after taxation for the year	8,225,332	7,122,167
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>8,225,232</b>	<b>7,122,167</b>

Surplus/ deficit on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated 04 August 2000 and BSD Circular No. 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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

Chief Financial Officer

Director

President and Chief Executive

Chairman

Director

## Unconsolidated Statement of Cash Flows

for the year ended December 31, 2010

December 31, 2010	December 31, 2009	Note	December 31, 2010	December 31, 2009
US \$ in '000			Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
144,133	125,070	Profit before taxation	12,343,106	10,536,120
(13,058)	(16,322)	Less: Dividend income	(1,118,270)	(1,374,967)
131,075	108,748		11,224,836	9,161,153
<b>Adjustments for non-cash charges</b>				
9,932	7,515	Depreciation / amortization	850,537	633,056
35,903	37,546	Provision against non-performing loans, advances - net	3,074,576	3,162,963
15,057	12,512	Provision for diminution in the value of investments - net	1,289,404	1,054,046
(3,277)	3,331	(Reversal) / provision against lendings to financial institutions	(280,595)	280,595
279	94	Unrealized loss on revaluation of held for trading securities	23,884	7,897
(1,030)	(301)	Reversals against off balance sheet obligations - net	(88,239)	(25,353)
3,866	(670)	Provision / (reversals) against other assets - net	331,077	(56,431)
-	111	Operating fixed assets written off	5	9,373
(140)	(50)	Gain on sale of fixed assets	(11,977)	(4,220)
-	-	Bad debts written off directly	-	-
60,590	60,088		5,188,672	5,061,926
191,665	168,836		16,413,508	14,223,079
<b>(Increase) / decrease in operating assets</b>				
197,516	(149,693)	Lendings to financial institutions	16,914,583	(12,610,344)
(9,418)	(800)	Held for trading securities	(806,565)	(67,385)
(219,883)	(326,857)	Advances - net	(18,830,047)	(27,534,993)
(19,395)	(24,572)	Other assets (excluding advance taxation)	(1,660,945)	(2,069,966)
(51,180)	(501,922)		(4,382,974)	(42,282,688)
<b>Increase / (decrease) in operating liabilities</b>				
11,168	2,492	Bills payable	956,362	209,939
(219,263)	140,215	Borrowings from financial institutions	(18,776,934)	11,811,971
495,223	372,734	Deposits	42,409,231	31,399,716
15,254	(30,228)	Other liabilities	1,306,263	(2,546,450)
302,382	485,213		25,894,922	40,875,176
442,867	152,127		37,925,456	12,815,567
(20,153)	(23,795)	Income tax paid - net	(1,725,871)	(2,004,490)
422,714	128,332	Net cash flows from operating activities	36,199,585	10,811,077
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(317,679)	(134,002)	Net investments in available-for-sale securities	(27,204,980)	(11,288,568)
11,925	22,142	Net investments in held-to-maturity securities	1,021,179	1,865,280
13,003	16,311	Dividend income received	1,113,562	1,374,038
(44,070)	(23,404)	Investments in operating fixed assets	(3,774,048)	(1,971,579)
263	250	Proceeds from sale of fixed assets	22,489	21,058
(336,558)	(118,703)	Net cash used in investing activities	(28,821,798)	(9,999,771)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(26)	35,600	Net (payment) / receipt of sub-ordinated loan	(2,200)	2,999,000
(34,791)	(24,610)	Dividends paid	(2,979,352)	(2,073,173)
(34,817)	10,990	Net cash (used in) / from financing activities	(2,981,552)	925,827
51,339	20,619	Increase in cash and cash equivalents during the year	4,396,235	1,737,133
318,507	299,016	CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	27,275,922	25,189,600
921	5,081	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	78,838	428,027
370,767	324,716	CASH AND CASH EQUIVALENTS AT END OF THE YEAR	31,750,995	27,354,760

The annexed notes 1 to 46 and annexures I to II 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, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appro- priated Profit	Total
Rupees in '000									
Balance as at January 01, 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,536,697	20,805,117
<b>Changes in equity during the year ended December 31, 2009</b>									
Total comprehensive income for the year ended December 31, 2009	-	-	-	-	-	-	-	7,122,167	7,122,167
<b>Transactions with owners recognized directly in equity</b>									
Transfer to statutory reserve for issue of bonus shares for the year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Re. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Interim cash dividend for the year ended December 31, 2009 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	646,364	(646,364)	-	-	-	-	-	(2,068,366)	(2,068,366)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	32,360	32,360
Transfer to statutory reserve	-	-	1,424,433	-	-	-	-	(1,424,433)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,198,425	25,891,278
<b>Changes in equity during the year ended December 31, 2010</b>									
Total comprehensive income for the year ended December 31, 2010	-	-	-	-	-	-	-	8,225,332	8,225,332
<b>Transactions with owners recognized directly in equity</b>									
Transfer to reserve for issue of bonus shares for the year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Interim cash dividend for the year ending December 31, 2010 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,564,202)	(1,564,202)
	711,001	(711,001)	-	-	-	-	-	(2,986,204)	(2,986,204)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	36,046	36,046
Transfer to statutory reserve	-	-	1,645,066	-	-	-	-	(1,645,066)	-
Balance as at December 31, 2010	7,821,009	983,957	6,125,094	-	67,995	333,864	6,000	15,828,533	31,166,452

\* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited.

The annexed notes 1 to 46 and annexures I to II 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, 2010

### 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 all stock exchanges in Pakistan. The Bank operates a total of 806 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). 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+'. The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated in Lahore whereas the principal office is situated at Khayaban-e-Iqbal, Main Clifton Road, Bath Island, Karachi.

### 2. (a) BASIS OF PRESENTATION

- These unconsolidated financial statements represent separate financial statements of the Bank. The unconsolidated financial statements of the Bank and its subsidiary company 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.
- These unconsolidated financial statements have been presented in Pakistan Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.
- The US Dollar amounts reported in the balance sheet, profit and loss account and cash flow statement are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation of these statements from Rupees to US Dollar, the rate of Rs 85.6367 (2009: Rs. 84.2416) per US Dollar has been used, as it was the prevalent rate as on balance sheet date.

### (b) BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except that certain assets are stated at revalued amounts / fair values as disclosed in their respective notes.

### 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) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP. In case requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance 1984 and the directives issued by State Bank of Pakistan differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP 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 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 valued in accordance with the requirements prescribed by SBP through various circulars.

3.3 New and amended standards and interpretations become effective

During the year, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IFRS 2 - Share-based payments: Amendments relating to Group Cash-settled Share-based payment transactions
- IFRS 3 - Business Combinations (Revised)
- IFRS 27 - Consolidated and Separate Financial Statements (Amendment)
- IFRS 39 - Financial instruments: Recognition and Measurement - Eligible hedged items (Amendments)
- IFRIC 17 - Distribution of Non-cash Assets to owners.

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to remove inconsistencies and clarifying wording.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

These improvements are listed below:

Issued in May 2008:

- IFRS 5 - Non-current Assets Held For Sale and Discontinued Operations

Issued in April 2009:

- IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment transaction.
- IFRS 5 - Non-current Assets Held For Sale and Discontinued Operations
- IFRS 8 - Operating Segments
- IAS 1 - Presentation of Financial Statements.
- IAS 7 - Statement of Cash Flows.
- IAS 17 - Leases.
- IAS 36 - Impairment of Assets.
- IAS 38 - Intangible Assets.
- IAS 39 - Financial Instruments: Recognition and measurement
- IFRIC 9 - Reassessment of Embedded Derivatives
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank. The implications of the amendment to the IFRS-2 relating to the Government of Pakistan share option scheme for employees of State Owned Enterprises are under considerations of the Institute of the Chartered Accountants of Pakistan.

### 3.4 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, 2011. These standards are either not relevant to the Bank's operations or are not expected to have a significant impact on the Bank's financial statements other than amendment in certain disclosures:

#### IAS 12 Income Taxes (Amendment)

The amended standard is effective for annual periods beginning on or after January 01, 2012. It clarifies the recognition of deferred tax assets.

#### IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

#### IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

#### IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011.

#### IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

#### IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011, however the future adoption of these amendments will not have any significant impact on the Banks financial statements.

### IFRS 3 Business Combinations

Improvements in IFRS 3 Business Combinations is effective for annual periods beginning on or after 1 July 2010. These amendments clarifies the measurement of non-controlling interests, un-replaced and voluntarily replaced share-based payment awards, Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.

### IFRS 7 Financial Instruments: Disclosures

Improvements in IFRS 7 Business Combinations is effective for annual periods beginning on or after 1 July 2011 and clarifies the disclosures requirements.

### IAS 1 Presentation of Financial Statements

In May 2010, the IASB issued Improvements to IFRSs, which amends IAS 1 requirements relating to Statement of Changes in Equity. Entities shall apply these amendments for annual periods beginning on or after 1 January 2011.

### IAS 27 Consolidated and Separate Financial Statements

In May 2010, the IASB issued Improvements to IFRSs, which amends IAS 27 requirements. Entities shall apply these amendments for annual periods beginning on or after 1 July 2010. These improvements deals with transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements.

### IFRIC 13 Customer Loyalty Programmes

IFRIC 13 Customer Loyalty Programmes is amended to further clarify the estimation of fair value of award credits. Such amendments are applicable for annual periods beginning from 1 January 2011.

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY

### SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates 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 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 which are not classified as held for trading or held to maturity are classified as available for sale.

#### ii) Provision against non performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows, the general provision requirement set out in Prudential Regulations. These provisions change due to changes in requirements.

#### 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

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

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 on certain issues in the past. In making the provision for 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 balance sheet date and the rates contracted.

vi) **Fixed assets, depreciation and amortisation**

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

vii) **Defined benefits plan**

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

The actuarial assumptions used to determine the liability and related expense are disclosed in note 36.

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are the same as those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2009 and are enumerated as follows:

5.1 **Statement of Financial Position**

Pursuant to the adoption of revised IAS - 1 through SBP BSD Circular Letter no. 7 dated 20 April, 2010, Balance Sheet has been renamed to "Statement of Financial Position"

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 interest 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 amortised over the period of the contract and recorded as interest 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, 2010

Lendings are stated net of provision. Mark-up on such lending is charged 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 into the following categories, which are initially recognized at fair value plus the acquisition cost, except in case of held for trading investments, in which cases, these are charged off to the profit and loss account.

5.4.1.1 Investments in subsidiaries are stated at cost less impairment, if any.

5.4.1.2 Other investments are classified as follows:

(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, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) **Held to maturity**

These are 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 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 whereas investments in subsidiaries are carried at cost less impairment losses, if any.

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 balance sheet below equity. The surplus/(deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and book 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 (except for debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

Associates as defined under local statutes but not under IAS are accounted for as ordinary investments.

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 delivery of assets within the time frame generally established by regulation or convention in the market place.

### 5.5 Advances (including net investment in finance lease)

Advances are stated net of general and specific provisions. Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. General provision is maintained on consumer portfolio in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account.

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.

Advances are written off when there are no realistic prospects of recovery.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 5.6 Operating fixed assets and depreciation

#### 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 changes, if any, are treated as change in accounting estimates, at each balance sheet date.

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 the above mentioned 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 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.

#### 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 balance sheet date.

#### Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

### 5.7 Taxation

#### Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. 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, arising from assessments finalised during the year for such years.

#### Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the balance sheet 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 balance sheet 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 realised.

"The Bank also recognizes a deferred tax asset/liability on deficit/surplus on revaluation of fixed 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

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

a) **For employees who opted for the new 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; and

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 contribution are made by the Bank and the employees (defined contribution scheme).

b) **For employees who did not opt for the new scheme:**

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

Until December 31, 2008, the bank operated a contributory benevolent fund, which was discontinued during the year for active employees. Existing employees 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.

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 amortized over the future expected remaining working lives of the employees, to the extent of the greater of ten percent of the present value of the defined benefit obligations at that date (before deducting plan assets) and ten percent of the fair value of any plan assets at that date.

### 5.8.2 Other benefits

#### 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 balance sheet date, based on actuarial valuation using Projected Unit Credit Method.

### 5.9 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value of the related advances and the current fair value of such assets.

### 5.10 Deposits

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

### 5.11 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

### 5.12 Impairment

At each balance sheet date, the Bank reviews the carrying amount of its assets (other than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except for the impairment loss on revalued fixed assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 5.13 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 non-funded losses 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 each balance sheet date and are adjusted to reflect the current best estimate.

### 5.14 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to balance sheet date are considered as non-adjusting event and are not recorded in unconsolidated financial statements of the current year. These are recognized in the period in which these are declared / approved.

### 5.15 Foreign currencies

#### a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet 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) Translation gains and losses

Translation gains and losses are included in the profit and loss account.

#### c) Commitments

Commitments for outstanding forward foreign exchange 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 balance sheet date.

### 5.16 Financial instruments

#### 5.16.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. 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.

#### 5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

### 5.17 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 5.18 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognized as follows:

#### a) Advances and investments

Mark-up/return on regular loans / advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans and 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) Fees, brokerage and commission

Fees, brokerage and commission on letters of credit/guarantee and other services are recognized on an accrual basis except account maintenance and service charges are recognized when realized.

### 5.19 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 structure and the guidance of State Bank of Pakistan. The Bank comprises of the following main business segments:

#### 5.19.1 Business segments

##### a) Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

##### b) Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

##### c) Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

##### d) Commercial banking

This includes loans, deposits and other transactions with corporate customers.

##### e) Payment and settlement

This includes payments and collections, funds transfer, clearing and settlement with the customers.

#### 5.19.2 Geographical segments

The Bank conducts all its operations, including the operations of EPZ Karachi branch, in Pakistan.

### 5.20 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. 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 period.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		4,604,307	5,143,793
Foreign currencies		352,944	413,588
		4,957,251	5,557,381
Remittances in transit		658,678	613,685
<b>With State Bank of Pakistan (SBP) in</b>			
Local currency current accounts	6.1	14,193,354	12,694,476
Foreign currency current account	6.2	2,639	5,829
		14,195,993	12,700,305
<b>Foreign currency deposit accounts</b>			
- Non remunerative		1,401,830	977,413
- Remunerative	6.3	4,205,490	2,932,240
		5,607,320	3,909,653
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		5,821,160	3,611,940
National Prize Bonds		25,206	42,669
		31,265,608	26,435,633

6.1 Deposits with the SBP are maintained to comply with the 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 the SBP. The special cash reserve currently carries no mark-up.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
On current accounts		284	284
<b>Outside Pakistan</b>			
On current accounts	7.1	579,271	1,280,159
		579,555	1,280,443

7.1 Included in nostro accounts are balances, aggregating to Rs.126.448 million (2009: Rs. 198.082 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		-	525,000
Letters of placement		-	649,750
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.4	11,392,277	26,347,932
Certificates of investment	8.2	96,667	880,845
		11,488,944	28,403,527
Provision against lendings to Financial Institutions	8.5	-	(280,595)
		11,488,944	28,122,932



# Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

8.1 These are short-term lendings to various financial institutions against the government securities as disclosed in note 8.4 below. These carry mark-up at rates ranging between 12.50 % and 13.25 % (2009: 11.75 % and 12.40 %) per annum and will mature on various dates, latest by January 31, 2011.

8.2 The certificate of investment carries mark-up at the rate 13.26% (2009: ranging between 13.0% and 14.47% on performing lendings) per annum and will mature on various dates latest by February 08, 2012.

	December 31, 2010	December 31, 2009
	Rupees in '000	
<b>8.3 Particulars of lending</b>		
In local currency	11,488,944	28,122,932
In foreign currencies	-	-
	11,488,944	28,122,932

### 8.4 Securities held as collateral against lending to financial institutions

	December 31, 2010			December 31, 2009		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	11,392,277	-	11,392,277	22,527,333	3,820,599	26,347,932
	11,392,277	-	11,392,277	22,527,333	3,820,599	26,347,932

	December 31, 2010	December 31, 2009
	Rupees in '000	
<b>8.5 Particulars of provision</b>		
Opening balance	280,595	-
Charge for the year	-	280,595
Reversal	(280,595)	-
Net (reversal) / charge	(280,595)	280,595
Closing balance	-	280,595

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 9. INVESTMENTS

	Note	December 31, 2010			December 31, 2009			
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
Rupees in '000								
9.1	Investments by types							
	<i>Held-for-trading securities</i>							
	Ordinary shares of listed companies	16,053	-	16,053	67,385	-	67,385	
	Units of open-end mutual funds	850,000	-	850,000	-	-	-	
		866,053	-	866,053	67,385	-	67,385	
	<i>Available-for-sale securities</i>							
	Market Treasury Bills	57,547,818	2,298,869	59,846,687	27,019,901	6,976,575	33,996,476	
	Pakistan Investment Bonds	246,764	-	246,764	246,204	-	246,204	
	Ordinary shares of listed companies / certificates of mutual funds	5,564,180	-	5,564,180	4,882,928	-	4,882,928	
	Preference Shares	282,688	-	282,688	191,667	-	191,667	
	Units of open end mutual funds	1,655,757	-	1,655,757	3,497,813	-	3,497,813	
	Ordinary shares of unlisted companies	245,193	-	245,193	215,193	-	215,193	
	Investment in related parties							
	- Listed shares	1,948,264	-	1,948,264	2,449,082	-	2,449,082	
	- Unlisted shares	602,496	-	602,496	597,496	-	597,496	
	- Open-end mutual funds	1,000,000	-	1,000,000	850,000	-	850,000	
	Pre IPO investment	-	-	-	35,000	-	35,000	
	Sukuk Bonds	4,783,539	-	4,783,539	3,637,774	-	3,637,774	
	Term Finance Certificates (TFCs)	29,872,458	-	29,872,458	26,036,936	-	26,036,936	
		103,749,157	2,298,869	106,048,026	69,659,994	6,976,575	76,636,569	
	<i>Held-to-maturity securities</i>							
	Pakistan Investment Bonds	7,493,147	-	7,493,147	7,690,909	-	7,690,909	
	Foreign Currency Bonds (US\$)	645,701	-	645,701	73,286	-	73,286	
	TFCs, Debentures, Bonds and PTCs	5,878,932	-	5,878,932	10,274,764	-	10,274,764	
		14,017,780	-	14,017,780	18,038,959	-	18,038,959	
	<i>Subsidiary</i>							
	ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000	
	Investment at cost	119,132,990	2,298,869	121,431,859	88,266,338	6,976,575	95,242,913	
	Provision for diminution in the value of investments	9.3	(2,681,810)	(2,681,810)	(2,185,929)	-	(2,185,929)	
	Unrealized loss on revaluation of							
	Held-for-trading securities	9.14	(23,884)	(23,884)	(7,897)	-	(7,897)	
	Surplus / (Deficit) on revaluation of							
	Available-for-sale securities	21.2	2,449,383	(2,139)	2,447,244	44	1,740,405	
	<b>Total investments</b>		118,876,679	2,296,730	121,173,409	87,812,873	6,976,619	94,789,492

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009	
Rupees in '000				
9.2.	Investments By Segments:			
	Federal Government Securities:			
	- Market Treasury Bills	9.2.1-9.2.3	59,846,687	33,996,476
	- Pakistan Investment Bonds	9.2.1	7,739,911	7,937,113
	- Foreign Currency Bonds (US\$)	9.2.4	645,701	73,286
	- Ijara Sukuk Bonds	9.2.1	100,000	100,000
	Fully paid up ordinary shares of listed companies/certificates of mutual funds	9.4	7,528,496	7,399,395
	Fully paid up ordinary shares of unlisted companies	9.5	847,689	812,689
	Investment in Units of Open End Mutual Funds	9.6	3,505,757	4,347,813
	Pre IPO Investments	9.7	-	35,000
	Fully paid up Preference Shares	9.8	282,688	191,667
	Term Finance Certificates (TFCs) , Debentures, Bonds and Participation Term Certificates:			
	Term Finance Certificates	9.9		
	- Listed		2,423,334	2,208,104
	- Unlisted		29,717,278	30,335,030
	Debentures	9.10	63,479	63,479
	Bonds			
	- Government	9.11	-	118,513
	- others (Sukuk)	9.11	8,225,203	7,118,712
	Participation Term Certificates	9.12	5,636	5,636
	Subsidiary		500,000	500,000
	Total investments at cost		121,431,859	95,242,913
	Less: Provision for diminution in the value of investment	9.3	(2,681,810)	(2,185,929)
	Investments (Net of Provisions)		118,750,049	93,056,984
	Unrealized loss on revaluation of Held-for-trading securities	9.14	(23,884)	(7,897)
	Surplus / (Deficit) on revaluation of Available-for-sale securities	21.2	2,447,244	1,740,405
	Total investments at market value		121,173,409	94,789,492

### 9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	13 January, 2011 To 01 December, 2011	On maturity	At maturity
Foreign Currency Bonds (US\$)	13 March, 2016	On maturity	Half Yearly
Pakistan Investment Bonds	14 February, 2011 To 19 May, 2016	On maturity	Half Yearly
Ijara Sukuk Bonds	26 September, 2011	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs.1,992.376 million (2009: Rs.6,639.897 million), given as collateral against repurchase agreement borrowings from financial institutions.

9.2.3 Included herein are Market Treasury Bills having a face value of Rs. 339.800 million (2009: Rs 339.800 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 9.2.4 Investments in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2010	December 31, 2009
US \$ Bonds						Rupees in '000	
KH 000020 (\$695,880)						-	58,622
KH 000040 (\$174,070)						-	14,664
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	31-Mar-11	6.5 Years	229,375	-
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	31-Mar-11	5.9 Years	258,928	-
Euro Dollar Bond (\$2,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-11	10 Years	157,398	-
						645,701	73,286
				Note		December 31, 2010	December 31, 2009
						Rupees in '000	

### 9.3. Particulars of Provision

Opening balance		2,185,929	1,955,903
Charge for the year		1,359,432	1,056,835
Reversals		(70,028)	(2,789)
Net charge		1,289,404	1,054,046
Reversal as gain on disposal		(793,523)	(822,283)
Amounts written off		-	(1,737)
Closing balance	9.3.1	2,681,810	2,185,929

#### 9.3.1 Particulars of Provision in respect of Type and Segment

##### By Type

##### Available-for-sale securities

Ordinary shares/certificates of listed companies	571,682	1,310,674
Ordinary shares of unlisted companies	27,832	45,176
Preference shares	149,355	-
Unit of open end mutual funds	55,424	100,000
Sukuk Bonds	105,528	-
Term Finance Certificates	125,000	-
	1,034,821	1,455,850

##### Held-to-maturity securities

TFCs, Debentures, Bonds and PTCs	1,646,989	730,079
	2,681,810	2,185,929

##### By Segment

##### Fully Paid up Ordinary Shares

- Listed companies	571,682	1,310,674
- Unlisted companies	27,832	45,176
- Preference Shares	149,355	-
- Units of open end mutual fund	55,424	100,000
	804,293	1,455,850

##### Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:

Bonds	1,141,621	590,250
Term Finance Certificates	666,781	70,714
Debentures	63,479	63,479
Participation Term Certificates	5,636	5,636
	1,877,517	730,079
	2,681,810	2,185,929

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

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

Name of Company / mutual fund	2010			2009	
	Cost per share/ certificates Rupees	No. of shares/ certificates	Total Cost Rupees '000	No. of shares/ certificates	Total Cost Rupees '000
Askari Bank Limited	-	-	-	5,305,372	107,616
Attock Petroleum Limited	-	-	-	166,618	57,788
Bank Al Habib Limited	33.55	1,000,000	33,551	-	-
Crescent Steel & Allied Products Limited	-	-	-	903,295	55,124
Dadabhoy Leasing Company Limited	-	47,300	-	47,300	-
Dadabhoy Modaraba	8.85	567,500	5,025	567,500	5,025
D.G.Khan Cement Limited	25.59	7,387,891	189,063	-	-
Engro Corporation Limited	170.71	3,594,372	613,592	-	-
Engro Chemical Pakistan Limited.	-	-	-	3,608,536	553,258
Eye Television Network Limited	21.11	2,748,917	58,024	1,894,534	89,677
Fauji Fertilizer Company Limited	86.48	15,894,987	1,374,557	12,444,987	998,879
First Credit & Investment Bank Limited	-	-	-	4,646,900	46,234
Habib Bank Limited	100.10	2,000,000	200,205	-	-
Hub Power Company Limited – related party	31.45	39,009,500	1,226,828	46,547,409	1,414,727
Kaiser Arts & Craft Limited	-	766,500	-	766,500	-
Lucky Cement Limited.	-	-	-	4,145,846	225,190
Meezan Bank Limited	16.09	1,990,762	32,027	4,497,568	89,040
Mohib Export Limited.	-	21,275	-	-	-
Nishat (Chunian) Limited – related party	24.11	8,000,000	192,909	-	-
Nishat Chunian Power Limited – related party	10.00	36,734,693	367,347	44,260,774	442,608
Nishat Power Limited (underwriting) – related party	-	-	-	100	10
Nishat Mills Limited	50.13	7,795,000	390,800	-	-
Nishat Power Limited – related party	10.00	35,408,850	354,088	59,173,739	591,737
National Refinery Limited	190.68	1,773,220	338,125	-	-
Otsuka Pakistan Limited	34.92	95,517	3,335	-	-
Pace Pakistan Limited.	-	-	-	5,104,658	69,363
Pak Oman Advantage Fund	-	-	-	96,000	960
Pakistan Oil field Limited.	250.35	5,200,000	1,301,823	3,980,360	809,007
Pakistan Petroleum Limited.	-	-	-	2,746,400	421,181
Pakistan State Oil Company Limited	249.56	2,000,000	499,119	1,870,000	466,447
PICIC Growth Mutual Fund	14.13	14,186,600	200,451	9,490,938	189,532
PICIC Growth Fund	32.51	63,400	2,061	63,400	2,060
Redco Textile Mills Limited	10.00	300	3	300	3
S.G. Fibers Limited.	58.20	788,800	45,908	788,800	45,908
SAFA Textile Mills Limited	10.00	860,200	8,602	860,200	8,602
UBL Capital Protected Fund	8.91	8,420,250	75,000	7,725,000	75,000
United Bank Limited	-	-	-	10,716,000	567,034
<b>Held for Trading Shares</b>					
Pakistan State Oil	-	-	-	200,000	67,385
Japan Power Generation Limited	1.93	7,925,040	15,295	-	-
Pioneer Cement Limited	7.10	106,784	758	-	-
			7,528,496		7,399,395

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 9.5 Investments in Un-Listed Shares

Name of Company	Percentage of Holding	No. of shares	Break-up Value	Paid up Value	Cost	Based on audited accounts as at	Name of Chief Executive/managing Agent
			per shares	per share	Rupees '000		
			Rupees	Rupees	Rupees '000		
Al-Amin Textile Mills Limited	-	13,100	N/A	10	-	N/A	Mr. Anis-ur-Rahman
Arabian Sea Country Club Limited – related party	6.45%	500,000	10.93	10	5,000	30-Jun-10	Mr. Arif Khan Abbasi
Atlas Power Limited – related party	10.99%	35,500,000	9.91	10	355,000	30-Jun-09	Mr. Maqsood A. Basra
Attock Textile Mills Limited	-	55,500	N/A	10	506	N/A	Mrs. Fareeda Khanum
Bankers Equity Limited	-	807,699	N/A	10	-	N/A	Under liquidation
Dawood Family Takaful Limited	4.67%	3,500,000	9.44	10	35,000	31-Dec-09	Mr. Abdul halim Nasri
Eastern Capital Limited	16.13%	500,000	13.05	10,000	5,000	30-Jun-07	Under liquidation
Equity Participation Fund	-	1	76.51	100	-	30-Jun-08	Mr. Jamal Nasim
First Women Bank Limited – related party	8.97%	2,544,000	38.55	10,000	21,200	31-Dec-09	Ms. Shafiqat Sultana
Habib Allied International Bank – related party	9.50%	2,375,000	238.45	136	214,769	31-Dec-09	Mr. Nauman K. Dar
KATEX Mills Limited	-	151,100	N/A	10	1,511	N/A	Col. Muhammad Yaqub (Rtd)
Khushhali Bank Limited.	11.73%	20,000,000	12.18	10	200,000	31-Dec-09	Mr. M. Ghalib Nishtar
Kohinoor Looms	-	21,000	N/A	10	-	N/A	De-listed
National Woolen Mills	-	6,900	N/A	10	52	N/A	Haji Sher Shah
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) – related party	4.35%	472,744	50.77	10	1,526	30-Jun-09	Mr. Muzaffar M khan
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	20,953.03	1,000	1,000	31-Mar-09	Maj. Gen Ahmed Nawaz Salim Mela
Ruby Rice & Gen Mills	-	14,500	N/A	10	104	N/A	Mr. Mehboob Ali
SME Bank Limited.	0.24%	580,778	9.28	10	5,250	31-Dec-09	Mr. R.A. Chughtai
SWIFT	-	10	0	10	1,771	-	-
					847,689		

### 9.6 Detail of Investments in Open Ended Mutual Funds

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2010	2009		2010	2009
					Rupees in '000
ABL Cash Fund – related party	14,844,724	-	10	150,000	-
ABL Income Fund – related party	75,000,000	75,000,000	10	750,000	750,000
ABL Stock Fund – related party	10,000,000	10,000,000	10	100,000	100,000
AH Dow Jones Safe Pak Titans 15 Index Fund	400,000	-	50	20,000	-
Atlas Money Market Fund	99,502	-	500	50,000	-
AMZ Plus Income Fund	563,126	1,016,028	100	55,424	100,000
Crosby Phoenix Fund	435,545	-	100	44,296	-
Faysal Saving Growth Fund	-	1,456,876	100	-	150,000
JS Income Fund	-	997,077	100	-	100,000
KASB Liquid Fund	3,644,483	5,015,216	100	341,885	472,813
Lakson Money Market Fund	2,490,957	1,000,904	100	250,000	100,000
MCB Dynamic Cash Fund	-	5,101,313	100	-	500,000
NAFA Cash Fund	93,969,726	104,830,739	10	894,152	1,000,000
National Investment Trust	-	5,000,000	10	-	50,000
United Growth & Income Fund	-	10,518,684	100	-	1,000,000
UBL Principal Protected Plan-II	-	250,000	100	-	25,000
ABL Cash Fund – Held for Trading	82,756,472	-	10	850,000	-
				3,505,757	4,347,813

### 9.7 Pre IPO Investment

Dawood Family Takaful Limited	-	35,000
	-	35,000

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 9.8 Detail of Investments in Preference Shares

Name of Company	Note	Percentage of Holding	No. of certificates	Paid-up Value per certificate	Total paid-up value	Total Cost December 31, 2010	Based on audited accounts	Name of Chief Executive/ Managing Agent
Rupees in '000								
Masood Textile Mills Limited	9.8.1	19%	5,833,335	10	58,333	58,333	30 June 10	Mr. Shahid Nazeer
Fazal Cloth Mills Limited	9.8.2	30%	7,500,000	10	75,000	75,000	30 June 09	Mr. Sheikh Naseem Ahmed
First Dawood Investment Bank Ltd	9.8.3	13.88%	9,935,500	10	99,355	99,355	30 June 10	Mr. Abdus Samad Khan
Trust Investment Bank Ltd	9.8.4	16.31%	5,000,000	10	50,000	50,000	30 June 10	Mr. Hamayun Nabi Jan
						282,688		

9.8.1 This represents KIBOR plus 2% cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, after completion of four years from the date of issue, i.e., June 29, 2005, at a discount of 15%.

9.8.2 This represents KIBOR plus 2.5% cumulative preference shares having redemption terms within 60 days after completion of 5 years from the date of issue, i.e., May 13, 2006.

9.8.3 This represents KIBOR plus 4% cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, any time after issue.

9.8.4 This represents KIBOR plus 100 bps cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, after completion of three 3 years from the date of issue.

### 9.9 Detail of Investments in TFCs

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
Rupees in '000					
<b>Listed</b>					
Askari Bank Limited	20,000	20,000	5,000	99,960	100,000
Standard Chartered Bank (Pakistan) Limited	10,000	10,000	5,000	47,420	49,930
Faysal Bank Limited	70,000	-	5,000	350,000	-
Faysal Bank Limited (Royal Bank Of Scotland)	7,000	7,000	5,000	26,201	34,936
United Bank Limited-3rd Issue	10,000	10,000	5,000	49,920	49,940
United Bank Limited -4th Issue - HTM	37,000	37,000	5,000	184,815	184,889
Searle Pakistan Limited	10,000	10,000	5,000	6,248	18,743
NIB Bank Limited - HTM	76,789	76,789	5,000	383,561	383,715
United Bank Limited-PPTFC	122,558	122,558	5,000	612,177	612,422
Telecard Limited - HTM	75,888	75,888	5,000	139,444	172,911
Pak Arab Fertilizers Limited	84,080	84,080	5,000	395,176	420,148
Azgard Nine Limited	1,300	1,300	5,000	4,327	4,868
Escort Investment Bank Limited	20,000	20,000	5,000	49,960	83,267
Financial Receivable Securitization Company Limited	21,000	21,000	5,000	70,563	86,722
Orix Leasing Pakistan Limited	1,500	1,500	5,000	3,562	5,613
				2,423,334	2,208,104
<b>Unlisted</b>					
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizon Kissat)	23,000	23,000	100,000	1,916,667	2,300,000
Dewan Farooque Spinning Mills Limited - HTM (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	25,000	25,000	5,000	31,250	31,250
Al-Abbas Sugar Industries - HTM (Chief Executive: Mr. Shunaid Qureshi)	25,000	25,000	5,000	74,950	99,950
Javedan Cement Limited (Formerly Al-Abbas Holding (Pvt) Limited) - HTM (Chief Executive: Mr. Aves Chochinwala)	5,750	5,750	100,000	503,125	575,000
Javedan Cement Limited (Formerly Ghani Holding (Pvt) Limited) - HTM (Chief Executive: Mr. Aves Chochinwala)	5,750	5,750	100,000	503,125	575,000
New Allied Electronics Industries - HTM (Chief Executive: Mian Pervaiz Akhtar)	-	10,000	-	-	27,777
Javedan Cement Limited (Chief Executive: Mr. Aves Chochinwala)	2,500	2,500	100,000	250,000	250,000

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
	Rupees in '000				
Grays Leasing Limited (Chief Executive: Mr. Naveed Amin)	18,000	18,000	5,000	20,000	50,000
Rai Textile Mills Limited – HTM (Chief Executive: Mr. Javed Ahmad Kayani)	-	6	-	-	12
Aruj Textile Mills Limited – HTM (Chief Executive: Sheikh Muhammad Tahir)	5	5	654,970	615	852
Blue Star Spinning Mills Limited – HTM (Chief Executive: Ch. Sardar Mohammad)	1	1	165,291		
	1	1	270,681		
	1	1	263,639		
	1	1	251,937		
	1	1	244,584		
	1	1	233,192		
	1	1	225,529		
	1	1	214,966		
	1	1	206,474		
	1	1	195,704		
	1	1	187,419		
	1	1	176,954		
	1	1	168,364		
	1	1	158,215		
	1	1	149,309		
	1	1	139,574		
	1	1	130,254	1,726	1,726
Bentonite Limited – HTM (Chief Executive: Mr. Khalid Shakeel)	13	13	107,610		
	1	1	107,619		
	1	1	470,440		
	15	15	20,100		
	1	1	20,680	1,360	1,360
Shah Jewana Textile Mills Limited – HTM (Chief Executive: Mrs. Shahida Faisal Saleh Hyat)	13	13	40,010		
	1	1	40,069		
	11	11	12,090		
	1	1	120,127	118	118
Faruki Pulp Mills Limited – HTM (Chief Executive: Mr. Salim Akbar Faruki)	-	13	1,050,900		
	-	1	1,050,993	-	6,435
Choudhry Wire Rope Industries – HTM (Chief Executive: Ch. Muhammad Akram)	13	13	217,000		
	1	1	228,902	621	621
Sadhuja Textile Mills Limited – HTM (Chief Executive: Mr. Ali Asghar)	1	1	137,946		
	3	3	278,924		
	2	2	274,376		
	1	1	2,790,892	916	916
Tanocraft Limited – HTM (Chief Executive: Mr. Kanwer Furqan Ali)	15	15	59,500		
	1	1	60,942		
	5	5	69,900		
	1	1	70,385	145	145
Khairpur Sugar Mills Limited – HTM (Chief Executive: Muhammad Mubeen Jumani)	13	13	55,536		
	1	1	55,538		
	5	5	337,000		
	1	1	337,077	887	1,248
Bachani Sugar Mills Limited – HTM (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	12,667	12,667



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
Rupees in '000					
Frontier Ceramics – HTM	15	15	117,000		
(Chief Executive: Mr. Shamsul Hassan)	1	1	118,846		
	13	13	224,000		
	1	1	217,221		
	13	13	113,000		
	1	1	113,960	1,466	2,073
Bank Al-Habib Limited	60,000	60,000	5,000	299,640	299,880
(Chief Executive: Mr. Abbas D. Habib)					
National Transmission Distribution Company Limited (PPTFC)	2,348,200	2,348,200	5,000	11,741,000	11,741,000
(Chief Executive: Mr. Rasul Khan Mahsud)					
Power Holding (Pvt) Limited (Islamabad Electric Supply Company Limited)	300	400	10,000,000	3,000,000	4,000,000
(Chief Executive: Mr. Fazeel Asif)					
Power Holding (Pvt) Limited (Lahore Electric Supply Company Limited)	300	400	10,000,000	3,000,000	4,000,000
(Chief Executive: Mr. Fazeel Asif)					
Power Holding (Pvt) Limited (WAPDA )	200	-	10,000,000	2,000,000	-
(Chief Executive: Mr. Fazeel Asif)					
Power Holding (Pvt) Limited	1,271,400	1,271,400	5,000	6,375,000	6,357,000
(Chief Executive: Mr. Fazeel Asif)					
<b>Total</b>				<b>29,717,278</b>	<b>30,335,030</b>

### 9.10 Detail of Investments in Debentures (Fully Provided)

Name of company	Terms			Cost	
	Principal	Interest	Rate of Interest	2010	2009
Rupees in '000					
<b>Public Sector</b>					
Haripur Cold Storage	Overdue	Overdue	12.50%	500	500
Haripur Cold Storage	Overdue	Overdue	12.50%	459	459
Haripur Cold Storage	Overdue	Overdue	12.50%	56	56
Karachi Development Authority	Overdue	Overdue	12.00%	62,355	62,355
<b>Private Sector</b>					
EFFEF Industries	Overdue	Overdue	14.00%	109	109
				<b>63,479</b>	<b>63,479</b>

### 9.11 Detail of Investments in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due date	Coupon Frequency	Cost	
						2010	2009
Rupees in '000							
<b>Government</b>							
<b>Public Sector Enterprise</b>							
						-	118,513
						-	118,513
<b>Sukuk Bonds</b>							
Dawood Hercules Limited	6MK+1.2%	18-Sep-07	18-Sep-12	18-Mar-11	Half Yearly	904,800	1,000,000
Security Leasing Corporation Limited	6 MK+2.0%	06-Jan-07	31-Mar-14	20-Jan-11	Monthly	137,109	168,750
Century Paper & Board Mills Limited	Last 5 Days						
	6 Month avg						
	K+1.35%	25-Sep-07	24-Sep-14	25-Mar-11	Half Yearly	920,000	1,150,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	30-Jun-08	30-Jun-12	31-Mar-11	Quarterly	142,500	142,500
Liberty Power Tech. Limited	3 MK+3.0%	31-Mar-09	31-Mar-19	31-Mar-11	Half Yearly	2,530,797	1,026,524
Al-Zamin Leasing Modaraba	6 MK+1.9%	12-May-08	12-May-12	12-May-11	Half Yearly	154,375	190,938
Quetta Textile Mills Limited	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-11	Half Yearly	48,333	50,000
Shahraj Fabrics Pvt Limited	6 MK + 2.1%	08-Mar-08	08-Mar-13	08-Mar-11	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.1%	03-Dec-07	03-Dec-18	03-Mar-11	Quarterly	3,187,289	3,190,000
						<b>8,225,203</b>	<b>7,118,712</b>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 9.12 Detail of Investment in Participation Term Certificates - (fully provided)

Name of the Borrower	No. of Certificates		Value per Certificate	Cost	
	2010	2009		2010	2009
Rupees in '000					
Crystal Chemicals	1	1	59,000		
(Chief Executive: Mr. Maqsood A Shaikh)	13	13	62,000	1,559	1,559
MAS Dairies Limited.	1	1	50,000		
(Chief Executive: Mian Nisar Akhtar)	9	9	51,000	1,009	1,009
Pangrio Sugar Mills Limited	15	15	236,000		
(Chief Executive: Mr. Sajid Hussain Naqvi)	1	1	240,000		
	1	1	168,000		
	13	13	169,000	3,068	3,068
				5,636	5,636

### 9.13 Quality of Available for Sale Securities

Name of Security	2010		2009	
	Market value/Book Value	Rating	Market value/Book Value	Rating
Rupees '000			Rupees '000	
<b>Government Securities</b>				
Market Treasury Bills	59,846,686	Un Rated	33,997,603	Un Rated
Pakistan Investment Bonds	246,764	Un Rated	244,899	Un Rated
Government of Pakistan Ijara Sukuk	100,000	Un Rated	101,000	Un Rated
<b>Listed TFCs</b>				
Askari Bank Limited	99,960	AA-	97,357	AA-
Azgard Nine Limited	4,327	CCC (RW)	4,853	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	26,201	AA-	34,568	AA-
Escort Investment Bank Limited	49,960	A	82,547	A+
Faysal Bank Limited	350,000	AA-	-	-
Financial Receivable Securitization Company Limited-A	42,505	A+	53,395	A+
Financial Receivable Securitization Company Limited-B	28,058	A+	31,250	A+
NIB Bank Limited	-	-	22,931	A
Pak Arab Fertilizers Limited	395,176	AA	394,509	AA
Searle Pakistan Limited	6,248	A-	18,136	BBB+
Standard Chartered Bank (Pakistan) Limited (Union Bank)	47,420	AAA	49,963	AAA
United Bank Limited-3rd Issue	49,920	AA	49,312	AA
United Bank Limited-4th Issue	184,815	AA	163,025	AA
ORIX Leasing Pakistan Limited	3,562	AA+	5,637	AA+
<b>Unlisted TFCs</b>				
Islamabad Electricity Supply Company Limited	-	-	4,000,000	**
Power Holding (Pvt) Limited (NTDC)	11,741,000	**	11,741,000	**
Javedan Cement Limited	250,000	**	187,500	**
Grays Leasing Limited	20,000	A-	50,000	A-
Bank Al-Habib Limited	299,640	AA	299,880	AA
ORIX Leasing Pakistan Limited	1,916,667	AA+	2,035,500	AA+
Power Holding (Pvt) Limited	6,357,000	**	6,357,000	**
Power Holding (Pvt) Limited (LESCO)	3,000,000	**	-	-
Power Holding (Pvt) Limited (IESCO)	3,000,000	**	-	-
Power Holding (Pvt) Limited (WAPDA)	2,000,000	**	-	-
<b>Shares Unlisted</b>				
Arabian Sea Country Club Limited*	5,000	**	5,000	**
Attock Textile Mills Limited	506	**	506	**
Atlas Power Limited*	355,000	**	355,000	**
Dawood Family Takaful Limited	35,000	A-	-	-
Eastern Capital Limited*	5,000	**	5,000	**

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

Name of Security	2010		2009	
	Market value/Book Value	Rating	Market value/Book Value	Rating
	Rupees `000		Rupees `000	
Equity Participation Fund*	0	**	-	**
First Women Bank Limited*	21,200	BBB+&A2	21,200	BBB+&A2
Habib Allied International Bank Limited*	214,769	**	214,769	**
KATEX Mills Limited	1,511	**	1,511	**
Khushhali Bank Limited*	200,000	A-&A-2	200,000	A-&A2
National Woolen Mills	52	**	52	**
National Institutional Facilitation Technologies (Pvt) Limited (NIFT)*	1,526	**	1,527	**
Nishat Chunian Power Limited*	-	-	10	AA & A1+
PASSCO*	1,000	**	1,000	**
Ruby Rice & Gen Mills	105	**	105	**
SME Bank Limited*	5,250	BBB&A-3	5,250	BBB&A3
SWIFT	1,771	**	1,770	**
<b>Shares / Certificates Listed</b>				
Askari Bank Limited	-	-	144,837	AA&A1+
Attock Petroleum Limited	-	-	57,920	**
Bank Al-Habib Limited	33,551	AA+ &A1+	-	-
Crescent Steel & Allied Products	-	-	23,495	A+&A1
Dadaboy Modaraba	5,025	**	5,025	**
D.G. Khan Cement Limited	189,063	**	-	-
Engro Chemical Pakistan Limited	613,592	AA&A1+	661,336	AA&A1+
Eye Television Network Limited	58,024	A&A1	55,150	A & A1
Fauji Fertilizer Company Limited*	998,879	**	1,280,963	**
Fauji Fertilizer Company Limited	375,677	**	-	-
First Credit & Investment Bank Limited	-	-	15,567	A-&A2
Habib Bank Limited	200,205	AA+&A-1+	-	-
Hub Power Company Limited*	999,085	AA+&A1+	968,686	AA+&A1+
Hub Power Company Limited	227,743	AA+&A1+	478,008	AA+&A1+
Lucky Cement Limited	-	-	274,621	**
Meezan Bank Limited	32,027	AA-&A-1	70,792	A+&A1
National Refinery Limited	338,125	AAA&A1+	-	-
Nishat (Chunian) Limited	192,909	A&A-2	-	-
Nishat Chunian Power Limited*	300,000	AA-&A1+	309,000	AA&A1+
Nishat Chunian Power Limited	67,347	AA-&A1+	146,886	AA&A1+
Nishat Mills Limited	390,800	A+&A1	-	-
Nishat Power Limited*	300,000	AA-&A1+	381,900	AA&A1+
Nishat Power Limited	54,089	AA-&A1+	371,382	AA&A1+
Otsuka Pakistan Limited	3,335	**	-	-
PACE Pakistan Limited	-	-	29,862	A&A1
Pak Oman Advantage Fund	-	-	1,008	FS AA-(f)
Pakistan Oilfield Limited	1,301,823	**	918,548	**
Pakistan Petroleum Limited	-	-	520,690	**
Pakistan State Oil Company Limited	499,119	AA+&A1+	556,213	AA+&A1+
PICIC Growth Mutual Fund	202,512	**	135,341	**
Redco Textile Mills Limited	3	**	3	**
S.G. Fibers Limited	45,908	**	45,908	**
SAFA Textile Mills Limited	8,602	**	8,602	**
UBL Capital Protected Fund	75,000	AA+(cpf)	61,800	AA+(cpf)
United Bank Limited	-	-	626,350	AA+&A1+
<b>Preference Shares</b>				
Trust Investment Bank Limited	50,000	BBB-&A3	-	**
First Dawood Investment Bank	99,355	D&D	-	**
Fazal Cloth Mills Limited	75,000	A-&A2	75,000	**
Masood Textile Limited	58,333	**	116,667	**

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

Name of Security	2010		2009	
	Market value/Book Value	Rating	Market value/Book Value	Rating
	Rupees `000		Rupees `000	
<b>Investments in Mutual Funds</b>				
ABL Cash Fund	150,000	AA+(f)	-	-
ABL Income Fund	750,000	A+(f)	750,750	A(f)
ABL Stock Fund	100,000	MFR 5-Star	130,600	**
AH Dow Jones Safe Pak Titans 15 Index Fund	20,000	**	-	-
Atlas Money Market Fund	50,000	AA+(f)	-	-
AMZ Plus Income Fund	55,424	BB(f)	100,000	BB(f)
Crosby Phoenix Fund	44,296	A(f)	-	-
Faysal Saving & Growth Fund	-	-	149,927	FS-A(F)
JS Aggressive Income Fund	-	-	99	4-Star
JS Income Fund	-	-	102,988	AA-(F)
KASB Liquid Fund	341,885	BBB+(f)	444,097	5-Star
Lakson Money Market Fund	250,000	AA(f)	101,422	**
MCB Dynamic Cash Fund	-	-	528,214	**
NAFA Cash Fund	894,151	A+(f)	1,065,080	3-Star
National Investment Trust	-	-	50,650	4-Star
United Growth & Income Fund	-	-	1,065,015	FS-A(F)
UBL Principal Protected Fund Plan-II	-	-	25,000	**
<b>Pre Ipo Investment</b>				
Dawood Family Takaful Limited	-	-	35,000	**
<b>Sukuk Bonds</b>				
Security Leasing Corporation Limited	137,109	**	150,526	BBB-&A3
Century Paper & Board Mills Limited	920,000	A+	1,106,016	A+
Dawood Hercules Limited	904,800	**	972,541	**
K.S.Sulemanji Esmailji & Sons	142,500	**	142,500	**
Liberty Power Tech Limited	2,530,797	AA-	1,026,524	**
Quetta Textile Mills Limited	48,333	**	41,386	**
* Strategic Investments of the Bank				
** Ratings are not available				
	Note	December 31, 2010	December 31, 2009	
		Rupees in `000		

9.14	Unrealized loss on revaluation of investments classified as held for trading ordinary shares of listed companies		
	Pakistan State Oil Company Limited	-	(7,897)
	Pioneer Cement Limited	(35)	-
	Japan Power Generation Limited	(1,902)	-
	ABL Cash Fund	(21,947)	-
		(23,884)	(7,897)

10.	ADVANCES		
	Loans, cash credits, running finances, etc. - in Pakistan	263,054,733	243,166,083
	Net investment in finance lease - in Pakistan	10.2 1,261,371	846,699
	Bills discounted and purchased (excluding treasury bills)		
	Payable in Pakistan	973,826	389,507
	Payable outside Pakistan	3,239,841	5,484,414
		4,213,667	5,873,921
	Advances - gross	268,529,771	249,886,703
	Provision for non-performing advances	10.4 (15,420,788)	(12,535,255)
	General provision for consumer financing	10.4 (9,474)	(7,410)
		(15,430,262)	(12,542,665)
	Advances - net of provision	253,099,509	237,344,038

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
Rupees in '000			
10.1	Particulars of advances (Gross)		
10.1.1	In local currency	265,263,158	248,499,608
	In foreign currencies	3,266,613	1,387,095
		268,529,771	249,886,703
10.1.2	Short term (for upto one year)	160,261,738	152,487,239
	Long term (for over one year)	108,268,033	97,399,464
		268,529,771	249,886,703

### 10.2 Net investment in finance lease

	December 31, 2010				December 31, 2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	274,677	531,796	383,700	1,190,173	263,578	366,287	200,381	830,246
Residual value	51,759	135,880	65,555	253,194	57,695	65,271	38,364	161,330
Minimum lease payments	326,436	667,676	449,255	1,443,367	321,273	431,558	238,745	991,576
Financial charges for future periods	(49,745)	(79,409)	(52,842)	(181,996)	(45,668)	(61,458)	(37,751)	(144,877)
Present value of minimum lease payments	276,691	588,267	396,413	1,261,371	275,605	370,100	200,994	846,699

10.3 Advances include Rs. 18,688.166 million (2009: Rs. 16,281.178 million) which have been placed under non-performing status as detailed below:-

Category of Classification	December 31, 2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned	24,340	-	24,340	-	-	-	-	-	-
Substandard	1,604,264	-	1,604,264	330,109	-	330,109	330,109	-	330,109
Doubtful	3,937,765	-	3,937,765	1,968,882	-	1,968,882	1,968,882	-	1,968,882
Loss	13,121,797	-	13,121,797	13,121,797	-	13,121,797	13,121,797	-	13,121,797
	18,688,166	-	18,688,166	15,420,788	-	15,420,788	15,420,788	-	15,420,788

Category of Classification	December 31, 2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned	21,370	-	21,370	-	-	-	-	-	-
Substandard	3,045,384	-	3,045,384	760,816	-	760,816	760,816	-	760,816
Doubtful	2,713,157	-	2,713,157	1,356,579	-	1,356,579	1,356,579	-	1,356,579
Loss	10,501,267	-	10,501,267	10,417,860	-	10,417,860	10,417,860	-	10,417,860
	16,281,178	-	16,281,178	12,535,255	-	12,535,255	12,535,255	-	12,535,255

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 10.4 Particulars of provision against non-performing advances

	(1,493,619)	4,566,131	December 31, 2010			December 31, 2009		
			Note	Specific	General	Total	Specific	General
Rupees in '000								
Opening balance			12,535,255	7,410	12,542,665	10,657,709	10,060	10,667,769
Charge for the year			4,566,131	2,064	4,568,195	4,180,963	-	4,180,963
Reversals			(1,493,619)	-	(1,493,619)	(1,015,350)	(2,650)	(1,018,000)
Charged to profit and loss account			3,072,512	2,064	3,074,576	3,165,613	(2,650)	3,162,963
Amounts written off	10.5.1		(186,979)	-	(186,979)	(1,288,067)	-	(1,288,067)
Closing balance			15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665
10.4.1	In local currency		15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665
	In foreign currencies		-	-	-	-	-	-
			15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
10.5	Particulars of write offs		
10.5.1	Against provisions		186,979
	Directly charged to Profit and Loss account		-
			186,979
10.5.2	Write Offs of Rs. 500,000 and above	10.6	113,208
	Write Offs of Below Rs 500,000		73,771
			186,979

### 10.6 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, 2010 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, 2010	December 31, 2009
Rupees in '000			
10.7	Particulars of loans and advances to Directors, related parties, etc.		
	Debts due by 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		5,345,324
	Loans granted during the year		976,105
	Repayments		(1,000,418)
	Balance at end of the year		5,321,011

Details of loans and advances to associates, subsidiary and other related parties are given in note 41.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	3,279,994	1,686,872
Property and equipment	11.2	11,897,388	10,604,335
Intangible assets	11.3	182,360	155,541
		<b>15,359,742</b>	<b>12,446,748</b>
<b>11.1 Capital work-in-progress</b>			
Civil works		2,572,875	1,047,556
Equipment		46,893	170,601
Advances to suppliers and contractors		660,226	468,715
		<b>3,279,994</b>	<b>1,686,872</b>

## 11.2 Property and equipment

Description	Note	Cost/Revaluation			Accumulated Depreciation			Annual Rate of Depreciation %	
		At January 1, 2010	Additions (Adjustment)/ (Deletions)	Write-off	At December 31, 2010	Charge for the Year/ Adjustment/ (Depreciation on Deletions)	At December 31, 2010		Net book Value at December 31, 2010
Rupees in '000									
Land-Freehold	11.4	4,329,181	1,257 (7,155)	-	4,317,291	-	-	4,317,291	-
Land-Leasehold	11.4	1,606,518	76,864	-	1,683,382	-	-	1,683,382	-
Buildings-Freehold	11.4	1,111,365	630,707	-	1,742,072	95,997	69,382	1,576,693	5
Buildings-Leasehold	11.4	1,748,797	289,721	-	2,038,518	85,569	90,240	1,862,709	5
Furniture and fixtures		396,368	156,466 (24,130)	(53)	526,651	179,486	39,406 (23,787)	331,599	10
Electrical, office and computer equipment		2,509,523	570,691 (41,611)	(116)	3,038,487	1,205,300	433,812 (111)	1,439,942	4.28 - 50
Vehicles		234,467	28,273 (18,079)	-	244,661	131,155	44,441 (15,109)	84,174	20
Building improvements (rented premises)		460,971	376,264 (211)	-	837,024	95,348	140,237 (159)	601,598	20
Total		12,397,190	2,121,088 (90,023)	(169)	14,428,086	1,792,855	817,518 (164)	11,897,388	
							[79,511]		



Notes to the Unconsolidated Financial Statements  
for the year ended December 31, 2010

11.2 Property and equipment

Description	Note	Cost/Revaluation				Accumulated Depreciation				Annual Rate of Depreciation %	
		At January 1, 2009	At December 31, 2009	At January 1, 2009	At December 31, 2009	Charge for the Year/ Adjustment/ (Depreciation on Deletions)	Write-off	At December 31, 2009	Net Book Value at December 31, 2009		
Land-Freehold	11.4	4,275,975	53,206	4,329,181	-	-	-	4,329,181	-	-	
Land-Leasehold	11.4	1,424,398	182,120	1,606,518	-	-	-	1,606,518	-	-	
Buildings-Freehold	11.4	823,642	287,723	1,111,365	-	49,083	46,914	95,997	1,015,368	5	
Buildings-Leasehold	11.4	1,625,970	122,827	1,748,797	-	-	85,569	85,569	1,663,228	5	
Furniture and fixtures		279,013	141,292	396,368	(132)	176,179	24,672	(127)	179,486	216,882	10
Electrical, office and computer equipment		1,920,561	643,606	2,509,523	(12,697)	900,720	346,013	(3,329)	1,205,300	1,304,223	14.28 - 50
Vehicles		234,246	14,156	234,467	-	92,873	42,882	-	131,155	103,312	20
Building improvements (rented premises)		153,915	308,411	460,971	-	35,778	59,832	-	95,348	365,623	20
Total		10,737,720	1,753,341	12,397,190	(12,829)	1,254,633	605,882	(3,456)	1,792,855	10,604,335	
			(81,042)				(64,204)				
11.3 Intangible assets											
Description		At January 1, 2010	At December 31, 2010	At January 1, 2010	At December 31, 2010	Charge for the Year	At December 31, 2010	Net book value at December 31, 2010	Rate of amortization %		
Computer software		230,517	59,838	290,355	74,976	33,019	107,995	182,360	14.28		
Description		At January 1, 2009	At December 31, 2009	At January 1, 2009	At December 31, 2009	Charge for the year	At December 31, 2009	Net book value at December 31, 2009	Rate of amortization %		
Computer software		154,708	75,809	230,517	47,802	27,174	74,976	155,541	14.28		

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

- 11.4 Bank arranged for valuation of properties as at December 31, 2008 from five independent valuers (Akbari & Javed Associates, Progressive Architects & Engineers, Jasper & Jasper, Hasib Associates (Pvt.) Ltd. and Consultancy Support & Services). The revalued amounts of properties have been determined on the basis of Fair Value Model. The revaluation resulted in net increase in the carrying values of the properties by Rs. 1,512.713 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2010	December 31, 2009
Rupees in '000		
- Land	3,509,739	3,515,042
- Building	1,202,404	1,265,689

- 11.5 Fair value of property and equipment including land and buildings is not expected to be materially different from their carrying amount. Land and Buildings were revalued as at December 31, 2008 and are carried at market value less accumulated depreciation.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			

- |      |   |      |        |        |
|------|---|------|--------|--------|
| 11.6 | Incremental depreciation charged during the year transferred to profit and loss account | 21.1 | 47,297 | 49,785 |
|------|---|------|--------|--------|

- |      |   |  |         |         |
|------|---|--|---------|---------|
| 11.7 | Restriction/discrepancy in the title of property having a net book value of |  | 116,157 | 119,713 |
|------|---|--|---------|---------|

- |      |  |  |        |        |
|------|--|--|--------|--------|
| 11.8 | Carrying amount of temporarily idle property and equipment |  | 35,550 | 18,446 |
|------|--|--|--------|--------|

- 11.9 The gross carrying amount of fully depreciated/amortized assets that are still in use:

	Furniture and fixtures	104,795	91,713
	Electrical, office and computer equipment	592,849	485,217
	Vehicles	21,265	19,718
	Intangible assets - software	33,411	29,759

- |       |   |  |   |       |
|-------|---|--|---|-------|
| 11.10 | The carrying amount of property and equipment that have retired from active use and are held for disposal |  | - | 5,992 |
|-------|---|--|---|-------|

- 11.11 Fixed assets include a plot at carrying value of Rs. 31 million, which is acquired with the funds of the Bank and held in the name of Muhammad Waseem Mukhtar, a Director of the Bank.

- 11.12 The details of disposals of assets whose original cost or book value exceeds rupees one million or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "II".

- 11.13 Information relating to sale of fixed assets (otherwise than through a regular auction) made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, as required by SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "II".

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>12. DEFERRED TAX ASSET / (LIABILITY) - NET</b>			
Deferred debits arising in respect of			
Compensated leave absences	12.2	153,605	216,646
Provision against:	12.2		
Investments		79,098	79,098
Other assets		275,847	305,418
Off balance sheet obligations		169,525	169,525
Provision against Advances	4 (ii)	1,025,795	223,560
Post retirement medical benefits	12.2	276,249	327,168
Workers welfare fund		86,455	75,258
Loss on sale of listed shares		-	39,863
		2,066,574	1,436,536
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(314,611)	(331,165)
Surplus on revaluation of investments	21.2	(403,875)	(472,787)
Accelerated tax depreciation / amortization		(845,185)	(603,564)
Excess of investment in finance lease over written down value of leased assets		(18,516)	(30,891)
		(1,582,187)	(1,438,407)
		484,387	(1,871)

### 12.1 Reconciliation of deferred tax

	Balance as at January 01, 2009	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2009	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2010
[Rupees in '000]							
Deferred debits arising in respect of:							
Compensated leave absences	244,254	(27,608)	-	216,646	(63,041)	-	153,605
Provision against:							
- Investments	82,293	(3,195)	-	79,098	-	-	79,098
- Other assets	310,498	(5,080)	-	305,418	(29,571)	-	275,847
- Off balance sheet obligations	169,525	-	-	169,525	-	-	169,525
- Advances	-	223,560	-	223,560	802,235	-	1,025,795
Post retirement medical benefits	351,653	(24,485)	-	327,168	(50,919)	-	276,249
Workers welfare fund	-	75,258	-	75,258	11,197	-	86,455
Loss on sale of listed shares	-	39,863	-	39,863	(39,863)	-	-
Deficit on revaluation of investments	690,817	-	(690,817)	-	-	-	-
	1,849,040	278,313	(690,817)	1,436,536	630,038	-	2,066,574
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(348,590)	17,425	-	(331,165)	16,554	-	(314,611)
Surplus on revaluation of investments	-	-	(472,787)	(472,787)	-	68,912	(403,875)
Accelerated tax depreciation / amortization	(423,790)	(179,774)	-	(603,564)	(241,621)	-	(845,185)
Excess of investment in finance lease over written down value of leased assets	(47,436)	16,545	-	(30,891)	12,375	-	(18,516)
	(819,816)	(145,804)	(472,787)	(1,438,407)	(212,692)	68,912	(1,582,187)
	1,029,224	132,509	(1,163,604)	(1,871)	417,346	68,912	484,387

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

- 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 seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending 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, 2010	December 31, 2009
Rupees in '000			
<b>13. OTHER ASSETS</b>			
Income/Mark-up accrued on advances, investments and lendings to financial institutions:			
- in local currency		10,540,088	9,619,170
- in foreign currencies		31,115	65,454
Receivable on sale of investment		-	30,466
Advances, deposits, advance rent and other prepayments		1,105,867	916,713
Advance taxation (payments less provisions)		1,863,690	4,672,939
Stationery and stamps on hand		29,713	22,293
Prepaid exchange risk fee		66	18
Due from the employees' retirement benefit schemes	36.4	1,504,938	1,509,879
Excise duty		26	11
Receivable from SBP - customers encashments		487	203,834
Non banking assets acquired in satisfaction of claims	13.1	1,730,492	938,496
Suspense account		696,059	588,281
Others		40,612	203,682
		17,543,153	18,771,236
Less: Provision held against other assets	13.2	(1,062,781)	(816,191)
Other assets (net of provision)		16,480,372	17,955,045
<b>13.1 Market value of non banking assets acquired in satisfaction of claims</b>		1,747,410	1,077,601
<b>13.2 Provision against Other Assets:</b>			
Opening balance		816,191	887,138
Charge for the year		331,077	77,326
Reversals		-	(133,757)
Net charge / [reversal]		331,077	(56,431)
Written off		(84,487)	(14,516)
Closing balance		1,062,781	816,191
<b>14. CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2010 and December 31, 2009.			
<b>15. BILLS PAYABLE</b>			
In Pakistan		4,118,791	3,162,429
Outside Pakistan		-	-
		4,118,791	3,162,429

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>16. BORROWINGS</b>			
In Pakistan		20,680,282	39,457,216
Outside Pakistan		94,168	361,316
		<b>20,774,450</b>	<b>39,818,532</b>
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		20,518,433	39,457,216
In foreign currencies		256,017	361,316
		<b>20,774,450</b>	<b>39,818,532</b>
<b>16.2 Details of borrowings (Secured/Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	13,301,654	12,225,858
Long term financing facility – Export oriented projects	16.4	1,889,208	1,254,403
Long term financing facility	16.4	3,316,675	4,768,650
		<b>18,507,537</b>	<b>18,248,911</b>
Borrowing from financial institutions	16.5	20,000	-
		<b>18,527,537</b>	<b>18,248,911</b>
Repurchase agreement borrowings	16.6	1,990,896	10,558,305
<b>Unsecured</b>			
Call borrowings	16.7	161,849	10,650,000
Overdrawn nostro accounts		94,168	361,316
		<b>256,017</b>	<b>11,011,316</b>
		<b>20,774,450</b>	<b>39,818,532</b>
<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. These carry interest at the rate of 10% (2009: 7.0%) 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 7.5 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate ranging from 5.0% to 8.6% (2009: 7.0%) per annum.		
<b>16.5</b>	This represents short term borrowing from National Bank of Pakistan.		
<b>16.6</b>	These represent funds borrowed from the local interbank market against government securities, carrying mark-up at rate 13.5% (2009: ranging between 10.75% and 12.40%) per annum maturing on various dates, latest by January 03, 2011.		
<b>16.7</b>	These represent unsecured borrowings in foreign currency from the local interbank market, carrying mark-up at rates, ranging between 0.8% and 1.3% (Local currency 2009: 11.45% and 12.90%) per annum maturing on various dates, latest by March 28, 2011.		
		December 31, 2010	December 31, 2009
Rupees in '000			
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		109,051,434	98,425,685
Savings deposits		93,636,169	85,274,893
Current accounts - Remunerative		57,006,516	47,706,475
- Non-remunerative		110,871,294	93,273,720
		<b>370,565,413</b>	<b>324,680,773</b>
<b>Financial Institutions</b>			
Remunerative deposits		718,855	4,194,264
		<b>371,284,268</b>	<b>328,875,037</b>
<b>17.1 Particulars of deposits</b>			
In local currency		343,375,302	308,359,491
In foreign currencies		27,908,966	20,515,546
		<b>371,284,268</b>	<b>328,875,037</b>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>18. SUB-ORDINATED LOANS</b>			
Term Finance Certificates - I		2,496,000	2,497,000
Term Finance Certificates - II		2,998,800	3,000,000
		<b>5,494,800</b>	<b>5,497,000</b>

The Bank has issued following unsecured sub-ordinated Term Finance Certificates to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other debts of the Bank including deposits. The salient features of the issues are as follows:

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- (Rupees in thousand)	2,496,000	2,998,800
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA-	AA-
Listing	Karachi Stock Exchange (Guarantee) Limited	Karachi Stock Exchange (Guarantee) Limited
Mark up repayment Rate	Semi annually - Six months KIBOR plus 1.9%	Semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2010 - 2019)

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>19. OTHER LIABILITIES</b>			
Mark-up/Return/Interest payable in local currency		3,727,598	4,639,847
Mark-up/Return/Interest payable in foreign currency		417,918	352,215
Accrued expenses		720,467	594,704
Branch adjustment account		1,401,372	741,233
Unrealized loss on forward foreign exchange contracts		281,215	37,933
Provision for:			
gratuity	36.4	94,917	90,841
employees' medical benefits	36.4	1,632,793	1,485,820
employees' compensated absences	36.12	872,706	838,006
Unclaimed dividends		49,162	43,503
Dividend payable		8,279	7,086
Provision against off-balance sheet obligations	19.1	370,764	459,003
Retention money payable		92,891	81,489
Security deposits against lease		254,009	161,544
Sundry deposits		1,203,461	1,012,960
Workers Welfare Fund Payable		253,940	221,948
Others		902,868	291,352
		<b>12,284,360</b>	<b>11,059,484</b>

<b>19.1 Provision against off-balance sheet obligations</b>			
Opening balance		459,003	484,356
Charge for the year		33,054	25,049
Reversals		(121,293)	(50,402)
Net charge		(88,239)	(25,353)
Closing balance		<b>370,764</b>	<b>459,003</b>

The above provision has been made against letters of guarantee issued by the Bank.

<b>19.2</b>	In local currency	11,718,230	10,552,633
	In foreign currencies	566,130	506,851
		<b>12,284,360</b>	<b>11,059,484</b>

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 20. SHARE CAPITAL

#### 20.1 Authorized capital

December 31, 2010	December 31, 2009		December 31, 2010	December 31, 2009
No. of shares			Rupees in '000	
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	10,000,000	10,000,000

#### 20.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2010	December 31, 2009	Ordinary shares	December 31, 2010	December 31, 2009
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
357,772,190	286,672,114	Issued as bonus shares	3,577,722	2,866,721
764,552,284	693,452,208		7,645,523	6,934,522
9,148,550	9,148,550	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	8,400,000	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
782,100,834	711,000,758		7,821,009	7,110,008

Ibrahim Fibers Limited and Ibrahim Agencies (Private) Limited, associated undertakings of the Bank, held 287,078,695 (36.71%) and Nil (0.00%) [(December 31, 2009: 287,678,696(40.46%) and 66,247,840 (9.32%)] ordinary shares of Rs.10 each, respectively, as at balance sheet date.

Note	December 31, 2010	December 31, 2009
	Rupees in '000	

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

Surplus/(deficit) arising on revaluation of:			
- fixed assets	21.1	2,765,036	2,801,082
- securities	21.2	2,043,369	1,267,618
Surplus on revaluation of assets - net of tax		4,808,405	4,068,700

#### 21.1 Surplus on revaluation of Fixed Assets

Surplus on revaluation of fixed assets as at January 1		3,132,247	3,182,032
Surplus realised on disposal of revalued properties - net of deferred tax		(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(30,743)	(32,360)
Related deferred tax liability		(16,554)	(17,425)
	11.6	(47,297)	(49,785)
Surplus on revaluation of fixed assets as at December 31		3,079,647	3,132,247
Less: Related deferred tax liability on :			
Revaluation as at January 1		331,165	348,590
Incremental depreciation charged during the year transferred to profit and loss account		(16,554)	(17,425)
		314,611	331,165
		2,765,036	2,801,082

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
21.2			
Surplus/(Deficit) on revaluation of Available-for-sale securities			
Federal Government Securities			
		(120,712)	1,127
		(23,870)	(19,305)
		-	(381,506)
		-	(97,281)
		2,528,671	2,069,929
		63,155	167,441
	9.1	2,447,244	1,740,405
		(403,875)	(472,787)
		2,043,369	1,267,618

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Direct credit substitutes

Guarantees in favour of:

Banks and financial institutions	1,769,128	1,035,107
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### 22.2 Transaction-related contingent liabilities

Guarantees in favour of:

Government	9,512,438	5,752,873
Others	8,585,255	10,352,695
	18,097,693	16,105,568

22.3	Trade-related contingent liabilities	52,044,205	65,895,610
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22.4	Claims against the bank not acknowledged as debt	3,943,404	4,346,919
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22.5 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.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
22.6			
Commitments in respect of forward foreign exchange contracts			
		23,100,518	23,338,782
		7,371,457	8,827,975
22.7			
Commitments in respect of:			
		1,260,603	604,828
		372,584	327,650
22.8			
Commitments in respect of lease financing			
		168,437	32,630
22.9			
Commitments in respect of procurement of software			
		258	36,523



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 22.10 Other Contingencies

22.10.1 The income tax assessments of the Bank have been finalized upto and including tax year 2010 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rs. 9,631 million. As a result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs. 2,524 million and Rs. 6,987 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs. 5,794 million has been determined. Against most of the deleted and set-aside issues, Department is in appeal before higher appellate authorities. Pending finalization of appeals, no provision has been made by the Bank on aggregate sum of Rs. 9,631 million. The management is hopeful that the outcome of these appeals will be in favour of the Bank.

22.10.2 As a result of a compromise decree granted by the Honourable High Court of Sindh in August 2002, Fateh Textile Mills Limited pledged 16,376,106 shares of ABL with the Bank as security consequent to the default by Fateh Textile Mills Limited on the terms of the decree. The Bank published a notice on June 23, 2004 in accordance with the requirements of section 19(3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and invited sealed bids from interested parties to purchase the pledged shares. The bidding process was scheduled for July 23, 2004 and the Bank had fixed a reserve price of Rs. 25 per share. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited had filed a suit against the Bank in the High Court of Sindh challenging the sale of the above shares. The High Court had not granted a stay order on the process of sale of shares. However, the matter is still pending in the Court.

### 23. 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 buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures

#### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders 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 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.

If the relevant exchange rate moves un-favourably, the Bank will lose money, and 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 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 "interbank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favourable 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 unfavourable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 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 scrip 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.

The accounting policies used to recognize and disclose derivatives are given in note 5.15.2. The risk management framework of derivative instruments is given in note 43.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>24. MARK-UP/RETURN/INTEREST EARNED</b>			
On loans and advances		31,348,386	30,142,124
On investments in:			
Available for sale securities		10,354,988	6,862,910
Held to maturity securities		1,292,088	1,761,520
		11,647,076	8,624,430
On deposits with financial institutions		5,450	12,875
On securities purchased under resale agreements		1,858,505	2,152,279
On certificates of investment		31,467	70,833
On letters of placement		23,579	44,029
On call money lending		78,233	74,933
		44,992,696	41,121,503
<b>25. MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		16,649,281	17,946,020
Long term borrowing		353,197	259,786
Securities sold under repurchase agreements		767,920	607,703
Call money borrowing		1,173,399	1,158,272
Brokerage and commission		159,998	156,746
Sub-ordinated loans		761,979	826,025
Other short term borrowings		2,561,878	1,467,142
		22,427,652	22,421,694
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>			
Core fees, commission and brokerage		2,250,747	2,376,488
Account maintenance charges		240,453	331,514
		2,491,200	2,708,002
<b>27. GAIN ON SALE OF SECURITIES</b>			
Shares - Listed		1,372,962	895,378
Shares - Unlisted		-	7,393
Open End Mutual Funds		43,570	182,272
		1,416,532	1,085,043
<b>28. OTHER INCOME</b>			
Gain on sale of operating fixed assets		11,977	4,220
Miscellaneous		86,549	31,765
Compensation of Tax Refund	28.1	152,618	-
		251,144	35,985

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

- 28.1 This represents claim of the bank in respect of compensation for delayed refunds under section 171 of the income tax ordinance 2001 pertaining to tax year 2008. This compensation has been calculated at kibar applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the bank and the date of adjustment of refund by the income tax authorities.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	29.3	5,979,990	4,879,688
Charge for defined benefit plan	36	472,290	616,127
Contribution to defined contribution plan - provident fund		191,008	164,205
Non-executive directors' fees, allowances and other expenses		1,725	2,125
Rent, taxes, insurance, electricity, etc.		1,322,361	967,756
Legal and professional charges		81,774	105,737
Communications		250,976	290,374
Repairs and maintenance		209,551	160,934
Stationery and printing		244,122	216,829
Advertisement and publicity		196,651	188,195
Auditors' remuneration	29.1	11,111	11,135
Depreciation/Amortization	11.2 & 11.3	850,537	633,056
Security service charges		463,925	361,433
Travelling, conveyance and fuel expenses		218,006	179,745
Entertainment		124,549	97,132
Computer expenses		270,538	236,886
Subscription		292,311	183,408
Donations	29.2	38,260	97,265
Others		21,902	31,473
		11,241,587	9,423,503

### 29.1 Auditors' remuneration

	December 31, 2010				December 31, 2009			
	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousaf Adil Saleem & Co.	Total	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousaf Adil Saleem & Co.	Total
Rupees in '000								
Audit fee	2,730	2,730	-	5,460	2,730	-	2,730	5,460
Special certifications, half yearly reviews and sundry miscellaneous services	1,622	1,470	430	3,522	2,070	-	2,375	4,445
Out-of-pocket expenses	1,025	200	904	2,129	538	-	692	1,230
	5,377	4,400	1,334	11,111	5,338	-	5,797	11,135

- 29.2 None of the directors, executives and their spouses had any interest in the donations disbursed during the year. Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
Institute of Business Administration		10,000	10,000
Donation for Flood Affected Persons, Punjab		10,000	-
Chief Minister of Punjab Flood Relief Fund		5,000	-
Chhipa Welfare Association Karachi		3,530	-
M/s Book Group Karachi		2,500	-
Bakhtawar Amin Memorial Trust Hospital		2,000	-
Shoukat Khanum Memorial Cancer Hospital		1,000	-
Lahore Businessmen Association for Rehabilitation of the Disabled		1,000	-
Agha Khan Hospital and Medical College Foundation		1,000	1,000
Patient Welfare Association, DMC & Civil Hospital Karachi		500	-
Liver Center Civil Hospital Karachi		500	-
Jazba Foundation Lahore		500	-
M/s Tehzeeb Social Welfares Lahore		250	-
National Textile College Mananwala Faisalabad		180	-
Pakistan Hindu Council		100	-
Citizen Foundation Karachi		100	-
Bait ul Sakoon Karachi		100	-
The Karachi Education Initiative		-	50,000
Tamir Welfare Organization		-	2,500
SOS Children's Villages of Pakistan		-	500
Rural Education & Area Development		-	500
National Management Foundation		-	20,000
Lahore Business Association		-	500
Khoja Society for People's Education		-	200
GC University Lahore		-	1,000
Family education service foundation		-	1,000
Abdus Sattar Edhi Foundation		-	10,000
		38,260	97,200

29.3 During the year, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. 195 employees of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 294 million to cover additional retirement benefits in respect of such employees.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>30. OTHER CHARGES</b>			
Penalties imposed by SBP		59,647	32,095
Education cess		10,017	21,384
Fixed assets written off		5	9,373
Other assets written off		1,579	4,525
		71,248	67,377

### 31. WORKERS WELFARE FUND

Under the Workers Welfare Fund Ordinance (WWF), 1971 the Bank is liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
		Rupees in '000	
<b>32.</b>	<b>TAXATION</b>		
	Current - for the year	4,161,179	3,546,462
	- for prior years	373,941	-
		4,535,120	3,546,462
	Deferred	(417,346)	(132,509)
		4,117,774	3,413,953
<b>32.1</b>	<b>Relationship between tax expense and accounting profit</b>		
	Accounting profit for the current year	12,343,106	10,536,120
	Tax on income @ 35% (2009: 35%)	4,320,087	3,687,642
	Effect of permanent differences	20,876	110,890
	Adjustments in respect of tax at reduced rates	(441,043)	(343,742)
	Others	217,854	(40,837)
	Tax charge for the current year	4,117,774	3,413,953
<b>33.</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Profit after taxation	8,225,332	7,122,167
			Number of Shares
			Restated
	Weighted average number of ordinary shares outstanding during the year	782,100,834	782,100,834
			Rupees
			Restated
	Earnings per share - basic and diluted	10.52	9.11
	There is no dilution effect on basic earnings per share.		
<b>33.1</b>	The corresponding figure of weighted average number of shares outstanding and earning per shares have been restated to include the effect of bonus shares issued by the Bank during the year.		
	Note	December 31, 2010	December 31, 2009
		Rupees in '000	
<b>34.</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	6	31,265,608
	Balances with other banks	7	579,555
	Overdrawn nostro accounts	16	(94,168)
			31,750,995
			27,354,760
<b>35.</b>	<b>STAFF STRENGTH</b>		Number
	Permanent	8,947	8,713
	Temporary/on contractual basis/trainee	136	142
	Bank's own staff strength at the end of the year	9,083	8,855
	Outsourced	3,505	2,835
	Total staff strength	12,588	11,690

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 36. DEFINED BENEFIT PLANS

#### 36.1 General description

The Bank operates a funded gratuity scheme for all employees including those who opted for the new staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For the employees, serving the Bank prior to July 01, 2002 and 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.

#### 36.2 Number of Employees under the schemes

The number of employees covered under the following defined benefit scheme/plans are:

	December 31, 2010	December 31, 2009
	Number	
- Gratuity fund	9,083	8,855
- Pension fund	2,701	3,040
- Benevolent fund	235	551
- Employees' compensated absences	8,947	8,713
- Post retirement medical benefits	8,947	8,713

#### 36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2010 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2010	December 31, 2009
Discount rate	Yield on investments in Government Bonds	13.00%	13.00%
Expected rate of return on plan assets:			
Pension fund	Yield on investments	13.00%	13.00%
Gratuity fund	in Government Bonds	13.00%	13.00%
Benevolent fund		13.00%	13.00%
Expected rate of salary increase	Rate of salary increase	11.00%	11.00%
Pension indexation rate		7.00%	7.00%
Medical inflation rate		8.00%	8.00%
Exposure inflation rate		3.00%	3.00%

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 36.4 Reconciliation of (receivable from) / payable to defined benefit plans

December 31, 2010						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	4,237,829	941,933	22,819	1,752,683	872,705
Fair value of plan's/scheme's assets	36.7	(5,368,825)	(849,433)	(143,814)	-	-
Net actuarial (losses) / canes not recognized		(343,263)	2,417	59,637	(119,890)	-
		(1,474,259)	94,917	(61,358)	1,632,793	872,705
Benefit of the surplus not available to the Bank		-	-	30,679	-	-
Net (asset) / liability		(1,474,259)	94,917	(30,679)	1,632,793	872,705
December 31, 2009						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	4,040,811	766,547	60,968	1,681,204	838,005
Fair value of plan's/scheme's assets	36.7	(5,138,070)	(593,567)	(143,594)	-	-
Net actuarial (losses) / gains not recognized		(389,670)	(82,139)	36,726	(195,384)	-
		(1,486,929)	90,841	(45,900)	1,485,820	838,005
Benefit of the surplus not available to the Bank		-	-	22,950	-	-
Net (asset) / liability		(1,486,929)	90,841	(22,950)	1,485,820	838,005

36.4.1 The latest actuarial valuation of Benevolent Fund, carried out as at December 31, 2010 highlighted a surplus amounting to Rs. 30.679 million attributable to the Bank. The Bank has maintained 100% provision against it.

36.4.2 The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the present value of medical obligation as at December 31, 2010 would be Rs. 95.401 million (2009: Rs. 86.444 million) and Rs. 113.873 million (2009: Rs. 74.285 million) respectively.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 36.5 Movement in (receivable from) /payable to defined benefit plans

December 31, 2010						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		(1,486,929)	90,841	(22,950)	1,485,820	838,005
Charge/(reversal) for the year	36.9	12,670	157,076	(7,729)	292,455	214,819
Benefits paid		-	(153,000)	-	(145,482)	(180,119)
Closing balance		(1,474,259)	94,917	(30,679)	1,632,793	872,705
December 31, 2009						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		(1,358,768)	90,845	(141,708)	1,277,755	832,215
Charge/(reversal) for the year	36.9	(128,161)	151,462	230,131	278,022	84,669
Benefits paid		-	(151,466)	(111,373)	(69,957)	(78,879)
Closing balance		(1,486,929)	90,841	(22,950)	1,485,820	838,005

### 36.6 Reconciliation of present value of defined benefit obligations

December 31, 2010					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Opening balance	4,040,811	766,547	60,968	1,681,204	838,005
Current service cost	-	134,654	-	53,403	61,641
Interest cost	538,112	111,051	5,446	223,203	108,941
Benefits paid	(663,521)	(116,278)	(18,245)	(145,482)	(180,119)
VRS loss	130,527	4,736	-	9,184	23,399
Actuarial gains / (losses)	191,900	41,223	(25,350)	(68,829)	20,838
Closing balance	4,237,829	941,933	22,819	1,752,683	872,705
December 31, 2009					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Opening balance	3,400,000	557,547	474,679	1,521,833	832,215
Current service cost	-	106,250	1,410	56,611	44,783
Interest cost	476,000	78,057	13,362	213,057	116,510
Benefits paid	(327,102)	(36,065)	(673,461)	(69,957)	(78,879)
VRS loss	-	-	251,675	-	-
Actuarial (gains) / losses	491,913	60,758	(6,697)	(40,340)	(76,624)
Closing balance	4,040,811	766,547	60,968	1,681,204	838,005



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 36.7 Reconciliation of fair value of plan assets

December 31, 2010					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Opening balance	5,138,070	593,567	143,594	-	-
Expected return on plan assets	682,948	93,795	18,667	-	-
Bank's contribution	-	153,000	-	-	-
Employees' contribution	-	-	-	-	-
Benefits paid	(663,521)	(116,278)	(18,245)	-	-
Actuarial gains / (losses)	211,328	125,349	(202)	-	-
Closing balance	5,368,825	849,433	143,814	-	-

December 31, 2009					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Opening balance	4,319,903	304,031	617,643	-	-
Expected return on plan assets	604,786	42,564	47,123	-	-
Bank's contribution	-	151,466	111,373	-	-
Employees' contribution	-	-	-	-	-
Benefits paid	(327,102)	(36,065)	(673,461)	-	-
Actuarial gains	540,483	131,571	40,916	-	-
Closing balance	5,138,070	593,567	143,594	-	-

### 36.8 Composition of fair value of plan assets

December 31, 2010					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Government securities	1,497,001	-	-	-	-
Open end mutual fund units	722,968	-	-	-	-
Listed shares *	1,629,057	378,175	28,422	-	-
Bank balances *	1,519,799	471,258	115,392	-	-
	5,368,825	849,433	143,814	-	-

* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	640,102,826	202,055,290			
Bank balances with ABL	1,519,799	471,258	115,392	-	-
	641,622,625	202,526,548	115,392	-	-

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	December 31, 2009				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	680,122	76,659	-	-	-
Open end mutual funds	562,484	-	-	-	-
Listed shares *	1,251,087	242,100	31,926	-	-
Bank balances *	2,644,377	274,808	111,668	-	-
	5,138,070	593,567	143,594	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	486,987	153,784	10,110	-	-
Bank balances with ABL	2,644,377	274,808	111,668	-	-
	3,131,364	428,592	121,778	-	-

### 36.9 Charge for defined benefit plan

	December 31, 2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	134,654	-	53,403	61,641
Interest cost	538,111	111,051	5,446	223,203	108,941
Expected return on plan assets	(682,948)	(93,795)	(18,667)	-	-
Actuarial (gains)/losses	26,980	430	(2,237)	6,665	20,838
Contributions – employee	-	-	-	-	-
VRS Loss	130,527	4,736	-	9,184	23,399
Benefit of the surplus not available to the Bank	-	-	7,729	-	-
	12,670	157,076	(7,729)	292,455	214,819
	December 31, 2009				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	106,250	1,410	56,611	44,783
Interest cost	476,000	78,057	13,362	213,057	116,510
Expected return on plan assets	(604,786)	(42,564)	(47,124)	-	-
Actuarial losses / (gains)	625	9,719	7,154	8,354	(76,624)
Contributions – employee	-	-	-	-	-
VRS Loss	-	-	251,675	-	-
Benefit of the surplus not available to the Bank	-	-	3,654	-	-
	(128,161)	151,462	230,131	278,022	84,669

36.9.1 The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post-employment medical costs would be Rs. 6.201 million (2009: Rs. 11.238 million) and Rs. 7.402 million (2009: Rs. 9.657 million) respectively.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	December 31,		December 31,		
	2010		2009		
	Rupees in '000				
<b>36.10</b>	<b>Actual return on plan assets</b>				
- Pension fund			894,276	1,145,269	
- Gratuity fund			219,144	174,135	
- Benevolent fund			18,465	88,039	
<b>36.11</b>	<b>Five year data of defined benefit plan and experience adjustments</b>				
	Pension fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	4,237,829	4,040,811	3,400,000	3,461,993	3,295,249
Fair value of plan assets	(5,368,825)	(5,138,070)	(4,319,903)	(5,738,722)	(5,155,897)
Surplus	(1,130,996)	(1,097,259)	(919,903)	(2,276,729)	(1,860,648)
	Experience adjustments on plan obligations / assets				
Actuarial gain / (loss) on obligation	(191,900)	(491,912)	(117,235)	(219,179)	(63,723)
Actuarial gain / (loss) on assets	211,328	540,483	(1,264,567)	449,195	(529,840)
	Gratuity fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	941,933	766,547	557,547	574,685	463,564
Fair value of plan assets	(849,433)	(593,567)	(304,031)	(475,357)	(393,999)
Deficit	92,500	172,980	253,516	99,328	69,565
	Experience adjustments on plan obligations / assets				
Actuarial gain / (loss) on obligation	(41,223)	(60,758)	60,479	(22,810)	1,848
Actuarial gain / (loss) on assets	125,349	131,570	(216,667)	(28,678)	19,193
	Benevolent fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	22,819	60,968	474,679	557,296	532,218
Fair value of plan assets	(143,814)	(143,594)	(617,643)	(692,158)	(610,811)
[Surplus]	(120,995)	(82,626)	(142,964)	(134,862)	(78,593)
	Experience adjustments on plan obligations / assets				
Actuarial gain / (loss) on obligation	25,350	6,697	94,790	1,424	51,450
Actuarial gain / (loss) on assets	(202)	40,916	(153,801)	(6,400)	(27,417)

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for the year ended December 31, 2010

	Post retirement medical				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	1,752,683	1,681,204	1,521,833	1,624,176	1,458,865
Fair value of plan assets	-	-	-	-	-
Deficit	1,752,683	1,681,204	1,521,833	1,624,176	1,458,865
<b>Experience adjustments on plan obligations</b>					
Actuarial gain / (loss) on obligation	68,829	40,340	153,494	(62,511)	(68,312)

	Leave Encashment				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	872,705	838,005	832,215	875,178	925,392
Fair value of plan assets	-	-	-	-	-
Deficit	872,705	838,005	832,215	875,178	925,392
<b>Experience adjustments on plan obligations</b>					
Actuarial gain / (loss) on obligation	-	-	-	-	-

### 36.12 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the gratuity fund as per actuarial's expected charge for the next one year. Contribution to the benevolent fund is made by the Bank as per rates set out in the benevolent scheme. No contributions are being made to pension 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, 2010 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Expected (reversal) / charge for the next year	(147,029)	152,594	(13,029)	284,453	191,001

### 37. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for employees who are covered under the new gratuity scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 8,525 (2009: 7,478) as on December 31, 2010. During the year, employees made a contribution of Rs. 191.000 (2009: Rs. 164.205) million to the fund. The Bank has also made a contribution of equal amount to the fund.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President/Chief Executive		Directors		Executives*	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rupees in `000							
Fees	38.1	-	-	1,725	2,125	-	-
Managerial remuneration		26,045	16,930	-	-	762,600	568,076
Charge for defined benefit plans		1,613	1,127	-	-	200,575	129,859
Contribution to defined contribution plan		1,344	1,411	-	-	63,525	47,321
Rent and house maintenance		11,724	7,619	-	-	339,458	255,635
Utilities		2,790	1,781	-	-	75,661	56,808
Medical		135	784	-	-	93,536	67,923
Bonus		50,456	16,452	-	-	232,092	226,902
Conveyance and others		424	222	-	-	123,745	69,385
	38.2	94,531	46,326	1,725	2,125	1,891,192	1,421,909
Number of persons		1	1	4	6	844	612

38.1 This represents remuneration paid to directors for attending meetings of the Board of Directors, Audit Committee and other committees held during the year. Board of Directors had recommended an increase in meeting fee from Rs. 25,000 to Rs. 50,000 with effect from 18 October, 2010, and the same shall be approved in the upcoming Annual General Meeting.

38.2 This includes remuneration of ex-president and current president.

\*During the year SBP approved the appointment of an Executive Director as a full time employee of the Bank effective from July 01, 2010, however his role on the Board of Directors shall remain as an Executive Director.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 9.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the 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.

The maturity and repricing profile and effective rates are stated in notes 43.3.1 and 43.2.4 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 repriced.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

December 31, 2010							
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
Rupees in '000							
Total Income	409,614	2,021,742	23,977,826	40,871,128	444,758	(17,060,586)	50,664,482
Total Expenses	(210,172)	(2,001,367)	(19,943,573)	(37,105,938)	(238,686)	17,060,586	(42,439,150)
Net Income	199,441	20,375	4,034,254	3,765,190	206,072	-	8,225,332
Segment Assets (Gross)	222,575	12,393,503	106,907,076	349,369,145	214,079	-	469,106,378
Segment Non Performing Loans	-	-	6,237,635	12,450,450	-	-	18,688,085
Segment Provision Required	-	-	5,136,558	10,293,704	-	-	15,430,262
Segment Liabilities	263,553	2,469,120	334,172,029	72,662,635	4,389,332	-	413,956,669
Segment Return on Net Assets (ROA) (%)*	89.61%	0.16%	3.77%	1.08%	96.26%	-	-
Segment Cost of Funds (%)*	0.00%	13.01%	6.04%	9.88%	0.00%	-	-

December 31, 2009							
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
Rupees in '000							
Total Income	610,451	2,347,927	19,869,881	37,921,530	375,825	(14,046,077)	47,079,537
Total Expenses	(315,757)	(2,336,961)	(17,239,657)	(33,897,888)	(213,185)	14,046,077	(39,957,371)
Net Income	294,694	10,966	2,630,224	4,023,643	162,640	-	7,122,167
Segment Assets (Gross)	467,199	28,531,518	94,853,781	310,096,743	250,471	-	434,199,712
Segment Non Performing Loans	-	280,595	4,644,319	11,636,859	-	-	16,561,773
Segment Provision Required	-	280,595	3,477,878	9,064,788	-	-	12,823,261
Segment Liabilities	378,254	21,540,856	276,350,228	86,774,744	3,370,272	-	388,414,354
Segment Return on Net Assets (ROA) (%)*	63.08%	0.04%	2.77%	1.30%	64.93%	-	-
Segment Cost of Funds (%)*	0.00%	10.47%	7.63%	10.72%	0.00%	-	-

\* The segment return on net assets and cost of funds are based on average assets and average liabilities for the year.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 41. RELATED PARTIES TRANSACTIONS

The Bank has related party relationships with its subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel.

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.

	December 31, 2010					December 31, 2009				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
Rupees in '000										
Nature of related party transactions										
Loans										
Loans at the beginning of the year	22,461	-	-	237,298	14,318,863	27,040	-	-	205,884	6,156,764
Loans given during the year	85,655	-	-	38,960	2,173,199	13,040	-	-	70,322	8,196,479
Loans repaid during the year	(46,535)	-	-	(76,223)	(430,166)	(17,619)	-	-	(38,908)	(34,380)
Loans at the end of the year	61,581	-	-	200,035	16,061,896	22,461	-	-	237,298	14,318,863
Deposits										
Deposits at the beginning of the year	9,661	9,400	2,382	10,782	-	4,845	55,423	778	14,275	-
Deposits received during the year	2,973,552	9,298,676	449,916	179,754	-	555,123	1,631,336	524,455	268,641	-
Deposits repaid during the year	(2,973,392)	(9,214,111)	(449,057)	(174,408)	-	(550,307)	(1,677,359)	(522,851)	(272,134)	-
Deposits at the end of the year	9,821	93,965	3,241	16,128	-	9,661	9,400	2,382	10,782	-
Nostro balances	-	126,448	-	-	-	-	198,082	-	-	-
Lendings	-	-	-	-	-	-	1,097,434	-	-	-
Borrowings	-	161,850	-	-	-	-	484,267	-	-	-
Investments in shares / open-end mutual funds	-	240,969	500,000	-	3,304,790	-	240,969	500,000	-	3,655,599
Non funded Exposure	-	-	-	-	4,111,021	-	-	-	-	4,003,500
Other receivables	-	-	-	-	-	-	-	2,016	-	-
Net receivable from										
staff retirement benefit funds	-	-	-	-	1,452,077	-	-	-	-	1,343,345
Staff retirement fund deposits	-	-	-	-	3,042,357	-	-	-	-	4,810,081

	December 31, 2010					December 31, 2009				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
Rupees in '000										
Mark-up earned	481	-	-	11,863	2,432,979	1,049	-	-	14,226	1,316,436
Income on placements	-	6	-	-	-	-	175	-	-	-
Income on lendings	-	155	-	-	-	-	22,860	-	-	-
Dividend income	-	-	-	-	292,892	-	-	-	-	9,855
Sales Commission	-	-	10,879	-	29,857	-	-	6,155	-	-
Mark-up expense on deposits	443	-	520	364	408,256	205	40	476	675	369,511
Interest expense on borrowings	-	600	-	-	-	-	161	-	-	-
Directors' meeting fee	1,725	-	-	-	-	2,125	-	-	-	-
Remuneration	-	-	-	190,577	-	-	-	-	166,331	-
NIFT charges	-	-	-	-	66,040	-	-	-	-	64,768
Bank charges levied	-	23	8	-	33	-	-	8	-	17
Rent Expense	-	4,880	-	-	-	-	-	-	-	7,971
Charge / [reversal] in respect of staff retirement benefit funds	-	-	-	-	472,290	-	-	-	-	417,641

Other 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, 9.4, 9.5, 20.2 and 38 to these unconsolidated financial statements.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 42. CAPITAL ASSESSMENT AND ADEQUACY

#### 42.1 Scope of Applications

The Basel II 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.

#### 42.2 Capital Structures

Banks 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 and deficit on revaluation of available for sale investments.

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%).

The Bank has issued unsecured subordinated Term Finance Certificates, which contributes towards Tier II capital for minimum capital requirements (MCR) to support the Bank's growth. The regulatory approvals for TFC I and TFC II work obtained in December 2006 and August 2009 respectively.

Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits and is not redeemable before maturity without prior approval of the SBP.

The salient features of the issue are as follows:

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding Amount- (Rupees in thousand)	2,496,000	2,998,800
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA-	AA-
Listing	Karachi Stock Exchange (Guarantee) Limited	Karachi Stock Exchange (Guarantee) Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

Tier 3 Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier 3 capital.

The required capital is achieved by the Bank through:

- enhancement in the risk profile of asset mix at the existing volume level;
- ensuring better recovery management; and
- maintain acceptable profit margins.



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

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

	December 31, 2010	December 31, 2009
Rupees in '000		
<b>Tier I Capital</b>		
Shareholders' equity /Assigned Capital	7,821,009	7,110,008
Share premium	983,957	1,694,958
Reserves	6,532,953	4,887,887
Unappropriated profits (Net of Losses)	15,828,533	12,198,425
<b>Total Tier I Capital</b>	<b>31,166,452</b>	<b>25,891,278</b>
Less: Book value of intangibles	(182,360)	(155,541)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(70,250)	(317,785)
Reciprocal investment	(8,482)	-
Other deductions (represents 50% of investment in subsidiary)	(250,000)	(250,000)
	(511,092)	(723,326)
<b>Eligible Tier I Capital</b>	<b>30,655,360</b>	<b>25,167,952</b>
<b>Tier II Capital</b>		
Subordinated Debt (upto 50% of total Tier 1 Capital)	4,496,400	4,997,600
General Provisions subject to 1.25% of Total Risk Weighted Assets	9,474	7,410
Revaluation Reserve (upto 45%)	2,487,100	2,192,694
<b>Total Tier II Capital</b>	<b>6,992,974</b>	<b>7,197,704</b>
Less: Investment in a subsidiary company (50%)	(250,000)	(250,000)
<b>Eligible Tier II Capital</b>	<b>6,742,974</b>	<b>6,947,704</b>
<b>Eligible Tier III Capital</b>	<b>-</b>	<b>-</b>
<b>Total Regulatory Capital Base</b>	<b>37,398,334</b>	<b>32,115,656</b>

### 42.3 Capital Adequacy

#### 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.

#### 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. 7 billion (free of losses) by the end of financial year 2010. Furthermore the Banks are required to increase their minimum paid up capital to Rs 10 billion in a phased manner by the end of financial year 2013.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid up capital and CAR of the Bank stands at Rs. 7.821 billion and 13.84% of its risk weighted exposure as at December 31, 2010.

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, 2010

### 42.4 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rupees in '000				
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On- Balance Sheet				
(a) Cash and Cash Equivalents	-	-	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	-	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	-	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	66,166	11,925	661,656	119,253
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-
(g) Claims on Public Sector Entities in Pakistan	53,265	171,935	532,647	1,719,347
(h) Claims on Banks	272,908	72,253	2,729,075	722,530
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	45,367	25,768	453,672	257,682
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	87,567	142,180	875,665	1,421,804
(k) Claims on Corporates (excluding equity exposures)	12,948,032	11,329,555	129,480,323	113,295,546
(l) Claims categorized as retail portfolio	2,247,752	2,504,596	22,477,519	25,045,963
(m) Claims fully secured by residential property	177,253	171,663	1,772,533	1,716,626
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	3,651	3,206	36,510	32,055
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	324,304	364,115	3,243,038	3,641,146
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	-	4,170	-	41,703
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount	-	-	-	-
(o) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	584,574	469,881	5,845,742	4,698,807
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	134,229	115,128	1,342,285	1,151,282
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	1,517,738	1,229,121	15,177,383	12,291,209
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	452,937	550,520	4,529,377	5,505,203
	18,915,743	17,166,016	189,157,425	171,660,156

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

	Capital Requirements		Risk Weighted Assets	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rupees in '000				
<b>Off- Balance Sheet - Non Market related Exposures</b>				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	1,942,157	1,404,899	19,421,569	14,048,990
Trade Related contingencies/Other Commitments with original maturity of one year or less	379,656	707,806	3,796,561	7,078,056
	2,321,813	2,112,705	23,218,130	21,127,046
<b>Off-Balance Sheet - Market related Exposures</b>	17,112	24,435	171,120	244,353
<b>Total Credit Risk (A)</b>	<b>21,254,668</b>	<b>19,303,156</b>	<b>212,546,675</b>	<b>193,031,555</b>
<b>Market Risk</b>				
<b>Capital Requirement for portfolios subject to Standardized Approach</b>				
Interest rate risk	-	-	-	-
Equity position risk etc.	1,362,909	1,073,159	13,629,093	10,731,588
	1,362,909	1,073,159	13,629,093	10,731,588
<b>Capital Requirement for portfolios subject to Internal Models Approach</b>				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	96,687	7,466	966,868	74,663
	96,687	7,466	966,868	74,663
<b>Total Market Risk (B)</b>	<b>1,459,596</b>	<b>1,080,625</b>	<b>14,595,961</b>	<b>10,806,251</b>
<b>Operational Risk</b>				
<b>Basic Indicator Approach–Total of operational risk (C)</b>	<b>4,300,912</b>	<b>3,459,877</b>	<b>43,009,127</b>	<b>34,598,766</b>
<b>TOTAL of A + B + C</b>	<b>27,015,176</b>	<b>23,843,658</b>	<b>270,151,765</b>	<b>238,436,572</b>
December 31, 2010      December 31, 2009				
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (Note 42.2)	(a)		37,398,334	32,115,656
Total Risk Weighted Assets (Note 42.4)	(b)		270,151,765	238,436,572
Capital Adequacy Ratio	(a) / (b)		13.84%	13.47%

### 43. 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 maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

#### Categories of Risk

The Bank generates most of its revenues 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:

**Credit Risk** This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

## Notes to the Unconsolidated Financial Statements

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<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 behavior 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.
- 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 BRMC recommends for approval to the Board of Directors the policies proposed by MANCO (Management Committee of the Bank) or ALCO (Assets and liability committee) which discharges various responsibilities assigned to it by the BRMC.
- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of risk committees, i.e., Management Committee and the Asset & Liability Committee. 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 Framework of the Bank.

### Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Risk Architecture, Risk Analytics, Operational Risk and Market Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

#### 43.1 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, Commercial and Retail Risk, 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 Risk Framework of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. Further Credit Risk Management is supported by a detailed Credit Policy and Procedural Manual.

The Bank manages 3 principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Non-sovereign 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.

#### Non-Sovereign Credit Risk

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 spreadsheet 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 the borrowers and manage its exposure to fluctuations in market, interest and currency rates and to temporarily invest its 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.

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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 BBB.

### Country Risk

The Bank has in place a Country Risk Management Policy which has been approved by the Board. This policy focuses on international exposure undertaken by the Bank. The Bank utilizes country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. The country risk limits used by the Bank are linked to the Dun & Bradstreet ratings and FID is responsible for monitoring of country exposure limits.

### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Division constantly monitors the security and documentation risks inherent in the existing credit portfolio through six 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 and Institutional borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The ratings are assigned at Risk Analytic's Level and are given due weightage while extending credit to these asset classes. The Bank intends to comply with the requirements of Foundation Internal Ratings Based approach for credit risk measurement under Basel II, for which services of a consultant have been solicited to assist the Bank in carrying out statistical testing and validation of the rating models.

### Stress Testing

The Bank is also conducting stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy.

### Early Warning System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an early warning 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' influences 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.

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAM), which is responsible for management of non performing loans. SAM 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 2010, the average specific provisioning rate was 81.86% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the note numbers 5 and 10 to these unconsolidated financial statements. The movement in specific and general provision held is given in note 10.4 to these financial statements.

### Portfolio Diversification

During the year 2010, the advances grew by 7.46%, while concomitantly maintaining healthy Advances to Deposit Ratio and Capital Adequacy Ratio.

While expanding the advances portfolio, efficient portfolio diversification has been a key consideration. 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 advance's portfolio is significantly diversified. Textile, Cement, Agriculture and Electric Generation are major contributors to the advances portfolio. These sectors are considered to be the biggest contributors towards country's GDP as well.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 43.1.1 Segmental Information

#### 43.1.1.1 Segments by class of business

	December 31, 2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, and Hunting	495,779	0.18	18,145,379	4.89	98,684	0.09
Fishing	8,024	0.00	-	-	-	-
Food & Beverages	5,778,648	2.15	2,008,456	0.54	132,952	0.12
Grains & related	19,484,217	7.26	3,602,908	0.97	288,907	0.27
Sugar	6,860,317	2.55	1,470,727	0.40	54,748	0.05
Spinning	18,163,273	6.76	6,372,522	1.72	664,582	0.61
Weaving	7,569,712	2.82	4,352,291	1.17	505,840	0.47
Finishing of Textile	10,961,581	4.08	1,671,885	0.45	2,303,899	2.13
Manufacture of made up & ready						
made garments	2,845,462	1.06	922,801	0.25	129,652	0.12
Footware & leather garments	802,575	0.30	427,135	0.12	120,642	0.11
Paper & paper boards	3,721,354	1.39	5,394	0.00	680,088	0.63
Printing, publishing & allied	86,078	0.03	34,752	0.01	135,655	0.13
Petroleum products	812,110	0.30	3,927,026	1.06	4,163,165	3.85
Chemical & pharmaceutical	15,939,600	5.94	338,679	0.09	2,108,997	1.95
Rubber & plastic	1,143,507	0.43	662,789	0.18	180,878	0.17
Cement/clay & ceramics	14,151,349	5.27	2,980,338	0.80	1,328,995	1.23
Basic metals (iron, steel)	2,208,997	0.82	1,531,727	0.41	1,136,417	1.05
Machinery & equipment	3,141,899	1.17	904,093	0.24	389,027	0.36
Power, gas, water & sanitary	43,181,647	16.08	2,594,281	0.70	18,322,632	16.95
Manufacture of transport equipment	375,545	0.14	113,392	0.03	214,393	0.20
Tobacco	-	-	17,434	0.00	-	-
Financial	3,077,428	1.15	2,307,736	0.62	34,325,654	31.75
Health & social welfare	383,198	0.14	10,030,940	2.70	-	-
Education	139,771	0.15	4,269,958	1.15	81,946	0.08
Real estate, renting, and business activities	5,881,142	2.19	32,945,936	8.87	12,160	0.01
Transport, storage & communication	4,780,065	1.78	1,363,453	0.37	34,967	0.03
Hotel, restaurant & clubs	149,872	0.06	1,048,080	0.28	5,225,642	4.83
Construction	6,468,245	2.41	17,393,998	4.68	81	1.09
Furniture & sports goods	982,716	0.37	860,080	0.23	1,183,566	1.09
Wholesale & retail trade	13,447,803	5.01	35,043,611	9.44	142,278	0.13
Individuals	6,627,507	2.47	118,576,797	31.94	6,157,707	5.69
Others	68,860,350	25.64	95,359,670	25.68	28,004,133	25.90
	268,529,771	100.00	371,284,268	100.00	108,128,287	100.00

#### 43.1.1.2 Segments by sector

	December 31, 2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	58,359,399	21.73	41,868,197	11.28	14,459,970	13.37
Private	210,170,372	78.27	329,416,071	88.72	93,668,317	86.63
	268,529,771	100.00	371,284,268	100.00	108,128,287	100.00

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 43.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Agriculture, Forestry, and Hunting	151,668	111,761	11,136	6,639
Food & Beverages	855,203	711,950	110	110
Spinning	3,170,992	2,085,969	-	-
Weaving	9,040	9,040	-	-
Finishing of Textile	1,909,925	1,513,757	3,503,605	2,177,059
Footware & leather garments	64,976	64,976	2,698,380	2,266,018
Paper & paper boards	2,559	2,559	2,559	2,559
Printing, publishing & allied	36,787	35,335	40,089	40,089
Petroleum products	5,037	5,037	7,719	5,202
Chemical & pharmaceutical	127,902	110,402	133,062	133,062
Rubber & plastic	2,135	2,135	2,479	2,479
Cement/clay & ceramics	119,625	29,906	-	-
Basic metals (iron, steel)	775,333	734,740	773,682	604,058
Machinery & equipment	1,274,679	1,274,679	1,683,723	1,683,723
Power, gas, water & sanitary	842,846	842,846	842,186	421,388
Manufacture of transport equipment	72,354	72,354	71,462	71,462
Financial	281,313	132,370	649,707	258,925
Health & social welfare	-	-	68,412	67,063
Real estate, renting, and business activities	1,733,911	1,349,097	390,889	98,073
Transport, storage & communication	361,458	359,815	358,532	358,532
Hotel, restaurant & clubs	61,408	61,408	-	-
Construction	887,907	763,419	407,132	384,112
Furniture & sports goods	450	450	450	450
Wholesale & retail trade	2,353,764	1,971,045	1,863,000	1,715,075
Individuals	48,303	48,303	239,539	239,472
Others	3,538,591	3,127,435	2,533,325	1,999,705
	18,688,166	15,420,788	16,281,178	12,535,255

### 43.1.1.4 Details of non-performing advances and specific provisions by sector.

	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Public/Government	-	-	-	-
Private	18,688,166	15,420,788	16,281,178	12,535,255
	18,688,166	15,420,788	16,281,178	12,535,255

### 43.1.1.5 Geographical Segment Analysis

	December 31, 2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Rupees in '000				
Pakistan	12,343,106	449,931,526	35,974,857	108,128,287

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 43.1.2 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

#### 43.1.2.1 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, rating 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 wights. However, for local bank (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 to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited ratings is not available.



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 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	ECA Scores
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-	5 6
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC  CC C	CCC  CC C D	7

#### 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, 2010

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitized	-	-	-	-	-
Public Sector	-	-	-	-	-
Enterprises	-	-	-	Yes	Yes

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### Credit exposures subject to Standardized Approach

Exposures	Rating Category	Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	36,193,388	-	36,193,388	49,932,599	-	49,932,599
	2	18,916,685	-	18,916,685	15,421,338	-	15,421,338
	3, 4	1,069,354	-	1,069,354	1,500,707	-	1,500,707
	5, 6	908,325	-	908,325	3,294,270	-	3,294,270
Claims on banks with original maturity of 3 months or less		13,493,628	9,113,821	4,379,806	28,426,234	21,078,346	7,347,888
Retail		37,361,108	2,803,830	34,557,278	42,830,060	5,112,371	37,717,689
Public sector entities	1	2,025,120	-	2,025,120	277,577	-	277,577
Others		178,418,520	-	178,418,520	130,755,272	-	130,755,272
Unrated		193,605,375	63,962,118	129,643,257	173,666,253	62,809,386	110,856,867

#### 43.1.2.2 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 etc.

#### 43.2 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 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, 2010

### Composition of equity investments

	Held for Trading	Available for Sale	Investment in Subsidiary
	Rupees in '000		
Equity Investments - Publicly Traded	842,169	9,469,432	-
Equity Investments - Others	-	819,856	500,000
Total Value	842,169	10,289,288	500,000

The cumulative realized gain / (loss) arose of Rs. 1,416.532 million (2009: Rs. 1,085.043 million) from sale of equity securities/certificates of mutual funds and units of open end mutual funds; however unrealized loss of Rs. 2,447.24 million (2009: unrealized loss of Rs. 1,740.405 million) was recognized in the statement of financial position in respect of "AFS" securities.

#### 43.2.1 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 equity securities classified as 'Held for Trading' and 'Available for Sale - Non-Strategic Equity Investments'. These positions are actively managed by the capital market desk. Bank's trading book constitutes capital market equities therefore, they are exposed to equity price risk.

#### 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 - Strategic Portfolio
- ii) Held to maturity securities
- iii) Other strategic investments

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Strategic investments
- iv) 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 modeling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Equity Position Risk – Banking Book

The Bank's portfolio of equity securities categorized under 'Available for Sale - Strategic only' and 'any other Strategic Investments' are parked in the banking book. These investments expose the Bank to equity price risk.

#### 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 Unconsolidated Financial Statements

for the year ended December 31, 2010

### Duration GAP Analysis

A Duration Gap Analysis is also conducted to ascertain the duration gap between the Bank's assets and liabilities, to ascertain the effect of interest rate shifts on the market value of equity.

### 43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Our FX Risk is first controlled through substantially matched funding policy. On the 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 is carefully monitoring 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, 2010				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	435,458,613	384,713,703	[15,729,062]	35,015,849
United States Dollar	13,755,164	23,386,053	10,514,240	883,351
Great Britain Pound	236,093	2,655,422	2,453,832	34,503
Japanese Yen	2,325	1,384	-	941
Euro	454,025	3,195,680	2,770,140	28,485
Other Currencies	25,306	4,427	[9,150]	11,729
	14,472,913	29,242,966	15,729,062	959,009
	449,931,526	413,956,669	-	35,974,858
December 31, 2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	411,212,277	367,030,641	[14,299,698]	29,881,938
United States Dollar	6,589,864	17,372,733	10,854,270	71,401
Great Britain Pound	270,856	1,914,153	1,644,207	910
Japanese Yen	369	807	-	[438]
Euro	266,329	2,094,517	1,831,086	2,898
Other Currencies	34,636	1,502	[29,865]	3,269
	7,162,054	21,383,712	14,299,698	78,040
	418,374,331	388,414,353	-	29,959,978

### 43.2.3 Equity Position Risk

The Board with 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 in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits set by ALCO. Limit monitoring is done on a daily basis. Limit breaches if any are promptly reported to ALCO with proper reason and justification.

### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Treasury's 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, 2010

### 43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/Interest rate	Total	December 31, 2010										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	0.00%	31,265,608	4,205,490	-	-	-	-	-	-	-	-	-	-	27,060,118
Balances with other banks		579,555	-	-	-	-	-	-	-	-	-	-	-	579,555
Lendings to financial institutions	12.77%	11,488,744	11,395,278	6,000	9,000	18,000	36,000	24,666	-	-	-	-	-	-
Investments - net	11.92%	121,173,609	31,795,536	35,205,775	30,848,057	6,594,856	875,197	2,779,620	2,310,175	124,409	-	-	-	12,639,784
Advances - net	12.93%	253,099,309	29,759,116	93,298,494	8,940,242	101,318,100	2,341,154	1,138,954	7,098,427	5,897,725	-	-	-	3,267,297
Other assets - net		11,969,473	-	-	-	-	-	-	-	-	-	-	-	11,969,473
		429,576,698	77,155,420	128,510,269	39,817,299	105,930,956	3,252,351	3,963,240	9,408,602	6,022,134	-	-	-	553,6227
Liabilities														
Bills payable		4,118,791	-	-	-	-	-	-	-	-	-	-	-	4,118,791
Borrowings	14.15%	20,774,650	4,429,756	4,571,107	6,939,553	371,819	743,697	743,697	1,487,395	1,487,396	-	-	-	-
Deposits and other accounts	5.16%	371,284,268	100,048,780	31,648,457	21,421,896	99,354,835	1,905,394	775,526	3,548,589	1,184,770	505,227	-	-	110,871,294
Sub-ordinated loan	14.52%	5,494,800	-	2,998,800	2,486,000	-	-	-	-	-	-	-	-	-
Other liabilities		9,550,778	-	-	-	-	-	-	-	-	-	-	-	9,550,778
		411,222,687	104,478,536	39,238,364	30,857,449	99,726,684	2,449,091	1,519,223	5,035,984	2,472,166	505,227	-	-	124,540,263
On-balance sheet gap		18,354,011	(27,323,116)	89,271,905	8,959,850	6,204,772	603,260	2,444,017	4,372,618	3,349,968	(505,227)	-	-	(69,024,036)
Off-balance sheet financial instruments														
Commitments in respect of forward exchange contracts - purchase														
		23,100,518	-	-	-	-	-	-	-	-	-	-	-	23,100,518
Commitments in respect of forward exchange contracts - sale														
		(7,371,457)	-	-	-	-	-	-	-	-	-	-	-	(7,371,457)
Off-balance sheet gap		15,729,061	-	-	-	-	-	-	-	-	-	-	-	15,729,061
Total yield / interest risk sensitivity gap		34,083,072	(27,323,116)	89,271,905	8,959,850	6,204,772	603,260	2,444,017	4,372,618	3,349,968	(505,227)	-	-	(69,024,036)
Cumulative yield / interest risk sensitivity gap		34,083,072	(27,323,116)	61,948,789	70,908,639	77,113,411	77,716,671	80,160,688	84,533,306	87,883,275	87,378,048	-	-	87,378,048

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### Mismatch of Interest Rate Sensitive Assets and Liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

	Effective Yield/Interest rate	Total	December 31, 2009							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	Exposed to Yield/Interest risk 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	0.9%	26,435,633	3,909,653	-	-	-	-	-	-	-	-	22,525,980
Balances with other banks		1,280,443	-	-	-	-	-	-	-	-	-	1,280,443
Lending to financial institutions	15.57%	28,122,932	27,597,346	525,586	-	-	-	-	-	-	-	-
Investments - net	11.99%	94,789,492	20,069,962	34,932,406	23,820,139	6,564,115	-	-	299,880	-	9,102,990	9,102,990
Advances - net	12.53%	237,344,638	82,738,148	107,791,953	27,306,134	64,232	1,618,041	1,274,431	4,985,775	3,977,788	3,757,335	3,757,335
Other assets - net		14,896,094	-	-	-	-	-	-	-	-	-	14,896,094
		402,868,632	134,315,129	143,249,945	51,126,273	7,206,687	1,618,041	1,274,431	5,285,655	3,977,788	5,162,842	51,562,842
Liabilities												
Bills payable		3,162,429	-	-	-	-	-	-	-	-	-	3,162,429
Borrowings	13.91%	39,818,532	16,494,831	10,002,829	7,728,038	430,218	860,436	860,436	1,720,872	1,720,872	-	-
Deposits and other accounts	6.31%	328,875,037	72,230,754	29,247,682	13,351,969	108,560,820	8,547,080	452,715	1,948,083	764,926	93,273,720	93,273,720
Sub-ordinated loan	17.31%	5,497,000	-	3,000,000	2,497,000	-	-	-	-	-	-	-
Other liabilities		8,644,817	-	-	-	-	-	-	-	-	-	8,644,817
		385,997,815	88,725,585	42,250,511	23,577,007	108,991,038	9,407,516	1,313,151	3,648,955	764,926	105,080,966	105,080,966
On-balance sheet gap		16,870,817	45,589,544	100,999,434	27,549,266	(101,784,651)	(7,789,475)	(38,720)	1,616,700	3,212,862	(53,518,124)	(53,518,124)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase		23,338,782	-	-	-	-	-	-	-	-	-	23,338,782
Commitments in respect of forward exchange contracts - sale		(8,827,975)	-	-	-	-	-	-	-	-	-	(8,827,975)
Off-balance sheet gap		14,510,807	-	-	-	-	-	-	-	-	-	14,510,807
Total yield / interest risk sensitivity gap		31,381,624	45,589,544	100,999,434	27,549,266	(101,784,651)	(7,789,475)	(38,720)	1,616,700	3,212,862	(53,518,124)	(53,518,124)
Cumulative yield / interest risk sensitivity gap		31,381,624	45,589,544	146,588,978	174,138,244	72,353,693	64,564,218	64,525,498	65,559,379	67,176,079	70,388,941	70,388,941

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.

43.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(Rupees in '000)		(Rupees in '000)	
Reconciliation to total assets				
Balance as per statement of financial position	429,576,498	402,866,632	411,222,487	385,997,815
Less: Non financial assets				
Operating fixed assets	15,359,742	12,446,748		
Deferred tax asset	484,387	-		1,871
Other assets	4,510,899	3,058,951	2,734,182	2,414,667
	20,355,028	15,505,699	2,734,182	2,416,538
Total financial assets	449,931,526	418,374,331	413,956,669	388,414,353

43.3

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. ALCO is the forum to oversee liquidity management. The overall Bank's principle is that the ALCO has the responsibility 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 devises the liquidity management strategy to maintain sufficient liquidity to deal with any related catastrophe.

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

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

		December 31, 2010									
		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	31,265,608	31,265,608	—	—	—	—	—	—	—	—	—
Balances with other banks	579,555	579,555	—	—	—	—	—	—	—	—	—
Lendings to financial institutions	11,488,944	11,395,278	6,000	9,000	18,000	36,000	24,666	—	—	—	
Investments	121,173,409	30,400,822	7,226,738	24,730,061	13,347,366	13,525,088	14,365,266	8,740,975	8,837,093	—	
Advances	253,099,509	42,242,367	79,458,132	27,641,135	8,411,571	12,901,437	13,678,575	18,242,551	40,905,788	9,617,853	
Operating fixed assets	15,359,742	121,564	243,167	364,751	729,502	937,209	403,045	550,200	670,320	11,339,964	
Deferred tax assets	484,387	(4,493)	(61,229)	(36,213)	53,513	405,771	727,060	(5,023)	(351,614)	(243,385)	
Other assets	16,480,172	8,638,380	2,061,348	2,005,604	1,494,620	745,624	—	—	—	1,534,776	
	449,931,526	124,639,101	88,934,156	54,714,338	24,054,572	28,551,129	29,198,612	27,528,803	50,061,587	22,249,228	
<b>Liabilities</b>											
Bills payable	4,118,791	4,118,791	—	—	—	—	—	—	—	—	
Borrowings	20,774,450	4,429,756	4,571,107	6,939,554	371,848	743,697	743,697	1,487,396	1,487,395	—	
Deposits and other accounts	371,284,268	156,357,836	54,731,004	44,484,443	48,281,096	13,807,470	12,677,603	15,450,665	16,751,615	8,742,536	
Sub-ordinated loan	5,494,800	—	600	500	1,100	2,200	1,248,200	1,249,400	2,992,800	—	
Deferred tax liabilities	—	—	—	—	—	—	—	—	—	—	
Other liabilities	12,284,360	4,383,934	3,963,998	226,572	47,848	451,408	645,738	795,948	1,398,914	—	
	413,956,669	169,290,317	63,266,709	51,651,069	49,071,892	15,004,775	15,315,238	18,983,409	22,630,724	8,742,536	
Net assets / (liabilities)	35,974,857	(44,651,216)	25,667,447	3,063,269	(25,017,320)	13,546,354	13,883,374	8,545,394	27,430,863	13,506,692	
<b>Share capital</b>											
Share capital	7,821,009	7,821,009	—	—	—	—	—	—	—	—	
Reserves	7,516,910	7,516,910	—	—	—	—	—	—	—	—	
Unappropriated profit	15,828,533	15,828,533	—	—	—	—	—	—	—	—	
	31,166,452	31,166,452	—	—	—	—	—	—	—	—	
<b>Surplus on revaluation of assets</b>											
- net of tax	4,808,405	4,808,405	—	—	—	—	—	—	—	—	
	35,974,857	35,974,857	—	—	—	—	—	—	—	—	



## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

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

December 31, 2010										
	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	26,435,633	26,435,633	-	-	-	-	-	-	-	-
Balances with other banks	1,280,443	1,280,443	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,122,932	27,597,346	525,586	-	-	-	-	-	-	-
Investments	94,789,492	9,000,182	8,927,492	13,194,584	18,075,604	8,337,517	10,480,059	21,530,978	5,243,076	-
Advances	237,344,038	37,438,908	74,344,851	19,306,617	18,888,330	21,576,011	16,239,339	25,387,888	20,246,987	3,915,107
Operating fixed assets	12,446,748	57,569	115,134	172,701	345,401	821,447	821,447	877,704	1,201,598	8,033,747
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	17,955,045	8,361,140	2,186,139	2,272,857	1,734,520	1,890,508	-	-	-	1,509,881
	418,374,331	110,171,221	86,099,202	34,946,759	39,043,855	32,625,483	27,540,845	47,796,570	26,691,661	13,458,735
<b>Liabilities</b>										
Bills payable	3,162,429	3,162,429	-	-	-	-	-	-	-	-
Borrowings	39,818,532	16,494,831	10,002,829	7,728,038	430,218	860,436	860,436	1,720,872	1,720,872	-
Deposits and other accounts	328,875,037	143,060,674	55,154,523	30,551,474	40,485,432	18,012,593	9,918,228	9,962,802	11,413,597	10,315,714
Sub-ordinated loan	5,497,000	-	600	500	1,100	2,200	2,200	2,496,400	2,994,000	-
Deferred tax liabilities	1,871	(24,456)	(10,048)	(16,835)	(89,940)	137,947	(132,231)	(89,873)	194,205	33,102
Other liabilities	11,059,484	4,292,464	3,882,751	193,410	377,917	297,415	282,483	503,959	1,229,085	-
	388,414,353	166,985,942	69,030,655	38,456,587	41,204,727	19,310,591	10,931,116	14,594,160	17,551,759	10,348,816
<b>Net assets / (liabilities)</b>	<b>29,959,978</b>	<b>(56,814,721)</b>	<b>17,068,547</b>	<b>(3,509,828)</b>	<b>(2,160,872)</b>	<b>13,314,892</b>	<b>16,609,729</b>	<b>33,202,410</b>	<b>9,139,902</b>	<b>3,109,919</b>
Share capital	7,110,008									
Reserves	6,582,845									
Unappropriated profit	12,198,425									
	25,891,278									
Surplus on revaluation of assets	-									
- net of tax	4,068,700									
	29,959,978									

43.3.1.1 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, 2010

43.4 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank. This analysis has been prepared on the basis of the balances determined by the Assets and Liabilities management Committee (ALCO) of the bank, keeping in view the historical receipt / withdrawal pattern of these balances.

December 31, 2010											
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>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	31,265,608	31,265,608	-	-	-	-	-	-	-	-	-
Balances with other banks	579,555	579,555	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	11,488,944	11,395,278	9,000	18,000	36,000	24,666	-	-	-	-	-
Investments - net	121,173,409	30,400,822	24,730,061	13,347,366	13,525,088	14,345,267	8,740,975	8,837,093	-	-	-
Advances - net	253,099,509	42,242,367	27,641,135	8,411,571	12,901,437	13,678,575	18,242,651	40,905,788	9,617,853	-	-
Operating fixed assets	15,359,742	121,584	364,751	729,502	937,209	403,045	550,199	670,320	11,339,964	-	-
Deferred tax assets	484,387	(4,493)	(36,213)	53,513	405,771	727,061	(5,023)	(351,615)	(243,385)	-	-
Other assets - net	16,480,372	8,638,380	2,061,348	1,494,620	745,624	-	-	-	1,534,796	-	-
	449,931,526	124,639,101	88,934,156	54,714,338	28,551,129	29,198,614	27,528,802	50,061,586	22,249,228	-	-
<b>Liabilities</b>											
Bills payable	4,118,791	4,118,791	-	-	-	-	-	-	-	-	-
Borrowings	20,774,450	4,429,756	4,571,107	6,939,554	743,697	743,697	1,487,396	1,487,395	-	-	-
Deposits and other accounts	371,284,268	57,927,122	66,772,552	53,426,003	17,907,447	16,777,580	24,884,660	43,856,913	32,509,335	-	-
Sub-ordinated loan	5,494,800	-	600	500	2,200	1,248,200	1,249,400	2,992,800	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,284,360	4,383,934	3,763,998	226,572	451,408	645,738	795,948	1,398,914	-	-	-
	413,956,669	70,859,603	75,308,257	60,592,629	19,104,752	19,415,215	28,417,404	49,736,022	32,509,335	-	-
Net assets	35,974,857	53,779,498	13,625,899	(5,878,291)	9,446,377	9,783,398	(888,602)	325,564	(10,260,107)	-	-
Share capital	7,821,009	-	-	-	-	-	-	-	-	-	-
Reserves	7,516,910	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	15,828,533	-	-	-	-	-	-	-	-	-	-
	31,166,452	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	-	-	-	-	-	-	-	-	-	-	-
- net of tax	4,808,405	-	-	-	-	-	-	-	-	-	-
	35,974,857	-	-	-	-	-	-	-	-	-	-

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

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

This analysis has been prepared on the basis of the balances determined by the Assets and Liabilities management Committee (ALCO) of the bank, keeping in view the historical receipt / withdrawal pattern of these balances.

	December 31, 2009									
	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	26,435,633	26,435,633	-	-	-	-	-	-	-	-
Balances with other banks	1,280,443	1,280,443	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,122,932	27,597,346	525,586	-	-	-	-	-	-	-
Investments - net	94,789,492	9,000,182	8,927,492	13,194,584	12,889,897	13,523,224	10,480,059	21,530,978	5,243,076	-
Advances - net	237,344,038	37,438,908	74,344,951	19,306,617	18,888,330	21,576,011	16,239,339	25,387,888	20,246,987	3,915,107
Operating fixed assets	12,446,748	57,567	115,134	172,701	345,401	821,447	821,447	877,704	1,201,598	8,033,749
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	17,955,045	8,361,140	2,186,139	2,272,857	1,734,520	1,890,508	-	-	-	1,509,881
	418,374,331	110,171,219	86,099,202	34,946,759	33,858,148	37,811,190	27,540,845	47,796,570	28,691,661	13,458,737
<b>Liabilities</b>										
Bills payable	3,162,429	3,162,429	-	-	-	-	-	-	-	-
Borrowings	39,818,532	16,494,831	10,002,829	7,728,038	430,218	860,436	860,436	1,720,872	1,720,872	-
Deposits and other accounts	328,875,037	62,639,944	68,007,954	43,404,545	53,338,503	19,706,372	11,612,007	15,376,345	31,706,196	23,083,151
Sub-ordinated loan	5,497,000	-	600	500	1,100	2,200	2,200	2,496,400	2,994,000	-
Deferred tax liabilities	1,871	(24,456)	(10,048)	(16,835)	(89,940)	137,947	(132,231)	(89,873)	194,205	33,102
Other liabilities	11,059,484	4,292,464	3,882,751	193,410	377,917	297,415	282,483	503,959	1,229,085	-
	388,414,353	86,565,232	81,884,086	51,309,658	54,057,798	21,004,370	12,624,895	20,007,703	37,844,358	23,116,253
<b>Net assets</b>	29,959,978	23,605,987	4,215,116	(16,362,899)	(20,199,650)	16,806,820	14,915,950	27,788,867	(11,152,697)	(9,657,516)
Share capital	7,110,008									
Reserves	6,582,845									
Unappropriated profit	12,198,425									
	25,891,278									
Surplus on revaluation of assets										
- net of tax	4,068,700									
	29,959,978									

## Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2010

### 43.5 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 procedures and the execution of legal, fiduciary and agency responsibilities.

The Bank has in place a BOD approved Operational Risk Framework. Various policies and procedures with respect to this framework are currently being implemented across the Bank.

The 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.

The Bank has also developed a Business Continuity Plan applicable to all its functional areas, with assistance of a consultant.

The Bank is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

Currently the Bank uses the Basic Indicator Approach for assessing its operational risk capital charge. However, migration to Standardised Approach is planned for future. For this purpose the bank is currently implementing required systems and technology.

### 44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Bank in its meeting held on February 11, 2011 has proposed a cash dividend in respect of 2010 of Rs. 2.0 per share (2009: Rs. 2.00 per share). In addition, the directors have also announced a bonus issue of 10% (2009: 10%). These appropriations will be approached in the forthcoming Annual General Meeting. The unconsolidated financial statements of the Bank for the year ended December 31, 2010 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2011.

### 45. GENERAL

45.1 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 and BSD circular letter No. 07 dated April 20, 2010..

### 46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 11, 2011 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## ANNEXURE-I

AS REFERRED TO IN NOTE 10.6 TO THE FINANCIAL STATEMENTS

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND OR ABOVE FROM (JANUARY 01, 2010 TO DECEMBER 31, 2010)

S. No.	Name and address of the Borrower	Name of Individuals / Partners/Directors		Outstanding Liabilities at the Beginning of the year					Amount in Million			
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark-up	Total		Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
							Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12	
1	"HALIMA GARMENTS (Pvt) Ltd. DEFENCE ROAD, NEAR KAHNA KACHA, RAILWAY STATION, LAHORE."	ALI ABBAS HASSAN ALI SAJJAD HASSAN MISS ALIA HASSAN	271-88-250913 271-88-250914 271-90-250916	SHUJA UL HAQ HASSAN SHUJA UL HAQ HASSAN SHUJA UL HAQ HASSAN	32,476	7,294	21,278	61,048	32,476	-	28,572	61,048
2	"SHAIKHOO COOKING OIL MILLS LTD. 2-KHIZER ROAD, UPPER MALL, LAHORE"	"JEHANGIR IBRAHIM MALIK ATTA MUHAMMAD KHAN MUHAMMAD SAEED KHAN MST NUZHAT JEHANGIRSHER AL KHANMRS REHANA BEGUM MRS SUGHRA BEGUM MRS SARFRAZ BEGUM"	"271-45-020807 273-54-027940 238-54-297550 239-54-277559 239-45-423157"	"IBRAHIM KHAN MALIK YAR MUHAMMAD MALIK YAR MUHAMMAD KHAN JEHANGIR IBRAHIM MUMTAZ ALI KHAN IBRAHIM KHAN IBRAHIM KHAN IBRAHIM KHAN"	16,144	5,740	12,216	34,100	16,144	-	17,956	34,100
3	"HUSSAIN TRADERS COTTON GINNERS CHAK NO.109/10-R, TEHSIL JEHANJAN, DISTT. KHANEWAL."	GHULAM HUSSAIN	329-85-551887	GHULAM MUHAMMAD	15,679	2,437	4,762	22,878	15,679	-	7,199	22,878
4	"MUBASHIR SHEIKH, 7TH FLOOR CITY TOWER, GULBERG III, LAHORE."	MUBASHIR SHEIKH	35201-20846087	SHEIKH M. LAJAZ	57,739	4,305	1,596	63,640	14,739	-	5,901	20,640
5	"S.T. TRADERS 19-P DEFENCE HOUSING AUTHORITY, LAHORE CANTT."	SHOAB SAMI	35201-5997167-3	SH. MUHAMMAD SAMI	7,175	0,495	1,429	9,099	7,175	-	1,924	9,099
6	"Hafeez Fabrics, 7-KM, Militari Road, Paharag Drain, Faisalabad"	Saad Hafeez	33100-6810840-9	Abdul Hafeez	14,000	1,807	1,407	17,214	4,000	-	3,214	7,214
7	"HEALTH CARE HOSPITAL (PVT) LTD D-9, Block A, North Nazimabad, Karachi"	"DR. QAMAR ZAMAN KHAN MRS. FARHANA QAMAR MR. USMAN ZAMAN KHAN MR. SALMAN ZAMAN KHAN"	"42301-1080022-5 42301-0970890-4 42301-1114944-7 42301-1080023-7"	Sultan Zaman Khan Dr. Qamar Zaman Khan Dr. Qamar Zaman Khan Dr. Qamar Zaman Khan	3,470	0,543	0,333	4,346	1,508	-	0,876	2,384
8	"NOOR CORPORATION 1st Floor, 4-Saba Plaza, Aminpur Bazar, Faisalabad"	Shaikh Farrukh Noor	33100-92-30324-7	Noor Ahmed	5,499	0,718	0,796	7,013	1,499	-	1,514	3,013
9	"CHIC TEXTILES (PVT) LTD 281/B-1, Block III, Township, Lahore"	Mr. Akmal Raza	35202-9863592-1	Ch. Allah Ditta	1,057	0,267	0,734	2,058	1,057	-	1,001	2,058
10	"IBRAHIM INDUSTRIES, SHOP # 79, 1ST FLOOR TEXTILE PLAZA, M.A. JINNAH ROAD, KARACHI."	MST. NIGHAT ARSHAD	42201-3813077-4	W/O. ARSHAD UMER.	2,500	0,358	0,541	3,399	0,999	-	0,899	1,898
11	"Muhammad Aslam Dayo Al-Kadina Rice Mill, Sindh Small Industries, Larkana."	Muhammad Aslam Dayo	424-90-123372	Abdul Hakeem Dayo	3,000	0,235	1,268	4,503	0,966	-	1,503	2,469
12	"AL-KARIM COMMODITIES Suit No.157, Wazir Mansion, Awan-e-Ijara Road, Karachi"	Noureen Hamif Paracha	42301-5091209-8	W/o Muhammad Hamif Paracha	1,507	0,315	1,032	2,854	0,816	-	1,347	2,163
13	"S.B.S. ENTERPRISES, 733/6-M, Sharif pura, Mullan"	SHAHID SATTAR, BILOOES SATTAR	322-90-251048	ABDUL SATTAR	0,574	0,527	0,460	1,561	0,574	-	0,987	1,561
14	"KISAN PISTON Band Road Village Pharaman Chughin, Lahore"	Mohammad Ashraf	35201-1307091-5	Nazar Muhammad	0,710	0,120	0,076	0,906	0,500	-	0,196	0,696
15	"Shamshad Ali R-444, Sector 8, North Karachi"	Shamshad Ali	42201-0787741-3	Niaz Ahmed Khan	0,496	0,149	0,377	1,022	0,496	-	0,526	1,022
16	"Aamir Abid 231/2, Block- 2, Sheh Faisal Colony No.2, Karachi"	Aamir Abid	42301-1049750-3	Ghulam Ahmed	0,495	0,117	0,362	0,974	0,495	-	0,479	0,974
17	"Khizar Khan, 9 Iman Centre, Block-1, Gulistan-e-Jouhar, Karachi"	Khizar Khan	502-72-745260	Shahid Ahmed Khan	0,494	-	0,365	0,859	0,494	-	0,365	0,859

## ANNEXURE-I

AS REFERRED TO IN NOTE 10.6 TO THE FINANCIAL STATEMENTS

S. No.	Name and address of the Borrower	Name of Individuals / Partners/Directors			Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Amount in Million								
		Name of Directors	NIC Nos.	4		Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11					
														5	6	7	8	9
1	2	3																
18	"M. Sarfraz Siddique, B-447, Sector 11-A, North Karachi	M. Sarfraz Siddique	42101-2524680-3	Muhammad Ismail Siddique	0.491	0.125	0.368	0.984	0.491	-	-	0.493	0.984					
19	"Imran Ali Khan, 2312, Block-2, Shah Faisal Colony No.2, Karachi"	Imran Ali Khan	42201-4173157-1	Munawar Ali Khan	0.491	0.117	0.360	0.968	0.491	-	-	0.477	0.968					
20	"Aleem-ur-Rashid 15-A, 5A-8, Buffer Zone, Karachi"	Aleem-ur-Rashid	424101-8255913	Naeem-ur-Rashid	0.486	-	0.348	0.834	0.486	-	-	0.348	0.834					
21	"Jamil Ahmed CB-330, Sector 16-C, Gabol Town, F.B. Area, Karachi"	Jamil Ahmed	N/A	N/A	0.486	0.113	0.356	0.955	0.486	-	-	0.469	0.955					
22	"S. Jehangir Iqbal, 10/12, House IV-D, Mehran House, North Nazimabad, Karachi"	S. Jehangir Iqbal	502-88-717521	Syed Iqbal Ahmed	0.483	-	0.356	0.839	0.483	-	-	0.356	0.839					
23	"Faisal-ur-Rehman, F-85, Block-B, North Nazimabad"	Faisal-ur-Rehman	42201-6009059-5	Falak-ur-Rehman	0.480	-	0.341	0.822	0.480	-	-	0.341	0.822					
24	"Aizal Choudary, E/1-A, Raja-e-Jam Society, Malir Halt, Karachi"	Aizal Choudary	519-49-086179	Fateh Khan	0.472	0.105	0.351	0.929	0.472	-	-	0.456	0.929					
25	"RIZWAN COMMISSION SHOP Club Road, Vehari, Multan"	Mr. Muhammad Khalid Sultan	36603-2063585-3	Sultan Muhammad	0.469	-	0.082	0.551	0.469	-	-	0.082	0.551					
26	"Attique Dad Khan, R/412, Sector 15/A2, Buffer Zone, North Karachi	Attique Dad Khan	421401-0271963-7	Wasi Dad Khan	0.468	0.117	0.342	0.926	0.468	-	-	0.459	0.926					
27	"Muhammad Naeem, House No.40/3 Area 5-6, New Karachi"	Muhammad Naeem	42101-3390135-3	Muhammad Raz	0.460	0.152	0.330	0.942	0.460	-	-	0.462	0.942					
28	"Aboullahji Cut Piece Shop, Shop No.7, Al-Rateem Shopping Centre, Hyderabad"	Muhammad Muzaffar	449-85-121292	Mehar Ali	0.440	0.100	0.242	0.782	0.440	-	-	0.342	0.782					
29	"Bashir Saleem, S-48, Sea Breeze Plaza, Main Shaira-e-Faisal, Karachi"	Bashir Saleem	42201-9995473-9	Azeemullah	0.425	0.081	0.302	0.808	0.425	-	-	0.383	0.808					
30	"Sharafat Ali Khan, R-640/16, F.B. Area, Karachi	Sharafat Ali Khan	42101-8716564-3	Ali Khan	0.411	0.119	0.294	0.825	0.411	-	-	0.413	0.825					
31	"Mehmood Hussain, 58/1, 24th Street, Phase-V, DHA, Karachi	Mehmood Hussain	42301-4879206-9	Muhammad Hussain	0.394	0.114	0.278	0.786	0.394	-	-	0.392	0.786					
32	"Nazir Ahmed, L-58, Sector 11-4, near Jamia Masjid Farooqia, North Karachi	Nazir Ahmed	421401-1957219-1	Abdul Rehman	0.382	0.089	0.280	0.751	0.382	-	-	0.369	0.751					
33	"Abdullah Niazi, 14/E, 26th Street, Touheed Commercial Area, Phase V, DHA, Karachi	Abdullah Niazi	333-92-139348	Muhammad Atzal Khan Niazi	0.378	0.159	0.260	0.798	0.378	-	-	0.419	0.798					
34	"A & M Trading 23 Ratahi Manzil Ram Bhari Street, Jodia Bazar, Karachi	Rana Qamar Zaman	N/A	Rana Mohammad Afzal	0.375	-	0.495	0.870	0.375	-	-	0.495	0.870					
35	"Iftekhar Hussain, K2-125-13-A, Haji Mohammad Ismail Road, North Nazimabad, Karachi	Iftekhar Hussain	509-87-112881	Haji Muhammad Ismail	0.370	0.118	0.279	0.768	0.370	-	-	0.397	0.768					
36	"Israr H. Sarbazi, Singho Lan, Sartazi Mohallah, Lyari, Karachi"	Israr H. Sarbazi	42301-783259-7	Rahim Bux	0.355	0.166	0.298	0.819	0.355	-	-	0.464	0.819					
37	"Habib Ullah Bhutto, House No.60/63, near jeas Bazar, Larkana	Habib Ullah Bhutto	421-94-0561734	Muhammad Sharan	0.348	0.213	0.578	1.139	0.348	-	-	0.791	1.139					
38	"Mai-ur-Rehman MOHALLAH ROSHANPURA HOUSE NO F5-1145, GALI MIYAN KHAN WALI, GUJRANWALA"	Mai-ur-Rehman	270-49-568672	Atia-ur-Rehman	0.346	0.262	0.127	0.735	0.346	-	-	0.389	0.735					

## ANNEXURE-I

AS REFERRED TO IN NOTE 10.6 TO THE FINANCIAL STATEMENTS

S. No.	Name and address of the Borrower	Name of Individuals / Partners/Directors			Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
		Name of Directors	NIC Nos.	3		5	6	7	8					9
1														
39	"Majid Mehbub Ahmad, NE-154, Dhoke Eliahi Buksh, Rawalpindi"	BLIQEES SATTAR	210-49-089745		Muhammad Ayub Khan	0.335	0.288	0.065	0.688	0.335	-	0.353	0.688	
40	"Usman Babar, 66, M.Y. Square, Karachi"	Usman Babar	42301-2294250-9		N/A	0.332	0.090	0.251	0.673	0.332	-	0.341	0.673	
41	Nasrullah Khan Aziz House No.451, Block 4, Sector 01 Green Town, Lahore.	Nasrullah Khan Aziz	297-56-123684		Muhammad Siddique	0.331	0.055	0.258	1.144	0.331	-	0.813	1.144	
42	"Salahuddin, Flat No E-1/5, Iqbal Centre, Eidgah, Karachi"	Salahuddin	502-52-234008		Sultan Ahmed	0.311	-	0.202	0.513	0.311	-	0.202	0.513	
43	FAZLE MAJEED House - Village & P.O. Jolagram, Malakand Agency, FATA	MR. FAZLE MAJEED	117-86-206697		Fazley Wahid	1.206	0.126	0.328	1.660	0.306	-	0.454	0.760	
44	AHMED & CO., 2397 - WATER WORKS ROAD, MULTAN.	MUHAMMAD AHMED CHUGHTAI	36302-2177068-3		GHULAM MUSTAFA CHUGHTAI	1.995	0.372	0.085	2.452	0.305	-	0.457	0.762	
45	Imran Liaquat, E-98, Shalimar Shopping Centre, Block No.17, Gulistan-e-Johar, Karachi	Imran Liaquat	504-72-479190		Liaquat Ali	0.302	-	0.220	0.522	0.302	-	0.220	0.522	
46	KAZMI TRADERS, Chowk Kuchery, Multan	MUHAMMAD SABTAIN KAZMI	322-63-082991		SYED KAZIM HUSSAIN	0.299	0.267	0.105	0.671	0.299	-	0.372	0.671	
47	Adil Ahmed, D-5, Asif Centre, Block 13-A, Gulshan-e-Iqbal, Karachi	Adil Ahmed	42101-7889384-5		Shabbir Ahmed	0.296	0.083	0.212	0.591	0.296	-	0.295	0.591	
48	MUJAHID KIRYANA STORE VILLAGE HUSSAINABAD, TALUKA KOT DIGI, DISTT. KHAIR-PUR MIRS.	AHMED BUX	45205-3254549-7		MUHAMMAD SIDDIQUE	0.490	0.173	0.298	0.961	0.290	-	0.471	0.761	
49	PEOPLE CONVEYANCE COMPANY, 95/D, ANGOORI BAGH, BAGHBIAN PUJA, LAHORE.	SAIFULLAH KHAN	274-62-052529		FAZAL HUSSAIN	0.265	0.173	0.410	0.848	0.265	-	0.583	0.848	
50	Maqbool Hussain, 11-B/8, Imam Chamber, Nazimabad No.2, Karachi	Khalil-ur-Rehman	13101-8619000-7		Ali Zaman	0.250	0.341	0.077	0.668	0.250	-	0.418	0.668	
51	Maqbool Hussain, 11-B/8, Imam Chamber, Nazimabad No.2, Karachi	Maqbool Hussain	517-29-140798		Sheikh Muzaim Hussain	0.235	0.122	0.171	0.528	0.235	-	0.293	0.528	
52	Shakeel-ud-din Khan, D/87, Block 4, F.B. Area, Karachi	Shakeel-ud-din Khan	42101-6798481-5		Moinuddin Khan	0.233	0.128	0.170	0.531	0.233	-	0.298	0.531	
53	Aziz-ur-Rehman, Village Bahator, P.O. Khas, Tehsil Fateh Jang, Distt. Attock	Aziz-ur-Rehman	61101-4226443-5		Syed Fazal Hussain Bukhari	0.168	0.138	0.135	0.441	0.168	-	0.273	0.441	
54	Shahid Ali Hashmi, House No.1066, Block J, Gali No.9, Sheet No.III, New Siddique Akbar Masjid, Pakistan Bazar, Sector 11/2 Orangi Town, Karachi	Shahid Ali Hashmi	504-84-224342		Syed Ehsanullah Hashmi	0.261	0.114	0.128	0.503	0.101	-	0.242	0.343	
55	NEW LINE ENTERPRISES M-218, BLOCK M, SECTOR 11/12 ORANGI TOWN, KARACHI	M. Aqeel Raza	504-62-299245		Jamil Raza	0.449	0.068	0.296	0.813	0.091	-	0.364	0.455	
56	Ruby Rice & General Mills Ltd 3rd Floor, PIA Building Awan-e- Saddar Road, Karachi	"Mr. Mehbub Ali Bhayo Mr. Altar Hussain Mr. Shahid Ahmed"	N/A		N/A	0.079	0.451	0.176	0.706	0.079	-	0.627	0.706	
57	"NASIR TRADERS 118-C, GHULAM MOHAMMAD ABAD, FAISLABAD"	NASIR ALI NASIM	33100-7883740-1		MUHAMMAD ALI	0.700	0.076	-	0.776	0.050	-	0.076	0.126	
58	"World Trade House, 3-A, Main Shahra-e-Faisal, Opp. Awami Markaz, Karachi"	Shahzaib Mehmood Farzana Mehmood	517-79-438938 517-58-275306		Mehmood Trunk Wala	-	0.741	0.175	0.916	-	-	0.916	0.916	

## ANNEXURE-I

### AS REFERRED TO IN NOTE 10.6 TO THE FINANCIAL STATEMENTS

S. No.	Name and address of the Borrower	Name of Individuals / Partners/Directors			Father's / Husband's Name	Outstanding Liabilities at the Beginning of the year				Principal Written-off	Interest / Mark-up Written-off	Amount in Million	
		Name of Directors	NIC Nos.	3		Principal	Interest / Mark-up	Other	Total			Financial Relief Provided	Total 9+10+11
59	M. Hanif, 9-Jamil Medical Market, 2nd Floor, Kutchi Gali No.2, near Denso Hall, Karachi	M. Hanif	512-54-021212		Abdur-Rehman	-	0.360	0.155	0.515	-	-	0.515	0.515
60	PAK REHMAN TRADING CO. H # 221, Askari Housing Complex-9, Zafar Stehsted Road, Lahore Cantt.	Safi-ur-Rehman Khan Khurshid-ur-Rehman	N/A		Rashid-ur-Rehman	3,125	0.592	0.447	4,164	-	-	1,039	1,039
61	NAVEED AKHTER, House No.768, Street No.3, Mihalah Sheerpura, Hafizabad	Naveed Akhter	289-79-542808		Mohammad Azam	0.406	0.440	0.125	0.971	-	-	0.565	0.565
62	ACID INDUSTRIES (PVT) LTD., Muhammad Iqbal Khan 21-SCOTCH CORNER, UPPER MALL, LAHORE	"Rao Dilawar Khan Muhammad Iqbal Khan Rao Atiqur Rehman"	"340-62-301911 270-87-049418 277-65-158348"		"Ghulam Mushtaq Sheraz Khan Fazal-ur-Rehman"	5,000	-	2,059	7,059	-	-	1,558	1,558
63	NIZAMUDDIN SUNNY GLASS BANGLES, S-53, S.I.T.E., Hyderabad.	Aasi Muhammad	41303-1888732-3		Wali Muhammad	2,499	0.268	0.348	3,115	-	-	0.616	0.616
64	SHAHBAZ COTTON GINNERS, Plot No.99, Delt. 117, Khipro Road, Mirpurkhas	Dileep Kumar, Kamla Bai, Madumal, Laloo, Heddas Mal	475-74-294913 475-86-294912 475-60-001362 475-48-014830 485-85-010992		Herkishan Das, Rochi Ram, Bhenkhe, Passo Mal, Roochi Ram	3,910	2.104	3.119	9,133	-	-	3,433	3,433
65	NATIONAL TECHNOLOGY INC., 9-A, M.A.M.H.F., Shahr-e-Faisal, Karachi	Asad Gulzar Sheikh	42201-4189874-7		Miran Gulzar Ahmed	0.395	0.494	0.334	1,223	-	-	0.573	0.573
66	MAST QALANDER OIL MILLS, Main Deharki	Darshan Lal	45101-7629019-3		Tekum Das	0.700	0.165	0.412	1,277	-	-	0.539	0.539
67	RABECA SPORTS, Pakki Kotli, P.O. Khas near Dasak Road, The & Distt. Sialkot	"Ehsan Ellahi Kashif Mehmood"	"34603-0465105-3 34603-9101772-5"		"Rehmat Ali Mehmood Ahmed"	3,000	0.581	0.088	3,669	-	-	0.669	0.669
68	"YOGACES INTERNATIONAL (Pvt) LTD., Shafi Court, Ground Floor, near Hotel Metropole, Karachi"	Abdul Rehman, Ismail	42201-7889414-3		Haji Muhammad Suleman	1,988	0.225	0.707	2,920	-	-	0.875	0.875
69	BILAL MOTORS, Badley Tehsil, Sessa, Distt. Kotli, Azad Kashmir	Raja Sibtain Khan	81203-8496480-5		Raja Bostan Khan	2,170	0.589	0.579	3,338	-	-	1,108	1,108
70	FRIENDS ASSOCIATES COTTON GINNERS, 7-B, Model Town, Bahawalpur	Muhammad Ramzan Naeem, Muhammad Tariq Hussain, Muhammad Suleman	300-47-103017, 36104-0412994-1, 31202-5614931-1		Abdul Hameed, Muhammad Din, Muhammad Ismail	1,227	1.625	5.007	7,859	-	-	5.993	5,993
71	MADINA AGRO TRADER, New Sabzi Mandi, Multan	FRAZ UL HAQ	322-89-531297		Imtiaz ul Haq	8,750	0.870	0.079	9,699	-	-	3,228	3,228
72	First National Equities Limited	"Ali A. Malik Malik Atiq ur Rehman Muhammad Iqbal Khan Shahzad Akbar Muhammad Ali Khan Raza Ahmed Dar Amir Shehbaz"	"42301-3500541-9 35202-5800226-1 35202-2338865-1 42000-4758995-3 35202-9916974-9 35202-6952840-7 35202-3007705-7"		"Muhammad Aslam Malik Malik Muhammad Hanif Ghulam Mohiuddin Khan Sajjad Akbar Manzoor Ali Khan M. Allah Ditta Ghulam Mustafa"	83,407	24,446	-	107,853	-	-	24,446	24,446
73	FAROOQ FIAZ TEXTILE MILLS PVT. LTD.	"Muhammad Farooq Muhammad Fiyaz Tahir Mehmood"	"331004110031-5 331000181377-1 341010867715-5"		"Ghulam Muhyidin Haji Muhammad Ishaq Sheikh Ghulam Hussain"	48,120	1,936	-	50,056	-	-	1,971	1,971
74	"Arzo Textile Mills Ltd, 21-A, Peoples Colony No.1 Faisalabad."	"Azher Majeed Arza Majeed Arsal Majeed"	"3310004846482-3 331001899070-7 331001985425-7"		"Abdul Majeed Azher Majeed"	399,850	9,808	-	409,658	-	-	49,942	49,942



## ANNEXURE-I

AS REFERRED TO IN NOTE 10.6 TO THE FINANCIAL STATEMENTS

S. No.	Name and address of the Borrower	Name of Individuals /Partners/Directors		Outstanding Liabilities at the Beginning of the year					Amount in Million			
		Name of Directors	NIC Nos.	Father's / Husband's Name	Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
		1	2	3	4	5	6	7	8	9	10	11
75	Saudi Pak Leasing Co. Ltd.	"Muhammad Rashid Zahir Ihsan Ull Haq Piracha Farukh Shaukat Ahsan Haroon Ihsan Ijaz Masud Perveen A. Malik Arsalan I. Khan"	N/A	N/A	114,000	4,449	-	118,449	-	-	20,917	20,917
76	Maxco (Pvt) Ltd.	"Mr. Pedro Massimo Mr. Zubair Gilani"	N/A	N/A	1046,302	79,741	-	1126,043	-	-	83,475	83,475
				TOTAL	1995,413	160,076	73,420	2138,909	113,208	0,000	292,406	405,614

**ANNEXURE-II**

AS REFERRED TO IN NOTES 11.12 &amp; 11.13 TO THE FINANCIAL STATEMENTS

## 1. DETAIL OF DISPOSAL OF FIXED ASSETS

Particulars	Rupees in '000					
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Furniture and fixtures Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	153	39	114	115	Insurance	M/s EFU General Insurance
	252	245	7	16	As per Bank policy	Ms. Qaboolia Zarin (Retd.)
	40	40	-	-	As per Bank policy	Mr. Abdul Aziz
	88	82	6	11	As per Bank policy	Mr. Abdul Ghafoor Chaudhary
	25	25	-	-	As per Bank policy	Mr. Abdul Majeed Sholapurwala
	59	57	2	2	As per Bank policy	Mr. Abdul Rab Khan
	30	30	-	-	As per Bank policy	Mr. Abdus Salam Khan (Retired)
	67	67	-	1	As per Bank policy	Mr. Adnnan
	161	161	-	-	As per Bank policy	Mr. Akhtar Ali
	40	40	-	1	As per Bank policy	Mr. Akhter Hussain Khan
	30	30	-	-	As per Bank policy	Mr. Ali Bashir
	114	106	8	10	As per Bank policy	Mr. Altaf Hussain
	40	40	-	-	As per Bank policy	Mr. Anwar Mehmood Vaince
	48	48	-	2	As per Bank policy	Mr. Ashfaq Ahmed Faruqi
	40	40	-	-	As per Bank policy	Mr. Ashfaq Ahmed Qureshi
	30	30	-	-	As per Bank policy	Mr. Aslam Hamid
	58	51	7	21	As per Bank policy	Mr. Aurangzeb Khan
	40	40	-	-	As per Bank policy	Mr. Ernest Johan Jalal-ud-Din
	107	107	-	2	As per Bank policy	Mr. Fayyaz Ahmad
	165	165	-	5	As per Bank policy	Mr. Haji Azeem Mahmood Akhtar
	75	64	11	54	As per Bank policy	Mr. Iqbal Zaidi
	39	39	-	-	As per Bank policy	Mr. Javed Iqbal Chaudhary
	60	60	-	-	As per Bank policy	Mr. Maqsood Ahmed Yousufani
	40	40	-	-	As per Bank policy	Mr. Mazahir Hyder
	30	30	-	-	As per Bank policy	Mr. Mohammad Asadullah
	225	225	-	3	As per Bank policy	Mr. Mohammad Iqbal
	72	72	-	2	As per Bank policy	Mr. Mohammad Pervaz Iqbal
	124	121	3	3	As per Bank policy	Mr. Mohammad Qamar Abbas
	55	44	11	22	As per Bank policy	Mr. Mohammad Rafique
	99	99	-	2	As per Bank policy	Mr. Mohammad Riaz
	40	29	11	13	As per Bank policy	Mr. Mohammad Sajjad Akhtar
	260	251	9	24	As per Bank policy	Mr. Mohammad Sarwar Khan
	252	252	-	3	As per Bank policy	Mr. Mohammad Zaki
	55	55	-	-	As per Bank policy	Mr. Muhammad Iqanullah Raja
	131	121	10	25	As per Bank policy	Mr. Muhammad Iqbal
	674	670	4	4	As per Bank policy	Mr. Muhammad Ismail
	363	356	7	20	As per Bank policy	Mr. Muhammad Muneer Yaqoob
	60	58	2	5	As per Bank policy	Mr. Muhammad Nabi Alam
	136	126	11	32	As per Bank policy	Mr. Muhammad Ramazan Chaudhry
	208	202	6	11	As per Bank policy	Mr. Muhammad Yahya
	30	23	7	8	As per Bank policy	Mr. Mukhtar Ahmed Arain
	173	173	-	-	As per Bank policy	Mr. Nelson Francis
	32	32	-	-	As per Bank policy	Mr. Noor Mohammad Chauhan
	40	40	-	-	As per Bank policy	Mr. Pervez Hussain
	40	40	-	-	As per Bank policy	Mr. Raja Mohammad Umar Khan
	40	40	-	-	As per Bank policy	Mr. S.K. Azhar Rizvi
	40	31	9	11	As per Bank policy	Mr. Sajjad Hussain Siddiqi
	30	30	-	-	As per Bank policy	Mr. Sajjad Mahmood Khilji
	40	40	-	-	As per Bank policy	Mr. Sardar-ul-Mulki
	30	23	7	12	As per Bank policy	Mr. Shah Hassan Saeed
	93	86	7	58	As per Bank policy	Mr. Shahid Ghaznavi
	165	165	-	2	As per Bank policy	Mr. Shahid Hassan Qadri
	162	162	-	1	As per Bank policy	Mr. Shahid Nasim
	64	64	-	11	As per Bank policy	Mr. Shakil Alam Khan
	70	66	4	6	As per Bank policy	Mr. Shariq Umar Farooqui
	107	91	16	62	As per Bank policy	Mr. Syed Dilnawaz Yousuf
	82	73	9	26	As per Bank policy	Mr. Syed Raza Akbar
	30	30	-	-	As per Bank policy	Mr. Syed Zaki Ahmed
	68	68	-	5	As per Bank policy	Mr. Tariq Bin Sajjad
	101	101	-	8	As per Bank policy	Mr. Zahid Hussain
	40	40	-	1	As per Bank policy	Mr. Zahoor Mohammad
	53	52	-	-	As per Bank policy	Ms. Masooda Ahmed (Retired)
- Others	18,015	17,960	55	682	Various	Various
<b>Total</b>	<b>24,130</b>	<b>23,787</b>	<b>343</b>	<b>1,302</b>		

## ANNEXURE-II

AS REFERRED TO IN NOTES 11.12 & 11.13 TO THE FINANCIAL STATEMENTS

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Electrical, office and computer equipment						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	1,967	1,549	418	526	Insurance	M/s EFU General Insurance
	17	17	-	2	As per Bank policy	Lt. Col. (Retd.), Shafique Ahmed
	104	104	-	-	As per Bank policy	Ms. Qaboola Zarin
	17	17	-	2	As per Bank policy	Mr. Mian Mahmud-ul-Hassan
	17	17	-	2	As per Bank policy	Mr. Abdul Aleem Qureshi
	238	232	6	6	As per Bank policy	Mr. Abdul Aziz
	35	35	-	-	As per Bank policy	Mr. Abdul Ghafoor Chaudhary
	17	17	-	2	As per Bank policy	Mr. Abdul Hafeez Butt
	34	34	-	-	As per Bank policy	Mr. Abdul Majeed Sholapurwala
	35	35	-	-	As per Bank policy	Mr. Abdul Rab Khan
	45	45	-	2	As per Bank policy	Mr. Abdus Salam Khan
	29	29	-	3	As per Bank policy	Mr. Abid Anwar
	571	571	-	1	As per Bank policy	Mr. Adnann
	17	17	-	2	As per Bank policy	Mr. Ahmed Faheem Khan
	17	17	-	2	As per Bank policy	Mr. Ahmed Faraz Qahir
	255	255	-	-	As per Bank policy	Mr. Akhtar Ali
	533	533	-	1	As per Bank policy	Mr. Akhter Hussain Khan
	38	38	-	-	As per Bank policy	Mr. Ali Bashir
	36	36	-	-	As per Bank policy	Mr. Altaf Hussain
	17	17	-	2	As per Bank policy	Mr. Amir Ahsan
	35	35	-	-	As per Bank policy	Mr. Anwar Mehmood Vaince
	35	35	-	1	As per Bank policy	Mr. Ashfaq Ahmed Faruqui
	264	264	-	1	As per Bank policy	Mr. Ashfaq Ahmed Qureshi
	121	121	-	-	As per Bank policy	Mr. Aslam Hamid
	20	10	10	11	As per Bank policy	Mr. Aun Ali Naqvi
	36	35	-	-	As per Bank policy	Mr. Aurangzeb Khan
	17	17	-	2	As per Bank policy	Mr. Chaudhry Iftikhar Ahmed
	17	17	-	2	As per Bank policy	Mr. Darell Bento Moniz
	17	17	-	2	As per Bank policy	Mr. Dildar Hussain
	25	25	-	-	As per Bank policy	Mr. Ernest Johan Jalal-ud-Din
	28	28	-	-	As per Bank policy	Mr. Fayyaz Ahmad
	17	17	-	2	As per Bank policy	Mr. Freddy R. Sethna
	29	29	-	-	As per Bank policy	Mr. Haji Azeem Mahmood Akhtar
	17	17	-	2	As per Bank policy	Mr. Imtiaz Hussain Mughal
	17	17	-	2	As per Bank policy	Mr. Iqbal Abdullah
	149	149	-	-	As per Bank policy	Mr. Iqbal Zaidi
	17	17	-	2	As per Bank policy	Mr. Iqbal Zaidi
	17	17	-	2	As per Bank policy	Mr. Jamil Khan
	24	23	-	-	As per Bank policy	Mr. Javed Iqbal Chaudhary
	17	17	-	2	As per Bank policy	Mr. Khalid Sohail Azmi
	17	17	-	2	As per Bank policy	Mr. Khawaja M. Almas
	66	66	-	-	As per Bank policy	Mr. Maqsood Ahmed Yousufani
	34	34	-	-	As per Bank policy	Mr. Mazahir Hyder
	17	17	-	2	As per Bank policy	Mr. Mir Aamir Nawaz
	35	35	-	-	As per Bank policy	Mr. Mohammad Asadullah
	26	26	-	-	As per Bank policy	Mr. Mohammad Iqbal
	27	27	-	-	As per Bank policy	Mr. Mohammad Pervaz Iqbal
	73	73	-	-	As per Bank policy	Mr. Mohammad Qamar Abbas
	28	28	-	-	As per Bank policy	Mr. Mohammad Rafique
	35	35	-	-	As per Bank policy	Mr. Mohammad Riaz
	539	539	-	-	As per Bank policy	Mr. Mohammad Sajjad Akhtar
	29	29	-	-	As per Bank policy	Mr. Mohammad Sarwar Khan
	35	35	-	-	As per Bank policy	Mr. Mohammad Zaki
	17	17	-	2	As per Bank policy	Mr. Moin Khalid
	17	17	-	2	As per Bank policy	Mr. Muhammad Azizullah Abid
	25	25	-	-	As per Bank policy	Mr. Muhammad Iqbal Raja
	28	27	1	3	As per Bank policy	Mr. Muhammad Iqbal
	35	35	-	-	As per Bank policy	Mr. Muhammad Ismail
	32	32	-	-	As per Bank policy	Mr. Muhammad Muneer Yaqoob
	196	196	-	-	As per Bank policy	Mr. Muhammad Nabi Alam
	60	60	-	-	As per Bank policy	Mr. Muhammad Ramazan Chaudhry

**ANNEXURE-II**

AS REFERRED TO IN NOTES 11.12 &amp; 11.13 TO THE FINANCIAL STATEMENTS

Particulars	Rupees in '000					
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
	79	79	-	-	As per Bank policy	Mr. Muhammad Yahya
	263	252	11	12	As per Bank policy	Mr. Mukhtar Ahmed Arain
	17	17	-	2	As per Bank policy	Mr. Nadeem Ansari
	35	33	2	12	As per Bank policy	Mr. Nelson Francis
	34	34	-	-	As per Bank policy	Mr. Noor Mohammad Chauhan
	26	26	-	-	As per Bank policy	Mr. Pervez Hussain
	223	223	-	-	As per Bank policy	Mr. Raja Mohammad Umar Khan
	20	8	13	13	As per Bank policy	Mr. Rashid Maqsood Hamidi
	22	22	-	-	As per Bank policy	Mr. S.K. Azhar Rizvi
	17	17	-	2	As per Bank policy	Mr. Saif-ul-Islam
	378	378	-	-	As per Bank policy	Mr. Sajjad Hussain Siddiqi
	35	35	-	-	As per Bank policy	Mr. Sajjad Mahmood Khilji
	17	17	-	2	As per Bank policy	Mr. Saleem Iqbal Qureshi
	288	288	-	-	As per Bank policy	Mr. Sardar-ul-Mulk
	17	17	1	2	As per Bank policy	Mr. Shafique Ahmed Uqaili
	170	169	-	-	As per Bank policy	Mr. Shah Hassan Saeed
	35	35	-	-	As per Bank policy	Mr. Shahid Ghaznavi
	25	25	-	-	As per Bank policy	Mr. Shahid Hassan Qadri
	23	23	-	1	As per Bank policy	Mr. Shakil Alam Khan
	253	253	-	-	As per Bank policy	Mr. Shariq Umar Farooqui
	20	16	4	5	As per Bank policy	Mr. Shauzab Ali
	17	17	-	2	As per Bank policy	Mr. Syed Atif Izhar
	63	63	-	1	As per Bank policy	Mr. Syed Dilnawaz Yousuf
	17	17	-	2	As per Bank policy	Mr. Syed Ibrahim Hussain
	35	35	-	-	As per Bank policy	Mr. Syed Raza Akbar
	230	230	-	1	As per Bank policy	Mr. Syed Zaki Ahmed
	35	35	-	1	As per Bank policy	Mr. Tariq Bin Sajjad
	32	32	-	1	As per Bank policy	Mr. Zahid Hussain
	128	128	-	1	As per Bank policy	Mr. Zahoor Mohammad
	17	17	-	2	As per Bank policy	Mr. Zia Ullah Chaudhry
	68	68	-	-	As per Bank policy	Ms. Masooda Ahmed
- Others	32,643	31,956	689	1,525	Various	Various
<b>Total</b>	<b>41,611</b>	<b>40,457</b>	<b>1,155</b>	<b>2,182</b>		

## ANNEXURE-II

AS REFERRED TO IN NOTES 11.12 & 11.13 TO THE FINANCIAL STATEMENTS

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Vehicles						
Toyota Corolla	879	645	234	712	Insurance	M/s EFU General Insurance
Kia Sportage Jeep	1,572	1,572	-	507	Auction	Mr. Sultan Hassan Khan
Toyota Corolla	849	849	-	723	Auction	Mr.Imran Shaikh
Toyota Hilux	2,229	2,229	-	1,070	Auction	Mr.Muhammad Ali Siddiqui
Toyota Corolla	849	849	-	826	Auction	Mr. Juma
Toyota Corolla	849	849	-	829	Auction	Mr. Sarfaraz
Toyota Corolla	849	849	-	816	Auction	Mr. Rizwan Siddiqui
Toyota Corolla	849	849	-	760	Auction	Mr.Kamran Raza
Toyota Corolla	849	849	-	746	Auction	Mr. Saqib
Toyota Corolla	849	849	-	809	Auction	Mr. Sarfaraz
Toyota Corolla	879	645	234	844	Auction	Mr. Rizwan Siddiqui
Toyota Corolla	879	645	234	845	Auction	Mr. Sarfaraz
Toyota Corolla	969	711	258	920	Auction	Mr.Zahid Qadri
Suzuki Bolan Van	367	343	24	388	Auction	Mr. Rizwan Siddiqui
Toyota Corolla	879	645	234	891	Auction	Mr.M.Asif Akram
Suzuki Bolan Van	379	101	278	436	Auction	Mr. Rizwan Siddiqui
Suzuki Bolan Van	379	101	278	436	Auction	Mr. Rizwan Siddiqui
Suzuki Mehran	474	126	348	425	Auction	Mr.Zahid Qadri
Suzuki Mehran	450	83	368	437	Auction	Muhammad Sarwar Khan
Suzuki Mehran	306	306	-	300	As per Bank policy	Mr. Aamir Sohail
Suzuki Mehran	474	190	284	348	As per Bank policy	Mr. Lal Din
Toyota Corolla	969	775	194	706	Insurance	M/s EFU General Insurance
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	52	49	2	17	Various	Various
	18,079	15,109	2,970	14,791		
Leasehold Improvement						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	211	158	52	14	Various	Various
Land Freehold						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	5,992	-	5,992	4,200	Open Plot	Mr. Muhammad Irshad
December 31, 2010	90,023	79,511	10,512	22,489		
December 31, 2009	81,042	64,204	16,838	21,058		

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Consolidated Financial Statements

**Allied Bank Limited**

for the year ended December 31, 2010

## Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2010

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:

	Rs. in Million	
	For The Year Ended	
	2010	2009
Profit After tax	8,283	7,149
Un-appropriated profit brought forward	12,165	8,476
Transfer from surplus on revaluation of fixed assets (net of tax)	36	32
	12,201	8,508
Profit available for appropriation	20,484	15,657
<b>Appropriation</b>		
Interim cash dividend for the year ended		
December 31, 2010 at Rs. 2 per share		
(2009: Year ended December 31, 2009		
at Rs. 2 per share)	(1,564)	(1,422)
Final cash dividend for the year ended		
December 31, 2009 at Rs. 2 per share		
(2009: Year ended December 31, 2008		
at Re. 1 per share)	(1,422)	(646)
Bonus shares for the year		
December 31, 2009 @ 10% (2009: Year ended		
December 31, 2008 @ 10%) *	-	-
Transfer to Statutory Reserves	(1,645)	(1,424)
	(4,631)	(3,492)
<b>Accumulated profits carried forward</b>	<b>15,853</b>	<b>12,165</b>
<b>Earning per share (EPS) (Rs.) (Basic &amp; diluted)</b>	<b>10.59</b>	<b>9.14</b>

\* Appropriation out of Share Premium Account

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2010 is included in the Annual Report.

For and on behalf of the Board,

Khalid A. Sherwani  
Chief Executive Officer

Dated: February 11, 2011  
Place: Lahore



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
201-Office Block, Siddiq Trade Centre  
72 - Main Boulevard, Gulberg II,  
Lahore.

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Mall View Building  
4 - Bank Square,  
Lahore.

## **Auditors' Report**

to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Allied Bank Limited ("the Bank") as at December 31, 2010 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. These consolidated financial statements include unaudited certified returns from the branches, except for 22 branches, which have been audited by us. Ernst & Young Ford Rhodes Sidat Hyder audited the financial statements of subsidiary ABL Asset Management Company Limited.

These consolidated financial statements are responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Allied Bank Limited as at December 31, 2010 and the results of its operations, its comprehensive income, cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

The financial statements of the Bank for the year ended 31 December 2009 were audited by M. Yousuf Adil Saleem & Co., Chartered Accountants and KPMG Taseer Hadi & Co., Chartered Accountants whose report dated 17 February 2010 expressed an unqualified opinion thereon.

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

Engagement Partner:  
Kamran I. Yousafi

Date : February 11, 2011

Place : Lahore

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

Engagement Partner:  
Naseem Akbar

## Consolidated Statement of Financial Position

as at December 31, 2010

December 31, 2010	December 31, 2009		Note	December 31, 2010	December 31, 2009
US \$ in '000				Rupees in '000	
<b>ASSETS</b>					
365,096	313,808	Cash and balances with treasury banks	6	31,265,658	26,435,683
6,769	15,201	Balances with other banks	7	579,700	1,280,591
134,159	333,837	Lendings to financial institutions	8	11,488,944	28,122,932
1,414,799	1,123,828	Investments	9	121,158,730	94,673,100
2,955,540	2,817,878	Advances	10	253,102,710	237,382,522
179,492	147,903	Operating fixed assets	11	15,371,118	12,459,586
5,642	-	Deferred tax assets	12	483,152	-
192,866	213,510	Other assets	13	16,516,396	17,986,438
5,254,363	4,965,965			449,966,408	418,340,852
<b>LIABILITIES</b>					
48,096	37,540	Bills payable	15	4,118,791	3,162,429
242,588	472,671	Borrowings	16	20,774,450	39,818,532
4,335,535	3,903,921	Deposits and other accounts	17	371,280,948	328,872,559
64,164	65,253	Sub-ordinated loans	18	5,494,800	5,497,000
-	-	Liabilities against assets subject to finance lease		-	-
-	40	Deferred tax liabilities	12	-	3,374
143,720	131,374	Other liabilities	19	12,307,789	11,067,164
4,834,103	4,610,799			413,976,778	388,421,058
420,260	355,166	<b>NET ASSETS</b>		35,989,630	29,919,794
<b>REPRESENTED BY</b>					
91,328	84,400	Share capital	20	7,821,009	7,110,008
87,777	78,142	Reserves		7,516,910	6,582,845
185,122	144,402	Unappropriated profit		15,853,255	12,164,662
364,227	306,944			31,191,174	25,857,515
56,033	48,222	Surplus on revaluation of assets - net of tax	21	4,798,456	4,062,279
420,260	355,166			35,989,630	29,919,794
<b>CONTINGENCIES AND COMMITMENTS</b>			22		

The annexed notes 1 to 46 and annexure II 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, 2010

December 31, 2010	December 31, 2009		Note	December 31, 2010	December 31, 2009
US \$ in '000				Rupees in '000	
525,606	488,413	Mark-up / Return / Interest earned	24	45,011,184	41,144,667
262,336	266,154	Mark-up / Return / Interest expensed	25	22,465,506	22,421,218
263,270	222,259	Net Mark-up / Interest income		22,545,678	18,723,449
35,903	37,546	Provision against non-performing loans and advances	10.4	3,074,576	3,162,963
15,057	12,673	Provision for diminution in the value of investments – net	9.3	1,289,404	1,067,608
(3,277)	3,331	(Reversal) / provision against lendings to financial institutions	8.5	(280,595)	280,595
–	–	Bad debts written off directly	10.5	–	–
47,683	53,550			4,083,385	4,511,166
215,587	168,709	Net Mark-up / Interest income after provisions		18,462,293	14,212,283
<b>Non mark-up / interest income</b>					
30,902	33,241	Fee, commission and brokerage income	26	2,646,260	2,800,306
13,059	16,369	Dividend income		1,118,270	1,378,919
4,888	9,045	Income from dealing in foreign currencies		418,524	761,934
16,764	13,075	Gain on sale of securities	27	1,435,594	1,101,477
		Unrealized loss on revaluation of investments classified as held for trading – net	9.14	(2,668)	(365)
(32)	(4)				
2,935	427	Other income	28	251,328	35,986
68,516	72,153	Total Non-markup / Interest income		5,867,308	6,078,257
284,103	240,862			24,329,601	20,290,540
<b>Non mark-up / interest expenses</b>					
132,468	112,980	Administrative expenses	29	11,344,090	9,517,584
3,867	(670)	Provision / (Reversal) against other assets – net Reversal against off-balance sheet obligations – net	13.2	331,077	(56,431)
(1,031)	(301)		19.1	(88,239)	(25,353)
2,992	2,561	Workers Welfare fund	31	256,146	215,741
832	800	Other charges	30	71,248	67,377
139,128	115,370	Total non-markup / Interest expenses		11,914,322	9,718,918
–	–	Extra-ordinary / unusual items		–	–
144,975	125,492	Profit before taxation		12,415,279	10,571,622
<b>Taxation</b>					
48,760	42,158	Current		4,175,600	3,551,493
4,362	–	Prior years		373,475	–
(4,877)	(1,533)	Deferred		(417,613)	(129,181)
48,245	40,625			4,131,462	3,422,312
96,730	84,867	Profit after taxation		8,283,817	7,149,310
142,050	100,613	Unappropriated profit brought forward		12,164,662	8,475,791
421	384	Transfer from surplus on revaluation of fixed assets – net of tax		36,046	32,360
142,471	100,997			12,200,708	8,508,151
239,201	185,864	Profit available for appropriation		20,484,525	15,657,461
0.13	0.11	Earnings per share – Basic and Diluted (in Rupees)	33	10.59	9.14

The annexed notes 1 to 46 and annexure II 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, 2010

	December 31, 2010	December 31, 2009
	Rupees in '000	
Profit after taxation for the year	8,283,817	7,149,310
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>8,283,817</b>	<b>7,149,310</b>

Surplus/deficit on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus/deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated 04 August 2000 and BSD Circular No. 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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

Chief Financial Officer

Director

President and Chief Executive

Chairman

Director

## Consolidated Statement of Cash Flows

for the year ended December 31, 2010

December 31, 2010	December 31, 2009	Note	December 31, 2010	December 31, 2009
US \$ in '000			Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
144,976	125,492		12,415,279	10,571,622
(13,058)	(16,369)		(1,118,270)	(1,378,919)
131,918	109,123		11,297,009	9,192,703
<b>Adjustments for non-cash charges</b>				
9,983	7,561		854,869	636,943
35,903	37,546		3,074,576	3,162,963
15,057	12,673		1,289,404	1,067,608
(3,277)	3,331		(280,595)	280,595
31	4		2,668	365
(1,030)	(301)		(88,239)	(25,353)
3,866	(670)		331,077	(56,431)
-	111		5	9,373
(140)	(50)		(11,986)	(4,221)
-	-		-	-
60,393	60,205		5,171,779	5,071,842
192,311	169,328		16,468,788	14,264,545
<b>(Increase)/decrease in operating assets</b>				
197,516	(149,693)		16,914,583	(12,610,344)
(10,804)	(2,619)		(925,216)	(220,634)
(219,471)	(326,743)		(18,794,764)	(27,525,377)
(18,103)	(24,725)		(1,550,279)	(2,082,869)
(50,862)	(503,780)		(4,355,676)	(42,439,224)
<b>Increase/(decrease) in operating liabilities</b>				
11,168	2,492		956,362	209,939
(219,263)	140,215		(18,776,934)	11,811,971
495,213	372,714		42,408,389	31,398,016
15,438	(30,240)		1,322,041	(2,547,484)
302,556	485,181		25,909,858	40,872,442
444,005	150,729		38,022,970	12,697,763
(20,631)	(23,865)		(1,737,981)	(2,010,400)
423,374	126,864		36,284,959	10,687,333
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(317,275)	(132,591)		(27,170,354)	(11,169,689)
11,925	22,142		1,021,179	1,865,280
11,635	16,373		996,420	1,379,300
(44,107)	(23,417)		(3,777,158)	(1,972,661)
266	251		22,738	21,109
(337,556)	(117,242)		(28,907,175)	(9,876,661)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(26)	35,600		(2,200)	2,999,000
(34,791)	(24,610)		(2,979,352)	(2,073,173)
(34,817)	10,990		(2,981,552)	925,827
51,001	20,612		4,396,232	1,736,499
318,510	299,026		27,276,120	25,190,432
921	5,082		78,838	428,027
370,431	324,720	34	31,751,190	27,354,958

The annexed notes 1 to 46 and annexure II 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, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appro- priated Profit	Total
Rupees in '000									
Balance as at January 01, 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,475,791	20,744,211
<b>Changes in equity during the year ended</b>									
<b>December 31, 2009</b>									
Total comprehensive income for the year ended	-	-	-	-	-	-	-	7,149,310	7,149,310
<b>December 31, 2009</b>									
<b>Transactions with owners recognized directly in equity</b>									
Transfer to statutory reserve for issue of bonus shares for the year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Re. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Interim cash dividend for the year ended December 31, 2009 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	646,364	(646,364)	-	-	-	-	-	(2,068,366)	(2,068,366)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	-	-	-	-	-	-	-	32,360	32,360
Transfer to Statutory Reserve	-	-	1,424,433	-	-	-	-	(1,424,433)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,164,662	25,857,515
<b>Changes in equity during the year ended</b>									
<b>December 31, 2010</b>									
Total comprehensive income for the year ended	-	-	-	-	-	-	-	8,283,817	8,283,817
<b>December 31, 2010</b>									
<b>Transactions with owners recognized directly in equity</b>									
Transfer to reserve for issue of bonus shares for the year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Interim cash dividend for the year ended December 31, 2010 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,564,202)	(1,564,202)
	711,001	(711,001)	-	-	-	-	-	(2,986,204)	(2,986,204)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit – net of tax	-	-	-	-	-	-	-	36,046	36,046
Transfer to Statutory Reserve	-	-	1,645,066	-	-	-	-	(1,645,066)	-
Balance as at December 31, 2010	7,821,009	983,957	6,125,094	-	67,995	333,864	6,000	15,853,255	31,191,174

\* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited.

The annexed notes 1 to 46 and annexure II 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, 2010

### 1. STATUS AND NATURE OF BUSINESS

The Group comprise of Allied Bank Limited (the Bank and holding company) and ABL Asset Management Company Limited (the subsidiary), hereinafter referred as "the Bank and its subsidiary".

Allied Bank Limited (the Bank and holding company), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all three stock exchanges in Pakistan. The Bank operates a total of 806 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). 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+'. The Bank is the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated in Lahore whereas the principal office is situated at Khayaban-e-Iqbal, Main Clifton Road, Bath Island, Karachi.

#### ABL Asset Management Company Limited (the subsidiary company, wholly owned)

ABL Asset Management Company Limited, a wholly owned subsidiary of the Bank, is a public unlisted company incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The subsidiary 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, 2003). The subsidiary company received certificate of commencement of business on December 31, 2007. The registered office of the subsidiary company is situated at 11-B Lalazar, M.T. Khan Road, Karachi. The Management quality rating of the company, as assigned by JCR-VIS credit rating company limited, is AM3.

The subsidiary is managing following open ended funds:

-	ABL-Income Fund	Launched on September 20, 2008
-	ABL-Stock Fund	Launched on June 28, 2009
-	ABL-Cash Fund	Launched on July 31, 2010
-	ABL-Islamic Cash Fund	Launched on July 31, 2010

### 2. (a) BASIS OF PRESENTATION

- These consolidated financial statements consist of holding company and its subsidiary company, for the year ended December 31, 2010.
- 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, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.
- The US Dollar amounts reported in consolidated statement of financial position, consolidated profit and loss account and consolidated statement of cash flows are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, the rate of Rs 85.6367 (2009: Rs. 84.2416) per US Dollar has been used for 2010 and 2009 financial years, as it was the prevalent rate as on respective dates of statements of financial position.

### (b) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as on December 31, 2010.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are presented for same reporting period as the Bank, using consistent accounting policies. All balances, income and expenses, unrealised gains and losses and dividends resulting from transactions between the Bank and its subsidiary are eliminated in full.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### (c) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain assets are stated at revalued amounts / fair values as disclosed in their respective notes.

### 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) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by SBP 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 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 valued in accordance with the requirements prescribed by SBP through various circulars.

### 3.3 New and amended standards and interpretations become effective

During the year, following new / revised standards, amendments and interpretations to accounting standards became effective:

IFRS 2 - Share-based payments: Amendments relating to Group Cash-settled Share-based payment transactions

IFRS 3 - Business Combinations (Revised)

IFRS 27 - Consolidated and Separate Financial Statements (Amendment)

IFRS 39 - Financial instruments: Recognition and Measurement - Eligible hedged items (Amendments)

IFRIC 17 - Distribution of Non-cash Assets to owners.

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to remove inconsistencies and clarifying wording.

These improvements are listed below:

Issued in May 2008:

- IFRS 5 - Non-current Assets Held For Sale and Discontinued Operations

Issued in April 2009:

- IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment transaction.
- IFRS 5 - Non-current Assets Held For Sale and Discontinued Operations
- IFRS 8 - Operating Segments
- IAS 1 - Presentation of Financial Statements.
- IAS 7 - Statement of Cash Flows.
- IAS 17 - Leases.
- IAS 36 - Impairment of Assets.
- IAS 38 - Intangible Assets.
- IAS 39 - Financial Instruments: Recognition and measurement
- IFRIC 9 - Reassessment of Embedded Derivatives
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank.

### 3.4 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, 2011. These standards are either not relevant to the Bank's operations or are not expected to have a significant impact on the Bank's financial statements other than amendment in certain disclosures:



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### [IAS 12 Income Taxes \(Amendment\)](#)

The amended standard is effective for annual periods beginning on or after January 01, 2012. It clarifies the recognition of deferred tax assets.

### [IAS 24 Related Party Disclosures \(Amendment\)](#)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

### [IAS 32 Financial Instruments: Presentation – Classification of Right Issues \(Amendment\)](#)

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

### [IFRS 9 Financial Instruments: Classification and Measurement](#)

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011.

### [IFRIC 14 Prepayments of a minimum funding requirement \(Amendment\)](#)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

### [IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments](#)

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit and loss.

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011, however the future adoption of these amendments will not have any significant impact on the Banks financial statements.

### [IFRS 3 Business Combinations](#)

Improvements in IFRS 3 Business Combinations is effective for annual periods beginning on or after 1 July 2010. These amendments clarifies the measurement of non-controlling interests, un-replaced and voluntarily replaced share-based payment awards, Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.

### [IFRS 7 Financial Instruments: Disclosures](#)

Improvements in IFRS 7 Business Combinations is effective for annual periods beginning on or after 1 July 2011 and clarifies the disclosures requirements.

### [IAS 1 Presentation of Financial Statements](#)

In May 2010, the IASB issued Improvements to IFRSs, which amends IAS 1 requirements relating to Statement of Changes in Equity. Entities shall apply these amendments for annual periods beginning on or after 1 January 2011.

### [IAS 27 Consolidated and Separate Financial Statements](#)

In May 2010, the IASB issued Improvements to IFRSs, which amends IAS 27 requirements. Entities shall apply these amendments for annual periods beginning on or after 1 July 2010. These improvements deals with transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### IFRIC 13 Customer Loyalty Programmes

IFRIC 13 Customer Loyalty Programmes is amended to further clarify the estimation of fair value of award credits. Such amendments are applicable for annual periods beginning from 1 January 2011.

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

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates 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 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 and its subsidiary determine securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements.
- 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 which are not classified as held for trading or held to maturity are classified as available for sale.

##### ii) Provision against non performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows, the general provision requirement set out in Prudential Regulations. These provisions change due to changes in requirements.

##### iii) Valuation and impairment of available for sale equity investments

The Bank and its subsidiary 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 and its subsidiary evaluate 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 and its subsidiary, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the future taxable profits of Bank and its subsidiary 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 balance sheet date and the rates contracted.

##### vi) Fixed assets, depreciation and amortization

In making estimates of the depreciation / amortisation, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank and its subsidiary 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 change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors".

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

vii) **Defined benefits plan**

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.  
The actuarial assumptions used to determine the liability and related expense are disclosed in note 36.

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Bank and its subsidiary for the year ended December 31, 2009 and are enumerated as follows:

5.1 Pursuant to the adoption of revised IAS - 1 through SBP BSD Circular Letter no. 7 dated 20 April, 2010, Balance Sheet has been renamed to "Statement of Financial Position"

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 and its subsidiary 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 interest 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 amortised over the period of the contract and recorded as interest 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. Mark-up on such lendings is charged 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 and its subsidiary at the time of purchase classifies its investment portfolio into the following categories, which are initially recognized at fair value plus the acquisition cost, except in case of held for trading investments, in which cases, these are charged off to the profit and loss account.

5.4.1.1 **Investments are classified as follows:**

(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, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) **Held to maturity**

These are 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, that do not fall under the held for trading or held to maturity categories.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

- 5.4.2 In accordance with the requirements of the SBP, quoted securities, other than those classified as held to maturity, 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 balance sheet below equity. The surplus/(deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and book 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 (except for debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

Associates as defined under local statutes but not under IAS are accounted for as ordinary investments.

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 delivery of assets within the time frame generally established by regulation or convention in the market place.

- 5.5 **Advances (including net investment in finance lease)**

Advances are stated net of general and specific provisions. Specific provision against funded loans is determined in accordance with the requirements of the Prudential Regulations issued by the SBP and charged to the profit and loss account. General provision is maintained on consumer portfolio in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account.

Leases, where the Bank and its subsidiary transfer 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.

Advances are written off when there are no realistic prospects of recovery.

- 5.6 **Operating fixed assets and depreciation**

### Tangible assets

Property and equipment owned by the Bank and its subsidiary, 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 changes, if any, are treated as change in accounting estimates, at each balance sheet date.

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 the above mentioned 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 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.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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.

### 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 balance sheet date.

### Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any.

## 5.7 Taxation

### Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. 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, arising from assessments finalised during the year for such years.

### Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences, at the balance sheet 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 balance sheet 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 realised.

"The Bank and its subsidiary also recognize a deferred tax asset/liability on deficit/surplus on revaluation of fixed 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 new 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; and

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 contribution are made by the Bank and the employees (defined contribution scheme).

#### b) For employees who did not opt for the new scheme:

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

Until December 31, 2008, the bank operated a contributory benevolent fund, which was discontinued during the year for active employees. Existing employees 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).

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 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.

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 amortized over the future expected remaining working lives of the employees, to the extent of the greater of ten percent of the present value of the defined benefit obligations at that date (before deducting plan assets) and ten percent of the fair value of any plan assets at that date.

### 5.8.2 Other benefits

#### 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 balance sheet date, based on actuarial valuation using Projected Unit Credit Method.

#### ABL Asset Management Company Limited ( the subsidiary company)

The subsidiary company operates an approved provident fund for its permanent employees. Equal monthly contributions to the fund are made both by the company and its employees at the rate of 10% each of the basic salary per month.

### 5.9 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of the carrying value of the related advances and the current fair value of such assets.

### 5.10 Deposits

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

### 5.11 Subordinated loans

Subordinated loans are initially recorded at the amount of proceeds received. Mark-up accrued on these loans is recognized separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

### 5.12 Impairment

At each balance sheet date, the Bank and its subsidiary review the carrying amount of its assets (other than deferred tax assets) to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The resulting impairment loss is recognized as an expense immediately, except for impairment loss on revalued fixed assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of those assets.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank and its subsidiary estimate the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss, other than loss on goodwill, is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### 5.13 Provisions

Provisions are recognized when the Bank and its subsidiary have 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 non-funded losses is recognized when intimated and reasonable certainty exists for the Bank and its subsidiary to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

### 5.14 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to balance sheet 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.

### 5.15 Foreign currencies

#### a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet 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) Translation gains and losses

Translation gains and losses are included in the profit and loss account.

#### c) Commitments

Commitments for outstanding forward foreign exchange 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 balance sheet date.

### 5.16 Financial instruments

#### 5.16.1 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Bank and its subsidiary become 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 discharged, cancelled or expired. 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.

#### 5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

### 5.17 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank and its subsidiary intend to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

### 5.18 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. These are recognised as follows:

#### a) Advances and investments

Mark-up/return on regular loans / advances and investments is recognized on a time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Interest or mark-up recoverable on classified loans and 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.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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) **Fees, brokerage and commission**

Fees, brokerage and commission on letters of credit/guarantee and other services are recognized on an accrual basis except account maintenance and service charges are recognized when realized.

d) **Management fee**

Remuneration for asset management services are recognized on an accrual basis.

5.19 **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 structure and the guidance of State Bank of Pakistan. The Bank comprises of the following main business segments:

5.19.1 **Business segments**

a) **Corporate finance**

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

b) **Trading and sales**

This segment undertakes the Bank's treasury, money market and capital market activities.

c) **Retail banking**

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It includes loans, deposits and other transactions with retail customers.

d) **Commercial banking**

This includes loans, deposits and other transactions with corporate customers.

e) **Payment and settlement**

This includes payments and collections, funds transfer, clearing and settlement with the customers.

f) **Asset Management**

This includes asset management and investment advisory services.

5.19.2 **Geographical segments**

The Bank conducts all its operations, including the operations of EPZ Karachi branch, in Pakistan.

5.20 **Earnings per share**

The Bank presents earnings per share (EPS) data for its ordinary shares. 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 period.



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		4,604,357	5,143,843
Foreign currencies		352,944	413,588
		4,957,301	5,557,431
Remittances in transit		658,678	613,685
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	14,193,354	12,694,476
Foreign currency current account	6.2	2,639	5,829
		14,195,993	12,700,305
Foreign currency deposit accounts			
- Non remunerative		1,401,830	977,413
- Remunerative	6.3	4,205,490	2,932,240
		5,607,320	3,909,653
With National Bank of Pakistan in			
Local currency current accounts		5,821,160	3,611,940
National Prize Bonds		25,206	42,669
		31,265,658	26,435,683

6.1 Deposits with the SBP are maintained to comply with the 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 the SBP. The special cash reserve carries no mark-up.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		284	284
On deposit accounts		145	148
Outside Pakistan			
On current accounts	7.1	579,271	1,280,159
		579,700	1,280,591

7.1 Included in nostro accounts are balances, aggregating to Rs.126.448 million (2009: Rs. 198.082 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings		-	525,000
Letters of placement		-	649,750
Repurchase agreement lendings (Reverse Repo)	8.1 & 8.4	11,392,277	26,347,932
Certificates of investment	8.2	96,667	880,845
		11,488,944	28,403,527
Provision against lendings to Financial Institutions	8.5	-	(280,595)
		11,488,944	28,122,932

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

8.1 These are short-term lendings to various financial institutions against the government securities shown in note 8.4 below. These carry mark-up at rates ranging between 12.50 % and 13.25 % (2009: 11.75 % and 12.40 %) per annum and will mature on various dates, latest by January 31, 2011.

8.2 The certificate of investment carries mark-up at the rate 13.26% (2009: ranging between 13.0% and 14.47% on performing lendings) per annum and will mature on various dates latest by February 08, 2012.

	December 31, 2010	December 31, 2009
	Rupees in '000	
8.3 Particulars of lending		
In local currency	11,488,944	28,122,932
In foreign currencies	-	-
	11,488,944	28,122,932

8.4 Securities held as collateral against lending to financial institutions

	December 31, 2010			December 31, 2009		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	11,392,277	-	11,392,277	22,527,333	3,820,599	26,347,932
	11,392,277	-	11,392,277	22,527,333	3,820,599	26,347,932

	December 31, 2010	December 31, 2009
	Rupees in '000	
8.5 Particulars of provision		
Opening balance	280,595	-
Charge for the year	-	280,595
Reversal	(280,595)	-
Net (reversal) / charge	(280,595)	280,595
Closing balance	-	280,595

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 9. INVESTMENTS

	Note	December 31, 2010			December 31, 2009		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000							
9.1	Investments by types						
	Held-for-trading securities						
	Ordinary shares of listed companies	16,053	-	16,053	67,385	-	67,385
	Units in open end mutual funds-related parties	1,229,049	-	1,229,049	252,866	-	252,866
		1,245,102	-	1,245,102	320,251	-	320,251
	Available-for-sale securities						
	Market Treasury Bills	57,547,817	2,298,869	59,846,686	27,019,901	6,976,575	33,996,476
	Pakistan Investment Bonds	246,764	-	246,764	246,204	-	246,204
	Ordinary shares of listed companies / certificates of mutual funds	5,564,180	-	5,564,180	4,882,928	-	4,882,928
	Preference Shares	282,688	-	282,688	191,667	-	191,667
	Units of open end mutual funds	1,655,757	-	1,655,757	3,497,813	-	3,497,813
	Ordinary shares of unlisted companies	245,193	-	245,193	215,193	-	215,193
	Ordinary shares/units of related parties						
	- Listed shares	1,948,264	-	1,948,264	2,449,082	-	2,449,082
	- Unlisted shares	602,496	-	602,496	597,496	-	597,496
	- Open-end mutual funds	1,000,000	-	1,000,000	850,000	-	850,000
	Pre IPO investments	-	-	-	35,000	-	35,000
	Sukuk Bonds	4,783,539	-	4,783,539	3,637,774	-	3,637,774
	Term Finance Certificates (TFCs)	29,967,464	-	29,967,464	26,166,567	-	26,166,567
		103,844,162	2,298,869	106,143,031	69,789,625	6,976,575	76,766,200
	Held-to-maturity securities						
	Pakistan Investment Bonds	7,493,147	-	7,493,147	7,690,909	-	7,690,909
	Foreign Currency Bonds (US\$)	645,701	-	645,701	73,286	-	73,286
	TFCs, Debentures, Bonds and PTCs	5,878,932	-	5,878,932	10,274,764	-	10,274,764
		14,017,780	-	14,017,780	18,038,959	-	18,038,959
	Investments at cost	119,107,044	2,298,869	121,405,913	88,148,835	6,976,575	95,125,410
	Provision for diminution in the value of investments	9.3	[2,681,810]	[2,681,810]	[2,185,929]	-	[2,185,929]
	Unrealized loss on revaluation of						
	Held-for-trading securities	9.14	[2,668]	[2,668]	[365]	-	[365]
	Surplus / (deficit) on revaluation of						
	Available-for-sale securities	21.2	2,439,434	[2,139]	2,437,295	44	1,733,984
	<b>Total investments</b>		118,862,000	2,296,730	121,158,730	87,696,481	6,976,619
							94,673,100

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
9.2. Investments by Segments:			
Federal Government Securities:			
Market Treasury Bills	9.2.1-9.2.3	59,846,686	33,996,476
Pakistan Investment Bonds	9.2.1	7,739,911	7,937,113
Foreign Currency Bonds (US\$)	9.2.4	645,701	73,286
Ijara Sukuk Bonds	9.2.1	100,000	100,000
Fully paid up ordinary shares of listed companies/certificates of mutual funds	9.4	7,528,496	7,399,395
Fully paid up ordinary shares of unlisted companies	9.5	847,689	812,689
Investment in Units of Open End Mutual Funds	9.6	3,884,806	4,600,679
Pre IPO Investments	9.7	–	35,000
Fully paid up Preference Shares	9.8	282,688	191,667
Term Finance Certificates (TFCs) , Debentures, Bonds and Participation Term Certificates:			
Term Finance Certificates	9.9		
- Listed		2,518,340	2,337,735
- Unlisted		29,717,278	30,335,030
Debentures	9.10	63,479	63,479
Bonds - Government	9.11	–	118,513
- others (Sukuk)	9.11	8,225,203	7,118,712
Participation Term Certificates	9.12	5,636	5,636
Total investments at cost		121,405,913	95,125,410
Less: Provision for diminution in the value of investment	9.3	[2,681,810]	[2,185,929]
Investments (Net of Provisions)		118,724,103	92,939,481
Unrealized loss on revaluation of Held-for-trading securities	9.14	[2,668]	[365]
Surplus on revaluation of Available-for-sale securities	21.2	2,437,295	1,733,984
Total investments		121,158,730	94,673,100

### 9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Redemption	Coupon
Market Treasury Bills	13 January, 2011 To 01 December, 2011	On maturity	At maturity
Foreign Currency Bonds (US\$)	13 March, 2016	On maturity	Half Yearly
Pakistan Investment Bonds	14 February, 2011 To 19 May, 2016	On maturity	Half Yearly
Ijara Sukuk Bonds	26 September, 2011	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs.1,992.376 million (2009: Rs.6,639.897 million), given as collateral against repurchase agreement borrowings from financial institutions.

9.2.3 Included herein are Market Treasury Bills having a face value of Rs. 339.800 million (2009: Rs 339.800 million), held by the SBP and National Bank of Pakistan against Demand Loan and TT/DD discounting facilities sanctioned to the Bank.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 9.2.4 Investments in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	2010	2009
						Rupees in '000	
US \$ Bonds							
KH 000020 (\$695,880)						-	58,622
KH 000040 (\$174,070)						-	14,664
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	31-Mar-11	6.5 Years	229,375	-
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	31-Mar-11	5.9 Years	258,928	-
Euro Dollar Bond (\$2,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-11	10 Years	157,398	-
						645,701	73,286
						Note	December 31, 2010
						December 31, 2009	Rupees in '000

### 9.3. Particulars of Provision

Opening balance		2,185,929	2,015,042
Charge for the year		1,359,432	1,070,397
Reversals		(70,028)	(2,789)
Net charge		1,289,404	1,067,608
Reversal as gain on disposal		(793,523)	(894,984)
Amounts written off		-	(1,737)
Closing balance	9.3.1	2,681,810	2,185,929

#### 9.3.1 Particulars of Provision in respect of Type and Segment By Type

##### Available-for-sale securities

Ordinary shares / certificates of listed companies	571,682	1,310,674
Ordinary shares of unlisted companies	27,832	45,176
Preference shares	149,355	-
Units of open end mutual fund	55,424	100,000
Sukuk Bonds	105,528	-
Term Finance Certificates	125,000	-
	1,034,821	1,455,850

##### Held-to-maturity securities

TFCs, Debentures, Bonds and PTCs	1,646,989	730,079
	2,681,810	2,185,929

##### By Segment

##### Fully Paid up Ordinary Shares:

Listed companies	571,682	1,310,674
Unlisted companies	27,832	45,176
Preference shares	149,355	-
Units of open end mutual funds	55,424	100,000
	804,293	1,455,850

##### Term Finance Certificates, Debentures,

##### Bonds and Participation Term Certificates:

Bonds	1,141,621	590,250
Term Finance Certificates	666,781	70,714
Debentures	63,479	63,479
Participation Term Certificates	5,636	5,636
	1,877,517	730,079
	2,681,810	2,185,929

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 9.4 Investments in Listed Shares/Certificate of Mutual Funds

Name of Company / Mutual Fund	2010			2009	
	Cost per share/ certificate	No. of shares/ certificates	Total Cost	No. of shares/ certificates	Total Cost
	Rupees		Rupees '000		Rupees '000
Askari Bank Limited	-	-	-	5,305,372	107,616
Attock Petroleum Limited	-	-	-	166,618	57,788
Bank Al Habib Limited	33.55	1,000,000	33,551	-	-
Crescent Steel & Allied Products Limited	-	-	-	903,295	55,124
Dadabhoy Leasing Company Limited	-	47,300	-	47,300	-
Dadabhoy Modaraba	8.85	567,500	5,025	567,500	5,025
D.G.Khan Cement Limited	25.59	7,387,891	189,063	-	-
Engro Corporation Limited	170.71	3,594,372	613,592	-	-
Engro Chemical Pakistan Limited.	-	-	-	3,608,536	553,258
Eye Television Network Limited	21.11	2,748,917	58,024	1,894,534	89,677
Fauji Fertilizer Company Limited	86.48	15,894,987	1,374,557	12,444,987	998,879
First Credit & Investment Bank Limited	-	-	-	4,646,900	46,234
Habib Bank Limited	100.10	2,000,000	200,205	-	-
Hub Power Company Limited – related party	31.45	39,009,500	1,226,828	46,547,409	1,414,727
Kaiser Arts & Craft Limited	-	766,500	-	766,500	-
Lucky Cement Limited.	-	-	-	4,145,846	225,190
Meezan Bank Limited	16.09	1,990,762	32,027	4,497,568	89,040
Mohib Export Limited.	-	21,275	-	-	-
Nishat (Chunian) Limited – related party	24.11	8,000,000	192,909	-	-
Nishat Chunian Power Limited – related party	10.00	36,734,693	367,347	44,260,774	442,608
Nishat Power Limited (underwriting) – related party	-	-	-	100	10
Nishat Mills Limited	50.13	7,795,000	390,800	-	-
Nishat Power Limited – related party	10.00	35,408,850	354,088	59,173,739	591,737
National Refinery Limited	190.68	1,773,220	338,125	-	-
Otsuka Pakistan Limited	34.92	95,517	3,335	-	-
Pace Pakistan Limited.	-	-	-	5,104,658	69,363
Pak Oman Advantage Fund	-	-	-	96,000	960
Pakistan Oil field Limited.	250.35	5,200,000	1,301,823	3,980,360	809,007
Pakistan Petroleum Limited.	-	-	-	2,746,400	421,181
Pakistan State Oil Company Limited	249.56	2,000,000	499,119	1,870,000	466,447
PICIC Growth Mutual Fund	14.13	14,186,600	200,451	9,490,938	189,532
PICIC Growth Fund	32.51	63,400	2,061	63,400	2,060
Redco Textile Mills Limited	10.00	300	3	300	3
S.G. Fibers Limited.	58.20	788,800	45,908	788,800	45,908
SAFA Textile Mills Limited	10.00	860,200	8,602	860,200	8,602
UBL Capital Protected Fund	8.91	8,420,250	75,000	7,725,000	75,000
United Bank Limited	-	-	-	10,716,000	567,034
<b>Held for Trading Shares</b>					
Pakistan State Oil Company Limited	-	-	-	200,000	67,385
Japan Power Generation Limited	1.93	7,925,040	15,295	-	-
Pioneer Cement Limited	7.10	106,784	758	-	-
			<b>7,528,496</b>		<b>7,399,395</b>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 9.5 Investments In Un-Listed shares

Name of Company	Percentage of Holding	No. of shares	Break-up Value	Paid up Value	Cost	Based on audited accounts as at	Name of Chief Executive/managing Agent
			per shares	per share	Rupees '000		
			Rupees	Rupees	Rupees '000		
Al-Amin Textile Mills Limited	-	13,100	N/A	10	-	N/A	Mr. Anis-ur-Rahman
Arabian Sea Country Club Limited - related party	6.45%	500,000	10.93	10	5,000	30-Jun-10	Mr. Arif Khan Abbasi
Atlas Power Limited - related party	10.99%	35,500,000	9.91	10	355,000	30-Jun-09	Mr. Maqsood A. Basra
Attock Textile Mills Limited	-	55,500	N/A	10	506	N/A	Mrs. Fareeda Khanum
Bankers Equity Limited	-	807,699	N/A	10	-	N/A	Under liquidation
Dawood Family Takaful Limited	4.67%	3,500,000	9.44	10	35,000	31-Dec-09	Mr. Abdul halim Nasri
Eastern Capital Limited	16.13%	500,000	13.05	10,000	5,000	30-Jun-07	Under liquidation
Equity Participation Fund	-	1	76.51	100	-	30-Jun-08	Mr. Jamal Nasim
First Women Bank Limited - related party	8.97%	2,544,000	38.55	10,000	21,200	31-Dec-09	Ms. Shafqat Sultana
Habib Allied International Bank - related party	9.50%	2,375,000	238.45	136	214,769	31-Dec-09	Mr. Nauman K. Dar
KATEX Mills Limited	-	151,100	N/A	10	1,511	N/A	Col. Muhammad Yaqub (Rtd)
Khushhali Bank Limited.	11.73%	20,000,000	12.18	10	200,000	31-Dec-09	Mr. M. Ghalib Nishtar
Kohinoor Looms	-	21,000	N/A	10	-	N/A	De-listed
National Woolen Mills	-	6,900	N/A	10	52	N/A	Haji Sher Shah
National Institution Facilitation Technologies (Pvt.) Limited - related party	4.35%	472,744	50.77	10	1,526	30-Jun-09	Mr. Muzaffar M Khan
PASSCO	3.33%	1,000	20,953.03	1,000	1,000	31-Mar-09	Maj. Gen Ahmed Nawaz Salim Mela
Ruby Rice & Gen Mills	-	14,500	N/A	10	104	N/A	Mr. Mehboob Ali
SME Bank Limited.	0.24%	580,778	9.28	10	5,250	31-Dec-09	Mr. R.A. Chughtai
SWIFT	-	10	0	10	1,771	-	-
					847,689		

### 9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
					Rupees in '000
ABL Cash Fund - related party	14,844,724	-	10	150,000	-
ABL Income Fund - related party	81,671,638	89,608,873	10	811,204	891,571
ABL Stock Fund - related party	13,361,352	18,820,324	10	134,861	211,295
ABL Islamic Cash Fund - related party	19,229,597	-	10	185,297	-
AH Dow Jones 15 Safe Pak Titans	400,000	-	50	20,000	-
Atlas Money Market Fund	99,502	-	500	50,000	-
AMZ Plus Income Fund	563,126	1,016,028	100	55,424	100,000
Crosby Phoenix Fund	435,545	-	100	44,296	-
Faysal Saving Growth Fund	-	1,456,876	100	-	150,000
JS Income Fund	-	997,077	100	-	100,000
KASB Liquid Fund	3,644,483	5,015,216	100	341,885	472,813
Lakson Money Market Fund	249,097	1,000,904	100	250,000	100,000
MCB Dynamic Cash Fund	-	5,101,313	100	-	500,000
NAFA Cash Fund	93,969,726	104,830,739	10	894,152	1,000,000
National Investment Trust	-	5,000,000	10	-	50,000
United Growth & Income Fund	-	10,518,684	100	-	1,000,000
UBL Principal Protected Plan-II	-	250,000	100	-	25,000
ABL Cash Fund - Held for Trading - related party	92,697,556	-	10	947,687	-
				3,884,806	4,600,679

### 9.7 Pre IPO Investment

Dawood Family Takaful Limited	-	35,000
	-	35,000

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 9.8 Detail of Investments in Preference Shares

Name of Company	Note	Percentage of Holding	No. of certificates	Paid-up Value per certificate	Total paid-up value	Total Cost December 31, 2010	Based on audited accounts Agent	Name of Chief Executive/ Managing
					Rupees in '000	as at		
Masood Textile Mills Limited	9.8.1	19%	5,833,335	10	58,333	58,333	30 June 09	Mr. Shahid Nazeer
Fazal Cloth Mills Limited	9.8.2	30%	7,500,000	10	75,000	75,000	30 June 09	Mr. Sheikh Naseem Ahmed
First Dawood Investment Bank Ltd	9.8.3	13.88%	9,935,500	10	99,355	99,355	30 June 10	Mr. Abdus Samad Khan
Trust Investment Bank Ltd	9.8.4	16.31%	5,000,000	10	50,000	50,000	30 June 10	Mr. Hamayun Nabi Jan
						282,688		

9.8.1 This represents KIBOR plus 2% cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, after completion of four years from the date of issue, i.e., June 29, 2005, at a discount of 15%.

9.8.2 This represents KIBOR plus 2.5% cumulative preference shares having redemption terms within 60 days after completion of 5 years from the date of issue, i.e., May 13, 2006.

9.8.3 This represents KIBOR plus 4% cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, any time after issue.

9.8.4 This represents KIBOR plus 100 bps cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, after completion of three 3 years from the date of issue.

### 9.9 Detail of Investments in TFCs

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
Rupees in '000					
<b>Listed</b>					
Askari Bank Limited	20,000	20,000	5,000	99,960	100,000
Standard Chartered Bank Pakistan Limited	10,000	10,000	5,000	47,420	49,930
Engro Corporation Limited	4,000	6,000	5,000	20,006	30,021
Pakistan Mobile Communication Limited	15,000	15,000	5,000	75,000	75,000
Faysal Bank Limited	70,000	-	5,000	350,000	-
Faysal Bank / Royal Bank Of Scotland/ ABN AMRO Bank Limited	7,000	7,000	5,000	26,201	34,936
United Bank Limited-3rd Issue	10,000	10,000	5,000	49,920	49,940
United Bank Limited -4th Issue - HTM	37,000	37,000	5,000	184,815	184,889
Searle Pakistan Limited	10,000	10,000	5,000	6,248	18,743
NIB Bank Limited - HTM	76,789	76,789	5,000	383,561	408,325
United Bank Limited-PPTFC	122,558	122,558	5,000	612,177	612,422
Telecard Limited - HTM	75,888	75,888	5,000	139,444	172,911
Pak Arab Fertilizers Limited	84,080	84,080	5,000	395,176	420,148
Azgard Nine Limited	1,300	1,300	5,000	4,327	4,868
Escort Investment Bank Limited	20,000	20,000	5,000	49,960	83,267
Financial Receivable Securitization Company Limited	21,000	21,000	5,000	70,563	86,722
Orix Leasing Pakistan Limited	1,500	1,500	5,000	3,562	5,613
				2,518,340	2,337,735
<b>Unlisted</b>					
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizon Kissat)	23,000	23,000	100,000	1,916,667	2,300,000
Dewan Farooque Spinning Mills Limited - HTM (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	25,000	25,000	5,000	31,250	31,250
Al-Abbas Sugar Industries (Chief Executive: Mr. Shunaid Qureshi)	25,000	25,000	5,000	74,950	99,950
Javedan Cement Limited [Formerly Al-Abbas Holding (Pvt) Limited] - HTM (Chief Executive: Mr. Aves Chochinwala)	5,750	5,750	100,000	503,125	575,000
Javedan Cement Limited [Formerly Ghani Holding (Pvt) Limited] - HTM (Chief Executive: Mr. Aves Chochinwala)	5,750	5,750	100,000	503,125	575,000
New Allied Electronics Industries - HTM (Chief Executive: Mian Pervaiz Akhtar)	-	10,000	-	-	27,777
Javedan Cement Limited (Chief Executive: Mr. Aves Chochinwala)	2,500	2,500	100,000	250,000	250,000
Grays Leasing Limited (Chief Executive: Mr. Naveed Amin)	18,000	18,000	5,000	20,000	50,000
Rai Textile Mills Limited - HTM (Chief Executive: Mr. Javed Ahmad Kayani)	-	6	-	-	12
Aruj Textile Mills Limited - HTM (Chief Executive: Sheikh Muhammad Tahir)	5	5	654,970	615	852



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
				Rupees in '000	
Blue Star Spinning Mills Limited – HTM	1	1	165,291		
(Chief Executive: Ch.Sardar Mohammad)	1	1	270,681		
	1	1	263,639		
	1	1	251,937		
	1	1	244,584		
	1	1	233,192		
	1	1	225,529		
	1	1	214,966		
	1	1	206,474		
	1	1	195,704		
	1	1	187,419		
	1	1	176,954		
	1	1	168,364		
	1	1	158,215		
	1	1	149,309		
	1	1	139,574		
	1	1	130,254	1,726	1,726
Bentonite Limited – HTM	13	13	107,610		
(Chief Executive: Mr. Khalid Shakeel)	1	1	107,619		
	1	1	470,440		
	15	15	20,100		
	1	1	20,680	1,360	1,360
Shah Jewana Textile Mills Limited – HTM	13	13	40,010		
(Chief Executive: Mrs.Shahida Faisal Saleh Hyat)	1	1	40,069		
	11	11	12,090		
	1	1	120,127	118	118
Faruki Pulp Mills Limited – HTM	-	13	1,050,900		
(Chief Executive: Mr. Salim Akbar Faruki)	-	1	1,050,993	-	6,435
Choudhry Wire Rope Industries – HTM	13	13	217,000		
(Chief Executive: Ch. Muhammad Akram)	1	1	228,902	621	621
Sadhuja Textile Mills Limited – HTM	1	1	137,946		
(Chief Executive: Mr. Ali Asghar)	3	3	278,924		
	2	2	274,376		
	1	1	2,790,892	916	916
Tanocraft Limited – HTM	15	15	59,500		
(Chief Executive: Mr. Kanwer Furqan Ali)	1	1	60,942		
	5	5	69,900		
	1	1	70,385	145	145
Khairpur Sugar Mills Limited – HTM	13	13	55,536		
(Chief Executive: Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	887	1,248
Bachani Sugar Mills Limited – HTM	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	12,667	12,667
Frontier Ceramics – HTM	15	15	117,000		
(Chief Executive: Mr. Shamsul Hassan)	1	1	118,846		
	13	13	224,000		
	1	1	217,221		
	13	13	113,000		
	1	1	113,960	1,466	2,073

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost	
	2010	2009		2010	2009
Rupees in '000					
Bank Al-Habib Limited (Chief Executive: Mr. Abbas D. Habib)	60,000	60,000	5,000	299,640	299,880
National Transmission Distribution Company Limited (PPTFC) (Chief Executive: Mr. Rasul Khan Mahsud)	2,348,200	2,348,200	5,000	11,741,000	11,741,000
Power Holding (Pvt) Limited (Islamabad Electric Supply Company Limited) (Chief Executive: Mr. Fazeel Asif)	300	400	10,000,000	3,000,000	4,000,000
Power Holding (Pvt) Limited (Lahore Electric Supply Company Limited) (Chief Executive: Mr. Fazeel Asif)	300	400	10,000,000	3,000,000	4,000,000
Power Holding (Pvt) Limited (WAPDA) (Chief Executive: Mr. Fazeel Asif)	200	-	10,000,000	2,000,000	-
Power Holding (Pvt) limited (Chief Executive: Mr. Fazeel Asif)	1,271,400	1,271,400	5,000	6,357,000	6,357,000
<b>Total</b>				<b>29,717,278</b>	<b>30,335,030</b>

### 9.10 Detail of Investments in Debentures (Fully Provided)

Name of company	Terms			Cost	
	Principal	Interest	Rate of Interest	2010	2009
Rupees in '000					
<b>Public Sector</b>					
Haripur Cold Storage	Overdue	Overdue	12.50%	500	500
Haripur Cold Storage	Overdue	Overdue	12.50%	459	459
Haripur Cold Storage	Overdue	Overdue	12.50%	56	56
Karachi Development Authority	Overdue	Overdue	12.00%	62,355	62,355
<b>Private Sector</b>					
EFFEF Industries	Overdue	Overdue	14.00%	109	109
				<b>63,479</b>	<b>63,479</b>

### 9.11 Detail of Investments in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due date	Coupon Frequency	Cost	
						2010	2009
Rupees in '000							
<b>Government</b>							
Public Sector Enterprise						-	118,513
						-	118,513
<b>Sukuk Bonds</b>							
Dawood Hercules Limited	6MK+1.2%	18-Sep-07	18-Sep-12	18-Mar-11	Half Yearly	904,800	1,000,000
Security Leasing Corporation Limited	6 MK+2%	06-Jan-07	31-Mar-14	20-Jan-11	Monthly	137,109	168,750
Century Paper & Board Mills Limited	Last 5 Days 6 Month avg						
	K+1.35%	25-Sep-07	24-Sep-14	25-Mar-11	Half Yearly	920,000	1,150,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK+2.4%	30-Jun-08	30-Jun-12	31-Mar-11	Quarterly	142,500	142,500
Liberty Power Tech. Limited	3 MK+3%	31-Mar-09	31-Mar-19	31-Mar-11	Half Yearly	2,530,797	1,026,524
Al-Zamin Leasing Modaraba	6 MK+1.9%	12-May-08	12-May-12	12-May-11	Half Yearly	154,375	190,938
Quetta Textile Mills Limited	6 MK+1.5%	27-Sep-08	27-Sep-15	27-Mar-11	Half Yearly	48,333	50,000
Shahraj Fabrics Pvt Limited	6 MK +2.10%	08-Mar-08	08-Mar-13	08-Mar-11	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	03-Dec-07	03-Dec-18	03-Mar-11	Quarterly	3,187,289	3,190,000
						<b>8,225,203</b>	<b>7,118,712</b>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 9.12 Detail of Investment in Participation Term Certificates (fully provided)

Name of the Borrower	No. of Certificates		Value per Certificate	Cost	
	2010	2009		2010	2009
Rupees in '000					
Crystal Chemicals	1	1	59,000		
(Chief Executive: Mr. Maqsood A Shaikh)	13	13	62,000	1,559	1,559
MAS Dairies Limited.	1	1	50,000		
(Chief Executive: Mian Nisar Akhtar)	9	9	51,000	1,009	1,009
Pangrio Sugar Mills Limited	15	15	236,000		
(Chief Executive: Mr. Sajid Hussain Naqvi)	1	1	240,000		
	1	1	168,000		
	13	13	169,000	3,068	3,068
				5,636	5,636

### 9.13 Quality of Available for Sale Securities

Name of Security	2010		2009	
	Market value/Book Value	Rating	Market value/Book Value	Rating
Rupees '000			Rupees '000	
<b>Government Securities</b>				
Market Treasury Bills	59,846,686	Un Rated	33,997,603	Un Rated
Pakistan Investment Bonds	246,764	Un Rated	244,899	Un Rated
Government of Pakistan Ijara Sukuk	100,000	Un Rated	101,000	Un Rated
<b>Listed TFCs</b>				
Askari Bank Limited	99,960	AA-	97,357	AA-
Engro Corporation Limited	19,580	**	27,878	
Pakistan Mobile Communication Limited	65,476	**	72,402	
Azgard Nine Limited	4,327	A	4,853	AA-
Faysal Bank / Royal Bank Of Scotland/ ABN Amro Bank Limited	26,201	AA-	34,568	AA-
Escort Investment Bank Limited	49,960	A	82,547	A+
Engro Chemical Pakistan Limited	-	-	27,878	AA
Faysal Bank Limited	350,000	AA-	-	-
Financial Receivable Securitization Company Limited-A	42,505	A+	53,395	A+
Financial Receivable Securitization Company Limited-B	28,058	A+	31,250	A+
NIB Bank Limited	-	-	45,862	A
Pakistan Mobile Communication Limited	-	-	72,401	AA-
Pak Arab Fertilizers Limited	395,176	AA	394,509	AA
Searle Pakistan Limited	6,248	A-	18,136	BBB+
Standard Chartered Bank (Pakistan) Limited (Union Bank)	47,420	AAA	49,963	AAA
United Bank Limited-3rd Issue	49,920	AA	49,312	AA
United Bank Limited-4th Issue	184,815	AA	163,025	AA
ORIX Leasing Pakistan Limited	3,562	AA+	5,637	AA+
<b>Unlisted TFCs</b>				
Islamabad Electricity Supply Company Limited	-	-	4,000,000	**
National Transmission Distribution Company Limited (PPTFC)	11,741,000	**	11,741,000	**
Javedan Cement Company Limited	250,000	**	187,500	**
Grays Leasing Limited	20,000	A-	50,000	A-
Bank Al-Habib Limited	299,640	AA	299,880	AA
ORIX Leasing Pakistan Limited	1,916,667	AA+	2,035,500	AA+
Power Holding (Pvt) Limited	14,357,000	**	6,357,000	**
<b>Shares Unlisted</b>				
Arabian Sea Country Club Limited*	50,000	**	5,000	**
Attock Textile Mills Limited	506	**	506	**

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Name of Security	2010		2009	
	Market value/Book Value	Rating	Market value/Book Value	Rating
	Rupees '000		Rupees '000	
Atlas Power Limited*	355,000	**	355,000	**
Dawood Family Takaful Limited	35,000	**	-	**
Eastern Capital Limited*	5,000	**	5,000	**
Equity Participation Fund*	-	**	-	**
First Women Bank Limited*	21,200	BBB+&A2	21,200	BBB+&A2
Habib Allied Internation Bank Limited*	214,769	**	214,769	**
KATEX Mills Limited	1,511	**	1,511	**
Khushhali Bank Limited*	200,000	A-&A-2	200,000	A-&A2
National Woolen Mills	52	**	52	**
National Institutional Facilitation Technologies (Pvt.) Limited	1,526	**	1,527	**
Nishat Chunian Power Limited*	-	-	10	AA & A1+
PASSCO*	1,000	**	1,000	**
Ruby Rice & Gen Mills	105	**	105	**
SME Bank Limited*	5,250	BBB&A-3	5,250	BBB&A3
SWIFT	1,771	**	1,770	**
<b>Shares / Certificates Listed</b>				
Askari Bank Limited	-	-	144,837	AA&A1+
Attock Petroleum Limited	-	-	57,920	**
Bank Al-Habib Limited	33,551	AA+ & A1+	-	-
Crescent Steel & Allied Products	-	-	23,495	A+&A1
Dadabhoy Modaraba	5,025	**	5,025	**
D.G. Khan Cement Limited	189,063	**	-	-
Engro Chemical Pakistan Limited	613,592	AA&A1+	661,336	AA&A1+
Eye Television Network Limited	58,024	A&A1	55,150	A & A1
Fauji Fertilizer Company Limited*	998,879	**	1,280,963	**
Fauji Fertilizer Company Limited	375,677	**	-	-
First Credit & Investment Bank Limited	-	-	15,567	A-&A2
Habib Bank Limited	200,205	AA+&A-1+	-	-
Hub Power Company Limited*	999,085	AA+&A1+	968,686	AA+&A1+
Hub Power Company Limited	227,743	AA+&A1+	478,008	AA+&A1+
Lucky Cement Limited	-	-	274,621	**
Meezan Bank Limited	32,027	AA-&A-1	70,792	A+&A1
National Refinery Limited	338,125	AAA&A1+	-	-
Nishat (Chunian) Limited	192,909	A&A-2	-	-
Nishat Chunian Power Limited*	300,000	AA-&A1+	309,000	AA&A1+
Nishat Chunian Power Limited	67,347	AA-&A1+	146,886	AA&A1+
Nishat Mills Limited	390,800	A+&A1	-	-
Nishat Power Limited*	300,000	AA-&A1+	381,900	AA&A1+
Nishat Power Limited	54,089	AA-&A1+	371,382	AA&A1+
Otsuka Pakistan Limited	3,335	**	-	-
PACE Pakistan Limited	-	-	29,862	A&A1
Pak Oman Advantage Fund	-	-	1,008	FS AA-[f]
Pakistan Oilfield Limited	1,301,823	**	918,548	**
Pakistan Petroleum Limited	-	-	520,690	**
Pakistan State Oil Company Limited	499,119	AA+&A1+	556,213	AA+&A1+
PICIC Growth Mutual Fund	202,512	**	136,245	**
Redco Textile Mills Limited	3	**	3	**
S.G. Fibers Limited	45,908	**	45,908	**
SAFA Textile Mills Limited	8,602	**	8,602	**
UBL Capital Protected Fund	75,000	AA+[cpf]	61,800	AA+[cpf]
United Bank Limited	-	-	626,350	AA+&A1+
<b>Preference Shares</b>				
Trust Investment Bank Limited	50,000	BBB-&A3	-	**
First Dawood Investment Bank	99,355	D&D	-	**

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

Name of Security	2010		2009	
	Market value/Book Value	Rating	Market value/Book Value	Rating
	Rupees '000		Rupees '000	
Fazal Cloth Mills Limited	75,000	**	75,000	**
Masood Textile Limited	58,333	**	116,667	**
<b>Investment in Mutual Funds</b>				
ABL Cash Fund	249,469	AA+(f)	-	-
ABL Income Fund	816,780	A+(f)	896,975	A(f)
ABL Stock Fund	141,560	MFR 5-Star	244,773	**
ABL Islamic Cash Fund	192,456			
AH Dow Jones Safe Pak Titans	20,000	**	-	-
Atlas Money Market Fund	50,000	AA+(f)	-	-
AMZ Plus Income Fund	55,424	BB(f)	100,000	BB(f)
Crosby Phoenix Fund	44,296	A(f)	-	-
Faysal Saving & Growth Fund	-	-	149,927	FS-A(F)
JS Aggressive Income Fund	-	-	99	4-Star
JS Income Fund	-	-	102,988	AA-(F)
KASB Liquid Fund	341,885	BBB+(f)	444,097	5-Star
Lakson Money Market Fund	250,000	AA(f)	101,422	**
MCB Dynamic Cash Fund	-	-	528,214	**
NAFA Cash Fund	894,151	A+(f)	1,065,080	3-Star
National Investment Trust	-	-	50,650	4-Star
United Growth & Income Fund	-	-	1,065,015	FS-A(F)
UBL Principal Protected Fund Plan-II	-	-	25,000	**
<b>Pre-IPO Investment</b>				
Dawood Takaful family fund	-	-	35,000	**
<b>Sukuk Bonds</b>				
Security Leasing Corporation Limited	137,109	**	150,526	BBB-&A3
Century Paper & Board Mills Limited	920,000	A+	1,106,016	A+
Dawood Hercules Limited	904,800	**	972,541	**
K.S.Sulemanji Esmailji & Sons	142,500	**	142,500	**
Liberty Power Tech Limited	2,530,797	AA-	1,026,524	**
Quetta Textile Mills Limited	48,333	**	41,386	**
* Strategic Investments of the Bank				
** Ratings are not available				

	December 31, 2010	December 31, 2009
	Rupees in '000	
<b>9.14 Unrealized loss on revaluation of investments classified as held for trading</b>		
<b>Ordinary shares of listed companies</b>		
Pakistan State Oil Company Limited	-	(7,897)
ABL Income fund	5,576	4,654
ABL Stock Fund	6,700	2,878
ABL Islamic Cash Fund	1,783	-
Pioneer Cement Limited	(35)	-
Japan Power Generation Limited	(1,902)	-
Japan Power Generation Limited	(14,790)	-
	(2,668)	(365)

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		263,057,934	243,204,567
Net investment in finance lease - in Pakistan	10.2	1,261,371	846,699
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		973,826	389,507
Payable outside Pakistan		3,239,841	5,484,414
		4,213,667	5,873,921
Advances - gross		268,532,972	249,925,187
Provision for non-performing advances	10.4	(15,420,788)	(12,535,255)
General provision for consumer financing	10.4	(9,474)	(7,410)
		(15,430,262)	(12,542,665)
Advances - net of provision		253,102,710	237,382,522
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1</b> In local currency		265,266,359	248,538,092
In foreign currencies		3,266,613	1,387,095
		268,532,972	249,925,187
<b>10.1.2</b> Short term (for upto one year)		160,254,440	152,487,239
Long term (for over one year)		108,278,532	97,437,948
		268,532,972	249,925,187

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 10.2 Net investment in finance lease

	December 31, 2010				December 31, 2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								
Lease rentals receivable	274,677	531,796	383,700	1,190,173	263,578	366,287	200,381	830,246
Residual value	51,759	135,880	65,555	253,194	57,695	65,271	38,364	161,330
Minimum lease payments	326,436	667,676	449,255	1,443,367	321,273	431,558	238,745	991,576
Financial charges for future periods	(49,745)	(79,409)	(52,842)	(181,996)	(45,668)	(61,458)	(37,751)	(144,877)
Present value of minimum lease payments	276,691	588,267	396,413	1,261,371	275,605	370,100	200,994	846,699

10.3 Advances include Rs.18,688.166 million (2009: Rs. 16,281.178 million) which have been placed under non-performing status as detailed below:-

Category of Classification	Classified Advances			December 31, 2010 Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially Mentioned	24,340	-	24,340	-	-	-	-	-	-
Substandard	1,604,264	-	1,604,264	330,109	-	330,109	330,109	-	330,109
Doubtful	3,937,765	-	3,937,765	1,968,882	-	1,968,882	1,968,882	-	1,968,882
Loss	13,121,797	-	13,121,797	13,121,797	-	13,121,797	13,121,797	-	13,121,797
	18,688,166	-	18,688,166	15,420,788	-	15,420,788	15,420,788	-	15,420,788

Category of Classification	Classified Advances			December 31, 2009 Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially Mentioned	21,370	-	21,370	-	-	-	-	-	-
Substandard	3,045,384	-	3,045,384	760,816	-	760,816	760,816	-	760,816
Doubtful	2,713,157	-	2,713,157	1,356,579	-	1,356,579	1,356,579	-	1,356,579
Loss	10,501,267	-	10,501,267	10,417,860	-	10,417,860	10,417,860	-	10,417,860
	16,281,178	-	16,281,178	12,535,255	-	12,535,255	12,535,255	-	12,535,255

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 10.4 Particulars of provision against non-performing advances

	Note	December 31, 2010			December 31, 2009		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
Opening balance		12,535,255	7,410	12,542,665	10,657,709	10,060	10,667,769
Charge for the year		4,566,131	2,064	4,568,195	4,180,963	-	4,180,963
Reversals		(1,493,619)	-	(1,493,619)	(1,015,350)	(2,650)	(1,018,000)
Charged to profit and loss account		3,072,512	2,064	3,074,576	3,165,613	(2,650)	3,162,963
Amounts written off	10.5.1	(186,979)	-	(186,979)	(1,288,067)	-	(1,288,067)
Closing balance		15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665
10.4.1 In local currency		15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665
In foreign currencies		-	-	-	-	-	-
		15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
10.5 Particulars of write offs:			
10.5.1 Against provisions		186,979	1,288,067
Directly charged to Profit and Loss account		-	-
		186,979	1,288,067
10.5.2 Write Offs of Rs. 500,000 and above	10.6	113,208	1,047,845
Write Offs of Below Rs 500,000		73,771	240,222
		186,979	1,288,067

### 10.6 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, 2010 is given in Annexure "I" of the unconsolidated financial statements of Allied Bank Limited. However, these write offs do not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			

### 10.7 Particulars of loans and advances to directors, related parties, etc.

Debts due by 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		5,358,275	4,950,762
Loans granted during the year		976,105	1,266,167
Repayments		(1,000,418)	(858,654)
Balance at end of the year		5,333,962	5,358,275

Details of loans and advances to associates and other related parties are given in note 41.

### 11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	3,279,994	1,686,872
Property and equipment	11.2	11,906,454	10,614,274
Intangible assets	11.3	184,670	158,440
		15,371,118	12,459,586

#### 11.1 Capital work-in-progress

Civil works		2,572,875	1,047,556
Equipment		46,893	170,601
Advances to suppliers and contractors		660,226	468,715
		3,279,994	1,686,872



**Notes to the Consolidated Financial Statements**  
for the year ended December 31, 2010

Description	Note	Cost/Revaluation			Accumulated Depreciation			Annual rate of depreciation %		
		At January 1, 2010	Additions (Adjustment)/ (deletions)	Write-off	At December 31, 2010	Charge for the year/ adjustment/ (depreciation on deletion)	Write-off		At December 31, 2010	Net book value at December 31, 2010
Rupees in '000										
Land-Freehold	11.4	4,329,181	1,257 (7,155)	-	4,317,291	-	-	-	4,317,291	-
Land-Leasehold	11.4	1,606,518	76,864	-	1,683,382	-	-	-	1,683,382	-
Buildings-Freehold	11.4	1,111,365	630,707	-	1,742,072	69,382	-	165,379	1,576,693	5
Buildings-Leasehold	11.4	1,748,797	289,721	-	2,038,518	90,240	-	175,809	1,862,709	5
Furniture and fixtures		398,736	154,466 (24,130)	(53)	529,019	39,844 (23,787)	(53)	195,785	333,234	10
Electrical, office and computer equipment		2,519,739	572,506 (41,893)	(116)	3,050,236	435,820 (40,496)	(111)	1,603,539	1,446,697	14.28 - 50
Vehicles		235,472	28,273 (18,079)	-	245,666	44,441 (15,109)	-	160,816	84,850	20
Building improvements (rented premises)		460,971	376,264 (211)	-	837,024	140,237 (159)	-	235,426	601,598	20
<b>Total</b>		<b>12,410,779</b>	<b>2,122,903 (90,305)</b>	<b>(169)</b>	<b>14,443,208</b>	<b>819,964 (79,551)</b>	<b>(164)</b>	<b>2,536,754</b>	<b>11,906,454</b>	



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

- 11.4 Bank arranged for valuation of Properties as at December 31, 2008 from five independent valuers (Akbari & Javed Associates, Progressive Architects & Engineers, Jasper & Jasper, Hasib Associates (Pvt.) Ltd. and Consultancy Support & Services). The revalued amounts of properties have been determined on the basis of Fair Value Model. The revaluation resulted in net increase in the carrying values of the properties by Rs. 1,512.713 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2010	December 31, 2009
Rupees in '000		
- Land	3,509,739	3,515,042
- Building	1,202,404	1,265,689

- 11.5 Fair value of property and equipment including land and buildings is not expected to be materially different from their carrying amount. Land and Buildings were revalued as at December 31, 2008 and are carried at market value.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
11.6 Incremental depreciation charged during the year transferred to profit and loss account	21.1	47,297	49,785
11.7 Restriction/discrepancy in the title of property having a net book value of		116,157	119,713
11.8 Carrying amount of temporarily idle property and equipment		35,550	18,446
11.9 The gross carrying amount of fully depreciated/amortized assets that are still in use:			
Furniture and fixtures		104,795	91,713
Electrical, office and computer equipment		592,849	485,217
Vehicles		21,265	19,718
Intangible assets - software		33,411	29,759
11.10 The carrying amount of property and equipment that have retired from active use and are held for disposal		-	5,992

- 11.11 Fixed assets include a plot at carrying value of Rs. 31 million, which is acquired with the funds of the Bank and held in the name of Muhammad Waseem Mukhtar, a Director of the Bank.

- 11.12 The details of disposals of assets whose original cost or book value exceeds rupees one million or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "II".

- 11.13 Information relating to sale of fixed assets (otherwise than through a regular auction) made to chief executive or a director or an executive or a shareholder holding not less than ten percent of the voting shares of the Bank or any related party, as required by SBP's BSD circular no. 4 dated February 17, 2006, is given in Annexure "II".

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009				
Rupees in '000							
<b>12. DEFERRED TAX ASSETS / (LIABILITY) - NET</b>							
Deferred debits arising in respect of:							
Compensated leave absences	12.2	153,605	216,646				
Provision against:	12.2						
Investments		79,098	79,098				
Other assets		275,847	305,418				
Off balance sheet obligations		169,525	169,525				
Provision against advances	4 (ii)	1,025,795	223,560				
Post retirement medical benefits	12.2	276,249	327,168				
Workers' welfare fund		86,455	75,258				
Loss on sale of listed shares		-	39,863				
		2,066,574	1,436,536				
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	21.1	(314,611)	(331,165)				
Surplus on revaluation of investments		(403,875)	(472,787)				
Accelerated tax depreciation / amortization		(846,420)	(605,066)				
Excess of investment in finance lease over written down value of leased assets		(18,517)	(30,892)				
		(1,583,423)	(1,439,910)				
		483,151	(3,374)				
<b>12.1 Reconciliation of deferred tax</b>							
	Balance as at January 01, 2009	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2009	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2010
(Rupees in '000)							
Deferred debits arising in respect of:							
Compensated leave absences	244,254	(27,608)	-	216,646	(63,041)	-	153,605
Provision against:							
Investments	82,293	(3,195)	-	79,098	-	-	79,098
Other assets	310,498	(5,080)	-	305,418	(29,571)	-	275,847
Off balance sheet obligations	169,525	-	-	169,525	-	-	169,525
Advances	-	223,560	-	223,560	802,235	-	1,025,795
Post retirement medical benefits	351,653	(24,485)	-	327,168	(50,919)	-	276,249
Workers welfare fund	-	75,258	-	75,258	11,197	-	86,455
Loss on sale of listed shares	-	39,863	-	39,863	(39,863)	-	-
Deficit on revaluation of investments	690,817	-	(690,817)	-	-	-	-
Tax Loss	3,534	(3,534)	-	-	-	-	-
	1,852,574	274,779	(690,817)	1,436,536	630,038	-	2,066,574
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(348,590)	17,425	-	(331,165)	16,554	-	(314,611)
Surplus on revaluation of investments	-	-	(472,787)	(472,787)	-	68,912	(403,875)
Accelerated tax depreciation / amortization	(425,499)	(179,567)	-	(605,066)	(241,354)	-	(846,420)
Excess of investment in finance lease over written down value of leased assets	(47,436)	16,544	-	(30,892)	12,375	-	(18,517)
	(821,525)	(145,598)	(472,787)	(1,439,910)	(212,425)	68,912	(1,583,423)
	1,031,049	129,181	(1,163,604)	(3,374)	417,613	68,912	483,151

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

- 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 seeks to simplify 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, 2010	December 31, 2009
Rupees in '000			
<b>13. OTHER ASSETS</b>			
Income/Mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		10,542,327	9,620,554
- in foreign currencies		31,115	65,454
Receivable on sale of investment		-	30,466
Advances, deposits, advance rent and other prepayments		1,137,721	929,122
Advance taxation (payments less provisions)		1,865,621	4,676,715
Stationery and stamps on hand		29,713	22,293
Prepaid exchange risk fee		66	18
Due from the employees' retirement benefit schemes	36.4	1,504,938	1,509,879
Excise duty		26	11
Receivable from SBP - customers encashments		487	203,834
Non banking assets acquired in satisfaction of claims	13.1	1,730,492	938,496
Suspense account		696,059	588,281
Others		40,612	217,506
		17,579,177	18,802,629
Less: Provision held against other assets	13.2	(1,062,781)	(816,191)
Other assets (net of provision)		16,516,396	17,986,438
<b>13.1 Market value of non banking assets acquired in satisfaction of claims</b>		1,747,410	1,077,601
<b>13.2 Provision against Other Assets:</b>			
Opening balance		816,191	887,138
Charge for the year		331,077	77,326
Reversals		-	(133,757)
Net charge / (reversal)		331,077	(56,431)
Written off		(84,487)	(14,516)
Closing balance		1,062,781	816,191
<b>14. CONTINGENT ASSETS</b>			
There were no contingent assets of the Bank as at December 31, 2010 and December 31, 2009.			
<b>15. BILLS PAYABLE</b>			
In Pakistan		4,118,791	3,162,429
Outside Pakistan		-	-
		4,118,791	3,162,429

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>16. BORROWINGS</b>			
In Pakistan		20,680,282	39,457,216
Outside Pakistan		94,168	361,316
		20,774,450	39,818,532
<b>16.1 Particulars of borrowings with respect to currencies</b>			
In local currency		20,518,433	39,457,216
In foreign currencies		256,017	361,316
		20,774,450	39,818,532
<b>16.2 Details of borrowings (Secured/Unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	13,301,654	12,225,858
Long term financing facility – Export oriented projects	16.4	1,889,208	1,254,403
Long term financing facility	16.4	3,316,675	4,768,650
		18,507,537	18,248,911
Borrowing from financial institutions	16.5	20,000	–
		18,527,537	18,248,911
Repurchase agreement borrowings	16.6	1,990,896	10,558,305
<b>Unsecured</b>			
Call borrowings	16.7	161,849	10,650,000
Overdrawn nostro accounts		94,168	361,316
		256,017	11,011,316
		20,774,450	39,818,532
<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. These carry interest at the rate of 10% (2009: 7.0%) 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 7.5 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate ranging from 5.0% to 8.6% (2009: 7.0%) per annum.		
<b>16.5</b>	This represents short term borrowing from National Bank of Pakistan.		
<b>16.6</b>	These represent funds borrowed from the local interbank market against government securities, carrying mark-up at rate 13.5% (2009: ranging between 10.75% and 12.40%) per annum maturing on various dates, latest by January 03, 2011.		
<b>16.7</b>	These represent unsecured borrowings in foreign currency (2009: local currency) from the local interbank market, carrying mark-up at rates, ranging between 0.8% and 1.3% (2009: 11.45% and 12.90%) per annum maturing on various dates, latest by March 28, 2011.		
		December 31, 2010	December 31, 2009
Rupees in '000			
<b>17. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		109,051,434	98,425,685
Savings deposits		93,632,849	85,274,893
Current accounts - Remunerative		57,006,516	47,704,436
- Non-remunerative		110,871,294	93,273,281
		370,562,093	324,678,295
<b>Financial Institutions</b>			
Remunerative deposits		718,855	4,194,264
		371,280,948	328,872,559

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
		Rupees in '000	
17.1	Particulars of deposits		
	In local currency	343,371,982	308,357,013
	In foreign currencies	27,908,966	20,515,546
		371,280,948	328,872,559
18.	SUB-ORDINATED LOANS		
	Customers		
	Term Finance Certificates - I	2,496,000	2,497,000
	Term Finance Certificates - II	2,998,800	3,000,000
		5,494,800	5,497,000

The Bank has issued following unsecured sub-ordinated Term Finance Certificates to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other debts of the Bank including deposits. The salient features of the issues are as follows:

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- (Rupees in thousand)	2,496,000	2,998,800
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA-	AA-
Listing	Karachi Stock Exchange (Guarantee) Limited	Karachi Stock Exchange (Guarantee) Limited
Mark up repayment	Semi annually	Semi annually
Rate	- Six months KIBOR plus 1.9%	- Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer, except with prior approval of SBP	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2010 - 2019)

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>19. OTHER LIABILITIES</b>			
Mark-up/Return/Interest payable in local currency		3,727,598	4,639,831
Mark-up/Return/Interest payable in foreign currency		417,918	352,215
Accrued expenses		733,214	601,609
Branch adjustment account		1,401,372	741,233
Unrealized loss on forward foreign exchange contracts		281,215	37,933
Provision for:			
- gratuity	36.4	94,917	90,841
- employees' medical benefits	36.4	1,632,793	1,485,820
- employees' compensated absences	36.12	872,706	838,006
Unclaimed dividend		49,162	43,503
Dividend payable		8,279	7,086
Provision against off-balance sheet obligations	19.1	370,764	459,003
Retention money payable		92,891	81,489
Security deposits against lease		254,009	161,544
Sundry deposits		1,203,467	1,012,960
Workers Welfare Fund Payable		255,413	222,665
Others		912,071	291,426
		12,307,789	11,067,164
<b>19.1 Provision against off-balance sheet obligations</b>			
Opening balance		459,003	484,356
Charge for the year		33,054	25,049
Reversals		(121,293)	(50,402)
Net charge		(88,239)	(25,353)
Closing balance		370,764	459,003
The above provision has been made against letters of guarantee issued by the Bank.			
<b>19.2</b>			
In local currency		11,741,659	10,560,314
In foreign currencies		566,130	506,850
		12,307,789	11,067,164



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 20. SHARE CAPITAL

#### 20.1 Authorized capital

December 31, 2010	December 31, 2009		December 31, 2010	December 31, 2009
No. of shares			Rupees in '000	
1,000,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	10,000,000	10,000,000

#### 20.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10/- each

December 31, 2010	December 31, 2009	Ordinary shares	December 31, 2010	December 31, 2009
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
357,772,190	286,672,114	Issued as bonus shares	3,577,722	2,866,721
764,552,284	693,452,208		7,645,523	6,934,522
9,148,550	9,148,550	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	8,400,000	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
782,100,834	711,000,758		7,821,009	7,110,008

Ibrahim Fibers Limited and Ibrahim Agencies (Private) Limited, associated undertakings of the Bank, held 287,078,695 (36.71%) and Nil (0.00%) [(December 31, 2009: 287,678,696(40.46%) and 66,247,840 (9.32%)] ordinary shares of Rs.10 each, respectively, as at balance sheet date.

Note	December 31, 2010	December 31, 2009
	Rupees in '000	

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

Surplus/(deficit) arising on revaluation of:

- fixed assets	21.1	2,765,036	2,801,082
- securities	21.2	2,033,420	1,261,197
Surplus on revaluation of assets - net of tax		4,798,456	4,062,279

#### 21.1 Surplus on revaluation of Fixed Assets

Surplus on revaluation of fixed assets as at January 1		3,132,247	3,182,032
Surplus realised on disposal of revalued properties - net of deferred tax		(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(30,743)	(32,360)
Related deferred tax liability		(16,554)	(17,425)
	11.6	(47,297)	(49,785)
Surplus on revaluation of fixed assets as at December 31		3,079,647	3,132,247
Less: Related deferred tax liability on :			
Revaluation as at January 1		331,165	348,590
Charge on revaluation during the year			-
Incremental depreciation charged during the year transferred to profit and loss account		(16,554)	(17,425)
		314,611	331,165
		2,765,036	2,801,082

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
21.2	Surplus/(Deficit) on revaluation of Available-for-sale securities		
	Federal Government Securities		
	Market Treasury Bills	(120,712)	1,127
	Pakistan Investment Bonds	(23,870)	(19,305)
	Term Finance Certificates	(9,949)	(387,927)
	Sukuk Bonds	-	(97,281)
	Shares/Certificates - Listed	2,528,671	2,069,929
	Open end mutual funds	63,155	167,441
		9.1	2,437,295
	Less : Related deferred tax liability	12	(472,787)
			2,033,420
			1,733,984
			1,261,197

## 22. CONTINGENCIES AND COMMITMENTS

### 22.1 Direct credit substitutes

Guarantees in favour of:

Banks and financial institutions	1,769,128	1,035,107
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### 22.2 Transaction-related contingent liabilities

Guarantees in favour of:

Government	9,512,438	5,752,873
Others	8,585,255	10,352,695
	18,097,693	16,105,568

22.3	Trade-related contingent liabilities	52,044,205	65,895,610
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22.4	Claims against the bank not acknowledged as debt	3,943,404	4,346,919
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22.5 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, 2010	December 31, 2009
Rupees in '000		
22.6	Commitments in respect of forward foreign exchange contracts	
	Purchase	23,100,518
	Sale	7,371,457
		8,827,975
22.7	Commitments in respect of:	
	Civil works	1,260,603
	Acquisition of operating fixed assets	372,584
		604,828
22.8	Commitments in respect of lease financing	168,437
		32,630
22.9	Commitments in respect of procurement of software	258
		36,523

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 22.10 Other Contingencies

22.10.1 The income tax assessments of the Bank have been finalized upto and including tax year 2010 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rs. 9,631 million. As a result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs. 2,524 million and Rs. 6,987 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs. 5,794 million has been determined. Against most of the deleted and set-aside issues, Department is in appeal before higher appellate authorities. Pending finalization of appeals, no provision has been made by the Bank on aggregate sum of Rs. 9,631 million. The management is hopeful that the outcome of these appeals will be in favour of the Bank.

22.10.2 As a result of a compromise decree granted by the Honourable High Court of Sindh in August 2002, Fateh Textile Mills Limited pledged 16,376,106 shares of ABL with the Bank as security consequent to the default by Fateh Textile Mills Limited on the terms of the decree. The Bank published a notice on June 23, 2004 in accordance with the requirements of section 19(3) of the Financial Institutions (Recovery of Finances) Ordinance, 2001 and invited sealed bids from interested parties to purchase the pledged shares. The bidding process was scheduled for July 23, 2004 and the Bank had fixed a reserve price of Rs. 25 per share. On the bid date, the highest offer for these shares was received at a rate of Rs. 25.51 per share. The bid was approved and the successful bidder had deposited an amount of Rs. 417.75 million with the Bank.

Fateh Textile Mills Limited had filed a suit against the Bank in the High Court of Sindh challenging the sale of the above shares. The High Court had not granted a stay order on the process of sale of shares. However, the matter is still pending in the Court.

### 23. 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 buys and sells derivative instruments such as:

- Forward Exchange Contracts
- Foreign Exchange Swaps
- Equity Futures

#### Forward Exchange Contracts

Forward Exchange Contract (FEC) is a product which is offered to the obligor who transact internationally. These traders 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-favourably, the Bank will lose money, and 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 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 "interbank" market and fluctuate according to supply and demand.

An FX Swap prevents the Bank from gaining any benefit resulting from a favourable 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 unfavourable currency movements between the time it enters into the transaction and settlement. The term and amounts for FX Swap can also be tailored to suit the Bank's particular needs.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 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 scrip 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 5.16.2. The risk management framework of derivative instruments is given in note 43.

	December 31, 2010	December 31, 2009
	Rupees in '000	
<b>24. MARK-UP/RETURN/INTEREST EARNED</b>		
On loans and advances	31,349,605	30,145,244
On investments in:		
Available for sale securities	10,354,988	6,882,768
Held to maturity securities	1,309,349	1,761,520
	11,664,337	8,644,288
On deposits with financial institutions	5,458	13,061
On securities purchased under resale agreements	1,858,505	2,152,279
On certificates of investment	31,467	70,833
On letters of placement	23,579	44,029
On call money lending	78,233	74,933
	45,011,184	41,144,667
<b>25. MARK-UP/RETURN/INTEREST EXPENSED</b>		
Deposits	16,648,769	17,945,544
Long term borrowing	353,197	259,786
Securities sold under repurchase agreements	767,920	607,703
Call money borrowing	1,173,399	1,158,272
Brokerage and commission	198,364	156,746
Sub-ordinated loans	761,979	826,025
Other short term borrowings	2,561,878	1,467,142
	22,465,506	22,421,218
<b>26. FEE, COMMISSION AND BROKERAGE INCOME</b>		
Core fees, commission and brokerage	2,405,807	2,468,792
Account maintenance charges	240,453	331,514
	2,646,260	2,800,306
<b>27. GAIN ON SALE OF SECURITIES</b>		
Shares - Listed	1,372,962	896,114
Shares - Unlisted	-	7,393
Open End Mutual Funds	62,632	197,970
	1,435,594	1,101,477

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>28. OTHER INCOME</b>			
Gain on sale of operating fixed assets		11,986	4,221
Miscellaneous		86,724	31,765
Compensation of Tax Refund	28.1	152,618	-
		<b>251,328</b>	<b>35,986</b>

28.1 This represents claim of the bank in respect of compensation for delayed refunds under section 171 of the income tax ordinance 2001 pertaining to tax year 2008. This compensation has been calculated at KIBOR applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the bank and the date of adjustment of refund by the income tax authorities.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	29.3	6,044,326	4,924,926
Charge for defined benefit plan	36	472,290	616,127
Contribution to defined contribution plan - provident fund		193,248	166,159
Non-executive directors' fees, allowances and other expenses		2,125	2,125
Rent, taxes, insurance, electricity, etc.		1,332,749	978,483
Legal and professional charges		83,027	106,515
Communications		253,631	292,986
Repairs and maintenance		210,468	161,290
Stationery and printing		245,561	217,888
Advertisement and publicity		204,105	192,072
Auditors' remuneration	29.1	11,420	11,396
Depreciation/Amortization	11.2 & 11.3	854,869	636,943
Security service charges		463,925	361,433
Travelling, conveyance and fuel expenses		221,432	181,906
Entertainment		126,298	97,871
Computer expenses		270,538	236,886
Subscription		293,913	203,772
Donations	29.2	38,260	97,265
Others		21,905	31,541
		<b>11,344,090</b>	<b>9,517,584</b>

### 29.1 Auditors' remuneration

	December 31, 2010				December 31, 2009			
	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousaf Adil Saleem & Co.	Total	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousuf Adil Saleem & Co.	Total
Rupees in '000								
Audit fee	2,730	2,730	-	5,460	2,730	-	2,730	5,460
Special certifications, half yearly reviews and sundry miscellaneous services	1,622	1,470	430	3,522	2,070	-	2,435	4,505
Out-of-pocket expenses	1,025	209	904	2,138	538	-	733	1,271
Audit fee-subsiidiary company	-	300	-	300	-	-	160	160
	<b>5,377</b>	<b>4,709</b>	<b>1,334</b>	<b>11,420</b>	<b>5,338</b>	<b>-</b>	<b>6,058</b>	<b>11,396</b>

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

29.2 None of the directors, executives and their spouses had any interest in the donations disbursed during the year. Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

	December 31, 2010	December 31, 2009
	Rupees in '000	
Institute of Business Administration	10,000	10,000
Donation for Flood Affected Persons, Punjab	10,000	-
Chief Minister of Punjab Flood Relief Fund	5,000	-
Chhipa Welfare Association Karachi	3,530	-
M/s Book Group Karachi	2,500	-
Bakhtawar Amin Memorial Trust Hospital	2,000	-
Shoukat Khanum Memorial Cancer Hospital	1,000	-
Lahore Businessmen Association for Rehabilitation of the Disabled	1,000	-
Aga Khan Hospital and Medical College Foundation	1,000	1,000
Patient Welfare Association, DMC & Civil Hospital Karachi	500	-
Liver Center Civil Hospital Karachi	500	-
Jazba Foundation Lahore	500	-
M/s Tehzeeb Social Welfares Lahore	250	-
National Textile College Mananwala Faisalabad	180	-
Pakistan Hindu Council	100	-
Citizen Foundation Karachi	100	-
Bait ul Sakoon Karachi	100	-
The Karachi Education Initiative	-	50,000
Tamir Welfare Organization	-	2,500
SOS Children's Villages of Pakistan	-	500
Rural Education & Area Development	-	500
National Management Foundation	-	20,000
Lahore Business Association	-	500
Khoja Society for People's Education	-	200
GC University Lahore	-	1,000
Family education service foundation	-	1,000
Abdus Sattar Edhi Foundation	-	10,000
	38,260	97,200

29.3 During the year, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. 195 employees of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 294 million to cover additional retirement benefits in respect of such employees.

	December 31, 2010	December 31, 2009
	Rupees in '000	
<b>30. OTHER CHARGES</b>		
Penalties imposed by SBP	59,647	32,095
Education cess	10,017	21,384
Fixed assets written off	5	9,373
Other assets written off	1,579	4,525
	71,248	67,377

### 31. WORKERS WELFARE FUND

Under the Workers Welfare Fund Ordinance (WWF), 1971 the Bank and its subsidiary are liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

		December 31, 2010	December 31, 2009
		Rupees in '000	
32.	<b>TAXATION</b>		
	Current - for the year	4,175,600	3,551,493
	- for prior years	373,475	-
		4,549,075	3,551,493
	Deferred	[417,613]	[129,181]
		4,131,462	3,422,312
32.1	<b>Relationship between tax expense and accounting profit</b>		
	Accounting profit for the current year	12,415,279	10,571,622
	Tax on income @ 35% (2009: 35%)	4,345,348	3,700,068
	Effect of permanent differences	10,510	106,975
	Adjustments in respect of tax at reduced rates	[442,250]	[343,894]
	Others	217,854	[40,837]
	Tax charge for the current year	4,131,462	3,422,312
33.	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Profit after taxation	8,283,817	7,149,310
		Number of Shares	
	Weighted average number of ordinary shares outstanding during the year	782,100,834	782,100,834
		Rupees	
			Restated
	Earnings per share - basic and diluted	10.59	9.14
	There is no dilution effect on basic earnings per share.		
33.1	The corresponding figure of weighted average number of shares outstanding and earning per share have been restated to include the effect of bonus shares issued by the Bank during the year.		
		Note	December 31, 2010
			December 31, 2009
			Rupees in '000
34.	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	6	31,265,658
	Balances with other banks	7	579,700
	Overdrawn nostro accounts	16	[94,168]
			31,751,190
			27,354,958
35.	<b>STAFF STRENGTH</b>		
			Numbers
	Permanent		8,986
	Temporary / on contractual basis / trainee		142
	Staff strength at the end of the year		9,128
	Outsourced		3,505
	Total staff strength		12,633
			11,726

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 36. DEFINED BENEFIT PLANS

#### 36.1 General description

The Bank operates a funded gratuity scheme for all employees including those who opted for the new staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For the employees, serving the Bank prior to July 01, 2002 and 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.

#### 36.2 Number of Employees under the schemes

The number of employees covered under the following defined benefit scheme/plans are:

	December 31, 2010	December 31, 2009
	Number	
- Gratuity fund	9,083	8,854
- Pension fund	2,701	3,040
- Benevolent fund	235	551
- Employees' compensated absences	8,947	8,713
- Post retirement medical benefits	8,947	8,713

#### 36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2010 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2010	December 31, 2009
Discount rate	Yield on investments in Government Bonds	13.00%	13.00%
Expected rate of return on plan assets:			
Pension fund	Yield on investments	13.00%	13.00%
Gratuity fund	in Government Bonds	13.00%	13.00%
Benevolent fund		13.00%	13.00%
Expected rate of salary increase	Rate of salary increase	11.00%	11.00%
Pension indexation rate		7.00%	7.00%
Medical inflation rate		8.00%	8.00%
Exposure inflation rate		3.00%	3.00%



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 36.4 Reconciliation of (receivable from) / payable to defined benefit plans

December 31, 2010						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	4,237,829	941,933	22,819	1,752,683	872,705
Fair value of plan's/scheme's assets	36.7	(5,368,825)	(849,433)	(143,814)	-	-
Net actuarial (losses) not recognized		(343,263)	2,417	59,637	(119,890)	-
		(1,474,259)	94,917	(61,358)	1,632,793	872,705
Benefit of the surplus not available to the Bank		-	-	30,679	-	-
Net (asset) / liability		(1,474,259)	94,917	(30,679)	1,632,793	872,705
December 31, 2009						
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	4,040,811	766,547	60,968	1,681,204	872,705
Fair value of plan's/scheme's assets	36.7	(5,138,070)	(593,567)	(143,594)	-	-
Net actuarial (losses) not recognized		(389,670)	(82,139)	36,726	(195,384)	-
		(1,486,929)	90,841	(45,900)	1,485,820	872,705
Benefit of the surplus not available to the Bank		-	-	22,950	-	-
Net (asset) / liability		(1,486,929)	90,841	(22,950)	1,485,820	872,705

36.4.1 The latest actuarial valuation of Benevolent Fund, carried out as at December 31, 2010 highlighted a surplus amounting to Rs. 30.679 million attributable to the Bank. The Bank has maintained 100% provision against it.

36.4.2 The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the present value of medical obligation as at December 31, 2010 would be Rs. 95.401 million (2009: Rs. 86.444 million) and Rs. 113.873 million (2009: Rs. 74.285 million) respectively.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 36.5 Movement in (receivable from) /payable to defined benefit plans

December 31, 2010						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		(1,486,929)	90,841	(22,950)	1,485,820	838,005
Charge/(reversal) for the year	36.9	12,670	157,076	(7,729)	292,455	214,819
Benefits paid		-	(153,000)	-	(145,482)	(180,119)
Closing balance		(1,474,259)	94,917	(30,679)	1,632,793	872,705

December 31, 2009						
	Note	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		(1,358,768)	90,845	(141,708)	1,277,755	832,215
Charge/(reversal) for the year	36.9	(128,161)	151,462	230,131	278,022	84,669
Benefits paid		-	(151,466)	(111,373)	(69,957)	(78,879)
Closing balance		(1,486,929)	90,841	(22,950)	1,485,820	838,005

### 36.6 Reconciliation of present value of defined benefit obligations

December 31, 2010						
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		4,040,811	766,547	60,968	1,681,204	838,005
Current service cost		-	134,654	-	53,403	61,641
Interest cost		538,112	111,051	5,446	223,203	108,941
Benefits paid		(663,521)	(116,278)	(18,245)	(145,482)	(180,119)
VRS loss		130,527	4,736	-	9,184	23,399
Actuarial gains / (losses)		191,900	41,223	(25,350)	(68,829)	20,838
Closing balance		4,237,829	941,933	22,819	1,752,683	872,705

December 31, 2009						
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		3,400,000	557,547	474,679	1,521,833	832,215
Current service cost		-	106,250	1,410	56,611	44,783
Interest cost		476,000	78,057	13,362	213,057	116,510
Benefits paid		(327,102)	(36,065)	(673,461)	(69,957)	(78,879)
VRS loss		-	-	251,675	-	-
Actuarial gains / (losses)		491,913	60,758	(6,697)	(40,340)	(76,624)
Closing balance		4,040,811	766,547	60,968	1,681,204	838,005

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 36.7 Reconciliation of fair value of plan assets

December 31, 2010					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Opening balance	5,138,070	593,567	143,594	-	-
Expected return on plan assets	682,948	93,795	18,667	-	-
Bank's contribution	-	153,000	-	-	-
Employees' contribution	-	-	-	-	-
Benefits paid	(663,521)	(116,278)	(18,245)	-	-
Actuarial gains / (losses)	211,328	125,349	(202)	-	-
Closing balance	5,368,825	849,433	143,814	-	-
December 31, 2009					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Opening balance	4,319,903	304,031	617,643	-	-
Expected return on plan assets	604,786	42,564	47,123	-	-
Bank's contribution	-	151,466	111,373	-	-
Employees' contribution	-	-	-	-	-
Benefits paid	(327,102)	(36,065)	(673,461)	-	-
Actuarial gains	540,483	131,571	40,916	-	-
Closing balance	5,138,070	593,567	143,594	-	-

### 36.8 Composition of fair value of plans assets

December 31, 2010					
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000					
Government securities	1,497,001	-	-	-	-
Open end mutual fund units	722,968	-	-	-	-
Listed shares *	1,629,057	378,175	28,422	-	-
Bank balances *	1,519,799	471,258	115,392	-	-
	5,368,825	849,433	143,814	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	640,102,826	202,055,290	-	-	-
Bank balances with ABL	1,519,799	471,258	115,392	-	-
	641,622,625	202,526,548	115,392	-	-

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 36.8 Composition of fair value of plans assets

	December 31, 2009				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	680,122	76,659	-	-	-
Open end mutual funds	562,484	-	-	-	-
Listed shares *	1,251,087	242,100	31,926	-	-
Bank balances *	2,644,377	274,808	111,668	-	-
	5,138,070	593,567	143,594	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	486,987	153,784	10,110	-	-
Bank balances with ABL	2,644,377	274,808	111,668	-	-
	3,131,364	428,592	121,778	-	-

### 36.9 Charge for defined benefit plan

	December 31, 2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	134,654	-	53,403	61,641
Interest cost	538,111	111,051	5,446	223,203	108,941
Expected return on plan assets	(682,948)	(93,795)	(18,667)	-	-
Actuarial (gains)/losses	26,980	430	(2,237)	6,665	20,838
Contributions – employee	-	-	-	-	-
VRS Loss	130,527	4,736	-	9,184	23,399
Benefit of the surplus not available to the Bank	-	-	7,729	-	-
	12,670	157,076	(7,729)	292,455	214,819
	December 31, 2009				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	106,250	1,410	56,611	44,783
Interest cost	476,000	78,057	13,362	213,057	116,510
Expected return on plan assets	(604,786)	(42,564)	(47,124)	-	-
Actuarial (gains)/losses	625	9,719	7,154	8,354	(76,624)
Contributions – employee	-	-	-	-	-
VRS Loss	-	-	251,675	-	-
Benefit of the surplus not available to the Bank	-	-	3,654	-	-
	(128,161)	151,462	230,131	278,022	84,669

36.9.1 The effect of increase of one percentage point and the effect of decrease of one percentage point in the medical trend rates on the aggregate of the current service cost and interest cost components of net period post-employment medical costs would be Rs. 6.201 million (2009: Rs. 11.238 million) and Rs. 7.402 million (2009: Rs. 9.657 million) respectively.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	December 31, 2010		December 31, 2009		
	Rupees in '000				
<b>36.10</b>	<b>Actual return on plan assets</b>				
- Pension fund	894,226		1,145,269		
- Gratuity fund	219,144		174,135		
- Benevolent fund	18,465		88,039		
<b>36.11</b>	<b>Five year data of defined benefit plan and experience adjustments</b>				
	Pension fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	4,237,829	4,040,811	3,400,000	3,461,993	3,295,249
Fair value of plan assets	(5,368,825)	(5,138,070)	(4,319,903)	(5,738,722)	(5,155,897)
Surplus	(1,130,996)	(1,097,259)	(919,903)	(2,276,729)	(1,860,648)
	Experience adjustments on plan obligations / assets				
Actuarial gain / (loss) on obligation	(191,900)	(491,912)	(117,235)	(219,179)	(63,723)
Actuarial gain / (loss) on assets	211,328	540,483	(1,264,567)	449,195	(529,840)
	Gratuity fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	941,933	766,547	557,547	574,685	463,564
Fair value of plan assets	(849,433)	(593,567)	(304,031)	(475,357)	(393,999)
Deficit	92,500	172,980	253,516	99,328	69,565
	Experience adjustments on plan obligations / assets				
Actuarial gain / (loss) on obligation	(41,223)	(60,758)	60,479	(22,810)	1,848
Actuarial gain / (loss) on assets	125,349	131,570	(216,667)	(28,678)	19,193
	Benevolent fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	22,819	60,968	474,679	557,296	532,218
Fair value of plan assets	(143,814)	(143,594)	(617,643)	(692,158)	(610,811)
(Surplus) / deficit	(120,995)	(82,626)	(142,964)	(134,862)	(78,593)
	Experience adjustments on plan obligations / assets				
Actuarial gain / (loss) on obligation	25,350	6,697	94,790	1,424	51,450
Actuarial gain / (loss) on assets	(202)	40,916	(153,801)	(6,400)	(27,417)

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

	Gratuity fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	941,933	766,547	557,547	574,685	463,564
Fair value of plan assets	(849,433)	(593,567)	(304,031)	(475,357)	(393,999)
Deficit	92,500	172,980	253,516	99,328	69,565
<b>Experience adjustments on plan obligations / assets</b>					
Actuarial gain / (loss) on obligation	(41,223)	(60,758)	60,479	(22,810)	1,848
Actuarial gain / (loss) on assets	125,349	131,570	(216,667)	(28,678)	19,193
	Benevolent fund				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	22,819	60,968	474,679	557,296	532,218
Fair value of plan assets	(143,814)	(143,594)	(617,643)	(692,158)	(610,811)
(Surplus) / deficit	(120,995)	(82,626)	(142,964)	(134,862)	(78,593)
<b>Experience adjustments on plan obligations / assets</b>					
Actuarial gain / (loss) on obligation	25,350	6,697	94,790	1,424	51,450
Actuarial gain / (loss) on assets	(202)	40,916	(153,801)	(6,400)	(27,417)
	Post retirement medical				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	1,752,683	1,681,204	1,521,833	1,624,176	1,458,865
Fair value of plan assets	-	-	-	-	-
Deficit	1,752,683	1,681,204	1,521,833	1,624,176	1,458,865
<b>Experience adjustments on plan obligations</b>					
Actuarial gain / (loss) on obligation	68,829	40,340	153,494	(62,511)	(68,312)
	Leave encashment				
	2010	2009	2008	2007	2006
	Rupees in '000				
Present value of defined benefit obligation	872,705	838,005	832,215	875,178	925,392
Fair value of plan assets	-	-	-	-	-
Deficit	872,705	838,005	832,215	875,178	925,392
<b>Experience adjustments on plan obligations</b>					
Actuarial gain / (loss) on obligation	-	-	-	-	-

### 36.12 Employees' compensated absences

The Bank contributes to the gratuity fund as per actuarial's expected charge for the next one year. Contribution to the benevolent fund is made by the Bank as per rates set out in the benevolent scheme. No contributions are being made to pension 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, 2010 would be as follows:

	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Expected (reversal) / charge for the next year	(147,029)	152,594	(13,029)	284,453	191,001

### 37. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for employees who are covered under the new gratuity scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 8,525 (2009: 7,478) as on December 31, 2010. During the year, employees made a contribution of Rs. 191.000 (2009: Rs. 164.205) million to the fund. The Bank has also made a contribution of equal amount to the fund.

The subsidiary company operates an approved provident fund for its permanent employees. Equal monthly contributions to the fund are made both by the subsidiary company and its employees at the rate of 10 % each of the basic salary per month. During the year contribution of Rs. 2.240 million (2009: Rs. 1.953 million) each was made to the fund by the subsidiary company and its employees.

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President/Chief Executive		Directors		Executives*	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rupees in '000							
Fees	38.1	-	-	1,725	2,450	-	-
Managerial remuneration		26,045	16,930	-	-	772,168	568,076
Charge for defined benefit plans		1,613	1,127	-	-	200,575	129,859
Contribution to defined contribution plan		1,344	1,411	-	-	64,048	47,321
Rent and house maintenance		11,724	7,619	-	-	339,458	255,635
Utilities		2,790	1,781	-	-	75,661	56,808
Medical		135	784	-	-	93,536	67,923
Bonus		50,456	16,452	-	-	232,092	226,902
Conveyance and others		424	222	-	-	123,745	69,385
	38.2	94,531	46,326	1,725	2,450	1,901,283	1,421,909
Number of persons		1	1	4	6	845	620

38.1 This represents remuneration paid to directors for attending meetings of the Board of Directors, Audit Committee and other committees held during the year. Board of Directors had recommended an increase in meeting fee from Rs. 25,000 to Rs. 50,000 with effect from 18 October, 2010, and the same shall be approved in the upcoming Annual General Meeting.

38.2 This includes remuneration of ex-president and current president.

\* During the year SBP approved the appointment of an Executive Director as a full time employee of the Bank effective from July 01, 2010, however his role on the Board of Directors shall remain as an Executive Director.

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 9.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the 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.

The maturity and repricing profile and effective rates are stated in notes 43.3.1 and 43.2.4 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 repriced.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

December 31, 2010								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
Rupees in '000								
Total Income	409,614	2,021,742	23,977,826	40,871,128	444,758	176,166	(17,022,742)	50,878,492
Total Expenses	(210,172)	(2,001,367)	(19,943,573)	(37,105,938)	(238,686)	(117,681)	17,022,742	(42,594,675)
Net Income	199,441	20,375	4,034,254	3,765,190	206,072	58,485	-	8,283,817
Segment Assets (Gross)	222,575	12,393,503	106,907,076	349,369,145	214,079	539,436	-	469,645,814
Segment Non Performing Loans	-	-	6,237,635	12,450,450	-	-	-	18,688,085
Segment Provision Required	-	-	5,136,558	10,293,704	-	-	-	15,430,262
Segment Liabilities	263,553	2,469,120	334,172,029	72,662,635	4,389,332	24,663	-	413,981,332
Segment Return on net Assets (ROA) (%)*	89.61%	0.16%	3.77%	1.08%	96.26%	10.84%	-	-
Segment Cost of Funds (%)*	0.00%	13.01%	6.04%	9.88%	0.00%	0.00%	-	-

December 31, 2009								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
Rupees in '000								
Total Income	610,451	2,347,927	19,869,881	37,921,530	375,825	150,027	(14,052,717)	47,222,924
Total Expenses	(315,757)	(2,336,961)	(17,239,657)	(33,897,887)	(213,185)	(122,884)	14,052,717	(40,073,614)
Net Income	294,694	10,966	2,630,224	4,023,643	162,640	27,143	-	7,149,310
Segment Assets (Gross)	467,199	28,531,518	94,853,781	309,596,743	250,471	466,521	-	434,166,233
Segment Non Performing Loans	-	280,595	4,644,319	11,636,859	-	-	-	16,561,773
Segment Provision Required	-	280,595	4,294,069	11,250,717	-	-	-	15,825,381
Segment Liabilities	378,254	21,540,856	276,350,228	86,770,234	3,370,272	11,215	-	388,421,058
Segment Return on net Assets (ROA) (%)*	63.08%	0.04%	2.77%	1.30%	64.93%	5.82%	-	-
Segment Cost of Funds (%)*	0.00%	10.47%	7.63%	10.72%	0.00%	0.00%	-	-

\* The segment return on net assets and cost of funds are based on average assets and average liabilities for the year.



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 41. RELATED PARTIES TRANSACTIONS

The Bank and its subsidiary have related party relationships with companies with common directorship, directors, employee benefit plans and key management personnel.

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.

	December 31, 2010				December 31, 2009			
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
Rupees in '000								
<b>Loans</b>								
Loans at the beginning of the year	22,461	-	248,967	14,318,863	27,040	-	227,276	6,156,764
Loans given during the year	85,655	-	38,959	2,173,199	13,040	-	71,710	8,196,479
Loans repaid during the year	(46,535)	-	(76,223)	(430,166)	(17,619)	-	(50,019)	(34,380)
Loans at the end of the year	61,581	-	211,703	16,061,896	22,461	-	248,967	14,318,863
<b>Deposits</b>								
Deposits at the beginning of the year	9,661	9,400	10,782	-	4,845	55,423	14,275	-
Deposits received during the year	2,973,552	9,298,676	179,754	-	555,123	1,631,336	268,641	-
Deposits repaid during the year	(2,973,392)	(9,214,111)	(174,408)	-	(550,307)	(1,677,359)	(272,134)	-
Deposits at the end of the year	9,821	93,965	16,128	-	9,661	9,400	10,782	-
Nostro balances	-	126,448	-	-	-	198,082	-	-
Lendings	-	523,239	-	-	-	1,097,434	-	-
Borrowings	-	161,850	-	-	-	484,267	-	-
Investments in shares / mutual funds	-	240,969	-	2,304,790	-	240,969	-	4,229,537
Rent payable	-	-	-	-	-	-	664	-
Non funded exposure	-	-	-	4,111,021	-	-	-	4,003,500
Other receivables	-	-	-	-	-	-	-	-
Net receivable from								
staff retirement benefit funds	-	-	-	1,452,077	-	-	-	1,343,345
Staff retirement fund deposits	-	-	-	3,042,357	-	-	-	4,810,081
Rupees in '000								
<b>Income</b>								
Mark-up earned	481	-	11,863	2,432,979	1,049	-	15,256	1,316,436
Income on placements	-	6	-	-	-	175	-	-
Income on lendings	-	155	-	-	-	22,860	-	-
Dividend income	-	-	-	292,892	-	-	-	9,855
Sales Commission	-	-	-	29,857	-	-	-	-
Mark-up expense on deposits	443	-	364	408,256	205	40	675	369,511
Interest expense on borrowings	-	600	-	-	-	161	-	-
Directors' meeting fee	1,725	-	-	-	2,125	-	-	-
Remuneration	-	-	190,577	-	-	-	175,635	-
NIFT charges	-	-	-	66,040	-	-	-	64,768
Management fee / commission	-	-	-	171,035	-	-	-	101,660
Rent expense	-	4,880	-	7,971	-	-	-	7,971
Bank charges levied	-	23	-	33	-	-	-	17
Charge / [reversal] in respect of staff retirement benefit funds	-	-	-	472,290	-	-	-	417,641

Other 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, 9.4, 9.5, 20.2 and 38 to these unconsolidated financial statements.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 42. CAPITAL ASSESSMENT AND ADEQUACY

#### 42.1 Scope of Applications

The Basel II 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.

#### 42.2 Capital Structures

Banks and its subsidiary'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 and deficit on revaluation of available for sale investments.

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%).

The Bank has issued unsecured subordinated Term Finance Certificates, which contributes towards Tier II capital for minimum capital requirements (MCR) to support the Bank's growth. The regulatory approvals for TFC I and TFC II work obtained in December 2006 and August 2009 respectively.

Liability to the TFC holders is subordinated to and ranked inferior to all other debts of the bank including deposits and is not redeemable before maturity without prior approval of the SBP.

The salient features of the issue are as follows:

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding Amount- (Rupees in thousand)	2,496,000	2,998,800
Issue date	December 06, 2006	August 28, 2009
Total issue	2,500,000	3,000,000
Rating	AA-	AA-
Listing	Karachi Stock Exchange (Guarantee) Limited	Karachi Stock Exchange (Guarantee) Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call Option	Call option is not available to the issuer	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2010 - 2019)

Tier 3 Capital has also been prescribed by the SBP for managing market risk; however the Bank does not have any Tier 3 capital.

The required capital is achieved by the Bank through:

- enhancement in the risk profile of asset mix at the existing volume level;
- ensuring better recovery management; and
- maintain acceptable profit margins.

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

Detail of eligible capital of the bank and its subsidiary (on consolidated basis) is as follows:

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
<b>Tier I Capital</b>			
Shareholders' equity /Assigned Capital		7,821,009	7,110,008
Share premium		983,957	1,694,958
Reserves		6,532,953	4,887,887
Unappropriated profits (Net of Losses)		15,853,255	12,164,662
<b>Total Tier I Capital</b>		<b>31,191,174</b>	<b>25,857,515</b>
<b>Less: Book value of intangibles</b>		<b>(184,670)</b>	<b>(158,44)</b>
Shortfall in provisions required against classified assets irrespective of relaxation allowed		(70,250)	(317,785)
Reciprocal investment		(8,482)	-
		<b>(263,402)</b>	<b>(476,225)</b>
<b>Eligible Tier I Capital</b>		<b>30,927,772</b>	<b>25,381,290</b>
<b>Tier II Capital</b>			
Subordinated Debt (upto 50% of total Tier 1 Capital)		4,496,400	4,997,600
General Provisions subject to 1.25% of Total Risk Weighted Assets		9,473	7,410
Revaluation Reserve (upto 45%)		2,482,624	2,189,804
<b>Total Tier II Capital</b>		<b>6,988,497</b>	<b>7,194,814</b>
<b>Eligible Tier II Capital</b>		<b>6,988,497</b>	<b>7,194,814</b>
<b>Eligible Tier III Capital</b>		<b>-</b>	<b>-</b>
<b>Total Regulatory Capital Base</b>		<b>37,916,269</b>	<b>32,576,104</b>

### 42.3 Capital Adequacy

#### 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.

#### 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 required the Banks to raise their minimum paid up capital to Rs. 7 billion by the end of financial year 2010. Furthermore the Banks are expected to increase their minimum paid up capital to Rs 10 billion in a phased manner by the end of financial year 2013.

SBP through its BSD Circular No. 09 dated April 15, 2009 has asked Banks to achieve the minimum Capital Adequacy Ratio (CAR) of 10% on standalone as well as on consolidated basis latest by December 31, 2010.

The paid up capital and CAR of the Bank stands at Rs. 7.821 billion and 13.97% of its risk weighted exposure as at December 31, 2010.

The Bank has complied with all externally imposed capital requirements as at year end.

## Notes to the Consolidated Financial Statements

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### 42.4 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rupees in '000				
<b>Credit Risk</b>				
Portfolios subject to standardized approach (Simple or Comprehensive)				
<b>On- Balance Sheet</b>				
(a) Cash and Cash Equivalents	-	-	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	-	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	-	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	66,166	11,925	661,656	119,253
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-
(g) Claims on Public Sector Entities in Pakistan	53,265	171,935	532,647	1,719,347
(h) Claims on Banks	272,915	72,260	2,729,147	722,604
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	45,367	25,768	453,672	257,682
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	87,567	142,180	875,665	1,421,804
(k) Claims on Corporates (excluding equity exposures)	12,951,802	11,333,633	129,518,020	113,336,333
(l) Claims categorized as retail portfolio	2,247,992	2,504,720	22,477,919	25,047,204
(m) Claims fully secured by residential property	177,253	172,952	1,772,533	1,729,516
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:	-	-	-	-
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	3,651	3,206	36,510	32,055
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	324,304	364,115	3,243,038	3,641,146
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	-	4,170	-	41,703
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held thereagainst is more than 20% of outstanding amount	-	-	-	-
(o) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	584,574	472,174	5,845,742	4,721,738
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	134,228	115,128	1,342,285	1,151,282
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	1,518,645	1,230,115	15,186,446	12,301,148
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	456,123	551,411	4,561,234	5,514,106
	18,923,852	17,175,692	189,238,514	171,756,921

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	Capital Requirements		Risk Weighted Assets	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rupees in '000				
<b>Off- Balance Sheet – Non Market related Exposures</b>				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	1,942,157	1,404,899	19,421,569	14,048,990
Trade Related contingencies/Other Commitments with original maturity of one year or less	375,640	707,806	3,796,561	7,078,056
	2,317,797	2,112,705	23,218,130	21,127,046
<b>Equity Exposure Risk in the Banking Book</b>				
Equity portfolio subject to market-based approaches				
Under simple risk weight method	17,112	24,435	171,120	244,353
<b>Total Credit Risk (A)</b>	<b>21,258,760</b>	<b>19,303,156</b>	<b>212,627,764</b>	<b>193,128,320</b>
<b>Market Risk</b>				
<b>Capital Requirement for portfolios subject to Standardized Approach</b>				
Interest rate risk	-	-	-	-
Equity position risk etc.	1,442,962	1,125,239	14,429,622	11,252,390
	1,442,962	1,125,239	14,429,622	11,252,390
<b>Capital Requirement for portfolios subject to Internal Models Approach</b>				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	96,687	7,466	966,869	74,663
	96,687	7,466	966,869	74,663
<b>Total Market Risk (B)</b>	<b>1,539,649</b>	<b>1,132,705</b>	<b>15,396,491</b>	<b>11,327,053</b>
<b>Operational Risk</b>				
Basic Indicator Approach–Total of operational risk (C)	4,341,938	3,472,437	43,419,377	34,724,367
<b>TOTAL of A + B + C</b>	<b>27,140,347</b>	<b>23,917,974</b>	<b>271,443,632</b>	<b>239,179,740</b>
December 31, 2010      December 31, 2009				
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (Note 42.2)	(a)		37,916,269	32,756,104
Total Risk Weighted Assets (Note 42.4)	(b)		271,443,632	239,179,740
Capital Adequacy Ratio	(a) / (b)		13.97%	13.62%

### 43. 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 maximise opportunities, to minimise adversity and to achieve improved outcomes and outputs based on informed decision making.

#### Categories of Risk

The Bank generates most of its revenues 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:

**Credit Risk** This risk is defined as the possibility of loss due to unexpected default or a deterioration of credit worthiness of a business partner.

Credit Risk includes Country Risk i.e., the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country.

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for the year ended December 31, 2010

<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 behavior 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.
- 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 BRMC recommends for approval to the Board of Directors the policies proposed by MANCO (Management Committee of the Bank) or ALCO (Assets and Liability Committee) which discharges various responsibilities assigned to it by the BRMC.
- The CEO and Group Chiefs are accountable for the management of risk collectively through their membership of risk committees, i.e., Management Committee and the Asset & Liability Committee. 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 Framework of the Bank.

### Risk Management Group Organization

Risk management functions have been segregated by business specialization, i.e., Credit Risk, Credit Administration, Risk Architecture, Risk Analytics, Operational Risk and Market Risk. All these functions are operating in tandem to improve and maintain the health of assets and liabilities.

#### 43.1 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, Commercial and Retail Risk, 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 Risk Framework of the Bank that defines the respective roles and responsibilities, the credit risk management principles and the Bank's credit risk strategy. Further Credit Risk Management is supported by a detailed Credit Policy and Procedural Manual.

The Bank manages 3 principal sources of credit risk:

- i) Sovereign credit risk on its public sector advances
- ii) Non-sovereign credit risk on its private sector advances
- iii) Counter party 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.

#### Non-Sovereign Credit Risk

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 spreadsheet 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 the borrowers and manage its exposure to fluctuations in market, interest and currency rates and to temporarily invest its liquidity prior

## Notes to the Consolidated Financial Statements

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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 BBB.

### Country Risk

The Bank has in place a Country Risk Management Policy which has been approved by the Board. This policy focuses on international exposure undertaken by the Bank. The Bank utilizes country risk rating assessment reports published by Dun & Bradstreet Limited (an international credit rating agency) which use political, commercial, macroeconomic and external risk factors in assigning a country risk rating. The country risk limits used by the Bank are linked to the Dun & Bradstreet ratings and FID is responsible for monitoring of country exposure limits.

### Credit Administration

Credit Administration is involved in minimizing losses that could arise due to security and documentation deficiencies. The Credit Administration Division constantly monitors the security and documentation risks inherent in the existing credit portfolio through six 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 and Institutional borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The ratings are assigned by Risk Managers and are given due weightage while extending credit to these asset classes. The Bank intends to comply with the requirements of Foundation Internal Ratings Based approach for credit risk measurement under Basel II, for which services of a consultant have been solicited to assist the Bank in carrying out statistical testing and validation of the rating models.

### Stress Testing

The Bank is also conducting stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy.

### Early Warning System

In order to ensure that monitoring of the regular lending portfolio focuses on problem recognition, an early warning 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' influences 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.

### Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAM), which is responsible for management of non performing loans. SAM 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 2010, the specific provisioning rate was 81.86% of the non-performing loan portfolio.

The accounting policies and methods used to determine specific and general provision are given in the note numbers 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

During the year 2010, the advances grew by 7.46%, while concomitantly maintaining healthy Advances to Deposit Ratio and Capital Adequacy Ratio.

While expanding the advances portfolio, efficient portfolio diversification has been a key consideration. 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 advance's portfolio is significantly diversified. Textile, Cement, Agriculture and Electric Generation 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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### 43.1.1 Segmental Information

#### 43.1.1.1 Segments by class of business

	December 31, 2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, and Hunting	495,779	0.18	18,145,379	4.89	98,684	0.09
Fishing	8,024	0.00	-	-	-	-
Food & Beverages	5,778,648	2.15	2,008,456	0.54	132,952	0.12
Grains & related	19,484,217	7.26	3,602,908	0.97	288,907	0.27
Sugar	6,860,317	2.55	1,470,727	0.40	54,748	0.05
Spinning	18,163,273	6.76	6,372,522	1.72	664,582	0.61
Weaving	7,569,712	2.82	4,352,291	1.17	505,840	0.47
Finishing of Textile	10,961,581	4.08	1,671,885	0.45	2,303,899	2.13
Manufacture of made up & ready made garments	2,845,462	1.06	922,801	0.25	129,652	0.12
Footware & leather garments	802,575	0.30	427,135	0.12	120,642	0.11
Paper & paper boards	3,721,354	1.39	5,394	0.00	680,088	0.63
Printing, publishing & allied	86,078	0.03	34,752	0.01	135,655	0.13
Petroleum products	812,110	0.30	3,927,026	1.06	4,163,165	3.85
Chemical & pharmaceutical	15,939,600	5.94	338,679	0.09	2,108,997	1.95
Rubber & plastic	1,143,507	0.43	662,789	0.18	180,878	0.17
Cement/clay & ceramics	14,151,349	5.27	2,980,338	0.80	1,328,995	1.23
Basic metals (iron, steel)	2,208,997	0.82	1,531,727	0.41	1,136,417	1.05
Machinery & equipment	3,141,899	1.17	904,093	0.24	389,027	0.36
Power, gas, water & sanitary	43,181,647	16.08	2,594,281	0.70	18,322,632	16.95
Manufacture of transport equipment	375,545	0.14	113,392	0.03	214,393	0.20
Tobacco	-	-	17,434	0.00	-	-
Financial	3,077,428	1.15	2,307,736	0.62	34,325,654	31.75
Health & social welfare	383,198	0.14	10,030,940	2.70	-	-
Education	139,771	0.05	4,269,958	1.15	81,946	0.08
Real estate, renting, and business activities	5,881,142	2.19	32,945,936	8.87	12,160	0.01
Transport, storage & communication	4,780,065	1.78	1,363,453	0.37	34,967	0.03
Hotel, restaurant & clubs	149,872	0.06	1,048,080	0.28	5,225,642	4.83
Construction	6,468,245	2.41	17,393,998	4.68	81	0.00
Furniture & sports goods	982,716	0.37	860,080	0.23	1,183,566	1.09
Wholesale & retail trade	13,447,803	5.01	35,043,611	9.44	142,278	0.13
Individuals	6,627,507	2.47	118,576,797	31.94	6,157,707	5.69
Others	68,863,551	25.64	95,359,670	25.68	28,004,133	25.90
	268,532,972	100.00	371,284,268	100.00	108,128,288	100.00

#### 43.1.1.2 Segments by sector

	December 31, 2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	58,359,399	21.73	41,868,197	11.28	14,459,970	13.37
Private	210,173,573	78.27	329,416,071	88.72	93,668,317	86.63
	268,532,972	100.00	371,284,268	100.00	108,128,287	100.00



## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 43.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Agriculture, Forestry, and Hunting	151,668	111,761	11,136	6,639
Food & Beverages	855,203	711,950	110	110
Spinning	3,170,992	2,085,969	-	-
Weaving	9,040	9,040	-	-
Finishing of Textile	1,909,925	1,513,757	3,503,605	2,177,059
Footwear & leather garments	64,976	64,976	2,698,380	2,266,018
Paper & paper boards	2,559	2,559	2,559	2,559
Printing, publishing & allied	36,787	35,335	40,089	40,089
Petroleum products	5,037	5,037	7,719	5,202
Chemical & pharmaceutical	127,902	110,402	133,062	133,062
Rubber & plastic	2,135	2,135	2,479	2,479
Cement/clay & ceramics	119,625	29,906	-	-
Basic metals (iron, steel)	775,333	734,740	773,682	604,058
Machinery & equipment	1,274,679	1,274,679	1,683,723	1,683,723
Power, gas, water & sanitary	842,846	842,846	842,186	421,388
Manufacture of transport equipment	72,354	72,354	71,462	71,462
Financial	281,313	132,370	649,707	258,925
Health & social welfare	-	-	68,412	67,063
Real estate, renting, and business activities	1,733,911	1,349,097	390,889	98,073
Transport, storage & communication	361,458	359,815	358,532	358,532
Hotel, restaurant & clubs	61,408	61,408	-	-
Construction	887,907	763,419	407,132	384,112
Furniture & sports goods	450	450	450	450
Wholesale & retail trade	2,353,764	1,971,045	1,863,000	1,715,075
Individuals	48,303	48,303	239,539	239,472
Others	3,538,591	3,127,435	2,533,325	1,999,705
	18,688,166	15,420,788	16,281,178	12,535,255

### 43.1.1.4 Details of non-performing advances and specific provisions by sector:

	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Public/Government	-	-	-	-
Private	18,688,166	15,420,788	16,281,178	12,535,255
	18,688,166	15,420,788	16,281,178	12,535,255

### 43.1.1.5 Geographical Segment Analysis

	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Pakistan	12,343,106	449,931,526	35,974,857	108,128,287

## Notes to the Consolidated Financial Statements

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### 43.1.2 Credit Risk – General Disclosures

The Bank and its subsidiary is following standardized approach for all its Credit Risk Exposures.

#### 43.1.2.1 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 counter parties 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.

**Sovereign 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 and its subsidiary 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.

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### Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

#### Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	0 1
2	A+ A A-	A1 A2 A3	A+ A A-	A+ A A-	A+ A A-	2
3	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	3
4	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	4
5	B+ B B-	B1 B2 B3	B+ B B-	B+ B B-	B+ B B-	5 6
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC CC C	CCC CC C D	7

#### 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, 2010

Exposures	Fitch	Moody's	S & P	PACRA	JCR-VIS
Corporate	-	-	-	Yes	Yes
Banks	Yes	Yes	Yes	Yes	Yes
Sovereigns	-	-	-	-	-
SME's	-	-	-	-	-
Securitized	-	-	-	-	-
Others	-	-	-	Yes	Yes

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### Credit exposures subject to Standardized Approach

Exposures	Rating Category	Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	36,213,222	-	36,213,222	49,932,599	-	49,932,599
	2	18,984,146	-	18,984,146	15,421,338	-	15,421,338
	3, 4	1,069,354	-	1,069,354	1,500,707	-	1,500,707
	5, 6	908,325	-	908,325	3,294,270	-	3,294,270
Claims on banks with original maturity of 3 months or less		13,493,628	9,113,821	4,379,807	28,426,234	21,078,346	7,347,888
Retail		37,364,308	2,803,830	34,560,478	42,830,060	5,112,371	37,717,689
Public sector entities	1	2,025,120	-	2,025,120	277,577	-	277,577
Others		178,461,422	-	178,461,422	130,755,272	-	130,755,272
Unrated		193,605,519	63,962,118	129,643,401	173,666,253	62,809,386	110,856,867

#### 43.1.2.2 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 etc.

#### 43.2 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 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, 2010

### Composition of equity investments

	Held for Trading	Available for Sale
Rupees in '000		
Equity Investments - Publicly Traded	842,169	9,469,432
Equity Investments - Others	-	819,856
<b>Total Value</b>	<b>842,169</b>	<b>10,289,288</b>

The cumulative realized gain / (loss) arose of Rs. 1,435.594 million (2009: Rs. 1,107.477 million) from sale of equity securities/certificates of mutual funds and units of open end mutual funds; however unrealized loss of Rs. 2,437.295 million (2009: Rs. 1,733.984) was recognized in the statement of financial position in respect of "AFS" securities.

#### 43.2.1 Market Risk

The Bank is exposed to Foreign Exchange Rate Risk, Interest Rate Risk and Equity Price Risk.

Market Risk Function has been partially set up with current responsibility of performing basic market risk measurement, monitoring and control functions. However, to give it a formal structure, the Bank has appointed services of a foreign risk advisory firm for assistance in establishment of Market Risk Management Framework.

Following para should be included and above para should be deleted.

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 equity securities classified as 'Held for Trading' and 'Available for Sale - Non-Strategic Equity Investments'. These positions are actively managed by the capital market desk. Bank's trading book constitutes capital market equities therefore, they are exposed to equity price risk.

#### 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 - Strategic Portfolio
- ii) Held to maturity securities
- iii) Other strategic investments

Treasury investments parked in the banking book include:

- i) Government securities
- ii) Capital market investments
- iii) Strategic investments
- iv) 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 modeling is being done with respect to duration analysis. Stress testing and scenario models are also in place to capture the sensitivity of the portfolio to adverse movement in interest rates. For prudent risk management, all money market investments are marked to market to assess changes in the market value of investments due to interest rate movements.

#### Equity Position Risk - Banking Book

The Bank's portfolio of equity securities categorized under 'Available for Sale - Strategic only' and 'any other Strategic Investments' are parked in the banking book. These investments expose the Bank to equity price risk.

#### 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, 2010

### Duration GAP Analysis

A Duration Gap Analysis is also conducted to ascertain the duration gap between the Bank's assets and liabilities, to ascertain the effect of interest rate shifts on the market value of equity.

### 43.2.2 Foreign Exchange Risk

Foreign Exchange Risk is the risk of loss arising from fluctuations of exchange rates. Our FX Risk is first controlled through substantially matched funding policy. On the 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 is carefully monitoring 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, 2010				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	435,998,048	384,738,366	(15,729,062)	35,530,620
United States Dollar	13,755,164	23,386,053	10,514,240	883,351
Great Britain Pound	236,093	2,655,422	2,453,832	34,503
Japanese Yen	2,325	1,384	-	941
Euro	454,025	3,195,680	2,770,140	28,485
Other Currencies	25,306	4,427	(9,150)	11,729
	14,472,913	29,242,966	15,729,062	959,009
	450,470,961	413,981,332	-	36,489,629
December 31, 2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	411,212,277	367,030,641	(14,299,698)	29,881,938
United States Dollar	6,589,864	17,372,733	10,854,270	71,401
Great Britain Pound	270,856	1,914,153	1,644,207	910
Japanese Yen	369	807	-	(438)
Euro	266,329	2,094,517	1,831,086	2,898
Other Currencies	34,636	1,502	(29,865)	3,269
	7,162,054	21,383,712	14,299,698	78,040
	418,374,331	388,414,353	-	29,959,978

### 43.2.3 Equity Position Risk

The Board with 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 in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically. The capital market desk ensures compliance of concentration limits set by ALCO. Limit monitoring is done on a daily basis. Limit breaches if any are promptly reported to ALCO with proper reason and justification.

#### Price Risk

Trading and investing in equity securities give rise to price risk. ALCO and Treasury's 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, 2010

### 43.2.4 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, 2010										Not exposed to Yield/ Interest Risk	
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk											
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
(Rupees in '000)													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	31,265,658	4,205,540	-	-	-	-	-	-	-	-	-	-	27,060,118
Balances with other banks	579,700	145	-	-	-	-	-	-	-	-	-	-	579,555
Lendings to financial institutions	11,488,744	11,395,277	6,000	18,000	36,000	24,667	-	-	-	-	-	-	-
Investments - net	121,158,730	31,795,537	30,933,115	4,594,856	875,197	2,779,620	2,310,175	(375,592)	-	-	-	-	12,639,783
Advances - net	253,102,710	29,739,148	8,940,402	101,318,421	2,341,794	1,159,594	7,099,707	5,897,726	-	-	-	-	3,267,297
Other assets - net	12,001,011	-	-	-	-	-	-	-	-	-	-	-	12,001,011
	429,596,753	77,155,667	39,902,517	105,931,277	3,252,991	3,943,881	9,409,882	5,522,134	-	-	-	-	55,547,764
<b>Liabilities</b>													
Bills payable	4,118,791	-	-	-	-	-	-	-	-	-	-	-	4,118,791
Borrowings	20,774,450	4,429,756	4,571,107	371,849	743,697	743,697	1,487,395	1,487,395	-	-	-	-	-
Deposits and other accounts	371,280,748	100,045,460	21,421,896	99,354,335	1,905,394	775,526	3,546,589	1,184,770	505,227	-	-	-	110,871,294
Sub-ordinated loan	5,484,800	-	2,998,800	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,571,536	-	-	-	-	-	-	-	-	-	-	-	9,571,536
	411,240,525	104,475,216	39,238,364	99,726,184	2,649,091	1,519,223	5,035,984	2,672,165	505,227	-	-	-	124,561,621
<b>On-balance sheet gap</b>	<b>18,356,228</b>	<b>(27,319,549)</b>	<b>9,664,153</b>	<b>6,205,092</b>	<b>603,900</b>	<b>2,444,657</b>	<b>4,373,898</b>	<b>2,849,970</b>	<b>(505,227)</b>	<b>(505,227)</b>	<b>(505,227)</b>	<b>(505,227)</b>	<b>(69,013,857)</b>
<b>Off-balance sheet financial instruments</b>													
Commitments in respect of forward exchange contracts - purchase	23,100,518	-	-	-	-	-	-	-	-	-	-	-	23,100,518
Commitments in respect of forward exchange contracts - sale	(7,371,457)	-	-	-	-	-	-	-	-	-	-	-	(7,371,457)
<b>Off-balance sheet gap</b>	<b>15,729,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,729,061</b>
<b>Total yield / interest risk sensitivity gap</b>	<b>34,085,289</b>	<b>(27,319,549)</b>	<b>9,664,153</b>	<b>6,205,092</b>	<b>603,900</b>	<b>2,444,657</b>	<b>4,373,898</b>	<b>2,849,970</b>	<b>(505,227)</b>	<b>(505,227)</b>	<b>(505,227)</b>	<b>(505,227)</b>	<b>87,370,064</b>
<b>Cumulative yield / interest risk sensitivity gap</b>	<b>34,085,289</b>	<b>(27,319,549)</b>	<b>62,352,727</b>	<b>71,397,794</b>	<b>77,602,887</b>	<b>80,651,444</b>	<b>85,025,342</b>	<b>87,875,311</b>	<b>87,370,064</b>	<b>87,370,064</b>	<b>87,370,064</b>	<b>87,370,064</b>	<b>87,370,064</b>

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for the year ended December 31, 2010

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, 2009										
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		
[Rupees in '000]												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
	26,435,683	3,909,653	-	-	-	-	-	-	-	-	-	22,526,030
Cash and balances with treasury banks	1,280,591	148	-	-	-	-	-	-	-	-	-	1,280,443
Balances with other banks	28,122,332	27,597,346	525,586	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	94,673,100	20,069,942	35,215,734	23,920,419	6,564,115	-	-	-	299,880	-	-	8,602,990
Investments - net	237,382,522	82,741,375	107,798,367	27,315,755	661,614	1,618,041	1,274,431	3,252,041	4,985,775	3,977,788	-	3,757,335
Advances - net	14,925,665	-	-	-	-	-	-	-	-	-	-	14,925,665
Other assets - net	402,820,513	134,318,484	143,539,487	51,236,174	7,225,729	1,618,041	1,274,431	3,252,041	5,285,655	3,977,788	-	51,097,463
<b>Liabilities</b>												
	3,162,429	-	-	-	-	-	-	-	-	-	-	3,162,429
Bills payable	39,818,532	16,494,631	10,002,829	7,728,038	430,218	860,436	860,436	1,720,872	1,720,872	-	-	-
Borrowings	328,872,559	72,230,754	29,247,682	13,351,969	106,550,820	8,547,080	452,715	497,288	1,948,063	764,926	-	93,271,242
Deposits and other accounts	5,497,000	-	3,000,000	2,497,000	-	-	-	-	-	-	-	-
Sub-ordinated loan	8,652,498	-	-	-	-	-	-	-	-	-	-	8,652,498
Other liabilities	386,003,018	88,725,565	42,250,511	23,577,007	108,991,038	9,407,516	1,313,151	2,218,160	3,668,955	764,926	-	105,086,169
<b>On-balance sheet gap</b>	16,817,495	45,592,899	101,289,176	27,659,167	(101,765,309)	(7,789,475)	(38,720)	1,033,881	1,616,700	3,212,862	-	(53,993,686)
<b>Off-balance sheet financial instruments</b>												
	23,338,782	-	-	-	-	-	-	-	-	-	-	23,338,782
Commitments in respect of forward exchange contracts - purchase	(8,827,975)	-	-	-	-	-	-	-	-	-	-	(8,827,975)
Commitments in respect of forward exchange contracts - sale	14,510,807	-	-	-	-	-	-	-	-	-	-	14,510,807
<b>Total yield / interest risk sensitivity gap</b>	31,328,302	45,592,899	101,289,176	27,659,167	(101,765,309)	(7,789,475)	(38,720)	1,033,881	1,616,700	3,212,862	-	3,212,862
<b>Cumulative yield / interest risk sensitivity gap</b>	31,328,302	45,592,899	146,882,075	174,541,242	72,775,933	64,986,458	64,947,738	65,981,619	67,598,319	70,811,181	-	70,811,181

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.



43.2.4.1 Reconciliation of Assets and Liabilities exposed to Yield/Interest Rate Risk with Total Assets and Liabilities

	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Reconciliation to total assets	(Rupees in '000)		(Rupees in '000)	
Total financial assets	429,596,753	402,868,632	411,240,525	386,003,018
Less: Non financial assets				
Operating fixed assets	15,371,118	12,459,586		
Deferred tax asset	483,152	-		3,374
Other assets	4,515,385	3,040,753	2,736,253	2,414,666
	20,369,655	15,520,339	2,736,253	2,418,040
Balance as per balance sheet	449,766,408	418,340,852	413,976,778	388,421,058

43.3

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. ALCO is the forum to oversee liquidity management. The overall Bank's principle is that the ALCO has the responsibility 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.

## Notes to the Consolidated Financial Statements

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

		December 31, 2010									
		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	31,265,658	31,265,658	-	-	-	-	-	-	-	-	-
Balances with other banks	579,700	579,700	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	11,488,944	11,395,277	6,000	9,000	18,000	36,000	24,667	-	-	-	
Investments	121,158,730	30,401,148	7,627,656	24,731,040	13,349,325	13,529,004	14,434,659	8,748,806	8,337,092	-	
Advances	253,102,710	42,242,420	79,458,238	27,641,295	8,411,891	12,902,078	13,679,215	18,243,932	40,905,788	9,617,853	
Operating fixed assets	15,371,118	121,986	243,972	365,958	731,917	939,748	403,809	551,582	672,162	11,339,964	
Deferred tax assets	483,152	(4,699)	(61,640)	(36,830)	53,513	405,771	727,061	(5,023)	(351,614)	(243,386)	
Other assets	16,516,396	8,641,382	2,067,352	2,014,610	1,512,632	745,624	-	-	-	1,534,776	
	449,966,408	124,642,872	89,341,578	54,725,073	24,077,278	28,558,243	29,269,410	27,539,297	49,563,427	22,249,227	
<b>Liabilities</b>											
Bills payable	4,118,791	4,118,791	-	-	-	-	-	-	-	-	
Borrowings	20,774,450	4,429,756	4,571,107	6,939,554	371,849	743,697	743,697	1,487,395	1,487,395	-	
Deposits and other accounts	371,280,948	156,356,516	54,731,004	44,484,443	48,281,096	13,807,470	12,677,603	15,450,665	16,751,613	8,742,537	
Sub-ordinated loan	5,494,800	-	600	500	1,100	2,200	1,248,200	1,249,400	2,992,800	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	12,307,789	4,385,887	3,967,902	232,429	429,562	451,408	645,738	795,947	1,398,914	-	
	413,976,778	169,288,950	63,270,614	51,656,926	49,083,607	15,004,776	15,315,239	18,983,407	22,630,723	8,742,537	
Net assets / (liabilities)	35,989,630	(44,646,078)	26,070,964	3,068,147	(25,006,329)	13,553,467	13,954,171	8,555,890	26,932,705	13,506,691	
Share capital	7,821,009										
Reserves	7,516,910										
Unappropriated profit	15,853,255										
	31,191,174										
Surplus on revaluation of assets - net of tax	4,798,456										
	35,989,630										

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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

	December 31, 2009									
	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	26,435,683	26,435,683	-	-	-	-	-	-	-	-
Balances with other banks	1,280,591	1,280,591	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,122,932	27,597,346	525,586	-	-	-	-	-	-	-
Investments	94,673,100	20,069,962	35,215,734	23,920,419	6,564,115	-	-	-	299,880	8,602,990
Advances	237,382,522	37,440,885	74,348,804	19,312,547	18,900,190	21,576,788	16,240,116	25,389,442	20,250,872	3,922,878
Operating fixed assets	12,459,586	57,779	115,558	173,337	346,673	823,992	823,992	879,999	1,204,509	8,033,747
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	17,986,438	8,362,872	2,189,603	2,278,055	1,744,912	1,890,508	-	-	3,700	1,516,788
	418,340,852	121,245,118	112,395,285	45,684,358	27,555,890	24,291,288	17,064,108	26,269,441	21,758,961	22,076,403
<b>Liabilities</b>										
Bills payable	3,162,429	3,162,429	-	-	-	-	-	-	-	-
Borrowings	39,818,532	16,494,831	10,002,829	7,728,038	430,218	860,436	860,436	1,720,872	1,720,872	-
Deposits and other accounts	328,872,559	143,055,718	55,154,523	30,551,474	40,485,432	18,012,593	9,918,228	9,962,802	11,413,597	10,318,192
Sub-ordinated loan	5,497,000	-	600	500	1,100	2,200	2,200	2,496,400	2,994,000	-
Deferred tax liabilities	3,374	(24,456)	(10,048)	(16,835)	(88,438)	137,947	(132,231)	(89,873)	194,205	33,103
Other liabilities	11,067,164	4,300,144	3,882,751	193,410	377,917	297,415	282,483	503,959	1,229,085	-
	388,421,058	166,988,666	69,030,655	38,456,587	41,206,229	19,310,591	10,931,116	14,594,160	17,551,759	10,351,295
	29,919,794	(45,743,548)	43,364,630	7,227,771	(13,650,339)	4,980,697	6,132,992	11,675,281	4,207,202	11,725,108
<b>Net assets / (liabilities)</b>										
Share capital	7,110,008									
Reserves	6,582,845									
Unappropriated profit	12,164,662									
Surplus on revaluation of assets - net of tax	25,857,515									
	4,062,279									
	29,919,794									

43.3.1.1 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, 2010

43.4 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank. This analysis has been prepared on the basis of the balances determined by the Assets and Liabilities management Committee (ALCO) of the bank, keeping in view the historical receipt / withdrawal pattern of these balances.

	December 31, 2010									
	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)										
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	31,265,658	31,265,658	-	-	-	-	-	-	-	-
Balances with other banks	579,700	579,700	-	-	-	-	-	-	-	-
Lendings to financial institutions	11,488,944	11,395,277	6,000	18,000	36,000	24,667	-	-	-	-
Investments - net	121,158,730	30,401,148	7,627,656	24,731,040	13,349,325	14,434,659	8,748,806	8,337,092	-	-
Advances - net	253,102,710	42,242,420	79,458,238	27,641,295	8,411,891	13,679,215	18,243,932	40,905,788	9,617,853	-
Operating fixed assets	15,371,118	121,986	243,972	365,958	731,917	403,809	551,582	672,162	11,339,964	-
Deferred tax assets	483,152	(4,699)	(61,640)	(36,830)	53,513	405,771	(5,023)	(351,614)	(243,386)	-
Other assets - net	16,516,396	8,641,382	2,067,352	2,014,610	1,512,632	745,624	-	-	1,534,796	-
	449,966,408	124,642,872	89,341,578	54,725,073	24,077,278	28,558,243	29,269,410	49,563,427	22,249,227	-
Liabilities										
Bills payable	4,118,791	4,118,791	-	-	-	-	-	-	-	-
Borrowings	20,774,450	4,429,756	4,571,107	6,939,554	371,849	743,697	743,697	1,487,395	1,487,395	-
Deposits and other accounts	371,280,948	57,923,802	66,772,552	53,426,003	57,222,656	17,907,447	16,777,580	24,884,660	43,856,913	32,509,334
Sub-ordinated loan	5,494,800	-	600	500	1,100	2,200	1,248,200	1,249,400	2,992,800	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,307,789	4,385,887	3,967,902	232,429	429,562	451,408	645,738	795,947	1,398,914	-
	413,976,778	70,858,235	75,312,161	60,598,486	58,025,167	19,104,753	19,415,216	28,417,402	49,736,022	32,509,334
Net assets	35,989,630	53,784,637	14,029,417	(5,873,413)	(33,947,889)	9,453,490	9,854,194	(878,105)	(172,595)	(10,260,107)
Share capital										
Share capital	7,821,009	7,821,009	-	-	-	-	-	-	-	-
Reserves	7,516,910	7,516,910	-	-	-	-	-	-	-	-
Unappropriated profit	15,853,255	15,853,255	-	-	-	-	-	-	-	-
	31,191,174	31,191,174	-	-	-	-	-	-	-	-
Surplus on revaluation of assets										
- net of tax	4,798,456	4,798,456	-	-	-	-	-	-	-	-
	35,989,630	35,989,630	-	-	-	-	-	-	-	-

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

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

This analysis has been prepared on the basis of the balances determined by the Assets and Liabilities management Committee (ALCO) of the bank, keeping in view the historical receipt / withdrawal pattern of these balances.

	December 31, 2009									
	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	26,435,683	26,435,683	-	-	-	-	-	-	-	-
Balances with other banks	1,280,591	1,280,591	-	-	-	-	-	-	-	-
Lendings to financial institutions	28,122,932	27,597,346	525,586	-	-	-	-	-	-	-
Investments - net	94,673,100	20,069,962	35,215,734	23,920,419	6,564,115	-	-	299,880	8,602,990	-
Advances - net	237,382,522	37,440,885	74,348,804	19,312,547	18,900,190	21,574,788	16,240,116	25,389,442	20,250,872	3,922,878
Operating fixed assets	12,459,586	57,779	115,558	173,337	346,673	823,992	823,992	879,999	1,204,509	8,033,747
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	17,986,438	8,362,872	2,189,603	2,278,055	1,744,912	1,890,508	-	-	3,700	1,516,788
	418,340,852	121,245,118	112,395,285	45,684,358	27,555,890	24,291,288	17,064,108	26,269,441	21,758,961	22,076,403
<b>Liabilities</b>										
Bills payable	3,162,429	3,162,429	-	-	-	-	-	-	-	-
Borrowings	39,818,532	16,494,831	10,002,829	7,728,038	430,218	860,436	860,436	1,720,872	1,720,872	-
Deposits and other accounts	328,872,559	62,637,486	68,007,594	43,404,545	53,338,503	19,706,372	11,612,007	15,376,345	31,706,196	23,083,511
Sub-ordinated loan	5,497,000	-	600	500	1,100	2,200	2,200	2,496,400	2,994,000	-
Deferred tax liabilities	3,374	(24,456)	(10,048)	(16,835)	(88,438)	137,947	(132,231)	(89,873)	194,205	33,103
Other liabilities	11,067,164	4,300,144	3,882,751	193,410	377,917	297,415	282,483	503,959	1,229,085	-
	388,421,058	166,988,666	69,030,655	38,456,587	41,206,229	19,310,591	10,931,116	14,594,160	17,551,759	10,351,295
<b>Net assets</b>	29,919,794	(45,743,548)	43,364,630	7,227,771	(13,650,339)	4,980,697	6,132,992	11,675,281	4,207,202	11,725,108
Share capital	7,110,008									
Reserves	6,582,845									
Unappropriated profit	12,164,662									
	25,857,515									
Surplus on revaluation of assets - net of tax	-									
	25,857,515									

## Notes to the Consolidated Financial Statements

for the year ended December 31, 2010

### 43.5 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 procedures and the execution of legal, fiduciary and agency responsibilities.

The Bank has in place a BOD approved Operational Risk Framework. Various policies and procedures with respect to this framework are currently being implemented across the Bank.

The 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.

The Bank has also developed a Business Continuity Plan applicable to all its functional areas, with assistance of a consultant.

The Bank is currently in the process of implementing internationally accepted Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations of the Tread way Commission (COSO), with a view to consolidate and enhance the existing internal control processes.

Currently the Bank uses the Basic Indicator Approach for assessing its operational risk capital charge. However, migration to Standardised Approach is planned for future. For this purpose the bank is currently implementing required systems and technology.

### 44. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Bank in its meeting held on February 11, 2011 has proposed a cash dividend in respect of 2010 of Rs. 2.0 per share (2009: Rs. 2.00 per share). In addition, the directors have also announced a bonus issue of 10% (2009: 10%). These appropriations will be approached in the forthcoming Annual General Meeting. The consolidated financial statements of the Bank for the year ended December 31, 2010 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2011.

### 45. GENERAL

45.1 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 and BSD circular letter No. 07 dated April 20, 2010.

### 46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 11, 2011 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## ANNEXURE-II

AS REFERRED TO IN NOTES 11.12 & 11.13 TO THE FINANCIAL STATEMENTS

### 1. DETAIL OF DISPOSAL OF FIXED ASSETS

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Furniture and fixtures Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	153	39	114	115	Insurance	M/s EFU General Insurance
	252	245	7	16	As per Bank policy	Ms. Qaboola Zarin (Retd.)
	40	40	-	-	As per Bank policy	Mr. Abdul Aziz
	88	82	6	11	As per Bank policy	Mr. Abdul Ghafoor Chaudhary
	25	25	-	-	As per Bank policy	Mr. Abdul Majeed Sholapurwala
	59	57	2	2	As per Bank policy	Mr. Abdul Rab Khan
	30	30	-	-	As per Bank policy	Mr. Abdus Salam Khan (Retired)
	67	67	-	1	As per Bank policy	Mr. Adnnan
	161	161	-	-	As per Bank policy	Mr. Akhtar Ali
	40	40	-	1	As per Bank policy	Mr. Akhter Hussain Khan
	30	30	-	-	As per Bank policy	Mr. Ali Bashir
	114	106	8	10	As per Bank policy	Mr. Altaf Hussain
	40	40	-	-	As per Bank policy	Mr. Anwar Mehmood Vaince
	48	48	-	2	As per Bank policy	Mr. Ashfaq Ahmed Faruqui
	40	40	-	-	As per Bank policy	Mr. Ashfaq Ahmed Qureshi
	30	30	-	-	As per Bank policy	Mr. Aslam Hamid
	58	51	7	21	As per Bank policy	Mr. Aurangzeb Khan
	40	40	-	-	As per Bank policy	Mr. Ernest Johan Jalal-ud-Din
	107	107	-	2	As per Bank policy	Mr. Fayyaz Ahmad
	165	165	-	5	As per Bank policy	Mr. Haji Azeem Mahmood Akhtar
	75	64	11	54	As per Bank policy	Mr. Iqbal Zaidi
	39	39	-	-	As per Bank policy	Mr. Javed Iqbal Chaudhary
	60	60	-	-	As per Bank policy	Mr. Maqsood Ahmed Yousufani
	40	40	-	-	As per Bank policy	Mr. Mazahir Hyder
	30	30	-	-	As per Bank policy	Mr. Mohammad Asadullah
	225	225	-	3	As per Bank policy	Mr. Mohammad Iqbal
	72	72	-	2	As per Bank policy	Mr. Mohammad Pervaz Iqbal
	124	121	3	3	As per Bank policy	Mr. Mohammad Qamar Abbas
	55	44	11	22	As per Bank policy	Mr. Mohammad Rafique
	99	99	-	2	As per Bank policy	Mr. Mohammad Riaz
	40	29	11	13	As per Bank policy	Mr. Mohammad Sajjad Akhtar
	260	251	9	24	As per Bank policy	Mr. Mohammad Sarwar Khan
	252	252	-	3	As per Bank policy	Mr. Mohammad Zaki
	55	55	-	-	As per Bank policy	Mr. Muhammad Iqanullah Raja
	131	121	10	25	As per Bank policy	Mr. Muhammad Iqbal
	674	670	4	4	As per Bank policy	Mr. Muhammad Ismail
	363	356	7	20	As per Bank policy	Mr. Muhammad Muneer Yaqoob
	60	58	2	5	As per Bank policy	Mr. Muhammad Nabi Alam
	136	126	11	32	As per Bank policy	Mr. Muhammad Ramazan Chaudhry
	208	202	6	11	As per Bank policy	Mr. Muhammad Yahya
	30	23	7	8	As per Bank policy	Mr. Mukhtar Ahmed Arain
	173	173	-	-	As per Bank policy	Mr. Nelson Francis
	32	32	-	-	As per Bank policy	Mr. Noor Mohammad Chauhan
	40	40	-	-	As per Bank policy	Mr. Pervez Hussain
	40	40	-	-	As per Bank policy	Mr. Raja Mohammad Umar Khan
	40	40	-	-	As per Bank policy	Mr. S.K. Azhar Rizvi
	40	31	9	11	As per Bank policy	Mr. Sajjad Hussain Siddiqi
	30	30	-	-	As per Bank policy	Mr. Sajjad Mahmood Khilji
	40	40	-	-	As per Bank policy	Mr. Sardar-ul-Mulk
	30	23	7	12	As per Bank policy	Mr. Shah Hassan Saeed
	93	86	7	58	As per Bank policy	Mr. Shahid Ghaznavi
	165	165	-	2	As per Bank policy	Mr. Shahid Hassan Qadri
	162	162	-	1	As per Bank policy	Mr. Shahid Nasim
	64	64	-	11	As per Bank policy	Mr. Shakil Alam Khan
	70	66	4	6	As per Bank policy	Mr. Shariq Umar Farooqui
	107	91	16	62	As per Bank policy	Mr. Syed Dilnawaz Yousuf
	82	73	9	26	As per Bank policy	Mr. Syed Raza Akbar
	30	30	-	-	As per Bank policy	Mr. Syed Zaki Ahmed
	68	68	-	5	As per Bank policy	Mr. Tariq Bin Sajjad
	101	101	-	8	As per Bank policy	Mr. Zahid Hussain
	40	40	-	1	As per Bank policy	Mr. Zahoor Mohammad
	53	52	-	-	As per Bank policy	Ms. Masooda Ahmed (Retired)
- Others	18,015	17,960	55	682	Various	Various
<b>Total</b>	<b>24,130</b>	<b>23,787</b>	<b>343</b>	<b>1,302</b>		

**ANNEXURE-II**

AS REFERRED TO IN NOTES 11.12 &amp; 11.13 TO THE FINANCIAL STATEMENTS

Particulars	Rupees in '000					
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Electrical, office and computer equipment						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000						
- Bank Employees						
	1,967	1,549	418	526	Insurance	M/s EFU General Insurance
	17	17	-	2	As per Bank policy	Lt. Col. (Retd.), Shafique Ahmed
	104	104	-	-	As per Bank policy	Ms. Qaboola Zarin
	17	17	-	2	As per Bank policy	Mr. Mian Mahmud-ul-Hassan
	17	17	-	2	As per Bank policy	Mr. Abdul Aleem Qureshi
	238	232	6	6	As per Bank policy	Mr. Abdul Aziz
	35	35	-	-	As per Bank policy	Mr. Abdul Ghafoor Chaudhary
	17	17	-	2	As per Bank policy	Mr. Abdul Hafeez Butt
	34	34	-	-	As per Bank policy	Mr. Abdul Majeed Sholapurwala
	35	35	-	-	As per Bank policy	Mr. Abdul Rab Khan
	45	45	-	2	As per Bank policy	Mr. Abdus Salam Khan
	29	29	-	3	As per Bank policy	Mr. Abid Anwar
	571	571	-	1	As per Bank policy	Mr. Adnnan
	17	17	-	2	As per Bank policy	Mr. Ahmed Faheem Khan
	17	17	-	2	As per Bank policy	Mr. Ahmed Faraz Gahir
	255	255	-	-	As per Bank policy	Mr. Akhtar Ali
	533	533	-	1	As per Bank policy	Mr. Akhter Hussain Khan
	38	38	-	-	As per Bank policy	Mr. Ali Bashir
	36	36	-	-	As per Bank policy	Mr. Altaf Hussain
	17	17	-	2	As per Bank policy	Mr. Amir Ahsan
	35	35	-	-	As per Bank policy	Mr. Anwar Mehmood Vaince
	35	35	-	1	As per Bank policy	Mr. Ashfaq Ahmed Faruqui
	264	264	-	1	As per Bank policy	Mr. Ashfaq Ahmed Qureshi
	121	121	-	-	As per Bank policy	Mr. Aslam Hamid
	20	10	10	11	As per Bank policy	Mr. Aun Ali Naqvi
	36	35	-	-	As per Bank policy	Mr. Aurangzeb Khan
	17	17	-	2	As per Bank policy	Mr. Chaudhry Iftikhar Ahmed
	17	17	-	2	As per Bank policy	Mr. Darell Bento Moniz
	17	17	-	2	As per Bank policy	Mr. Dildar Hussain
	25	25	-	-	As per Bank policy	Mr. Ernest Johan Jalal-ud-Din
	28	28	-	-	As per Bank policy	Mr. Fayyaz Ahmad
	17	17	-	2	As per Bank policy	Mr. Freddy R. Sethna
	29	29	-	-	As per Bank policy	Mr. Haji Azeem Mahmood Akhtar
	17	17	-	2	As per Bank policy	Mr. Imtiaz Hussain Mughal
	17	17	-	2	As per Bank policy	Mr. Iqbal Abdullah
	149	149	-	-	As per Bank policy	Mr. Iqbal Zaidi
	17	17	-	2	As per Bank policy	Mr. Iqbal Zaidi
	17	17	-	2	As per Bank policy	Mr. Jamil Khan
	24	23	-	-	As per Bank policy	Mr. Javed Iqbal Chaudhary
	17	17	-	2	As per Bank policy	Mr. Khalid Sohail Azmi
	17	17	-	2	As per Bank policy	Mr. Khawaja M. Almas
	66	66	-	-	As per Bank policy	Mr. Magsood Ahmed Yousufani
	34	34	-	-	As per Bank policy	Mr. Mazahir Hyder
	17	17	-	2	As per Bank policy	Mr. Mir Aamir Nawaz
	35	35	-	-	As per Bank policy	Mr. Mohammad Asadullah
	26	26	-	-	As per Bank policy	Mr. Mohammad Iqbal
	27	27	-	-	As per Bank policy	Mr. Mohammad Pervaz Iqbal
	73	73	-	-	As per Bank policy	Mr. Mohammad Qamar Abbas
	28	28	-	-	As per Bank policy	Mr. Mohammad Rafique
	35	35	-	-	As per Bank policy	Mr. Mohammad Riaz
	539	539	-	-	As per Bank policy	Mr. Mohammad Sajjad Akhtar
	29	29	-	-	As per Bank policy	Mr. Mohammad Sarwar Khan
	35	35	-	-	As per Bank policy	Mr. Mohammad Zaki
	17	17	-	2	As per Bank policy	Mr. Moin Khalid
	17	17	-	2	As per Bank policy	Mr. Muhammad Azizullah Abid
	25	25	-	-	As per Bank policy	Mr. Muhammad Iqanullah Raja
	28	27	1	3	As per Bank policy	Mr. Muhammad Iqbal
	35	35	-	-	As per Bank policy	Mr. Muhammad Ismail
	32	32	-	-	As per Bank policy	Mr. Muhammad Muneer Yaqoob
	196	196	-	-	As per Bank policy	Mr. Muhammad Nabi Alam
	60	60	-	-	As per Bank policy	Mr. Muhammad Ramazan Chaudhry



## ANNEXURE-II

AS REFERRED TO IN NOTES 11.12 & 11.13 TO THE FINANCIAL STATEMENTS

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
	79	79	-	-	As per Bank policy	Mr. Muhammad Yahya
	263	252	11	12	As per Bank policy	Mr. Mukhtar Ahmed Arain
	17	17	-	2	As per Bank policy	Mr. Nadeem Ansari
	35	33	2	12	As per Bank policy	Mr. Nelson Francis
	34	34	-	-	As per Bank policy	Mr. Noor Mohammad Chauhan
	26	26	-	-	As per Bank policy	Mr. Pervez Hussain
	223	223	-	-	As per Bank policy	Mr. Raja Mohammad Umar Khan
	20	8	13	13	As per Bank policy	Mr. Rashid Maqsood Hamidi
	22	22	-	-	As per Bank policy	Mr. S.K. Azhar Rizvi
	17	17	-	2	As per Bank policy	Mr. Saif-ul-Islam
	378	378	-	-	As per Bank policy	Mr. Sajjad Hussain Siddiqi
	35	35	-	-	As per Bank policy	Mr. Sajjad Mahmood Khilji
	17	17	-	2	As per Bank policy	Mr. Saleem Iqbal Qureshi
	288	288	-	-	As per Bank policy	Mr. Sardar-ul-Mulk
	17	17	1	2	As per Bank policy	Mr. Shafique Ahmed Uqaili
	170	169	-	-	As per Bank policy	Mr. Shah Hassan Saeed
	35	35	-	-	As per Bank policy	Mr. Shahid Ghaznavi
	25	25	-	-	As per Bank policy	Mr. Shahid Hassan Qadri
	23	23	-	1	As per Bank policy	Mr. Shakil Alam Khan
	253	253	-	-	As per Bank policy	Mr. Shariq Umar Farooqui
	20	16	4	5	As per Bank policy	Mr. Shauzab Ali
	17	17	-	2	As per Bank policy	Mr. Syed Atif Izhar
	63	63	-	1	As per Bank policy	Mr. Syed Dilnawaz Yousuf
	17	17	-	2	As per Bank policy	Mr. Syed Ibrahim Hussain
	35	35	-	-	As per Bank policy	Mr. Syed Raza Akbar
	230	230	-	1	As per Bank policy	Mr. Syed Zaki Ahmed
	35	35	-	1	As per Bank policy	Mr. Tariq Bin Sajjad
	32	32	-	1	As per Bank policy	Mr. Zahid Hussain
	128	128	-	1	As per Bank policy	Mr. Zahoor Mohammad
	17	17	-	2	As per Bank policy	Mr. Zia Ullah Chaudhry
	68	68	-	-	As per Bank policy	Ms. Masooda Ahmed
Others	32,925	31,996	929	1,774	Various	Various
<b>Total</b>	<b>41,893</b>	<b>40,497</b>	<b>1,395</b>	<b>2,431</b>		

**ANNEXURE-II**

AS REFERRED TO IN NOTES 11.12 &amp; 11.13 TO THE FINANCIAL STATEMENTS

Rupees in '000						
Particulars	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of purchaser
Vehicles						
Toyota Corolla	879	645	234	712	Insurance	M/s EFU General Insurance
Kia Sportage Jeep	1,572	1,572	-	507	Auction	Mr. Sultan Hassan Khan
Toyota Corolla	849	849	-	723	Auction	Mr.Imran Shaikh
Toyota Hilux	2,229	2,229	-	1,070	Auction	Mr.Muhammad Ali Siddiqui
Toyota Corolla	849	849	-	826	Auction	Mr. Juma
Toyota Corolla	849	849	-	829	Auction	Mr. Sarfaraz
Toyota Corolla	849	849	-	816	Auction	Mr. Rizwan Siddiqui
Toyota Corolla	849	849	-	760	Auction	Mr.Kamran Raza
Toyota Corolla	849	849	-	746	Auction	Mr. Saqib
Toyota Corolla	849	849	-	809	Auction	Mr. Sarfaraz
Toyota Corolla	879	645	234	844	Auction	Mr. Rizwan Siddiqui
Toyota Corolla	879	645	234	845	Auction	Mr. Sarfaraz
Toyota Corolla	969	711	258	920	Auction	Mr.Zahid Qadri
Suzuki Bolan Van	367	343	24	388	Auction	Mr. Rizwan Siddiqui
Toyota Corolla	879	645	234	891	Auction	Mr.M.Asif Akram
Suzuki Bolan Van	379	101	278	436	Auction	Mr. Rizwan Siddiqui
Suzuki Bolan Van	379	101	278	436	Auction	Mr. Rizwan Siddiqui
Suzuki Mehran	474	126	348	425	Auction	Mr.Zahid Qadri
Suzuki Mehran	450	83	368	437	Auction	Muhammad Sarwar Khan
Suzuki Mehran	306	306	-	300	As per Bank policy	Mr. Aamir Sohail
Suzuki Mehran	474	190	284	348	As per Bank policy	Mr. Lal Din
Toyota Corolla	969	775	194	706	Insurance	M/s EFU General Insurance
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	52	49	2	17	Various	Various
	18,079	15,109	2,970	14,791		
Leasehold Improvement						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	211	158	52	14	Various	Various
Land Freehold						
Items having book value of less than Rs.250,000 or cost of less than Rs.1,000,000	5,992	-	5,992	4,200	Open Plot	Mr. Muhammad Irshad
<b>December 31, 2010</b>	<b>90,305</b>	<b>79,551</b>	<b>10,752</b>	<b>22,738</b>		
<b>December 31, 2009</b>	<b>81,042</b>	<b>64,204</b>	<b>16,838</b>	<b>21,058</b>		

## Pattern of Shareholding

Allied Bank Limited

Information for annual financial statement as on December 31, 2010.

### 1 Issued, subscribed and paid-up capital:

ORDINARY SHARES	As on December 31, 2010		As on December 31, 2009	
	No. of Shares	Amount (Rs.)	No. of Shares	Amount (Rs.)
Fully paid in Cash	406,780,094	4,067,800,940	406,780,094	4,067,800,940
Increase in Share Capital	-	-	-	-
Issued as Bonus Shares	357,772,190	3,577,721,900	286,672,114	2,866,721,140
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
<b>TOTAL:</b>	<b>782,100,834</b>	<b>7,821,008,340</b>	<b>711,000,758</b>	<b>7,110,007,580</b>

### 2 Major shareholding

Holding more than 5% of the total paid-up capital.

S.No.	Name of Shareholder	No. shares held	% age held
1	Mohammad Naeem Mukhtar	119,664,948	15.30
2	Muhammad Waseem Mukhtar	119,652,953	15.30
3	Sheikh Mukhtar Ahmad	102,046,872	13.05
4	Ibrahim Fibres Ltd.	287,078,695	36.71
5	State Bank of Pakistan	78,730,921	10.07

## Pattern of Shareholding

Allied Bank Limited

No. of Shareholders	Shareholdings From	To	Total Shares Held
7,227	1	100	292,661
8,945	101	500	2,063,798
1,488	501	1,000	1,117,851
1,742	1,001	5,000	3,815,781
357	5,001	10,000	2,511,342
129	10,001	15,000	1,646,734
72	15,001	20,000	1,251,547
42	20,001	25,000	939,185
23	25,001	30,000	637,313
17	30,001	35,000	556,685
13	35,001	40,000	486,230
6	40,001	45,000	255,659
6	45,001	50,000	290,122
7	50,001	55,000	372,958
2	55,001	60,000	111,627
3	60,001	65,000	185,037
3	65,001	70,000	200,160
5	70,001	75,000	362,445
2	75,001	80,000	154,267
1	85,001	90,000	87,991
5	95,001	100,000	497,000
2	100,001	105,000	205,901
1	105,001	110,000	107,466
1	115,001	120,000	119,836
3	120,001	125,000	364,977
2	125,001	130,000	253,939
2	130,001	135,000	265,032
3	145,001	150,000	449,251
1	170,001	175,000	170,217
1	175,001	180,000	180,000
1	195,001	200,000	196,350
1	210,001	215,000	213,565
1	225,001	230,000	225,085
2	235,001	240,000	473,055
1	240,001	245,000	243,200
1	305,001	310,000	305,062
3	310,001	315,000	933,413
1	315,001	320,000	319,414
1	330,001	335,000	331,314
1	335,001	340,000	336,500
1	350,001	355,000	350,050
2	395,001	400,000	800,000
1	495,001	500,000	500,000
1	520,001	525,000	525,000
1	535,001	540,000	535,850
1	765,001	770,000	767,638
1	810,001	815,000	810,306
1	825,001	830,000	829,015
1	830,001	835,000	834,618
1	895,001	900,000	900,000
1	1,305,001	1,310,000	1,309,570
1	1,360,001	1,365,000	1,363,377
1	1,380,001	1,385,000	1,383,411
1	1,790,001	1,795,000	1,790,273
1	4,885,001	4,890,000	4,885,721
1	6,710,001	6,715,000	6,715,102
1	9,880,001	9,885,000	9,882,711
1	10,930,001	10,935,000	10,931,723
1	16,160,001	16,165,000	16,164,821
1	68,845,001	68,850,000	68,848,210
1	102,045,001	102,050,000	102,046,872
1	119,650,001	119,655,000	119,652,953
1	119,660,001	119,665,000	119,664,948
1	287,075,001	287,080,000	287,078,695
20,149			782,100,834

## Pattern of Shareholding

Allied Bank Limited

Categories of Shareholders		No. of Shares	%age	
<b>Associated Companies, undertaking and related parties.</b>				
Ibrahim Fibres Limited.	Sponsors	1	287,078,695	36.7061
Trustees of Employees Superannuation Funds		1	16,164,821	2.0668
ABL Stock Fund		1	120,911	0.02
		3	303,364,427	38.79
<b>Directors, Chief Executive Officer, and their spouses and minor children</b>				
Mohammad Naeem Mukhtar		1	119,664,948	15.3005
Muhammad Waseem Mukhtar		1	119,652,953	15.2989
Sheikh Mukhtar Ahmad		1	102,046,872	13.0478
Abdul Aziz Khan		1	15,400	0.00
Jalees Ahmed		1	9,496	0.00
Mubashir A.Akhtar		1	5,500	0.00
Pervaiz Iqbal Butt		1	3,630	0.00
		7	341,398,799	43.65
<b>Banks, DFIs, Financial Institutions, NBFIs.</b>				
State Bank of Pakistan		1	78,730,921	10.07
Standard Chartered Bank (Pak) Ltd.		1	16,469	0.00
Escorts Investment Bank Limited		1	215,054	0.03
First Credit & Investment Bank Limited		1	1,687	0.00
Pak-Oman Investment Company Ltd.		1	834,618	0.11
Saudi Pak Leasing Company Limited		1	60,500	0.01
Trust Leasing Corporation Ltd		1	138	0.00
Habib Bank Ltd- Cloth Makt. Com. Centre.		1	87,991	0.01
National Bank Of Pakistan		1	1,022,294	0.13
The Bank Of Punjab		1	25,000	0.00
Mcb Bank Limited - Treasury		1	4,885,721	0.62
Invest Capital Investment Bank Limited		1	18	0.00
M/S. Al-Faysal Investment Bank		1	39	0.00
		13	85,880,450	10.98
<b>Nit And Icp</b>				
National Bank Of Pakistan, Trustee Dept.		1	1,790,273	0.23
Idbp (Icp Unit )		1	10,986	0.00
		2	1,801,259	0.23
<b>Insurance Companies</b>				
New Jubilee Insurance Company Limited		1	196,350	0.03
Efu Life Assurance Ltd		1	319,414	0.04
Adamjee Insurance Company Limited		1	1,309,570	0.17
State Life Insurance Corp. Of Pakistan		1	236,289	0.03
Asia Care Health & Life Insurance Co. Ltd.		1	43,230	0.01
New Jubilee Life Insurance Co.Ltd		1	133,100	0.02
Century Insurance Company Ltd.		1	21,780	0.00
The Crescent Star Insurance Co.Ltd.		1	734	0.00
M/S. Orient Insurance Co.Ltd		1	278	0.00
Gulf Insurance Company Limited		1	496	0.00
		10	2,261,241	0.29
<b>Modarabas And Mutual Funds</b>				
Nafa Stock Fund		1	305,062	0.04
Nafa Asset Allocation Fund		1	31,900	0.00
Crosby Dragon Fund		1	180,000	0.02
Akd Index Tracker Fund		1	48,739	0.01
First Alnoor Modaraba		1	15,020	0.00
Pak Strategic Alloc. Fund		1	829,015	0.11
United Stock Advantage Fund		1	900,000	0.12
Pakistan Stock Market Fund		1	1,363,377	0.17
Atlas Stock Market Fund		1	150,000	0.02
Asian Stock Fund		1	400,000	0.05
Safeway Mutual Fund		1	400,000	0.05
Apf- Equity Sub Fund		1	15,000	0.00

## Pattern of Shareholding

Allied Bank Limited

Categories of Shareholders		No. of Shares	%age
Lakson Equity Fund	1	66,899	0.01
Ursf- Equity Sub Fund	1	26,099	0.00
Ppf Equity (Sub-Fund)	1	41,306	0.01
Mcb Dynamic Stock Fund	1	107,466	0.01
Hbl Multi - Asset Fund	1	35,333	0.00
Pak Asian Fundlimited	1	1,000	0.00
Pakistan Premier Fund Limited	1	810,306	0.10
First Habib Stock Fund	1	5,415	0.00
Hbl - Stock Fund	1	127,884	0.02
First Fidelity Leasing Modaraba (Pvt.) Ltd.	1	421	0.00
Pakistan Capital Market Fund	1	310,384	0.04
M/S. Modaraba Al Mali	1	81	0.00
M/S. First Tawakkal Modaraba	1	239	0.00
	25	6,170,946	0.79
<b>Public Sector Companies And Corporations</b>			
(Other Than Those Covered In Insurance Companies And Banks)	Nil	Nil	Nil
Shareholders Holding 10% (And Above)			
(Excluding Directors And Associated Companies)	Nil	Nil	Nil
<b>Foreign Investors.</b>			
The Bank Of New York Mellon	1	14,936	0.00
Eaton Vance Collective Inv. Trt. For Emp. B	1	14,641	0.00
Emerging Markets Equity Managers Ptf 1 O	1	27,733	0.00
The Board Of Regents Of The University O	1	103,081	0.01
The Northern Trust Company	1	1,383,411	0.18
Jf Asia New Frontiers Fund	1	311,110	0.04
Sea Grass Investments L.P.	1	170,217	0.02
Chelsia Investments Lp	1	311,919	0.04
Public Employee Retirement Assc. Of New	1	33,250	0.00
Ceres Monde Indien	1	525,000	0.07
Habib Bank Ag Zurich, Deira Dubai.	1	75,000	0.01
Habib Bank Ag Zurich, Switzerland	1	11,000	0.00
Bnp Paribas Arbitrage	1	63,767	0.01
Advance Series Trust-Ast Parametric Emer	1	243,200	0.03
Mohammad Tahir Butt	1	2,613	0.00
Nahid Hafeez	1	25,000	0.00
Ashiq Ali Kanji	1	13,629	0.00
	17	3,329,507	0.43
<b>General Public - Individuals</b>	19,921	7,461,415	0.95
Others	149	19,501,042	2.49
A) Federal Government Of Pakistan	1	10,931,723	1.40
B) Security & Exchange Commission Of Pakistan	1	25	0.00
	151	30,432,790	4.85
<b>Total</b>	<b>20,149</b>	<b>782,100,834</b>	<b>100.00</b>

All the trades in the shares carried out by directors, CEO, CFO, Secretary, their spouses and minor children is reported as under:

Name	Purchase/Gift
Mohammad Naeem Mukhtar	14,794,162
Muhammad Waseem Mukhtar	14,446,193
Sheikh Mukhtar Ahmad	73,399,191
Mubashir A.Akhtar	1,144

Apart from these, there have been no trades in the shares of the Bank, carried out by its other directors, CEO, CFO, Company Secretary, their spouses and minor children.

## Notes

*AGM*

*On March 16, 2011 at 11:00 am*

*Hotel Avari, Lahore.*





## Form of Proxy

65th Annual General Meeting

I / We \_\_\_\_\_

of \_\_\_\_\_

being a shareholder of the Allied Bank Limited do hereby appoint \_\_\_\_\_

of \_\_\_\_\_ also a shareholder of ABL,

to be my/our proxy and to attend, act and vote for me/us on my/our behalf at the 65th Annual General Meeting of the Bank to be held on 16th March, 2011 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 \_\_\_\_\_ 2011.

AFFIX  
Revenue  
Stamp of Rs. 5/-

### Witness

1- Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC # \_\_\_\_\_

Signature \_\_\_\_\_  
The signature should  
agree with the specimen  
registered with the Company

### Witness

2- Signature \_\_\_\_\_ Folio No. \_\_\_\_\_  
Name \_\_\_\_\_ CDC A/c No. \_\_\_\_\_  
Address \_\_\_\_\_ Sub A/c. No. \_\_\_\_\_  
CNIC # \_\_\_\_\_ No. of Shares held \_\_\_\_\_  
Distinctive Numbers: \_\_\_\_\_  
From \_\_\_\_\_ to \_\_\_\_\_

### IMPORTANT

1. A member entitled to attend and vote at a meeting is entitled to appoint another member as a proxy to attend, speak and vote for him / her.
2. An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required may be obtained from the Registered Office of the Bank during normal office hours.
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. In case of proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he / she should bring the usual documents required for such purpose.
5. Members are requested to immediately notify changes, if any, in their registered address to Bank's Share Registrar M/S Technology Trade (Pvt) Limited, Dagia House, 241-C, Block-2, PECHS, Karachi before book closure so that entitlement, if any, be dispatched at the correct address.

AFFIX  
CORRECT  
POSTAGE

## Allied Bank Limited

Head Office / Registered Office  
8 - Kashmir / Egerton Road, Lahore.  
Phone: +92 42 111 110 110  
Website: [www.abl.com](http://www.abl.com)



Rahila Khan

www.ab.com