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2011 Annual Report



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Performance 2011





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





Core Values

- 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

Mubashir A. Akhtar
Independent Director

Pervaiz Iqbal Butt
Independent Director

A. Akbar Sharifzada
(Government Nominee Director)

Sheikh Jalees Ahmed
Executive Director

Khalid A. Sherwani
Chief Executive Officer

Audit Committee

Mubashir A. Akhtar
Chairman

Pervaiz Iqbal Butt
Member

A. Akbar Sharifzada
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,
Barrister-at-Law & Corporate Counsellors

Shares Registrar

Technology Trade (Pvt.) Ltd.

Registered Office

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

Head Office

3-4 Tipu Block, Main Boulevard
New Garden Town
Lahore - Pakistan
(92 42) 35880043

Website & Email

www.abl.com
info@abl.com
Toll Free Number
0800-22522



Board of Directors





(Left to Right)

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

Profiles of the Directors



Mohammad Naeem Mukhtar

Chairman / Non Executive Director

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 26 years of experience of finance and industry. Besides Chairman of Board of Directors of Allied Bank, he is also CEO of Ibrahim Fibres Limited, Director of Ibrahim Agencies (Pvt) Limited, Director Pakistan Business Council and Member Board of Governors of National Management Foundation, the parent body of Lahore University of Management Sciences (LUMS).



Sheikh Mukhtar Ahmad

Non Executive Director

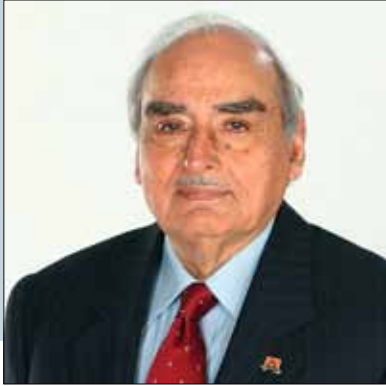
He started his business career immediately after migrating from India at the time of Independence of Pakistan in 1947 and contributed to the industrial and business growth of Pakistan through his entrepreneurship skills and business acumen. He has over 50 years of experience in establishing and successfully managing various industrial and financial companies. Under his auspices, Ibrahim Group has emerged as a leading conglomerate of the country. He has completed Corporate Governance Leadership Skills Program from Pakistan Institute of Corporate Governance and is a "Certified Director". He joined the Board of Allied Bank in 2005 and is also Chairman/CEO of Ibrahim Agencies (Pvt) Limited, Chairman of Ibrahim Fibres Limited and ABL Asset Management Company Limited.



Muhammad Waseem Mukhtar

Non Executive Director

He holds a Master's degree in Total Quality Management (TQM) from University of Glamorgan, Wales, UK and has diversified 14 years of experience of Finance, IT and Industry. His proactive strategic guidance played a vital role in technological up-gradation to enhance service quality across Allied Bank. He joined Allied Bank's Board in 2004 and is a "Certified Director" after completing Board Development Series Certificate Program from Pakistan Institute of Corporate Governance. He also holds Directorships in Ibrahim Fibres Limited, Ibrahim Agencies (Pvt) Limited, ABL Asset Management Company Limited and Arabian Seacountry Club.



Abdul Aziz Khan

Independent Director

He has enriched and diversified experience of over 48 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.



Mubashir A. Akhtar

Independent Director

He is a law graduate and has about 45 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 remained actively involved in various assignments of ADB especially on capital markets development and reforms of NBFIs in Pakistan. He has completed Board Development Series Certificate Program from Pakistan Institute of Corporate Governance and is a "Certified Director" and has been on the Board of Allied Bank since 2006.



Pervaiz Iqbal Butt

Independent Director

He is an Electrical Engineer and has 42 years of experience in marine engineering and other heavy Industries. His extensive and diversified exposure of Industrial Management effectively complements the decision making process at the Board level. He has completed Board Development Series Certificate Program from Pakistan Institute of Corporate Governance and is a "Certified Director". He Joined the Board of Allied Bank in 2007 and is also Director/CEO of Polytek Associates (Pvt) Limited.

Profiles of the Directors



A. Akbar Sharifzada

Government Nominee Director

A Joint Secretary placed as Special Assistant to the Finance Minister, Akbar Sharifzada has 25 years of civil service career in Pakistan. He has been posted in different Ministries gaining wide ranging administrative and policy making experience, enhanced by multiple exposure to specific courses attended within the country and abroad. His academic qualification is M.A. (English Literature) and M.A. (Economics).

He has been appointed as Government nominee director on the Board of Allied Bank since January 2012.



Sheikh Jalees Ahmed

Executive Director

He joined Allied Bank's Board in 2004 and has more than 36 years of diverse experience in the fields of Financial and Industrial management. He has completed Board Development Series Certificate Program from Pakistan Institute of Corporate Governance and is a "Certified Director". Allied Bank benefits from his professional expertise particularly in the areas of strategic and financial planning, systems and controls and HR management.



Khalid A. Sherwani

Chief Executive Officer

A seasoned banker with strategic leadership experience of over 40 years of banking operations, marketing, finance and information technology, Khalid Sherwani has been appointed Chief Executive of Allied Bank Limited for the second time in June 2010. His exceptional track record includes restructuring and turning around UBL during 1996-2000, restructuring and recapitalization of Allied Bank Limited during 2000-04 and leading its turnaround during 2004-07.

Khalid Sherwani holds M.Sc. degree and has also completed Board Development Series Certificate Program from Pakistan Institute of Corporate Governance and is a "Certified Director".

Besides CEO of Allied Bank Limited he is also on the Board of First Women Bank Limited; Habib Allied International Bank, U.K; ABL Asset Management Company Limited and 1 Link (Guarantee) Limited.

A man in a dark pinstriped suit, white shirt, and purple tie is looking upwards with a determined expression. In the background, a large commercial airplane is flying in a clear blue sky. The overall scene conveys a sense of aspiration and ambition.

aspiring...
to go beyond

Board Committees

Audit Committee

Constitution:

Mubashir A. Akhtar
Chairman

Pervaiz Iqbal Butt
Member

A. Akbar Sharifzada
Member

Sheikh Jalees Ahmed
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 the external auditors and close coordination with them to fulfill statutory and Code of Corporate Governance requirements. The Committee is inter-alia responsible to ascertain the effectiveness of the Internal Control System including financial and operational controls, ensuring adequate and effective accounting and reporting structure and monitoring compliance with the best practices of the corporate governance. The other functions of the Committee include assurance that an independent and effective internal audit function is in place.

Risk Management Committee

Constitution:

Sheikh Mukhtar Ahmad
Chairman

Muhammad Waseem Mukhtar
Member

Abdul Aziz Khan
Member

Khalid A. Sherwani
Member

Terms of Reference

The primary functions of Board Risk Management Committee are 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 Bank's reputation. The Committee also monitors quality of asset portfolio and suggest measures to keep the infected portfolio at the minimum level. The Committee approves risk limits for credit, market and operational risks, credit approval grid and proposals regarding rescheduling/write-offs above certain limits. Overseeing of certain management committees and groups is also undertaken by the Committee. The Committee also monitors the initiatives pertaining to Basel requirements and up gradation of risk management systems.

e-Vision Committee

Constitution:

Mohammad Naeem Mukhtar
Chairman

Muhammad Waseem Mukhtar
Member

Mubashir A. Akhtar
Member

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 technologies. Review of strategic plans to improve IT infrastructure and automation of processes and systems including alternate delivery channels are also in the scope of the responsibilities of the e-Vision Committee. The Committee provides assistance to the Board with insights regarding adoption of international developments in the field of e-banking, keeping in view the domestic requirements. It also oversees performance of IT Steering Committee, Information Technology Group and Business Systems and Implementation Group.

Strategic Planning & Monitoring Committee

Constitution:

Muhammad Waseem Mukhtar
Chairman

Sheikh Jalees Ahmed
Member

Abdul Aziz Khan
Member

Khalid A. Sherwani
Member

Terms of Reference

The Strategic Planning and Monitoring Committee is responsible to review 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 and is also responsible to approve capital expenditure over Rs. 10 Million and donations of over Rs. 1 Million to Rs. 10 Million. The Committee also assists the Board on corporate development activities and new initiatives including acquisitions, mergers, alliances, joint ventures and divestitures etc.

Besides overseeing certain management committees and groups, the Committee also approves filing of legal suits and criminal complaints involving significant amounts.

Human Capital Committee

Constitution:

Abdul Aziz Khan
Chairman

Muhammad Waseem Mukhtar
Member

Pervaiz Iqbal Butt
Member

Khalid A. Sherwani
Member

Terms of Reference

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

Board of Directors and Board's Committees Attendance during 2011

Name	Board Of Directors	Audit Committee	Risk Management Committee	Strategic Planning & Monitoring Committee	e-Vision Committee	Human Capital Committee
Mohammad Naeem Mukhtar	**6/7	*	*	*	7/7	*
Sheikh Mukhtar Ahmad	**5/7	3/4	5/5	*	*	*
Muhammad Waseem Mukhtar	**5/7	*	**7/10	6/6	7/7	9/9
Abdul Aziz Khan	7/7	*	10/10	6/6	*	9/9
Mubashir A. Akhtar	7/7	11/11	5/5	*	4/5	*
Pervaiz Iqbal Butt	6/7	7/7	*	*	2/2	5/5
Sheikh Jalees Ahmed	7/7	11/11	*	6/6	1/1	4/4
Khalid A. Sherwani	7/7	*	9/10	6/6	5/7	9/9
Total Number of meetings held	7	11	10	6	7	9

Note: Denominator showed total number of meetings entitled to attend.

* Not member.

** One meeting was not attended due to conflict of interest.



Chairman's Message

In these challenging times and changing market dynamics, Allied Bank has managed its progress by maintaining its focus on its clients across its target markets and businesses. Once again, we have demonstrated our commitment to stand by our customers, while facilitating and supporting them to the maximum extent.

The performance of Your Bank in 2011, is the outcome of our strategy, business focus, and growing tactical reach in target markets by capitalizing on the right opportunities.

We face the future with confidence and commitment.

Sustainable Growth

Our challenge is to continuously build a Bank aimed at long-term growth, with a broad and diversified pool of income streams, enhancing our ability to manage and sustain our course, and to progress through tough and unexpected turbulences of the present and future times.

For the Board of Your Bank, it is not about only positioning for growth in key growing markets, facilitating the customers, managing costs and investing in new products, processes and technologies, but to develop a cohesive, connected and comprehensive model for sustainable growth, providing value addition to all the customers and shareholders.

Your Bank's strategy is to focus on the fundamentals of good banking, prudence, innovation, teamwork and futuristic vision.

Building on Technology

The world of banking and the needs of customers have changed considerably over the last ten years and it is crucial that Your Bank evolves as a financial institution to reflect these changes. In creating a modern banking environment, Your Bank is developing alternate delivery platforms, to facilitate the diverse customer base in addition to equipping the branch network with state-of-art facilities. Your Bank is in the process of migrating to one unified system

Temenos T-24, a core banking software solution, which will further augment the service capabilities, connectivity and overall efficiency levels.

In order to maximize the strategic advantage of Your Bank, work is going on to continuously develop and standardize the branch environment, facilities, staff & service delivery to generate a 'differentiating' Allied Bank Experience - making it easier for customers to get everyday banking tasks done efficiently and comfortably.

Managing Profitability

Despite tough competition and against an excessively long weak economic environment and market dynamics, Your Bank is making all efforts to consistently improving its performance.

Through the prevailing difficulties and fluctuating scenario, Your Bank has shown resilience in maintaining its consistent growth momentum. The Bank remained available to all the sectors of the economy and added large number of new customers from different segments. In line with the 'Strategic sustainable strategy of Your Bank', the credit losses remain within single digit. Your Bank is determined to keep on developing its core business, strengthening the growing footprint, keeping low exposure in risky segments and improving its governance for internal control as well as for business processes and systems, to create an efficient, profitable and dynamic financial institution.

Service Experience

Provision of high quality financial services is the cornerstone of Your Bank's strategy. Not only a dedicated team of professionals are engaged

in ensuring service delivery across the network through branches, round the clock and customer service staff, but the strategic priority is to develop a prompt service culture across all customer - contact points. The bank is continually upgrading its service benchmarks and is all geared to provide 'Upscale' customer service experience.

Future Strategy

Your Bank enters 2012 with a strong growth momentum. 2011 results reflect that the "Prudent Strategic Vision", customer centric approach, technological-edge and right culture is delivering enhanced and sustained value for all the stakeholders.

Your Bank will continue to develop 'standardized' banking proposition and operating models to streamline and enhance agility levels. Your Bank will keep on investing in its human capital, product platforms and deepen client relationships. Your Bank is committed to all its customers and clients, to all targeted markets, and to all diverse businesses we serve.

I would like to thank the entire management and communicate my sincere appreciation to all the staff of the Bank for the progress in 2011, especially in these challenging times. I am thankful to our customers and clients for entrusting us with more of their business and believing in our innovative and unique solutions in meeting their financial needs. I am also thankful to all the communities and the people we serve.

And finally, I am grateful to the Shareholders for their unflinching support, trust and confidence in the Bank.

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, 2011.

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. 2.5 per share (aggregate cash dividend of Rs. 5 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 2011.

This, together with the interim dividend declared during 2011, will be approved in the forthcoming annual general meeting.

Performance Review

Your Bank posted pre-tax profit of Rs. 15,108 million during 2011 as compared to Rs. 12,343 million in 2010, a YoY growth of 22.4%. The profit after tax consequently rose by 23.3% to reach at Rs. 10,140 million during 2011 over Rs. 8,225 million in 2010. As a result, EPS of Your Bank increased to Rs. 11.79 in 2011 compared to Rs. 9.56 in 2010. The ROA and ROE of the Bank improved to 2.10% and 29.5% in 2011 over 1.89% and 28.8% in 2010, respectively.

Deposits of Your Bank reached to Rs. 399,562 million as at December 31, 2011 compared to Rs. 371,284 million as at December 31, 2010, a YoY growth of 7.6%. Importantly, the share of cost effective Current and low cost Savings Deposits in the total deposits base improved to 57.9% at end-Dec 2011 compared to 55.1% at end-Dec 2010. Investments increased to Rs. 195,694 million as at December 31, 2011, a growth of 61.5% over level of December 31, 2010. Due to slow credit off take and cautious lending stance, the Gross Advances registered

a drop of 2.1% from December 31, 2010 level of Rs. 267,776 million to Rs. 262,137 million as at December 31, 2011. The Balance Sheet Size of Your Bank registered a YoY growth of 14.6% to reach at Rs. 515,699 million as at December 31, 2011. The Core Equity of Your Bank increased by 20.7% to reach at Rs. 37,621 million as at December 31, 2011 compared to Rs. 31,166 million as at December 31, 2010.

Net Mark-up/Interest Income of Your Bank increased by 11.5% to reach Rs. 25,171 million; mainly led by volumetric growth in average earning assets and improving deposit mix towards low cost core deposits. Non-Mark Up/Interest Income registered a healthy YoY 22.5% growth to reach at Rs. 6,950 million during 2011, led by rise in fee and commission income, income from dealing in foreign currencies and dividend income. The Administrative Expenses increased by 17.1% to Rs. 13,166 million compared to Rs. 11,242 million in 2010.

The provision against financing and investments reduced by Rs. 1,074 million or 26.3% to Rs. 3,009 million during 2011 compared to the previous year. The provision coverage against advances remained strong at 86.4% at December 31, 2011. 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.

Allied Bank



aspiring...
to deliver

	(Rupees in million)		
	Year ended December 31, 2011	2010	Growth
Profit after tax for the year	10,140	8,225	23.28%
Accumulated profits brought forward	15,829	12,199	29.76%
Transfer from surplus on revaluation of fixed assets - net of tax	29	36	-19.44%
Profit available for appropriation	25,998	20,460	27.07%
Interim cash dividend for the year ended December 31, 2011 at Rs. 2.5 per share (2010: Year ended December 31, 2010 at Rs. 2 per share)	(2,151)	(1,564)	37.53%
Final cash dividend for the year ended December 31, 2010 at Rs. 2 per share (2010: Year ended December 31, 2009 at Rs. 2 per share)	(1,564)	(1,422)	9.99%
Bonus shares for the year ended December 31, 2010 @ 10% (2010: Year ended December 31, 2009 @ 10%) *	-	-	-
Transfer to Statutory Reserves	(2,028)	(1,645)	23.28%
Un-appropriated profits carried forward	20,255	15,829	27.96%
Earning Per Share (EPS) Rs.	11.79	9.56	23.33%

* Appropriation out of Share Premium Account

Directors' Report

Calendar of Major Events.

Incorporation of Australasia Bank Limited	1942
Nationalization and merger of other three Bank 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
Organizational Restructuring and re-branding by 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
Merger of Ibrahim Leasing Limited with Allied Bank Limited	2005
Largest online network of over 700 branches around the country	2005
Completed implementation of Oracle Financials Enterprise General Ledger	2006
Merger of First Allied Bank Modaraba with Allied Bank Limited	2006
Issued Listed Term Finance Certificates - I	2006
Agreement with Temenos for acquisition of "T-24" banking solution	2006
Launched Asset Management Company - Wholly owned subsidiary	2007
Launched branch in Export Promotion Zone - Karachi	2008
Issued Listed Term Finance Certificates - II	2009
Establishment of representative office in Dubai.	2011
License from Central Bank of Bahrain for "Wholesale Bank Branch"	2011
Financial Calendar - 2011	
1st Quarter results issued on	April 25, 2011
2nd Quarter results issued on	August 01, 2011
3rd Quarter results issued on	October 20, 2011
Recommendation of Annual Results by the BOD	February 14, 2012
66th AGM Scheduled for Approval of Annual Results	March 27, 2012
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

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 there from 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 years are attached.
- The book value of investment of Pension Fund, Provident Fund and Gratuity Fund is Rs. 5,338

million, Rs. 3,639 million and Rs. 817 million, respectively, as per audited accounts of these funds for the year ended December 31, 2011.

- 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

The Ministry of Finance vide its notification dated January 20, 2012 has appointed Mr. A. Akbar Sharifzada on the Board as its Nominee Director. The position was vacant since March 2010. The Board welcomes Mr. A. Akbar Sharifzada as the new member.

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, 2011.

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 2011 to further strengthen the Risk Management Framework; which include:

- Developed and launched an automated Integrity Check application, which allows the credit initiators and approvers, an instant access to the obligor's history of write-offs / relief, availed from Commercial Banks in Pakistan since 1997 as per the audited disclosures by the banks.
- Upgraded the Loan Origination System (LOS) by automating various credit application workflows, and risk rating models to enhance the efficiency and effectiveness of credit assessment process.
- Developed and implemented a Working Capital Assessment Model which provides a structured methodology to assess the existing and projected working capital requirements of the obligors.

Directors' Report

- Developed a comprehensive Country Risk Management Framework in order to improve the Country Risk Assessment process at Allied Bank, and comply with SBP's Risk Management Guidelines and Basel II requirements.
- Comprehensively reviewed and developed ALM & Liquidity Risk limit / trigger structure and upgraded the MIS for Market Risk reporting.
- Developed an Operational Risk Loss Database, concluded the Risk & Control Self Assessment Exercise, prepared an inventory of operational risks, and initiated Operational Risk Loss Data Reporting in an effort to prepare for migration from the simple 'Basic Indicator Approach' (BIA) to a relatively advanced 'Alternate Standardized Approach' (ASA) for Operational Risk Capital Charge Calculation.

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

Entity Ratings

The Pakistan Credit Rating Agency (PACRA) has maintained ratings of Allied Bank Limited [long-term: AA and short term: A1+] with a "Positive Outlook". 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

JCR-VIS Credit Rating Company Limited has re-affirmed Corporate Governance Rating (CGR) rating of Allied Bank at "CGR 8+" which denotes 'high level of corporate governance'. Corporate governance ratings are based on evaluation of key governance areas of the rated institution, which include regulatory compliance; board oversight; management profile; self-regulation; financial transparency and relationship with stakeholders. The rating takes into consideration the continued commitment of the board and management of Your Bank to maintain a sound governance framework.

Auditors

The present auditors Messrs KPMG Taseer Hadi & Co., Chartered Accountants and Messrs 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 Messrs Ernst & Young Ford Rhodes

Sidat Hyder, Chartered Accountants and Messrs KPMG Taseer Hadi & Co., Chartered Accountants, for the next term.

Events after the date of Statement of Financial Position

There have not been any material events that occurred subsequent to the date of the statement of the financial position 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 14, 2012
Place: Lahore

aspiring...
to Serve...



The Management



Khalid A. Sherwani
Chief Executive Officer

A seasoned banker with strategic leadership experience of over 40 years of banking operations, marketing, finance and information technology, Khalid Sherwani has been appointed Chief Executive of ABL for the second time in June 2010. His exceptional track record includes restructuring and turning around UBL during 1996-2000, restructuring and recapitalization of ABL during 2000-04 and leading its turnaround during 2004-07.

Khalid Sherwani holds M.Sc. degree and has also completed Board Development Series Certificate Program from Pakistan Institute of Corporate Governance and is a "Certified Director".

Besides CEO of Allied Bank he is also on the Board of First Women Bank Limited; Habib Allied International Bank, U.K; ABL Asset Management Company Limited and I Link (Guarantee) Limited.

Sheikh Jalees Ahmed
Executive Director, Strategic Planning

He joined Allied Bank's Board in 2004 and has more than 36 years of diverse experience in the fields of Financial and Industrial management. He has completed Board Development Series Certificate Program from Pakistan Institute of Corporate Governance and is a "Certified Director". 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

Heading the Operations Group at Allied Bank since January 2007, Tariq Mahmood has valuable banking experience of 40 years in senior positions while associated with major banks. His immense knowledge of the field, covering areas of Retail Banking, Foreign Trade, Operations and Credit, along with a proactive approach to problem solving, is an enormous asset to ABL. During his service as a member of pioneer team with a prominent bank before joining Allied Bank, he demonstrated an outstanding ability to develop business, processes and branch network.

Zia Ijaz
Group Chief, Commercial and Retail Banking

Diversified experience in the areas of Accountancy, Financial Management and Commercial and Retail Banking in domestic and international markets acquired over a 20 year career gives Zia Ijaz a distinct edge with exceptionally judicious skills in his field. Before joining ABL, he worked in major banks in Riyadh, Saudi Arabia and Pakistan at senior positions; he has also served as CFO of Allied Bank for 5 years. Zia was associated with Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants before becoming a banker, and is Fellow Member of the Institute of Chartered Accountants of Pakistan and CPA from AICPA, USA.



Muhammad Jawaid Iqbal
Group Chief, Treasury, Corporate and Investment Banking

Jawaid Iqbal joined ABL in May 2005, bringing with him invaluable experience of over 20 years in Corporate and Investment Banking. His proactive involvement in setting up the Corporate and Investment Banking Group at the Bank, and his leadership qualities have resulted in the ABL emerging as one of the foremost banks in the field, winning numerous awards. Jawaid is a Chartered Financial Analyst with a Masters degree in Business Administration. Before joining Allied Bank, he served at major banks in Pakistan at leading positions. He is also the president of the CFA Association of Pakistan.

Muhammad Shahzad Sadiq
Group Chief, Risk Management

With his diversified experience of over 20 years in multinational and local banks as well as leading industrial organizations, along with a can-do attitude, Shahzad Sadiq has proved to be an exceptional asset to ABL. During his extensive career he has held key positions including Chief Financial Officer as well as Head of Planning & Corporate Affairs. Before being assigned as Chief Risk Officer in August 2011, he was Head of Audit and Risk Review Group at Allied Bank. He is a fellow member of the Institute of Chartered Accountants of Pakistan

Tahir Hassan Qureshi
Chief Financial Officer

At his current assignment of CFO at ABL since 2008, Tahir Qureshi has over 18 years of banking experience and is a valued member of the Management team. Prior to joining ABL he has held senior management portfolios in Finance, Taxation and Corporate Affairs in leading banks of Pakistan. A fellow member of the Institute of Chartered Accountants of Pakistan, he is also a member of the Institute's Banking Committee and Pakistan Banking Association's Subcommittee on Accounting and Taxation.

Shafique Ahmed Uqaili
Group Chief, Human Resource

He has over 27 years of national and international experience as a Human Resource specialist and has worked in various business sectors including Commercial Banking, non-banking financial institutions, pharmaceuticals and retail and consumer fields. Bringing his invaluable expertise in the HR field, Shafique joined ABL in 2006 and is a valued member of the Management team

The Management



Mohammad Abbas Sheikh

Group Chief, Special Assets Management

ABL was restructured and recapitalized in 2004 and since then Abbas Sheikh has been heading the Bank's Special Assets Management Group. He has over 25 years of experience in both local and international banking and during the past 12 years led the Remedial Asset Group of two large banks, successfully settling numerous old and chronic defaulters' accounts. This experience is of enormous value in his current assignment helping ABL achieve set targets.

Mujahid Ali

Group Chief, Information Technology

Currently mandated with implementing T-24, the state of the art core banking application, and other IT initiatives aimed at enhancing the Bank's efficiency and customer satisfaction at ABL, Mujahid joined the Bank in 2008. He has over 20 years experience in the area of IT Planning and Development, Project Management and Systems Implementation.

Khawaja Mohammad Almas

Group Chief, Banking Systems & Implementation

Associated with Allied bank since 1983, Khawaja Almas has served at key slots in Business and Supporting Groups. During his distinguished career with the Bank he has represented ABL at numerous local and international forums as Trainer and participated in conference within the country and abroad. He holds a Masters degree in Business Administration along with DAIBP. Currently he is instrumental in implementing Core Banking Software, making a great impact for a progressive bank like ABL.



Fareed Vardag

Group Chief, Audit

He is a seasoned banker having more than 26 years of extensive experience in the areas of trade finance, corporate banking and risk management with distinguished international and domestic banking institutions. He joined Allied Bank in March 2005 as Chief Risk Officer and successfully revamped the critical function of Risk Management in line with modern best practices. As part of Allied Bank's human capital development strategy, Group Chiefs are rotated on an on-going basis across various groups to broaden their exposure and in August 2011 Mr. Fareed Vardag was therefore transferred as Group Chief of Audit & Risk Review. This change augmented the Bank's audit function inducing a new perspective and vigor.

Abdul Hafeez Butt

Group Chief, Compliance

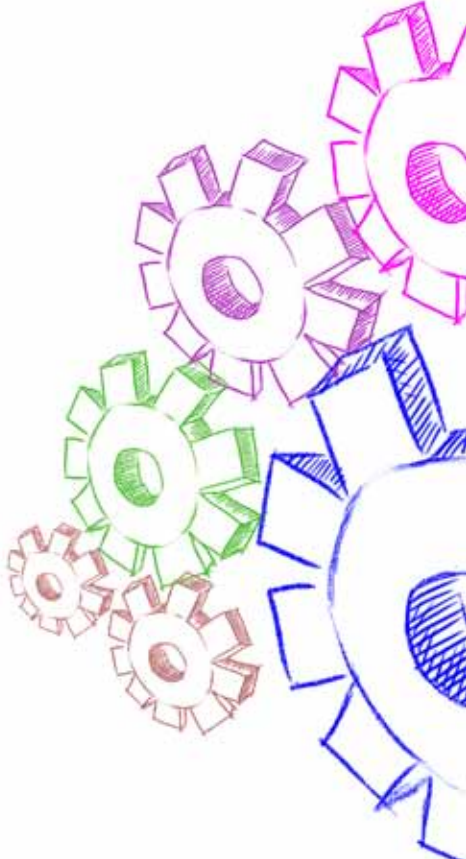
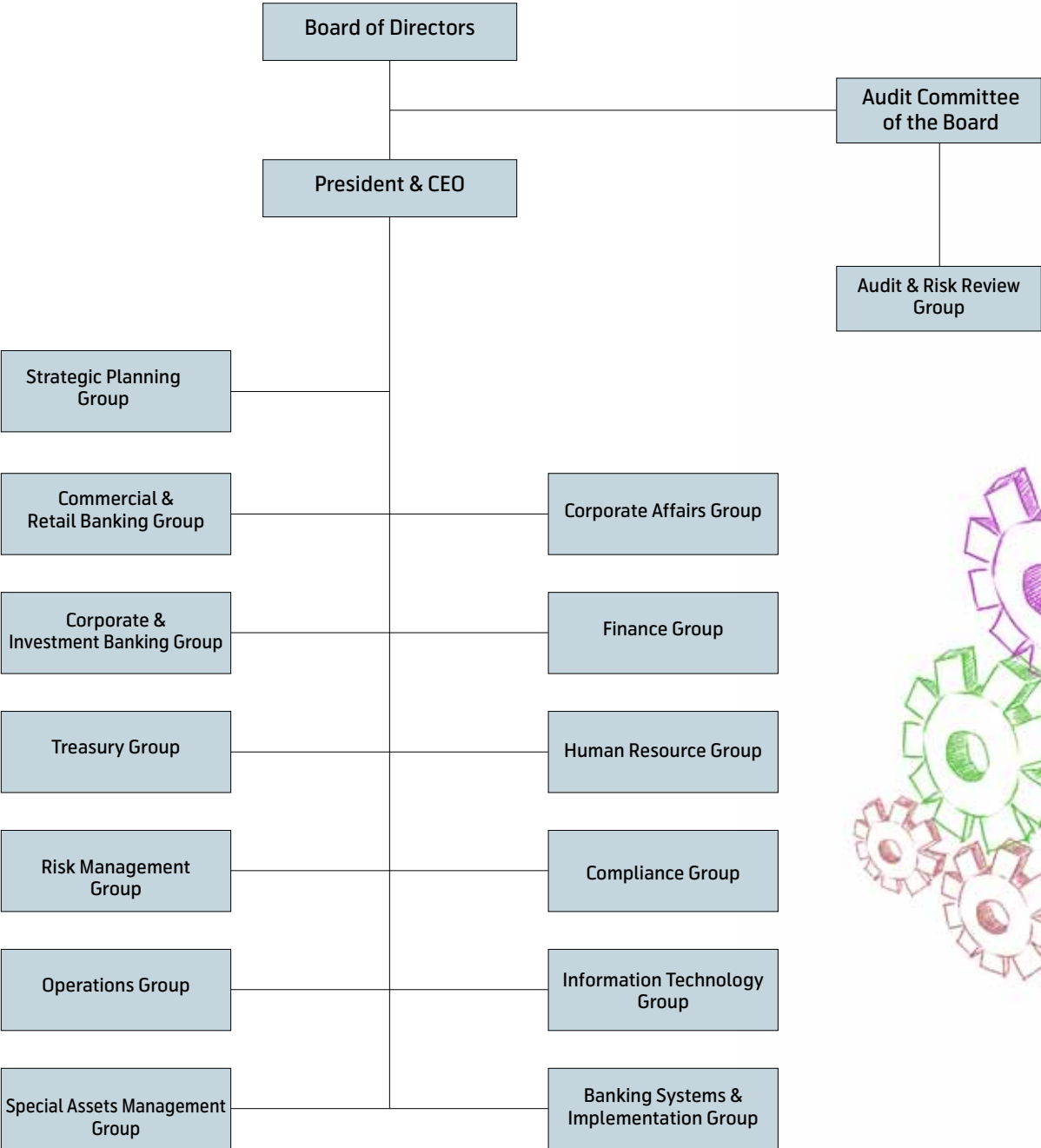
Hafeez Butt has been instrumental in helping teams successfully achieve objectives in the field of Risk Management and Banking Operations. Under his leadership, projects such as centralization of Trade Factory and Business Process Re-engineering have been successfully completed. He has over 40 years of experience in both local and foreign banks with a record of meeting and achieving targets. He has been directly involved in improving ABL's branch Banking Operations and Risk Management Function. He holds a Masters degree in Business Administration. Considering his multi-faceted experience in banking, he has been assigned the responsibility to head Compliance Group in August 2011.

Muhammad Raffat

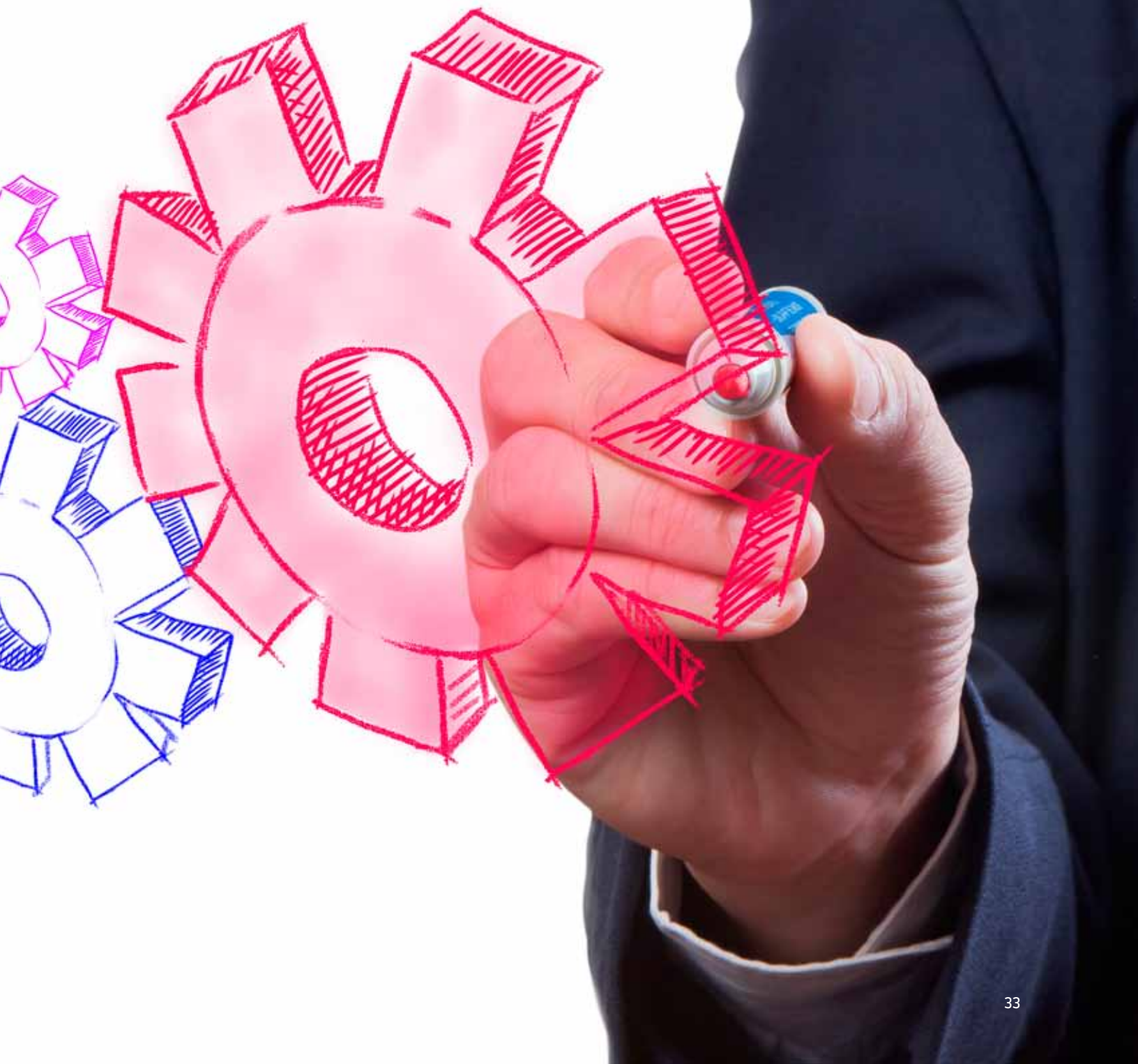
Company Secretary

Appointed Company Secretary of ABL in 2010, Muhammad Raffat looks after the Corporate Affairs Group. He has a distinguished association with the Bank of over 30 years and during this time has served in various areas of banking, gaining a vast range of experience and in-depth understanding in the field. His qualifications include DAIBP, M.A. and LL.B.

Org-Structure



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to create value



Chief Executive Officer's Review



Pakistan's economy continues to face various challenges impacting the prospects of economic recovery and macroeconomic stability. The fiscal weakness and the concerns over financing of the external current account deficits are the foremost risks. Meanwhile, persistence of structural bottlenecks, mainly severe energy shortage and a sensitive law and order situation continues to act as impediments for economic growth. The uncertainty attached with global economic outlook also has unfavorable implications.

Real GDP growth moderated to 2.4% in FY 2011 mainly due to lackluster performance of the industrial sector though agricultural sector showed resilience despite catastrophic floods of 2010.

However, fiscal deficit for FY 2011 recorded at 5.9% of GDP. The provisional estimate of fiscal deficit for H1-FY12 also suggests likely breach of the targeted deficit for FY12 with risk of further slippages on account of subsidies remains. Importantly, financing of the deficit from external sources has remained well short of the expectations, thereby leading to heavy reliance on borrowings from the banking system. This in turn has squeezed the availability of credit for the private sector and increased pressure on liquidity.

The country's external account which was in surplus during first half of year 2011 turned into deficit by the year end due to a deteriorating trade balance, though Inward Worker's remittance remained upbeat throughout the year. Meanwhile, the

external sources of funding have dried up with actual net capital and financial inflows during H1—FY12 reducing to USD 167 million only. Consequently, foreign exchange reserves declined by USD 1.4 billion by the year end from its peak in July 2011 of USD 18.3 billion with ensuing pressure on foreign exchange rates.

After recording the peak of 13.9% in January 2011, YoY CPI inflation reduced in the second half of the year reaching to 9.7% in December 2011. This was attributable to moderation in aggregate demand as well as improvement in domestic supplies of food items. Further the high base effect of prior year and change in calculation methodology also contributed towards the YoY decline. However, underlying inflationary pressures remain on the back of substantial amount of government borrowings, possible adjustment in prices of fuel and electricity and pass through impact of Rupee depreciation.

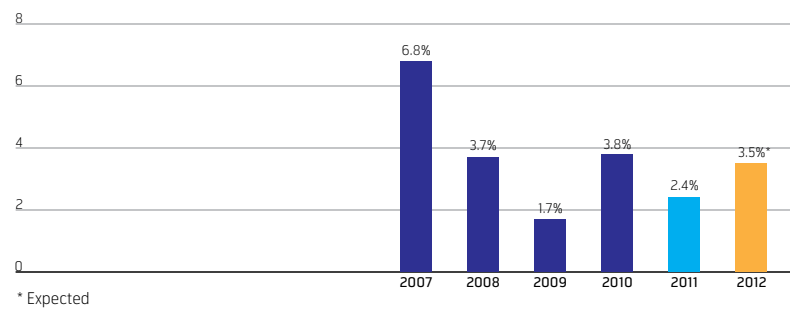
The M2 growth has shown deceleration in second half of 2011 primarily due to sharp contraction in NFA of the banking system. Given substantial government borrowings together with rising NPLs emanating from tough operating conditions for businesses, there is a growing tilt of banking resources moving towards government paper. In November 2011, the Government issued Rs. 391 billion of securities to banks as part of the swap arrangement to retire the outstanding inter-agency circular debt of the energy sector and the unpaid subsidy claims on account of government's commodity operations.

In an effort to revive the private sector investments, the State Bank of Pakistan (SBP) has reduced the policy rate by 50 bps and 150 bps in August and October 2011 Monetary Policy Statements (MPS), respectively. However, given the deviation in key variables from the projected path the policy rate has been kept constant thereafter so far.

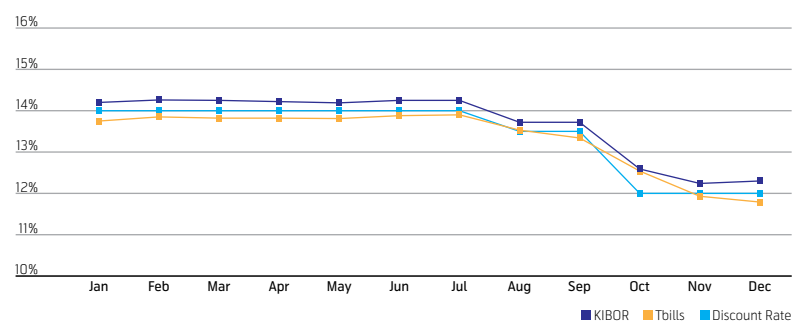
Under the prevailing circumstances we remained committed to our strategy of steady growth in quality avenues with emphasis on strengthening the risk architecture to efficiently manage the associated risks. The cornerstone of our business philosophy remains on customers' satisfaction, providing long-term competitive advantage, through strong importance given to quality of service, product innovation and efficient delivery. In the process we aim to exploit our customer centric strong technological infrastructure with continuous upgradation to remain at par with the best in industry. Our focus remain on improving our cost effective deposit mix by further increasing proportion of Current and Savings (CASA) deposits.



GDP Growth (Percentage)



Interest Rates (2011)



Business Performance

Commercial & Retail Banking

Commercial & Retail Banking Group made significant headway during 2011 in achieving the bank's overall strategic objectives and providing efficient and reliable banking services to its over two million relationships. Allied Bank's extensive network of branches expanded by opening of 30 new branches to reach at 837 during the year. To improve branches' ambience and providing modern facilities to the customers the bank has consistently followed the policy of

branches' renovation over the years and now over 50% of our network has been renovated. Further, a strategy of relocation of branches is also being pursued for increasing business capability.

During 2011, the Group successfully implemented its strategy of increasing the proportion of low cost deposits as the mix of current deposits and low cost savings deposits (CASA) improved YoY by 275 bps to reach at 57.9% at end-Dec 2011. The last quarter of 2011 witnessed significant rise in rates offered to institutional deposits due to the liquidity issue faced by the banking industry. As a conscious decision to protect bank's margins, keeping in view limited deployment opportunities to the private sector, the bank chose not to go for rates increase for big ticket deposits. Hence, the YoY growth of 7.6% in outstanding deposits is relatively less compared to industry's growth during the year.

As part of the product innovation strategy to satisfy needs of an

extensive customer base, Allied Ba' Ikhtiar – a unique term deposit product was launched during 2011 which provides flexibility in terms of profit options. Further, new financing products for SMEs and Agriculture segments were introduced to enhance financing options available to the borrowers. Emphasis during the year remained on moving towards optimization of cross sell opportunities, effective capitalization of the strong ADCs platform to increase transaction volumes and focus on non-fund based avenues to maximize the bank's revenue.

The exclusive concept of "Women Branch" which was introduced as a pilot in Lahore last year has been expanded further with addition of another branch in Faisalabad.

Consumer segment remain on lower priority in the Bank's business strategy. Only few products are offered to the Bank's strong profile customers to have a complete suite of products available to them to meet their financing needs.

Going forward, the Group focus shall remain on improvement in deposits mix, product and service innovation to tap new avenues and quality growth in advances. Specific initiatives are being planned to effectively target various customers' segments and exploiting cross sell opportunities. The Group shall also aim for achieving the greater objective of financial inclusion by targeting the large unbanked population in the country in a phased manner.





Corporate & Investment Banking

The Corporate and Investment Banking Group (CIBG) maintained its position as one of the leading player in the industry for providing structured financial solutions and advisory services to premier corporates. Despite a difficult environment wherein project financing activities and the demand for advisory services has declined, the Group managed to sustain its contribution of advisory income in the total income of the Bank.

During 2011 Allied Bank won the “Best Domestic Investment Bank of the Year - Pakistan” award by the Asset Magazine Hong Kong for the third consecutive year and also the “Highly Commended Islamic Project Finance Deal -2011” in the Assets Asian Awards 2011. The awards are recognition of the Group’s endeavors in providing valued solutions to our corporate clientele.

Considering the difficult environment at hand, the Group focus remained on the quality of its loan book, gearing up of portfolio monitoring efforts to identify issues with the borrowers at an early stage and speeding up recovery efforts in respect of the infected portfolio. The Group followed a two pronged strategy a) increasing exposure to premier corporates, having strong business fundamentals and tested re-payment track record by extending short-term facilities and, b) exiting from or reducing exposure to weak borrowers.

Focus on industry specific products and solutions for client receivables, payments and liquidity management has enabled Cash Management Unit to achieve 65% growth in transactional volumes during 2011. Our entire product offering is fully customizable and supported by comprehensive real-time MIS delivery to the customers.

Allied Bank’s Home Remittance Business has grown appreciably in 2011 with 33% growth in volumes disbursed compared to 2010. Associated with a growing number of International Correspondents, our Home Remittance Service is the channel of choice for most large Pakistani Expatriate locations. In order to enhance customers’ experience and to deliver efficient service, substantial improvements were made during the year in systems and procedures resulting in a reduced turnaround time and enhanced controls.

The Group is also looking after the Allied Bank’s initiatives to establish international footprint and recently opened an offshore branch in Bahrain and a Representative Office in Dubai.

CEO's Review



Treasury & FX Management

Being cognizant of the developments on economic front during the year, Treasury played a pivotal role to ensure optimum profitable utilization of the bank's funds both in money market and foreign exchange. In collaboration with other groups, it also played its part for growing volumes of trade related business activities.

Year 2011 witnessed higher volatility in the foreign exchange market as Rupee depreciated by 5.03% in 2011 compared to 1.65% in 2010. During the period, Treasury continued to serve the Bank's clientele, advising them about market trends and expectations, resulting in volume growth for the Bank but also strengthening the relationship with the customers.

Further, major shifts occurred in SBP's Monetary Policy Stance for managing the challenges faced by the economy. Treasury took a proactive approach and re-profiled the Bank's investment portfolio to hedge Bank's earnings against downward shift in the yield curve, thereby locking higher return on the Bank's investment portfolio.

Special Asset Management

Owing to the rising trend in NPLs across the banking sector, the Remedial Assets Management has gained increasing importance for preserving Bank's profitability. Through the joint efforts of SAMG and Business Groups, the Bank made recoveries and regularization of over Rs. 3 billion for the third consecutive year, thereby retaining the Bank's low infection ratio compared to industry averages and peers.

Human Resource

Allied Bank recognise the pivotal role of its most valuable asset, its people. They are the main drivers of long-term sustainable growth and performance. The Bank consequently endeavors on instilling the pursuit of excellence amongst employees.

The Bank focused on strengthening its resource pool by acquiring the best talent in the market and providing them with planned career growth opportunities. One of the Bank's aims is to become an 'employer of choice' not only because of offering market competitive packages, but also by imparting one of the best on-the-job training experiences, providing cross-functional rotation to enable the employee to grow and entrusting young employees with key responsibilities to prepare them for future leadership roles.

As part of the continuing strategy to mix youth with the experience, the management adopted the policy of inducting fresh post-graduates of Business, Commerce and Engineering backgrounds from leading institutions as Management Trainees through a transparent screening process.

Under this strategy over 1,400 MTOs have been inducted through various batches during the past 4 years.

To support Bank's credit risk strategy through detailed analytics and strengthening our knowledge of borrowers' business and associated risks, the Bank has recruited industry experts with formal engineering qualifications. Likewise, in order to improve technical competency mix amongst our ranks, the Bank also recruited a batch of Management Trainee Engineers (MTEs). These are qualified engineers with degrees from top-ranked engineering institutions with formal business qualifications. The MTEs went through an extensive 6 week training program encompassing areas of general banking, credits, prudential regulations, risk management techniques and general management skills along with job rotation at branches.

Being the equal opportunity employer, the Bank persisted with its commitment to the philosophy of women being effective contributors in economic activities. Female employment ratio at Allied Bank has further increased to 13% of the total employees during the year.

Augmenting a 'learning culture', 808 in-house and ex-house training programs were conducted during the year wherein 7,124 employees participated, including 60 employees attending overseas training. Moreover, the Bank also invited international trainers to impart customized training for middle and senior management. Investment made on employee development grew by 30% from last year.



aspiring...
to work



CEO's Review



Service Quality

Allied Bank places a strong emphasis on the quality of the service it provides. A dedicated Service Quality function is in place at the Bank with the basic aim to build a service culture across all the segments of the Bank, ensuring that a standardized quality is maintained at all customer point of contact, surpassing our valued customers' expectations.

To build upon customer franchise, a new service channel has been introduced on the Bank's corporate website, where our valued and prospect customers can conveniently submit their complaints, make enquiries, requests and/or give suggestions.

Complaint handling has always been an important area for the bank,

where it needs to ensure that quality resolution is provided in a timely manner to the customers to enrich their experience. To build upon this, Service Quality has introduced Service Standards to bring efficiency in the complaint handling process; further a procedural guideline has also been introduced to guide customers on lodgment of a complaint along with its resolution mechanism.

Being in line with our commitment to provide enriched customer experience, Service Quality acts as a facilitator and change agent where measures are taken across all segments of the Bank, whereby, "Quality Service Selling" is a part of our business in addition to monitoring and improvement of the prescribed service standards.

Risk Management

Risk Management involves setting the most appropriate course of action under uncertainty by identifying, assessing, communicating and addressing risk issues. Recognizing the international trends and global focus; Risk management is an essential pillar of our banking strategy. The Risk Management Group is actively measuring, 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, the focus remained on to develop and institutionalize the policies & procedural framework to further upgrade risk management function at the Bank.

For proactive credit risk assessment, the Group has developed and launched an automated Integrity Check application, which allows the credit initiators and approvers, an instant access to the obligor's history of write-offs /relief, availed from Commercial Banks in Pakistan. Further, a Working Capital Assessment Model has been developed and implemented which provides a structured methodology to assess the existing and projected working capital requirements of the obligors.

Automation of processes also

remained on priority, and in line with this objective, the Loan Origination System (LOS) has been upgraded by automating various credit application workflows and risk rating models to enhance the efficiency and effectiveness of credit assessment process in major lines of business where the Bank is exposed to risk.

Technology

We strongly believe in the role of technology in banking industry to achieve sophisticated product development, to open up efficient delivery channels and implement reliable control of risks thus contributing towards value creation and exceeding customer satisfaction. In the year under review, the Bank continued its roll-out of the new core operating platform, Temenos T-24, a customer-centric system and

achieved 265 branches to go "live".

As part of the initiative to introduce technology-driven products "Allied Direct" – ABL's internet banking platform is now accessible through mobile phones, empowering our customers to have their Bank on the move.

During the year the Bank has successfully implemented Oracle Hyperion – a highly configurable application for planning, budgeting and its effective monitoring. Various other initiatives have been taken to improve the quality of MIS, aiming to fully exploit the functionality of the core banking applications in providing the requisite information for detailed analysis.

CEO's Review



Alternate Delivery Channel

The Bank has a wide-spread ATM network of over 600 ATMs which is being expanded every year. The Bank has maintained during the year, the industry's highest ATM uptime and 35% of total transactions were handled to deliver cash to other banks' customers, reassuring the strong presence of our network and supporting our fee based income stream.

In the year under review, there has been a growth of over 40% in the issuance of Visa Debit Cards, totaling the number of these Cards to 875,723 by December 31, 2011 compared to 622,000 in December 31 2010.

Operations, systems and control

Operations Group continued to work on optimizing operational efficiencies through revamping of procedural systems and centralization of key processes, while also proactively reviewing the internal controls weaknesses through its field functionaries. Strong assistance was provided to businesses and other Groups in a timely manner to provide

requisite facilities/support for meeting their overall business targets and strategic objectives. The Group also played its effective role in the on-going activities for migration to the new core banking platform.

Over 80 infrastructural projects including new branches/offices and renovations have been successfully completed during the year besides making appreciable progress on the building/renovation work on the newly acquired building for our Head Office.

The Compliance Group worked diligently in ensuring strict adherence to the regulatory requirements and Bank's internal policies and procedures. Specific training sessions were held to apprise the field functionaries as to AML/KYC policies and procedures. To further enhance its capabilities, the Group is currently in the process of acquiring and implementing a world class AML/KYC solution to replace the legacy system.

Awards and Recognitions

In 2011, Allied Bank received the following two prestigious awards, fortifying its place as a key player in

the banking industry of Pakistan.

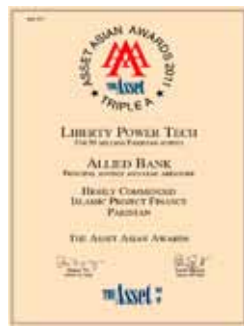
The Banker's Magazine "Bank of the Year in Pakistan, 2011"

Allied Bank received the prestigious award of "Bank of the Year in Pakistan" by The Banker, which acknowledges its strength as a market leader in Pakistan's financial sector. This Award is highly regarded in the banking sector and seen to be the industry standard for banking excellence.

The Banker is an international financial affairs publication owned by The Financial Times Ltd. The decision was based on analysis of comprehensive data on contesting banks' earnings, asset and Tier 1 capital growth, and returns on equity. The editorial team also looked for evidence of banks setting new standards for their local industries, whether it was by using new technology or coming up with innovative, cost-efficient ways of expanding their businesses.

Asian Banker's "Best Retail Bank in Pakistan"

Allied Bank has been recognized as



the “Best Retail Bank in Pakistan” by the Asian Banker. The award is referred by prominent global bankers, consultants and academics. The evaluation was conducted on the basis of transparency in strategy; value of franchise; annual financial performance; sustainability; sales capability; risk management; processes and technology; penetration and efficiency of distribution channels; people skills; and ethical banking.

Ratings

Entity Ratings

The Pakistan Credit Rating Agency (PACRA) has maintained ratings of Allied Bank Limited [long-term: AA and short term: A1+] with a “Positive Outlook”. 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 the Bank’s 1st TFC Issue (issue date: December 06, 2006). This rating denotes high credit quality. Rating of the 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

JCR-VIS Credit Rating Company Limited has re-affirmed Corporate Governance Rating (CGR) of Allied Bank at “CGR 8+” which denotes ‘high level of corporate governance’.

Corporate governance ratings are based on evaluation of key governance areas of the rated institution, which include regulatory compliance; board oversight; management profile; self-regulation; financial transparency and relationship with stakeholders. The rating takes into consideration the continued commitment of the board and management of the Bank to maintain a sound governance framework.

As part of our initiatives to constantly improve and compare ourselves against best international practices and bench-marks, the Bank voluntarily get 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 heavily 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

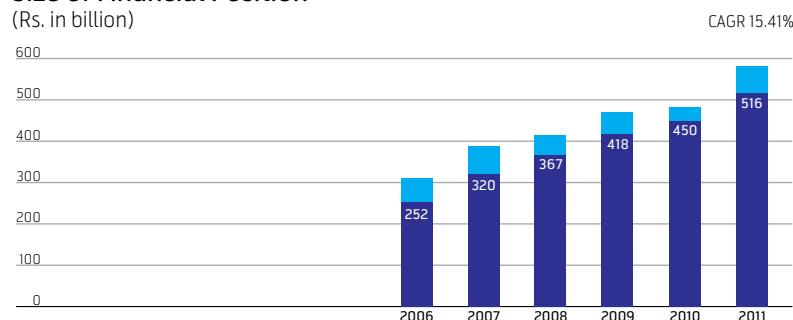
ABL AMC, a wholly owned subsidiary of Allied Bank, has established itself as a prominent player in the asset management industry of Pakistan. After launch of the Government Securities Fund during 2011, the AMC is now managing five open end funds. Other fund offerings of ABL AMC include a conventional income fund, an Islamic income fund, a money market fund and a stock fund. The company’s funds provided impressive returns and were consistently ranked in the top quartile throughout 2011 in their respective categories.

JCR-VIS has recently upgraded the Management Quality rating of ABL AMC to ‘AM2-’ from ‘AM3+’, acknowledging continuous improvement in systems, controls and performance of the Company. During 2011, ABL AMC became only the second Asset Management Company in Pakistan to achieve Global Investment Performance Standards (GIPS) compliance. GIPS provide a universal standardization of investment performance reporting which provides investors additional transparency to compare and evaluate investment managers.

CEO's Review

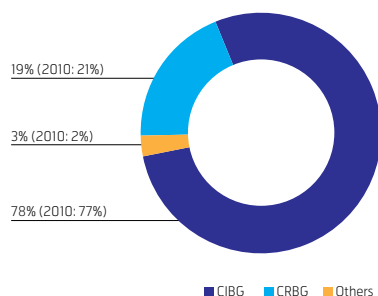
Size of Financial Position

(Rs. in billion)



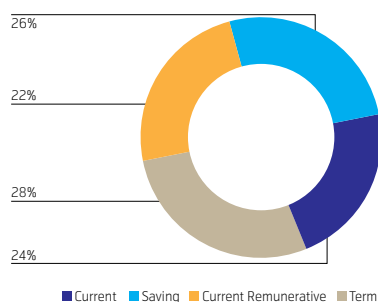
Segmental Advances – Performing

(Percentage)



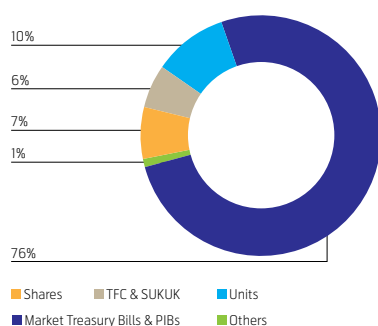
Average Deposits Composition

(Percentage)



Investments

(Percentage)



Financial Analysis

Growth & Mix of Statement of Financial Position

Asset base of the Bank registered a YoY growth of 14.6% to reach at Rs. 515,699 million as at December 31, 2011. At the same time, the risk absorption capacity of the Bank strengthened, as equity base increased by 20.5% to reach at Rs. 43,340 million as at December 31, 2011 compared to Rs. 35,975 million as at December 31, 2010. Consequently, the equity to asset ratio of the Bank improved to 8.4% at December 31, 2011 from 8% recorded at December 31, 2010. The regulatory Capital Adequacy Ratio of the Bank as at December 31, 2011 stands 13.43%.

Given the difficult operating environment at hand and limited appetite of the credit from the private sector, advances registered a 3% decline from last year's level to stand at Rs. 244,433 million as at December 31, 2011 with their mix in asset dropping to 47.4%. Resultantly, the Advance to Deposits ratio declined to 61.2% at December 31, 2011 from 68.2% at December 31, 2010.

The prudent lending strategy backed by a sound risk infrastructure,

rigorous remedial and recovery efforts has enabled the bank to limit the rise in quantum of Non-Performing Portfolio. The bank's NPLs ratio of 7.8% is relatively lower compared to the industry and peers average. The coverage of the infected portfolio also remained strong at 86.4% at December 31, 2011.

Investments with 61.5% YoY growth reached a level of Rs. 195,694 million as at December 31, 2011 and their mix in the total assets increased to 37.9% compared to 26.9% as at December 31, 2010. The bulk of the investments are dominated by short-term risk free government securities.

The deposits bases expanded by 7.6% during 2011 to reach at Rs. 399,561 million as at December 31, 2011 compared to Rs. 371,284 million as at December 31, 2010. As part of overall strategy, focus for deposits mobilization has remained on increasing the mix of CASA deposits while at the same time reducing reliance on interest rate sensitive high cost institutional deposits. The current and low cost Savings Deposits mix improved from 55.13% at end-Dec 2010 to 57.88% at end-Dec 2011.

Profitability

Under the current challenging environment, the Bank managed to maintain a healthy growth in its profitability. The Profit Before Tax and After Tax during 2011 rose by 22.4% and 23.3%, respectively, over the corresponding year. Consequently, the EPS improved from Rs. 9.56 in 2010 to Rs. 11.79 in 2011. The average ROA and ROE increased to 2.1% and 29.5% in 2011 from 1.9% and 28.8% in 2010, respectively.

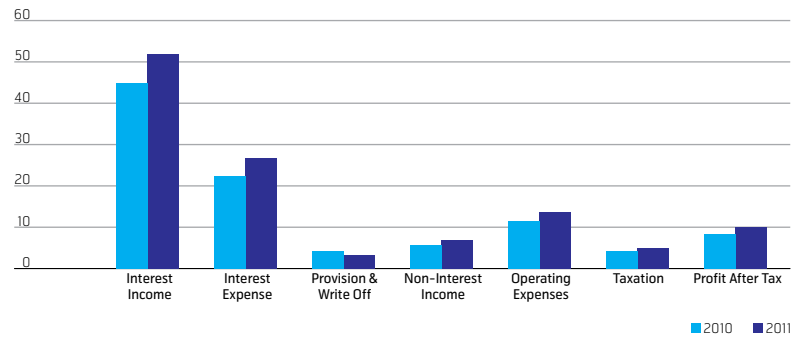
Net Mark-up / Interest Earned increased by 11.5% over 2010 to Rs. 25,171 million attributable mainly to volumetric growth in interest earning assets and improving deposits mix. Meanwhile, Non-Markup/Interest Income increased by 22.5% over 2010 to reach at Rs. 6,950 million during 2011. In line with the Bank's strategy to build sustainable sources of non-fund based revenue, fee and commission income and forex revenue appreciated YoY by 15.9%. Despite tough competitive environment and slow pace of business activities the management endeavors to further optimize the contribution of fee and commission in the overall income of the Bank in coming years through leveraging strong technology platform and offering new innovative products and services satisfy customers' needs.

The Bank's Administrative Expenses increased by 17.1% to Rs. 13,166 million. The rise is broadly in line with the inflationary trends prevailing during the year, increasing outlays on infrastructure strengthening and technological upgradation and rising utility costs.

The provision against advances and investments reduced by Rs. 1,074 million to Rs 3,009 million during 2011 compared to the previous year, attributable to controlled growth in Non-Performing Loans (NPLs) and consistent recovery efforts against NPLs. The provision coverage against advances improved further to 86.4% at end-Dec 2011 compared to 82.5% at end-Dec 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.

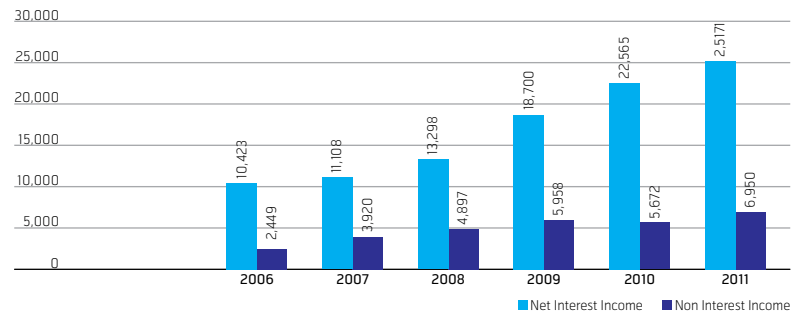
Profit and Loss Composition

(Rs. in billion)



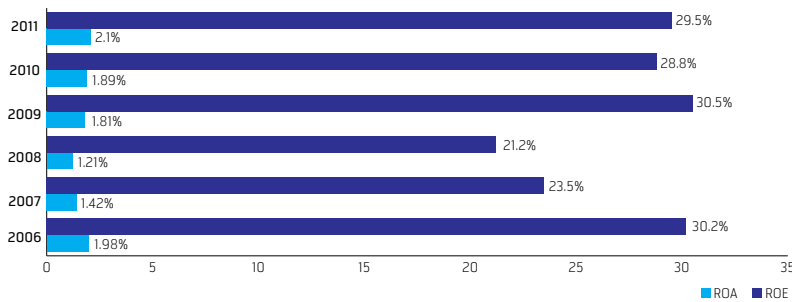
Gross Income Composition

(Rs. in million)



ROE & ROA

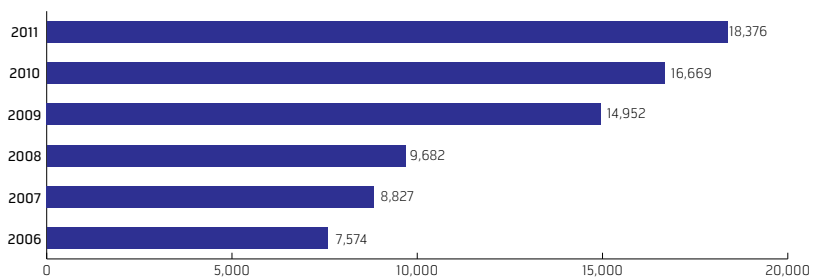
(Percentage)



Operating Income Before Provision and Tax

(Rs. in million)

CAGR 19.39%



CEO's Review



Future Outlook

The challenges to the operating environment are likely to persist on account of fiscal vulnerabilities, uncertainty attached with external inflows and risk of inflationary pressures. Meanwhile, the power and gas shortages are expected to place further pressure on the domestic output of the economy. The fiscal vulnerabilities and unresolved circular debt issue may pose further stress on banking system resources. All these

factors would continue to put strain on forthcoming Monetary Policies announcements. The Banking Industry margins thus, going forward, would contract to a certain extent leading to reduction in earnings' growth potential.

Under the circumstances, Allied Bank's strategic focus would remain on steady and sustained growth. To achieve this, the Bank would continue to adopt proactive and prudent approach in building quality

assets portfolio; remediation of sticky loans would remain a key driver in further lowering of infected portfolio and associated credit cost. Further effective leveraging of the extensive network, continuous improvement in automation and product innovation would not only help in increasing low cost deposit mix, fee based revenue and controlled expense growth but would also facilitate in achieving enhanced customer satisfaction level.

Khalid A. Sherwani
Chief Executive Officer

Dated: February 14, 2012

Entity Ratings of Allied Bank by PACRA and JCR-VIS

'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

Outlook

Positive + CGR 8+

Short Term

Long Term

AA

Performance Highlights

Rs. in Millions

December 31

2006 2007 2008 2009 2010 2011

STATEMENT OF FINANCIAL POSITION

ASSETS

Cash and balances with treasury and other banks	24,745	30,408	25,751	27,716	31,845	38,159
Lending to financial institutions	19,050	18,419	15,793	28,123	11,489	1,362
Investments- Gross	47,157	84,151	84,602	96,975	123,855	198,398
Advances - Gross	151,705	178,524	223,640	249,887	267,776	262,137
Operating Fixed assets	6,445	7,549	11,134	12,447	15,360	18,087
Other assets	10,799	11,367	18,399	17,955	17,719	17,964
Total assets - Gross	259,901	330,418	379,319	433,103	468,044	536,107
Provisions against non-performing Loans, advances	(7,672)	(10,117)	(10,668)	(12,543)	(15,431)	(17,704)
Provisions against diminution in value of investments	(203)	(192)	(1,956)	(2,186)	(2,682)	(2,704)
Total assets - net of provision	252,026	320,109	366,695	418,374	449,931	515,699

LIABILITIES

Customer deposits & other accounts	206,031	263,972	297,475	328,875	371,284	399,562
Inter bank borrowings	18,410	22,934	27,778	39,819	20,774	49,993
Bills payable	2,278	3,494	2,952	3,162	4,119	4,015
Other liabilities	5,119	7,332	13,636	11,061	12,284	13,296
Sub-ordinated loans	2,500	2,499	2,498	5,497	5,495	5,493
Total Liabilities	234,338	300,231	344,339	388,414	413,956	472,359
NET ASSETS / LIABILITIES	17,688	19,878	22,356	29,960	35,975	43,340
Share capital	4,489	5,386	6,464	7,110	7,821	8,603
Share premium	4,316	3,419	2,341	1,695	984	202
Reserves	1,817	2,632	3,464	4,888	6,533	8,561
Un - appropriated profit	5,608	6,971	8,537	12,198	15,829	20,255
Equity - Tier I	16,230	18,408	20,806	25,891	31,167	37,621
Surplus on revaluation of assets	1,458	1,470	1,550	4,069	4,808	5,719
	17,688	19,878	22,356	29,960	35,975	43,340

PROFITABILITY

Markup / Rerurn / Interest earned	17,216	21,201	30,571	41,122	44,993	51,814
Markup / Rerurn / Interest expensed	6,793	10,093	17,273	22,422	22,428	26,643
Net Markup / Interest income	10,423	11,108	13,298	18,700	22,565	25,171
Fee, Commission, Brokerage and Exchange income	1,636	2,258	3,266	3,470	2,910	3,374
Capital gain & Dividend income	540	1,585	1,571	2,452	2,511	3,507
Other income	273	77	59	36	251	69
Non interest income	2,449	3,920	4,896	5,958	5,672	6,950
Gross income	12,872	15,028	18,194	24,658	28,237	32,121
Operating expenses	5,288	6,173	8,431	9,609	11,529	13,684
Profit before provisions	7,584	8,855	9,763	15,049	16,708	18,437
Donations	9	28	82	97	38	61
Provisions	(913)	(2,874)	(3,561)	(4,416)	(4,326)	(3,267)
Profit before taxation	6,662	5,953	6,120	10,536	12,344	15,109
Taxation	(2,264)	(1,877)	(1,964)	(3,414)	(4,118)	(4,969)
Profit after taxation	4,398	4,076	4,156	7,122	8,226	10,140

CASH FLOW STATEMENT - SUMMARY

Cash Flow from Operating Activities	9,328	46,350	564	10,811	36,200	86,807
Cash Flow from Investing Activities	(4,241)	(38,461)	(3,544)	(10,000)	(28,822)	(76,727)
Cash Flow from Financing Activities	1,403	(1,904)	(1,755)	926	(2,982)	(3,706)
Cash & Cash equivalent at the Beginning of the Year	17,753	24,303	29,842	25,190	27,276	31,725
Effect of Exchange Rate changes on Cash & Cash equivalent	124	65	511	428	79	26
Cash & Cash equivalent at the End of the Year	24,367	30,353	25,618	27,355	31,751	38,125

December 31

2006

2007

2008

2009

2010

2011

FINANCIAL RATIOS

Return on equity	30.2%	23.5%	21.2%	30.5%	28.8%	29.5%
Return on assets	1.98%	1.42%	1.21%	1.81%	1.89%	2.10%
Profit before tax ratio	51.8%	39.6%	33.6%	42.7%	43.7%	47.0%
Gross spread ratio (Net markup income / Gross markup income)	60.5%	52.4%	43.5%	45.5%	50.2%	48.6%
Return on Capital employed	27.9%	21.6%	19.8%	28.0%	25.6%	26.7%
Advances to deposits ratio (ADR) - Gross	73.6%	67.6%	75.2%	76.0%	72.3%	65.6%
Advances to deposits ratio (ADR) - Net	69.9%	63.8%	71.6%	72.2%	68.2%	61.2%
Income / Expense ratio	2.4	2.4	2.2	2.6	2.4	2.3
Cost to revenue ratio	41.1%	41.1%	46.3%	39.0%	40.8%	42.6%
Growth in gross income	31%	17%	21%	36%	15%	14%
Growth in net profit after tax	42%	-7%	2%	71%	15%	23%
Total assets to shareholders' funds (Tier 1)	15.5	17.4	17.6	16.2	14.4	13.7
Total assets to shareholders' funds (Tier 2)	14.2	16.1	16.4	14.0	12.5	11.9
Intermediation cost ratio	2.9%	2.6%	3.0%	3.1%	3.3%	3.6%
NPL ratio	6.9%	6.4%	6.2%	6.5%	7.0%	7.8%
Net infection ratio	2.0%	0.7%	1.5%	1.6%	1.3%	1.1%
Weighted average cost of debt	3.53%	4.21%	5.53%	6.84%	6.13%	6.35%
Capital Adequacy ratio **	12.80%	10.26%	10.90%	13.47%	13.84%	13.53%
Breakup value per share without Surplus						
on Revaluation of Fixed Assets ***	18.8	21.4	22.7	31.6	38.6	46.2
Breakup value per share including the effect of						
Surplus on Revaluation of Fixed Assets ***	20.6	23.1	26.0	34.8	41.8	50.4
Weighted Average cost of deposit	3.37%	3.98%	5.10%	6.10%	5.15%	5.38%
Earning asset to total asset ratio	83.34%	84.59%	84.92%	86.11%	85.74%	85.61%

SHARE INFORMATION

Cash Dividend Per Share	2.50	3.00	2.50	4.00	4.00	5.00
Bonus Shares issues	20%	20%	10%	10%	10%	10%
Dividend Yield Ratio (based on cash dividend)	2.7%	2.3%	8.0%	6.8%	5.7%	9.3%
Dividend payout ratio (Total payout)	46%	66%	54%	50%	48%	51%
Earning Per Share (EPS) *	5.11	4.74	4.83	8.28	9.56	11.79
Price to earning ratio * (PE x)	9.5	17.2	4.9	5.9	6.7	4.6
Price to book value ratio	2.37	3.53	0.91	1.39	1.53	1.07
Market value per share - at the end of the year	93.5	130.2	31.3	58.7	70.5	53.9
Market value per share - highest / lowest during the year	111.65 / 78.5	145.45 / 93.00	156.45 / 31.32	66.30 / 19.85	71.11 / 48.51	74.00 / 53.35
Net assets per share	39.4	36.9	34.6	42.1	46.0	50.4
Market Capitalisation	41,969	70,104	20,244	41,757	55,138	46,345

INDUSTRY SHARE

Deposits	7.0%	7.3%	7.7%	7.5%	7.2%	6.8%
Advances	6.4%	6.7%	7.1%	7.5%	7.7%	8.4%
Total Assets	6.3%	6.6%	7.0%	6.9%	6.6%	6.6%

OTHER INFORMATION

Non - performing loans (NPLs) (Rs. in Millions)	10,479	11,355	13,772	16,281	18,688	20,452
Imports and Exports business (Rs. in Millions)	113,571	150,698	194,186	196,211	192,973	249,573
Number of employees - Permanent	7,139	8,181	8,325	8,713	8,947	9,496
Number of employees - Total	8,879	10,297	11,108	11,690	12,588	13,029
Number of branches	742	757	766	779	806	837
Number of ATMs	289	397	489	530	574	601

* EPS for prior years has been adjusted to affect bonus shares issued during 2011.

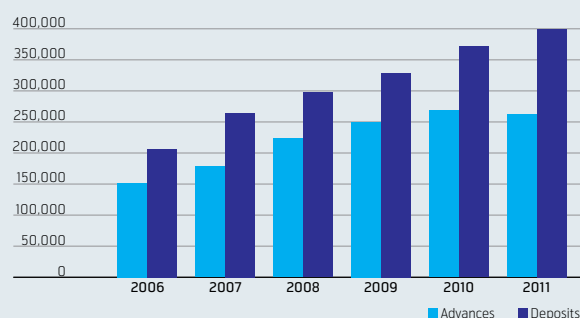
** Numbers for 2007 and onwards are based on BASEL II framework.

*** Adjusted for prior years to affect bonus shares issued during 2011.

Performance Highlights

Advances & Desposits

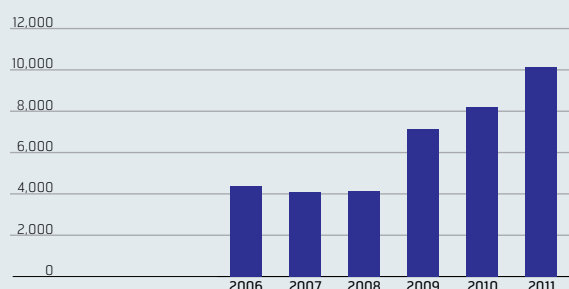
(Rs. in million)



Profit after Tax

(Rs. in million)

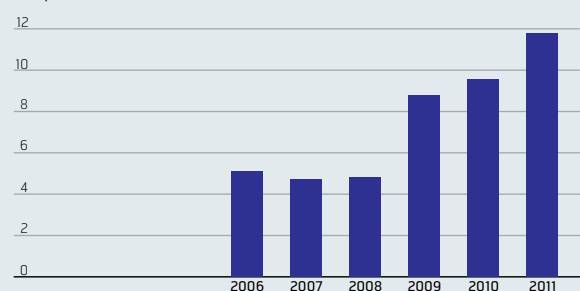
CAGR 18.19%



Earning Per Share

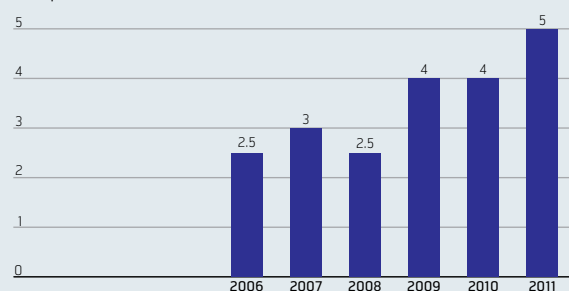
(Rupees)

CAGR 18.19%



Cash Dividend

(Rs. per share)



ABL Share Price Movement

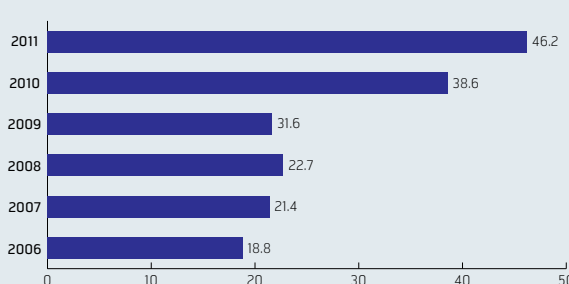
(Rupees)

Year	Share Price	+/-%	Highest	Lowest	AVG
2011	53.87	-23.59%	74.00	53.35	62.81
2010	70.50	20%	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

Break-up-Value

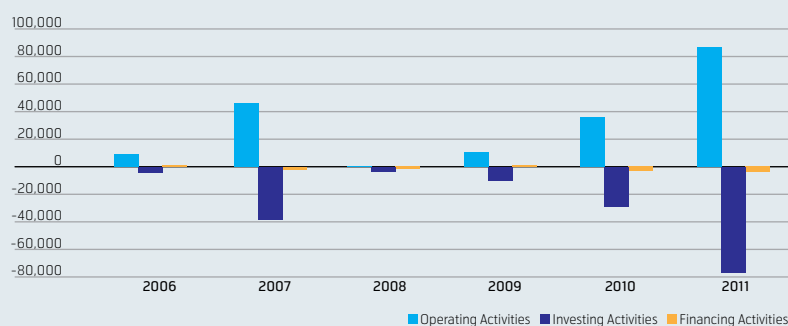
(Rupees)

CAGR 19.72%



Cash Flow Analysis

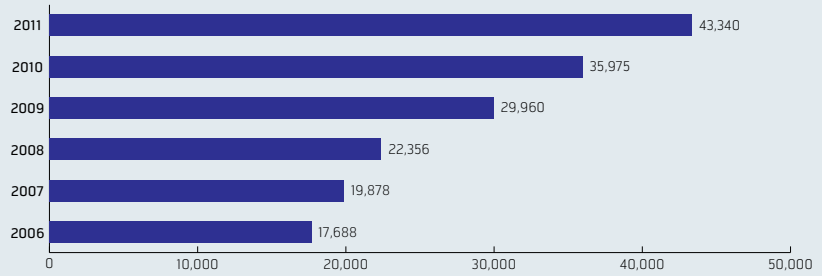
(Rs. in million)



Total Shareholders Equity

(Rs. in million)

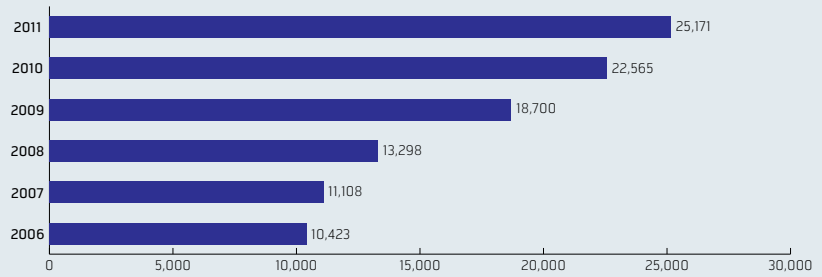
CAGR 19.63%



Net Interest Income

(Rs. in million)

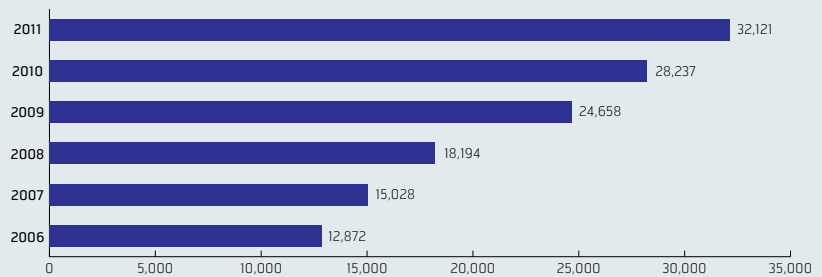
CAGR 19.28%



Gross Income

(Rs. in million)

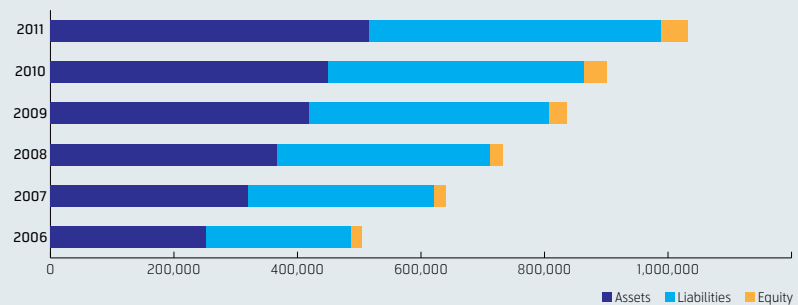
CAGR 20.07%



Composition of Statement of Financial Position

(Rs. in million)

CAGR
Assets 15.40%
Liabilities 15.05%
Equity 19.63%



Horizontal Analysis

Rs. in Million

2011 11 Vs 10 2010 10 Vs 09 2009 09 Vs 08 2008 08 Vs 07 2007 07 Vs 06 2006 06 Vs 05
Rs. M % Rs. M % Rs. M % Rs. M % Rs. M % Rs. M %

STATEMENT OF FINANCIAL POSITION

ASSETS

	2011	11 Vs 10	2010	10 Vs 09	2009	09 Vs 08	2008	08 Vs 07	2007	07 Vs 06	2006	06 Vs 05
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
Cash and balances with treasury												
and other banks	38,159	19.8%	31,845	14.9%	27,716	7.6%	25,751	-15.3%	30,408	22.9%	24,745	37.2%
Lending to financial institutions	1,362	-88.1%	11,489	-59.1%	28,123	78.1%	15,793	-14.3%	18,419	-3.3%	19,050	229.7%
Investments - Net	195,694	61.5%	121,173	27.8%	94,789	14.7%	82,646	-1.6%	83,958	78.8%	46,953	4.5%
Advances - Net	244,433	-3.1%	252,345	6.3%	237,344	11.4%	212,972	26.5%	168,407	16.9%	144,033	29.5%
Operating Fixed assets	18,087	17.8%	15,360	23.4%	12,447	11.8%	11,134	47.5%	7,549	17.1%	6,445	36.5%
Other assets	17,964	1.4%	17,719	-1.3%	17,955	-2.4%	18,399	61.9%	11,368	5.3%	10,800	36.6%
Total assets	515,699	14.6%	449,931	7.5%	418,374	14.1%	366,695	14.6%	320,109	27.0%	252,026	30.9%

LIABILITIES & EQUITY

Customer deposits & other account	399,562	7.6%	371,284	12.9%	328,875	10.6%	297,475	12.7%	263,972	28.1%	206,031	27.6%
Inter bank borrowings	49,993	140.6%	20,774	-47.8%	39,819	43.3%	27,778	21.1%	22,934	24.6%	18,410	89.9%
Bills payable	4,015	-2.5%	4,119	30.2%	3,162	7.1%	2,952	-15.5%	3,494	53.4%	2,278	-7.0%
Other liabilities	13,296	8.2%	12,284	11.1%	11,061	-18.9%	13,636	86.0%	7,332	43.2%	5,119	14.5%
Sub-ordinated loans	5,493	0.0%	5,495	0.0%	5,497	120.1%	2,498	0.0%	2,499	0.0%	2,500	100.0%
Total Liabilities	472,359	14.1%	413,956	6.6%	388,414	12.8%	344,339	14.7%	300,231	28.1%	234,338	31.6%
Share capital	8,603	10.0%	7,821	10.0%	7,110	10.0%	6,464	20.0%	5,386	20.0%	4,489	0.0%
Reserves	8,763	16.6%	7,517	14.2%	6,583	13.4%	5,805	-4.1%	6,051	-1.3%	6,133	7.7%
Un - appropriated profit / (loss)	20,255	28.0%	15,829	29.8%	12,198	42.9%	8,537	22.5%	6,971	24.3%	5,608	105.3%
Equity - Tier I	37,621	20.7%	31,167	20.4%	25,891	24.4%	20,806	13.0%	18,408	13.4%	16,230	25.7%
Surplus on revaluation of assets	5,719	18.9%	4,808	18.2%	4,069	162.4%	1,550	5.5%	1,470	0.8%	1,458	-10.8%
Total Equity	43,340	20.5%	35,975	20.1%	29,960	34.0%	22,356	12.5%	19,878	12.4%	17,688	21.6%

Profit & Loss Account

Interest / Return / Non Interest

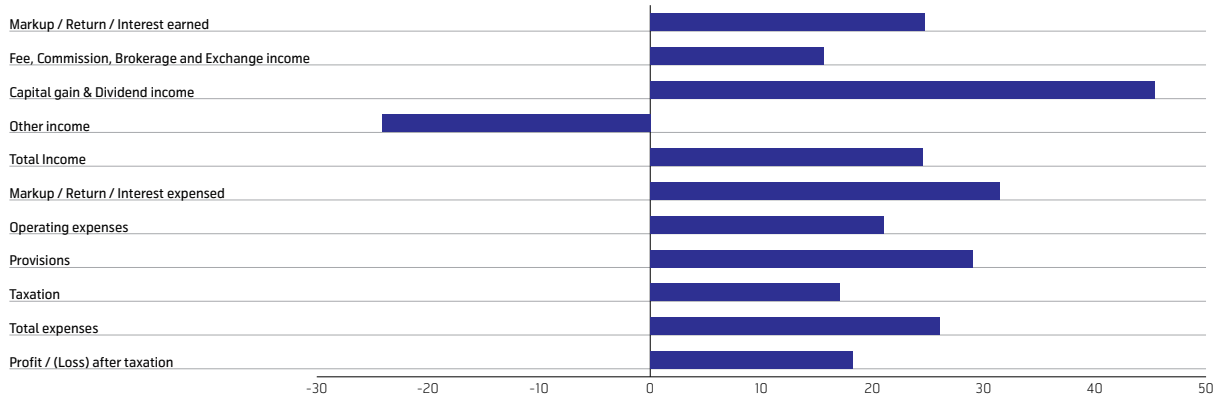
Income earned												
Markup / Return / Interest earned	51,814	15%	44,993	9%	41,122	35%	30,571	44%	21,201	23%	17,216	74%
Fee, Commission, Brokerage and												
Exchange income	3,374	16%	2,910	-16%	3,470	6%	3,266	45%	2,258	38%	1,636	11%
Capital gain & Dividend income	3,507	40%	2,511	2%	2,452	56%	1,571	-1%	1,585	194%	540	175%
Other income	69	-73%	251	597%	36	-39%	59	-24%	77	-72%	273	0%
Total	58,764	16.0%	50,665	8%	47,080	33%	35,467	41%	25,121	28%	19,665	66%

Markup / Return / Non Interest Expense

Markup / Return / Interest expensed	(26,643)	19%	(22,428)	0%	(22,422)	30%	(17,273)	71%	(10,093)	49%	(6,793)	236%
Operating expenses	(13,745)	19%	(11,567)	19%	(9,706)	14%	(8,513)	37%	(6,201)	17%	(5,297)	24%
Provisions	(3,267)	-24%	(4,326)	-2%	(4,416)	24%	(3,561)	24%	(2,874)	215%	(913)	31%
Taxation	(4,969)	21%	(4,118)	21%	(3,414)	74%	(1,964)	5%	(1,877)	-17%	(2,264)	30%
Total expense - percentage of total income	(48,624)	15%	(42,439)	6%	(39,958)	28%	(31,311)	49%	(21,045)	38%	(15,267)	75%
Profit / (Loss) after taxation	10,140	23%	8,226	16%	7,122	71%	4,156	2%	4,076	-7%	4,398	42%

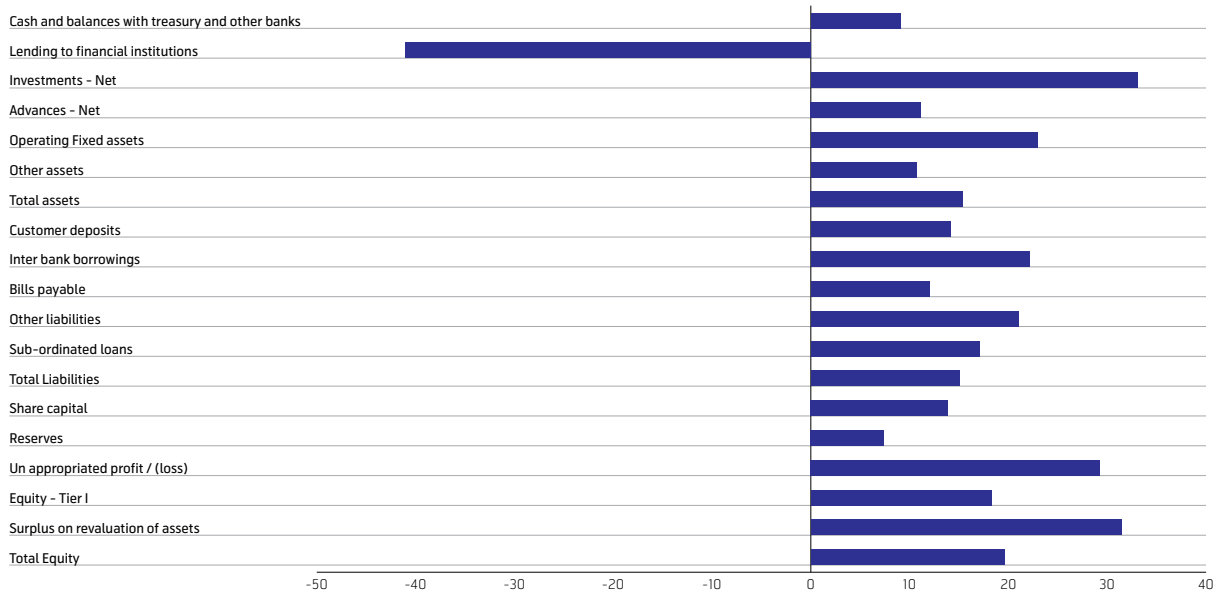
Profit and Loss Horizontal Analysis

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



Statement of Financial Position Horizontal Analysis

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

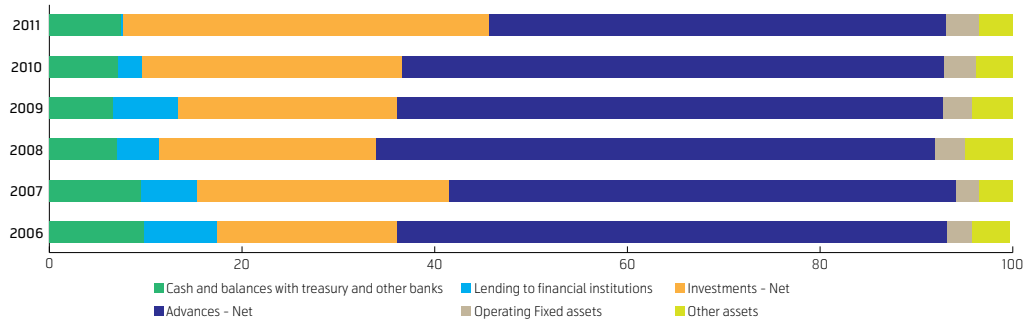


Vertical Analysis

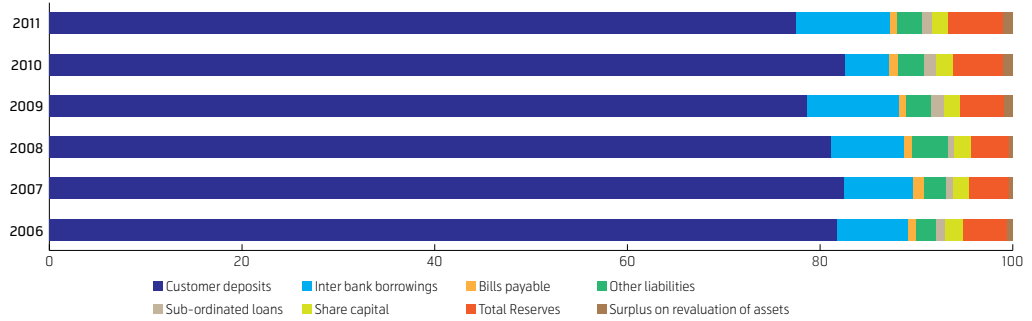
Rs. in Million

	2011		2010		2009		2008		2007		2006	
	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%	Rs. M	%
STATEMENT OF FINANCIAL POSITION												
ASSETS												
Cash and balances with treasury												
and other banks	38,159	7%	31,845	7%	27,716	7%	25,751	7%	30,408	9%	24,745	10%
Lending to financial institutions	1,362	0%	11,489	3%	28,123	6%	15,793	4%	18,419	6%	19,050	7%
Investments - Net	195,694	38%	121,173	27%	94,789	23%	82,646	23%	83,958	26%	46,953	19%
Advances - Net	244,433	47%	252,345	56%	237,344	57%	212,972	58%	168,407	53%	144,033	57%
Operating Fixed assets	18,087	4%	15,360	3%	12,447	3%	11,134	3%	7,549	2%	6,445	3%
Other assets	17,964	4%	17,719	4%	17,955	4%	18,399	5%	11,368	4%	10,800	4%
Total assets	515,699	100%	449,931	100%	418,374	100%	366,695	100%	320,109	100%	252,026	100%
LIABILITIES & EQUITY												
Customer deposits	399,562	77%	371,284	82%	328,875	79%	297,475	81%	263,972	83%	206,031	82%
Inter bank borrowings	49,993	10%	20,774	5%	39,819	9%	27,778	7%	22,934	7%	18,410	7%
Bills payable	4,015	1%	4,119	1%	3,162	1%	2,952	1%	3,494	1%	2,278	1%
Other liabilities	13,296	3%	12,284	3%	11,061	3%	13,636	4%	7,332	2%	5,119	2%
Sub-ordinated loans	5,493	1%	5,495	1%	5,497	1%	2,498	1%	2,499	1%	2,500	1%
Total Liabilities	472,359	92%	413,956	92%	388,414	93%	344,339	94%	300,231	94%	234,338	93%
Net assets	43,340	8%	35,975	8%	29,960	7%	22,356	6%	19,878	6%	17,688	7%
Represented by												
Share capital	8,603	2%	7,821	2%	7,110	2%	6,464	2%	5,386	2%	4,489	2%
Reserves	8,763	2%	7,517	2%	6,583	1%	5,805	2%	6,051	2%	6,133	2%
Un - appropriated profit / (loss)	20,255	3%	15,829	3%	12,198	3%	8,537	2%	6,971	2%	5,608	2%
Equity - Tier I	37,621	7%	31,167	7%	25,891	6%	20,806	6%	18,408	6%	16,230	6%
Surplus on revaluation of assets	5,719	1%	4,808	1%	4,069	1%	1,550	0%	1,470	0%	1,458	1%
Total Equity	43,340	8%	35,975	8%	29,960	7%	22,356	6%	19,878	6%	17,688	7%
Profit & Loss Account												
Interest / Return / Non Interest												
Income earned												
Markup / Return / Interest earned	51,814	88%	44,993	89%	41,122	88%	30,571	86%	21,201	85%	17,216	88%
Fee, Commission, Brokerage and												
Exchange income	3,374	6%	2,910	6%	3,470	7%	3,266	9%	2,258	9%	1,636	8%
Capital gain & Dividend income	3,507	6%	2,511	5%	2,452	5%	1,571	5%	1,585	6%	540	3%
Other income	69	0%	251	0%	36	0%	59	0%	77	0%	273	1%
Total	58,764	100%	50,665	100%	47,080	100%	35,467	100%	25,121	100%	19,665	100%
Markup / Return / Interest and Non Interest Expense												
Markup / Return / Interest expensed	(26,643)	-45%	(22,428)	-44%	(22,422)	-48%	(17,273)	-49%	(10,093)	-40%	(6,793)	-35%
Operating expenses	(13,745)	-23%	(11,567)	-23%	(9,706)	-21%	(8,513)	-24%	(6,201)	-25%	(5,297)	-27%
Provisions	(3,267)	-6%	(4,326)	-9%	(4,416)	-9%	(3,561)	-10%	(2,874)	-11%	(913)	-5%
Taxation	(4,969)	-9%	(4,118)	-8%	(3,414)	-7%	(1,964)	-5%	(1,877)	-8%	(2,264)	-11%
Total expense - percentage of total income	(48,624)	-83%	(42,439)	-84%	(39,958)	-85%	(31,311)	-88%	(21,045)	-84%	(15,267)	-78%
Profit / (Loss) after taxation	10,140	17%	8,226	16%	7,122	15%	4,156	12%	4,076	16%	4,398	22%

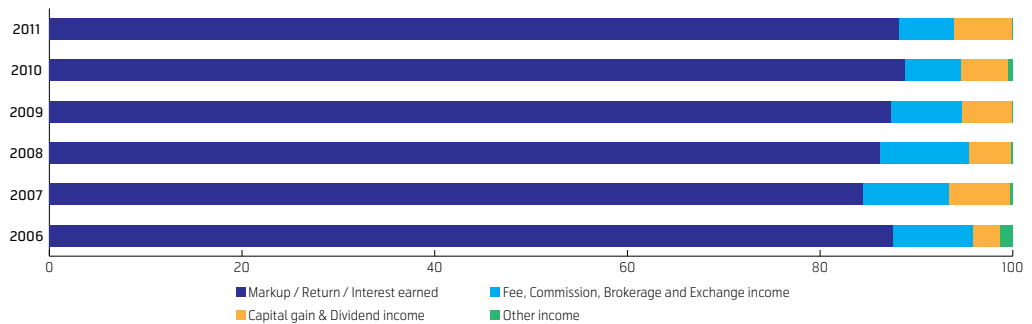
Statement of Financial Position Vertical Analysis – Assets (Composition for the last six years)



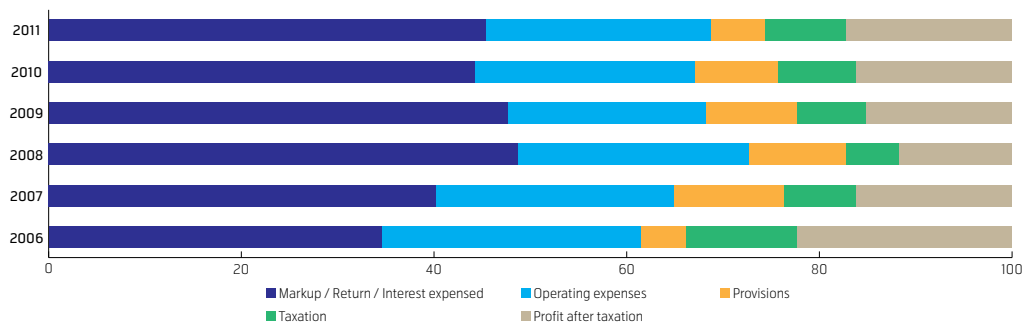
Statement of Financial Position Vertical Analysis – Liabilities & Equity (Composition for the last six years)



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)

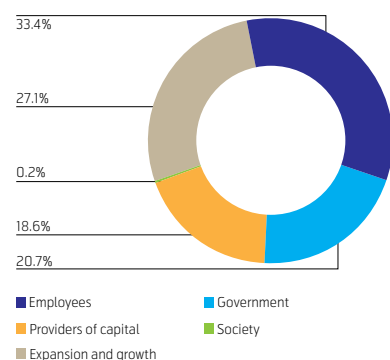


Statement of Value Addition

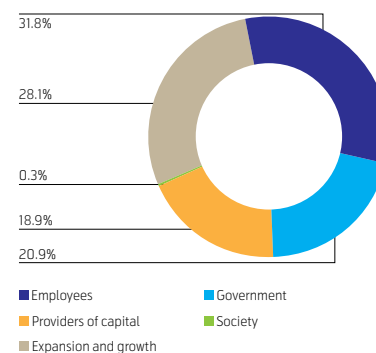
(Rupees in "000")

	2011	%	2010	%
Value Added				
Income from banking services	32,118,284		28,224,853	
Cost of services	(5,100,012)		(4,033,691)	
Value added by banking services	27,018,272		24,191,162	
Non - banking income	2,568		11,977	
Provision against non-performing assets	(3,267,450)		(4,326,223)	
	23,753,390		19,876,916	
Value Allocated				
to employees				
as salaries, allowances and other benefits	7,553,145	31.8%	6,645,013	33.4%
to Government				
as income tax	4,968,801	20.9%	4,117,774	20.7%
to providers of capital				
as dividends	4,497,080	18.9%	3,697,205	18.6%
to Society				
as donation	61,295	0.3%	38,260	0.2%
to expansion and growth				
as depreciation / amortization	1,030,468	4.3%	850,537	4.3%
as retention in business	5,642,601	23.8%	4,528,127	22.8%
	6,673,069	28.1%	5,378,664	27.1%
	23,753,390	100%	19,876,916	100%

Value Addition - 2010
(Percentage)



Value Addition - 2011
(Percentage)



Concentration of Advances, Deposits and Off-Balance Sheet Items - December 31, 2011

Description	Advances (Gross)		Classified Advances		Deposits		Off-balance sheet items	
	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%	Rs. In Mln	%
Agriculture, Forestry, and Hunting	554	0.21	192	0.94	20,011	5.01	15	0.01
Basic metals (iron, steel)	2,502	0.95	866	4.23	902	0.23	1,901	1.10
Beverages	1,211	0.46	742	3.63	24	0.01	144	0.08
Cement/clay & ceramics	12,674	4.83	120	0.58	318	0.08	1,122	0.65
Chemical & pharmaceutical	18,922	7.22	374	1.83	235	0.06	1,064	0.61
Construction	4,253	1.62	625	3.06	19,180	4.80	3,005	1.73
Education	80	0.03	-	0.00	4,785	1.20	4	0.00
Financial	4,001	1.53	344	1.68	1,064	0.27	82,892	47.77
Finishing of Textile	7,501	2.86	1,937	9.47	2,043	0.51	1,918	1.11
Fishing	13	0.00	-	0.00	-	0.00	-	0.00
Footware & leather garments	1,091	0.42	56	0.27	297	0.07	181	0.10
Furniture & sports goods	1,103	0.42	215	1.05	754	0.19	122	0.07
Grains & related	16,860	6.43	-	0.00	4,336	1.09	82	0.05
Health & social welfare	291	0.11	-	0.00	1,723	0.43	707	0.41
Hotel, restaurant & clubs	224	0.09	63	0.31	1,263	0.32	0	0.00
Machinery & equipment	3,662	1.40	1,292	6.32	943	0.24	787	0.45
Manufacture of made up & ready made garments	2,179	0.83	-	0.00	580	0.15	122	0.07
Manufacture of transport equipment	649	0.25	83	0.41	110	0.03	224	0.13
Paper & paper boards	4,759	1.82	3	0.01	10	0.00	395	0.23
Petroleum products	1,840	0.70	6	0.03	3,555	0.89	18,550	10.69
Power, gas, water & sanitary	49,103	18.73	840	4.10	2,250	0.56	7,547	4.35
Printing, publishing & allied	167	0.06	32	0.15	35	0.01	15	0.01
Real estate, renting, and business activities	3,348	1.28	1,745	8.53	33,847	8.47	322	0.19
Rubber & plastic	729	0.28	3	0.01	626	0.16	234	0.13
Spinning	25,642	9.78	3,125	15.28	7,891	1.97	561	0.32
Sugar	3,281	1.25	-	0.00	1,621	0.41	31	0.02
Tobacco	-	0.00	-	0.00	26	0.01	-	0.00
Transport, storage & communication	4,583	1.75	361	1.77	1,437	0.36	1,564	0.90
Weaving	5,283	2.02	9	0.04	4,439	1.11	724	0.42
Wholesale & retail trade	12,439	4.75	2,206	10.79	37,653	9.42	1,826	1.05
Individuals	7,019	2.68	37	0.18	135,256	33.85	1,104	0.64
Others	66,175	25.24	5,178	25.32	112,346	28.12	46,363	26.72
Total	262,137	100.00	20,452	100.00	399,562	100.00	173,528	100.00

Maturities of Assets and Liabilities - December 31, 2011

(Rupees in '000)

	Total	Upto 3M	3M to 1Y	1Y to 3Y	3Y to 5Y	5Y & above
Assets						
Cash and balances with treasury banks	36,479,758	26,804,647	21,840	6,435,514	3,217,757	-
Balances with other banks	1,679,085	1,509,447	6,276	108,908	54,454	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-
Investments - net	195,694,122	20,195,505	134,721,160	7,201,751	25,246,169	8,329,537
Advances - net	244,433,474	72,491,610	30,890,474	62,755,418	35,286,262	43,009,710
Operating fixed assets	18,087,011	435,913	1,307,739	1,385,809	446,133	14,511,417
Deferred tax assets	751,908	(63,245)	88,648	1,174,065	(5,519)	(442,041)
Other assets - net	17,211,827	11,766,238	2,336,578	(549,296)	40,570	3,617,737
Liabilities						
Bills payable	4,015,317	4,015,317	-	-	-	-
Borrowings	49,993,200	38,808,632	7,677,111	1,169,152	2,338,305	-
Deposits and other accounts	399,561,676	125,300,045	122,854,204	41,529,766	25,163,863	84,713,798
Sub-ordinated loan	5,492,600	600	1,600	2,496,400	3,600	2,990,400
Other liabilities	13,296,342	9,329,956	1,025,545	774,196	674,775	1,491,870

* Maturities of deposits are based on the working prepared by the Assets and Liabilities Management Committee (ALCO) of the Bank

Products and services



Pay Anyone

Allied FastFinance

Allied کاشتکار

آسان ترین زرعی مالی سہولیات

Allied Bank offers a full suite of products and services, tailor-made to cater to the requirements of each segment of its customer base. We aim to provide comprehensive solutions for our customers wherever they are in on their financial graph. From customers just beginning a banking relationship to those with more sophisticated banking needs, we can bring the full capability of Allied Bank to their doorstep. Our customers have the advantage of a nationwide network of over 800 online branches with well-informed and friendly staff, as well as 600+ ATMs strategically located to help provide ease of banking. At Allied Bank, we're always "aap ke saath saath"

Branch Banking

With a vast network of 837 branches, all of which are online, ABL is committed to provide real time online banking to all its customers.

Banking on Saturday

Enjoy the convenience of banking hours of 11:00 am to 2:00 pm, with around 200 selected branches operational on Saturdays.

Allied Business Account

To cater to the unique financial needs of businessmen, Allied Bank has incorporated Allied Business Account; a current account, in its product portfolio. On maintaining a certain daily minimum balance, our business customers can avail free branch facilities which are useful for their day-to-day business transactions like issuance of Pay Orders, Demand Drafts, deposits and withdrawals, funds transfer, telephonic transfer, Internet Banking, no cheque return charges and free Nationwide Real-Time Online Banking.

Allied Rising Star

Allied Rising Star is a profit-based account product made just for children. The basic purpose of this product is to inculcate the habit of savings among children through its unique features. For the first time in Pakistan's Banking history, the feature of daily profit is introduced in this product. Upon account opening, the Child receives a welcome pack which includes account card (Photo ID); cash box; first account-opening certificate; an exciting game/dining voucher, and life insurance cover in case of accident or disability of Guardian

Allied Ba'Ikhtiyar

Allied Ba'Ikhtiyar is a distinctive fixed 12-month deposit scheme which gives the customer the power to choose. The customer is given the flexibility to choose from any profit payment frequency of the term deposit, whether it be in advance, monthly, quarterly, bi-annually or yearly

Allied Advance Profit Scheme

Allied Bank was the first Bank in Pakistan which introduced such a unique product in the industry. It is a term deposit scheme that doesn't make the account holder wait for the reward; it gives the entire profit upfront on the same day of your account opening. The customer can choose between 15-months and 18-months tenor and can enjoy the remuneration which is an attractive percentage of the deposit.

E- Banking

Allied Direct

Banking at your fingertips - Allied Direct Internet Banking offers convenience to manage and control banking and finances. A host of features like fund transfer, including fund transfer to other banks, Utility bill payments, Mobile recharges, Donations and much more. Allied Direct is also available on mobile so that wherever you move, the account stays with you.

Allied Pay anyone

A unique product in which ABL customers can send cash /cheque to any individual in Pakistan even if the beneficiary doesn't have a bank account. All it takes is just a click of a button (Allied Direct).

ABL ATMs and CCDM

The vast network of over 600 ATMs all over the country gives 24/7 accesses to cash withdrawals, mini statement, bill payments, fund transfers and much more.

VISA Debit Card

The Visa Debit Card gives the customer the capability to access their banking accounts. Our VISA Debit Card gives our above 2 million customers to shop at 50,000 retailers in Pakistan and over 27 million retailers all over the world, without the worry to carry physical cash in hand. It also gives our cardholders' access to over 1 million ATMs worldwide and over 4,500 ATMs in Pakistan, including our large network of ATMs.

**Allied
Ba'ikhtiyar**
One Year Term Deposit



**Allied
RISING
STAR**
Youth Account

**Allied
Direct**
Internet Banking

Agriculture

Allied Bank Limited is aggressively involved in Agriculture Financing across the country and offering full range of Agricultural loan facilities with insurance coverage to the farmers at their door step through dedicated and qualified team of Agriculture Credit Officers posted at branches. We offer multiple and diversified range of Agri Products for Farm and Non-Farm sectors i.e. Agri Production Loans, Tractor Financing, Agri Machinery Finance, Livestock Financing including construction of sheds and Machinery to cater to the needs of farming community across Pakistan.

Allied Bank VISA Credit Card

Allied Bank's Gold and Platinum Visa Credit Card offers world of privileges, benefits and savings. In order to cater to growing financial needs of customers, Allied Bank has launched credit card that offers attractive service charge with a free credit period of up to 50 days. Now, with affordability coupled with superior customer service, it offers comprehensive protection against loss/stolen cards, SMS/e-mail alerts, cash advance, balance transfer facility and access to international lounges for platinum card holders, thus providing unique experience to the customers.

Allied Bank Lockers

Bank Lockers provide the state-of-the-art, high-security protection for your valuables. Lockers of different capacities are available nationwide at conveniently located ABL branches.

Allied Bank Call Center

With our Call Centre facility, you no longer have to take time out to visit your branch for your everyday banking needs. By simply dialing our toll-free number 0800-22522, you get access to a wide range of Tele-banking solutions and personalized banking. You can also access our self-service banking, where you will be guided and assisted in all transactions by our Interactive Voice Response System (IVR).

Investment Banking

Investment Banking is a multifaceted business unit geared towards meeting the complex financing needs of its clientele. The division's major revenue earner is the debt syndications and capital markets desk whose forte is executing big ticket debt arrangement transactions on full/partial recourse basis for companies with existing revenue stream. The Syndications Desk seeks to create value for its clientele by offering cost effective and customized corporate financing solutions. Cost efficiency is brought about by marketing products to a diverse participant base, and complex financing requirements are met through tailor made solutions while value is delivered through a combination of the aforementioned aligned with swift execution to enable our customers to capitalize on market opportunities.

Project Finance desk offers advisory services to project sponsors for development of a credit-worthy and bankable financial structure for the project with appropriate risk allocation. It also extends syndicated project finance solutions to project sponsors desirous of setting up green field projects.

The Advisory Desk offers a broad array of services/products ranging from advising on IPOs, Underwritings, Divestments, Debt Restructurings, Privatization and M&A Deals. Within these broad service areas a full suite of solutions is available.

Home Remittances

The Home Remittance provides a seamless inflow of foreign remittance credited in the beneficiary accounts in minutes.

Cash Management

ABL Cash Management is a state-of-the-art, real-time system offering its clients efficient Liquidity Management Solutions, across the entire ABL network of 800+ branches.

Corporate Banking

The Corporate Banking works on a long-term relationship based business model to provide a single point within the bank for meeting all business requirements of its corporate and institutional customers, including public sector enterprises, with the primary objective of enhancing customer service.

Dedicated relationship managers for each of our corporate client ensure customer satisfaction, which remains top priority. Our relationship oriented outlook focuses upon providing a complete array of tailored financing solutions, that are practical and cost effective, some of which include:

- Working Capital Facilities
- Term Loans
- Structured Trade Finance Facilities
- Letters of Guarantee
- Letters of Credit
- Fund Transfers / Remittances
- Bill Discounting
- Export Financing
- Receivable Discounting

Corporate Social Responsibility



1: Playing our role for conservation of nature – WWF Pakistan – Allied Bank Rising Star Travelling Nature Carnival 2011
 2: Promoting Education: Donation to Khoj – Society for People’s Education 3: Supporting Healthcare - Donation to Bakhtawar Amin Memorial Trust, Multan

Our Philosophy of CSR

At Allied Bank, we have clearly defined Corporate Social Responsibility objectives which revolve around behaving ethically, following best practices and contributing to the economic development of the country. Today, we are amongst the very few organizations that have a CSR Policy in place. Our giving program focuses on contributing to the economic development while improving the quality of life of the workforce and their families as well as that of the local community and society at large. In line with our CSR philosophy, we believe that being one of the most successful organizations in Pakistan, it is our moral and ethical responsibility to step up and offer a helping hand to the members of the community in need.

Our CSR philosophy has focused 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.

Our CSR Track Record

Our foremost responsibility is to be successful in order to provide our shareholders the best value against their investment. We think it our responsibility to introduce new innovative products for our customers; facilitate them by providing a comfortable environment at the branch level; and introduce new ways and means for easy banking. Our other key responsibilities is also to 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.

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, the floods in 2010 or the devastating rains that crippled the agri sector of Sindh in 2011 while rendering a large population of the province homeless.



aspiring...
to be responsible



4: Health Awareness – Seminar for the lady workforce of Allied Bank Limited

5: Supporting higher education - Donation to Institute of Business Administration

6: Painting competition at WWF Pakistan – Allied Bank Rising Star Travelling Nature Carnival 2011

Education

We believe that for a nation to progress, investment in education is of paramount importance. Therefore, being one of the most successful organizations in the country, we believe it is our responsibility to invest in imparting quality education to the bright young men and women of our society who may have financial constraints. In line with this thought, 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. National Management Foundation (LUMS) and Institute of Business Administration (IBA) have been two key beneficiaries of our Donations Policy. Some of the noteworthy contributions we made during 2011 are:

- Suleman Dawood School of Business
- Institute of Business Administration (IBA)
- GCU Endowment Fund Trust Lahore
- Karachi University, Department of Visual Studies
- Society for Education & Technology
- Imran Khan Foundation (Namal College and rehabilitation of flood affected persons)
- KHOJ – Society for People's Education

Healthcare

We believe that healthy individuals make healthy nations. In line with this belief, we have been contributing substantial amounts to leading

healthcare institutions over the years. Some of our main beneficiaries last year have been:

- Bakhtawar Amin Memorial Trust
- Memon Medical Institute
- Patient Welfare Association, Civil Hospital, Karachi
- Marie Adelaide Leprosy Center
- Shaikh Zayed Postgraduate Medical Institute
- Shaukat Khanum Memorial Cancer Hospital
- Tamir Welfare Association
- Pink Ribbon Pakistan
- Mayo Hospital Lahore
- Sundus Foundation
- Salamat & Yaseen Trust
- Laeeq Rafiq Foundation, Multan
- Patient Welfare Society, Allied Hospital, Faisalabad

Corporate Social Responsibility



7



10



8



8



9

7: Standing by nation in hour of need –Allied Bank constructing houses in flood affected areas 8: 7th All Pakistan Allied Bank Golf Tournament
9: Participation by all – female player of ABL's inter-departmental cricket tournament 10: Allied Bank's Employees Inter-Departmental Cricket tournament

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 the 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 was honored as the world

renowned Cricket umpire Mr. Aleem Dar, who was declared “The Best ICC Umpire of the Year” for the third consecutive year. Mr. Aleem Dar who is a regular employee at Allied Bank for the last 16 years, and is now 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 tournaments Karachi, Islamabad and Faisalabad.

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 ownership 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.



10: Allied Bank's Employees Inter-Departmental Cricket tournament
 11: Allied Bank's mobile dispensary operating in rain affected areas of Sindh

As part of our Staff Engagement Program, inter-departmental Cricket Tournaments were organized for employees and their families in Lahore, Karachi, Multan 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. We teamed up with Pink Ribbon Pakistan and organized health awareness seminars for our lady workforce in Karachi, Lahore and Islamabad, which were very well received by our lady family members.

Assistance in calamity hit areas

Following the heavy rains that destroyed standing crops in almost the entire Sindh, resulting in extreme financial hardships as well as dislocation of a large population, the Bank contributed Rs. 15 million to provide food and medical services to a large number of displaced people. The Bank employees responded to the call and contributed Rs. 10 million from their salaries. The Bank also plans to build a school in the rain affected areas of Sindh in partnership with the Citizens Foundation. Similarly, we also fulfilled our earlier promise to the people who were

affected during the 2010 floods. We constructed 98 houses in the PirSabaq village in Nowshera, Khyber Pakhtunkhwa. Work on another 100 houses in Southern Punjab and an additional 100 houses in Sindh is underway which is expected to complete during the current year.

Notice of 66TH Annual General Meeting

Notice is hereby given that the 66th Annual General Meeting of Allied Bank Limited will be held at Hotel Avari, Lahore on Tuesday, the 27th March, 2012 at 11:00 a.m. to transact the following business:

Ordinary Business:

1. To confirm minutes of the Sixty Fifth Annual General Meeting of Allied Bank Limited held on 16th March, 2011.
2. To receive, consider and adopt the Annual Audited Accounts of the Bank (consolidated and unconsolidated) for the year ended December 31, 2011 together with the Directors' and Auditors' Reports thereon.
3. To consider and approve Cash Dividend @ 25% (i.e. Rs. 2.50 per share) as recommended by the Board of Directors in addition to Interim Dividend of 25% already paid for the year 2011.
4. To appoint Auditors for the year 2012 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, Chartered Accountants being eligible have offered themselves for reappointment.
5. To appoint and fix the remuneration of auditors for audit of Bank's Bahrain Branch for the year 2012. M/s Ernst & Young, Bahrain being eligible have offered themselves for appointment.

Special Business:

6. To consider and approve issuance of Bonus Shares by utilizing residual balance of Rs. 201,855,695/- available in share premium account and remaining amount of Rs. 658,455,225/- from un-appropriated profits of the Bank, in the proportion of one (01) share for every ten (10) shares held i.e. 10%.

Note:

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

Other Business:

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

Date: March 05, 2012
Place: Lahore
Registered Office:
8-Kashmir /Egerton Road,
Lahore.

By Order of the Board
Muhammad Raffat
Company Secretary

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

ITEM NO 6: ISSUANCE OF BONUS SHARES

The Board of Directors of Allied Bank Limited has proposed issuance of 10% bonus shares. In this regard, the Board has proposed capitalization of a sum of Rs. 201,855,695/- (Rupees two hundred one million, eight hundred fifty five thousand six hundred ninety five only) residual balance of Share Premium Account and remaining amount of Rs. 658,455,225 (Rupees six hundred fifty eight million, four hundred fifty five thousand, two hundred twenty five only) from un-appropriated profits of the Bank for the issuance of bonus shares (B-8) in the proportion of one (01) share for every ten (10) shares and approve the following resolution by way of Ordinary Resolution:

Resolved that:

- a) A sum of Rs. 201,855,695/- residual balance of shares premium account and remaining amount of Rs. 658,455,225/- from un-appropriated profits of the Bank be capitalized and applied for the issuance of 86,031,092 Ordinary shares of Rs. 10/- each in the proportion of one (01) ordinary share for every ten (10) 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 20, 2012.
- 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 the Company Secretary is hereby authorize to sell the same in the Stock Market and proceeds when realized be given to a charitable institution with the consent of the Chief Executive Officer.
- d) The 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-8)."

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 shareholding.

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 21st March, 2012 to 27th March, 2012 (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 20th March, 2012 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.

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 comprises of 3 independent directors, 3 non-executive sponsors' directors, 1 executive director in addition to the Chief Executive Officer and 1 Government nominee 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 term of three years.
5. One casual vacancy occurred in the Board during the year 2010 due to the replacement of nominee director by the Ministry of Finance as the new nominee did not consent for taking up the position and since then the position remained vacant. Allied Bank made persistent follow up with the Ministry of Finance for appointment of the government nominee and the Ministry of Finance vide its notification dated January 20, 2012 has appointed Mr. A. Akbar Sharifzada on the Board.
6. The Bank has adopted a "Statement of Ethics & Business practices" for the year 2011 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 were carried on "Arm's Length Basis" in accordance with the Related Party Transaction Policy and placed before Audit Committee of the Board and Board of Directors for their approval.
10. The meetings of the Board were presided over by the Chairman. The Chairman of the Board is a non-executive director. The Board met at least once in every quarter and written notices 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. In line with the international best corporate governance practices the Board during the year 2011 appointed the Company Secretary as Secretary to the Board Audit Committee, Board Human Capital Committee and Board e-Vision Committee. Now the Company Secretary is the Secretary of the Board and all of its sub-Committees.
14. The Directors' Report for the year ended December 31, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
15. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
16. 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.
17. The Bank has complied with all the corporate and financial reporting requirements of the Code.
18. The Board has formed an Audit Committee which comprises three members; two of the members including Chairman of the Committee are independent directors.
19. 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.
20. The Board has approved the Charter of the Audit Committee.
21. An independent Internal Audit Group is in place.
22. 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.
23. 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.
24. 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 14, 2012

Statement of Ethics and Business Practices

Code of Ethics

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

Laws and Rules

- All the employees are required to comply with all the laws, rules and regulations governing ABL, including the Bank's policies, procedures and standards, the State Bank of Pakistan and the Security and Exchange Commission of Pakistan's regulations applicable to the Bank.
- All employees must function with integrity within the scope of their authorities and follow directives given by the person(s) under whose jurisdiction they are deputed with complete honesty.
- Core value of 'Integrity' must be promoted by upholding fairness, equality and respect for all team members. Discrimination, harassment of all types, intimidation and other negative practices are strictly prohibited.
- Harassment includes any unwanted, immoral act or attitude, including abuse of authority, creating a hostile environment and retaliation to non compliance with unethical demands, which is demeaning or detrimental to work performance or the career of any employee in any capacity.
- Adherence to designated time schedules is imperative. The Bank is entitled to take disciplinary action in case of unauthorised absences.
- Employees in workmen cadre (clerical/non-clerical) are not authorized to indulge into unfair labour practices.
- Employees are not authorized to use Bank's facilities to promote trade union or officer's association activities, or carry weapons into Bank premises unless so authorized. They must not carry on above mentioned activities during office hours.
- No employee shall indulge in any political activity, including forming or joining a political, ethnic or linguistic association; get elected to a legislative body, in Pakistan or elsewhere, or indulge in any activity detrimental to the ideology of Pakistan.
- All full-time employees must devote their entire business day to their work; avoid any outside activity that interferes with their judgement in the best interest of the Bank and its clients. The Human Resource Group must be informed in case an employee:
 - Holds an outside directorship; carries on business activity outside; holds majority shares/interest in a public or private business; takes direct advantage of securities of a public listed company, or serves as a client's personal representative.
- No employee shall bring political or other outside pressure/influence to bear on the authorities/superior officers or use the media with intent to induce them to act in a manner inconsistent with rules in any matter relating to the Bank.
- Employees are prohibited from any engagement outside the Bank without prior approval from the Human Resource Group. Employees with financial or other interest in any

family business, must declare in advance by writing and seek no objection.

- Employees shall not borrow from or lend personal funds or property to any Client or Vendor who has a relationship with the Bank except on market terms and conditions from financial institutions. Borrowing or lending in personal capacity within the Bank is prohibited.
- Employees shall be alert and vigilant with respect to frauds, thefts or significant illegal activity committed within the office, reporting them immediately in writing to higher authority for appropriate action to be taken. Employment or Internship Certificates can only be issued by the Human Resource Group. Receipts of funds can only be issued on prescribed forms.
- Disciplinary action may be taken in case of misconduct or unsatisfactory performance including:
 - Breach of above mentioned rules; wilful insubordination; breach of confidential material; use of drugs or alcohol; falsification of documents; violation of safety/health rules; insider trading; parallel banking; money laundering and any act detrimental to the Bank's business.

Workplace Environment

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

Responsibilities towards Employer (ABL)

- Employees must raise concerns and suspicions, in confidence, about any actual or potential illegal activity or misconduct according to the process in Whistle Blowing Policy and the Anti Harassment Policy. Failure to do so will result in employee being deemed a party to the irregularity.
- Guidance must be sought from relevant Group in case any employee receives any demand or request for information from outside party including law enforcement agencies.
- Every employee must protect the Bank's assets, physical and intellectual, and adhere to its Email and Internet Usage Policy and Acceptable Use Policy.
- Employees must maintain all records accurately and are prohibited from making any false or misleading entries, forging or tampering with signatures to compromise integrity of Bank's record.

Statement of Ethics and Business Practices

- Employees are required to identify all conflicts of interest and declare them immediately, including all matters expected to interfere with their duty to the Bank or ability to make unbiased and objective recommendations.

Information Management

- All employees shall regard as strictly confidential any information concerning the business of the Bank which is not intended to be made public unless required to do so under the law, consulting the Human Resource Group in case of ambiguity about a required disclosure. Confidential information must only be shared with employees on a need to know basis consistent with their job assignments as set out in Information Security and Governance Policies.
- All customers' related information should be kept secret, used for intended purpose only and any further use should be allowed only after prior consent of the concerned customer.
- Employees should protect the privacy and confidentiality of personnel records, not sharing them inside or outside the Bank except after approval by Human Resource Group.
- Employees should not use Bank's facilities to access, download or distribute personal or social information, including any material that may pose reputational risk to the Bank. Secrecy of passwords must be maintained to prevent unauthorized access to Bank's systems. Personal use of internet and email is deemed inappropriate in the workplace. Private telephone conversations must be kept at a minimum during office hours.
- Only officially designated spokesperson, as provided under the Bank's Media Policy, may provide comments about the Bank to the media.

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

- Employees must always act fairly, equitably and objectively with all customers, prospects, suppliers and other external constituencies. Highest degree of integrity, honesty, proprietary and loyalty, towards the interest of the Bank, its customers and regulators is a must.
- Employees are not authorized to accept or agree to accept any gifts or conveyance of anything of value from any current or prospective Allied Bank customers or vendors or any person who has a business relationship with the Bank with exception of the following:
 - Gifts that relate to commonly recognized events or occasions such as a promotion, new job, wedding, retirement etc. provided those gifts are of reasonable value.
 - Gifts from a person who has a business relationship with the Bank, provided the acceptance is based on relationship existing independent of the business of the Bank and reported to the Human Resource Group.
 - Benefits available to the general public e.g. advertising or promotional materials, and discount or rebates on merchandise or services
 - Civic, charitable, educational or religious organizational awards for recognition of service or accomplishment.

Other Key Legal/Compliance Rules and Issues

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

Statement of Internal Controls

The 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 Risk Review Group (A & RRG), 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.

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, 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 ongoing 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 14, 2012

Auditors' Review Report to the Members

On Statement of Compliance With Best Practices of Code of Corporate Governance

ERNST & YOUNG FORD RHODES SIDAT HYDER

Chartered Accountants
Mall View Building
4 – Bank Square
Lahore

KPMG TASEER HADI & Co.

Chartered Accountants
53-L, Gulberg III
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 2011.

ERNST & YOUNG FORD RHODES SIDAT HYDER

Chartered Accountants

Engagement Partner:
Naseem Akbar

Lahore
Date: February 14, 2012

KPMG TASEER HADI & Co.

Chartered Accountants

Engagement Partner:
Kamran I. Yousafi

Lahore
Date: February 14, 2012

Un-consolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2011

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 2011 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

except as stated in note 3.3 to the accompanying financial statements with which we concur;

- ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of cash 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 2011 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.

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement partner:
Kamran I. Yousafi

Date: February 14, 2012
Place: Lahore

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement partner:
Naseem Akbar

Unconsolidated Statement of Financial Position

as at December 31, 2011

December 31, 2011	December 31, 2010		Note	December 31, 2011	December 31, 2010
US \$ in '000				Rupees in '000	
Assets					
405,575	347,605	Cash and balances with treasury banks	6	36,479,758	31,265,608
18,668	6,443	Balances with other banks	7	1,679,085	579,555
15,140	127,732	Lendings to financial institutions	8	1,361,754	11,488,944
2,175,692	1,347,184	Investments	9	195,694,122	121,173,409
2,717,567	2,805,531	Advances	10	244,433,474	252,345,421
201,088	170,767	Operating fixed assets	11	18,087,011	15,359,742
8,360	5,385	Deferred tax assets	12	751,908	484,387
191,358	191,610	Other assets	13	17,211,827	17,234,460
5,733,448	5,002,257			515,698,939	449,931,526
Liabilities					
44,642	45,792	Bills payable	15	4,015,317	4,118,791
555,815	230,967	Borrowings	16	49,993,200	20,774,450
4,442,254	4,127,871	Deposits and other accounts	17	399,561,676	371,284,268
61,066	61,090	Sub-ordinated loans	18	5,492,600	5,494,800
-	-	Liabilities against assets subject to finance lease		-	-
-	-	Deferred tax liabilities	12	-	-
147,826	136,574	Other liabilities	19	13,296,342	12,284,360
5,251,603	4,602,294			472,359,135	413,956,669
481,845	399,963	Net Assets		43,339,804	35,974,857
Represented By					
95,648	86,953	Share capital	20	8,603,110	7,821,009
97,423	83,572	Reserves		8,762,745	7,516,910
225,186	175,979	Unappropriated profit		20,254,503	15,828,533
418,257	346,504			37,620,358	31,166,452
63,588	53,459	Surplus on revaluation of assets - net of tax	21	5,719,446	4,808,405
481,845	399,963			43,339,804	35,974,857
Contingencies and commitments			22		

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Profit and Loss Account

for the year ended December 31, 2011

December 31, 2011	December 31, 2010		Note	December 31, 2011	December 31, 2010
US \$ in '000				Rupees in '000	
576,062	500,221	Mark-up / return / interest earned	24	51,814,273	44,992,696
296,215	249,347	Mark-up / return / interest expensed	25	26,643,234	22,427,652
279,847	250,874	Net Mark-up / Interest income		25,171,039	22,565,044
30,130	34,183	Provision against non-performing loans and advances	10.4	2,710,021	3,074,576
2,546	14,335	Provision for diminution in the value of investments - net	9.3	229,003	1,289,404
778	(3,120)	Provision / (reversal) against lendings to financial institutions	8.5	70,000	(280,595)
-	-	Bad debts written off directly	10.5	-	-
33,454	45,398			3,009,024	4,083,385
246,393	205,476	Net Mark-up / Interest income after provisions		22,162,015	18,481,659
Non Mark-Up / Interest Income					
30,359	27,697	Fee, commission and brokerage income	26	2,730,686	2,491,200
29,809	12,433	Dividend income		2,681,218	1,118,270
7,149	4,653	Income from dealing in foreign currencies		643,058	418,524
9,185	15,749	Gain / (Loss) on sale of securities	27	826,156	1,416,532
-	(266)	Unrealized loss on revaluation of investments classified as held for trading - net	9.13	-	(23,884)
764	2,792	Other income	28	68,695	251,144
77,266	63,058	Total non-markup / interest income		6,949,813	5,671,786
323,659	268,534			29,111,828	24,153,445
Non Mark-Up / Interest Expenses					
146,376	124,982	Administrative expenses	29	13,165,876	11,241,587
1,269	3,681	Provision against other assets - net	13.2	114,181	331,077
1,604	(981)	Provision / (reversal) against off-balance sheet obligations-net	19.1	144,245	(88,239)
3,456	2,831	Workers welfare fund	31	310,840	254,666
2,982	792	Other charges	30	268,204	71,248
155,687	131,305	Total non-markup / interest expenses		14,003,346	11,810,339
-	-	Extra-ordinary / unusual items		-	-
167,972	137,229	Profit Before Taxation		15,108,482	12,343,106
Taxation					
54,676	46,263	Current		4,917,896	4,161,179
1,709	4,157	Prior years		153,745	373,941
(1,143)	(4,640)	Deferred		(102,840)	(417,346)
55,242	45,780			4,968,801	4,117,774
112,730	91,449	Profit After Taxation		10,139,681	8,225,332
175,979	135,620	Unappropriated profit brought forward		15,828,533	12,198,425
325	401	Transfer from surplus on revaluation of fixed assets - net of tax		29,204	36,046
176,304	136,021			15,857,737	12,234,471
289,034	227,470	Profit Available For Appropriation		25,997,418	20,459,803
0.130	0.110	Earnings per share - Basic and Diluted (in Rupees)	33	11.79	9.56

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2011

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
US \$ in '000			Rupees in '000	
112,730	91,449	Profit after taxation for the year	10,139,681	8,225,332
-	-	Other comprehensive income	-	-
112,730	91,449	Total comprehensive income for the year	10,139,681	8,225,332

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 respectively and Companies Ordinance, 1984.

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Statement of Cash Flow

for the year ended December 31, 2011

December 31, 2011	December 31, 2010	Note	December 31, 2011	December 31, 2010
US \$ in '000			Rupees in '000	
Cash Flows From Operating Activities				
167,972	137,229		15,108,482	12,343,106
(29,809)	(12,433)		(2,681,218)	(1,118,270)
138,163	124,796		12,427,264	11,224,836
Adjustments for non-cash items:				
11,457	9,456	Depreciation / amortization	1,030,468	850,537
30,130	34,183	Provision against non-performing loans, advances and general provision - net	2,710,021	3,074,576
2,546	14,335	Provision for diminution in the value of investments - net	229,003	1,289,404
778	(3,120)	Provision / (reversal) against lendings to financial institutions	70,000	(280,595)
-	266	Unrealized loss on revaluation of held-for-trading securities	-	23,884
1,604	(981)	Provision / (reversals) against off balance sheet obligations - net	144,245	(88,239)
1,269	3,681	Provision against other assets - net	114,181	331,077
1,300	-	Operating fixed assets written off	116,920	5
(29)	(133)	Gain on sale of fixed assets	(2,568)	(11,977)
49,055	57,687		4,412,270	5,188,672
187,218	182,483		16,839,534	16,413,508
Decrease / (increase) in operating assets				
111,815	188,052	Lendings to financial institutions	10,057,190	16,914,583
9,363	(8,967)	Net realizations / (investments) in 'held for trading' securities	842,169	(806,565)
57,834	(209,349)	Advances - net	5,201,926	(18,830,047)
3,944	(18,466)	Other assets (excluding advance taxation) - net	354,745	(1,660,945)
182,956	(48,730)		16,456,030	(4,382,974)
Increase / (decrease) in operating liabilities				
(1,150)	10,633	Bills payable	(103,474)	956,362
325,519	(208,759)	Borrowings from financial institutions	29,279,026	(18,776,934)
314,383	471,498	Deposits and other accounts	28,277,408	42,409,231
9,525	14,523	Other liabilities	856,692	1,306,263
648,277	287,895		58,309,652	25,894,922
1,018,451	421,648		91,605,216	37,925,456
(53,349)	(19,188)	Income tax paid - net	(4,798,475)	(1,725,871)
965,102	402,460	Net cash flows from operating activities	86,806,741	36,199,585
Cash Flows From Investing Activities				
(609,589)	(302,460)	Net investments in 'available-for-sale' securities	(54,829,878)	(27,204,980)
(232,530)	11,353	Net investments in 'held-to-maturity' securities	(20,915,102)	1,021,179
21,810	12,380	Dividend income received	1,961,759	1,113,562
(32,837)	(41,959)	Investments in operating fixed assets	(2,953,523)	(3,774,048)
112	250	Proceeds from sale of fixed assets	10,094	22,489
(853,034)	(320,436)	Net cash used in investing activities	(76,726,650)	(28,821,798)
Cash Flows From Financing Activities				
(24)	(24)	Repayment of sub-ordinated loan	(2,200)	(2,200)
(41,180)	(33,124)	Dividends paid	(3,703,935)	(2,979,352)
(41,204)	(33,148)	Net cash used in financing activities	(3,706,135)	(2,981,552)
70,864	48,876	Increase in cash and cash equivalents during the year	6,373,956	4,396,235
352,715	303,249	Cash and cash equivalents at beginning of the year	31,725,190	27,275,922
287	877	Effect of exchange rate changes on opening cash and cash equivalents	25,805	78,838
423,866	353,002	Cash and cash equivalents at end of the year	38,124,951	31,750,995

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2011

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
Rupees in '000									
Balance as at January 01, 2010	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,198,425	25,891,278
Changes in equity during the year ended Dec 31, 2010									
Total comprehensive income for the year ended									
December 31, 2010	-	-	-	-	-	-	-	8,225,332	8,225,332
Transactions with owners recognized directly in equity									
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
Changes in equity during the year ended December 31, 2011									
Total comprehensive income for the year ended									
December 31, 2011	-	-	-	-	-	-	-	10,139,681	10,139,681
Transactions with owners recognized directly in equity									
Transfer to reserve for issue of bonus shares									
for the year ended December 31, 2010 @ 10%	-	(782,101)	-	782,101	-	-	-	-	-
Issue of bonus shares	782,101	-	-	(782,101)	-	-	-	-	-
Final cash dividend for the year ended December									
31, 2010 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,564,202)	(1,564,202)
Interim cash dividend for the year ending December									
31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
	782,101	(782,101)	-	-	-	-	-	(3,714,979)	(3,714,979)
Transferred from surplus on revaluation of fixed assets									
to un-appropriated profit - net of tax	-	-	-	-	-	-	-	29,204	29,204
Transfer to statutory reserve	-	-	2,027,936	-	-	-	-	(2,027,936)	-
Balance as at December 31, 2011	8,603,110	201,856	8,153,030	-	67,995	333,864	6,000	20,254,503	37,620,358

* 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 III form an integral part of these unconsolidated financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

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 837 (2010: 806) 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 at 8-Kashmir / Egerton road, Lahore.

2. (a) BASIS OF PRESENTATION

- These unconsolidated financial statements represent separate financial statements of the Bank. The consolidated 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 (PKR), which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.
- The US Dollar amounts reported in the statement of financial position, profit and loss account and statement of cash flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, the rate of Rs 89.9457 per US Dollar has been used, as it was the prevalent rate as on respective date of statement of financial position.

(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 stated in:

- Investments (Note 5.3)
- Operating fixed assets (Note 5.5)

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 (SECP) dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

3.3 New and amended standards and interpretations became effective during the year

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

- IAS 24 - Related Party Disclosures (Revised)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

In May 2010, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 – Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IAS 1 – Presentation of Financial Statements

- Clarification of statement of changes in equity

IAS 27 – Consolidated and Separate Financial Statements

- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements

IAS 34 – Interim Financial Reporting

- Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes

- Fair value of award credits

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank. Certain amendments introduced in IAS 32, IFRS 7 and IFRIC 19 do not have any impact on accounting policies as the applicability of such standard and interpretations have been deferred by SBP as disclosed in note 3.2.

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, 2012. 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 except to the extent of effect of amendments in IAS 19 "Employee Benefits", when they will become effective.

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Bank's financial statements to understand the relationship with those assets that have not been derecognised along with their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after July 01, 2011.

Further, amendment has been introduced to enhance the disclosures regarding off setting of financial assets to enable the user to understand and evaluate the effect of off-setting on the financial statements. The amendment becomes effective for annual periods beginning on or after January 01, 2013.

However, the amendment will not have any impact on financial position as the applicability of such standard and interpretation have been deferred by SBP as mentioned in note 3.2.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment does not address which items are presented in OCI or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment affects presentation only and has no impact on the bank's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 01, 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Bank.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

IAS 19 – Employee Benefits –(Amendment)

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IAS 28 - Investments in Associates and Joint Ventures

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Bank.

IAS 32 - Offsetting Financial Assets and Financial Liabilities (Amendments)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP / SBP for the purpose of applicability in Pakistan.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 "Financial Instruments: Classification and Measurement" as issued reflects the first phase of the IASB's work on the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 "Financial Instruments: Recognition and Measurement". The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 "Consolidated Financial Statements" replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 "Consolidation-Special Purpose Entities".

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after January 01, 2013.

IFRS 11 Joint Arrangements

IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-Controlled Entities- Non-Monetary Contributions by Ventures".

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will not impact the financial position of the Bank. This standard becomes effective for annual periods beginning on or after January 01, 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 "Disclosure of Involvement with Other Entities" includes all disclosures that were previously in IAS 27 "Consolidated and Separate Financial Statements" related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "Interest in Joint Ventures" and IAS 28 "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 01, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 "Fair Value Measurement" establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not mandate when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Bank is currently assessing the impact of this standard on its financial position and performance. This standard becomes effective for annual periods beginning on or after January 01, 2013.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 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 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 appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Bank's future taxable profits are taken into account.

v) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the statement of financial position date and the rates contracted.

vi) Fixed assets, depreciation and amortization

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

vii) Defined 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

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, 2010 except as stated in Note 3.3. Significant accounting policies are enumerated as follows:

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial institutions

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

(a) Sale under re-purchase agreements

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

5.3 Investments

5.3.1 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.

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

5.3.1.2 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

- 5.3.2 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 statement of financial position 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 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.

5.4 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.

5.5 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 the date of statement of financial position.

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 Unconsolidated Financial Statements

for the year ended December 31, 2011

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 the date of statement of financial position.

Capital work-in-progress

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

5.6 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 date of statement of financial position 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 date of statement of financial position.

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".

5.7 Staff retirement and other benefits

5.7.1 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.

Until December 31, 2010, the bank operated a contributory benevolent fund, which was discontinued 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 Unconsolidated Financial Statements

for the year ended December 31, 2011

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, excess 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.

5.7.2 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 the date of statement of financial position, based on actuarial valuation using Projected Unit Credit Method.

5.8 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.

5.9 Deposits

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

5.10 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.

5.11 Impairment

At each date of statement of financial position, 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.

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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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.

5.12 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 the date of statement of financial position and are adjusted to reflect the current best estimate.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

5.13 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the date of statement of financial position 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.

5.14 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 date of statement of financial position. 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 date of statement of financial position.

5.15 Financial instruments

5.15.1 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.

5.15.2 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.

5.16 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.

5.17 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.

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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

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.

5.18 **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:

5.18.1 **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.

5.18.2 **Geographical segments**

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

5.19 **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 year.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		6,160,181	4,604,307
Foreign currencies		373,486	352,944
		<u>6,533,667</u>	<u>4,957,251</u>
Remittances in transit		608,439	658,678
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	15,036,087	14,193,354
Foreign currency current account	6.2	2,040	2,639
		<u>15,038,127</u>	<u>14,195,993</u>
Foreign currency deposit accounts			
- Non remunerative	6.3	1,778,924	1,401,830
- Remunerative	6.3 & 6.4	5,336,771	4,205,490
		<u>7,115,695</u>	<u>5,607,320</u>
With National Bank of Pakistan in			
Local currency current accounts		7,138,145	5,821,160
National Prize Bonds		45,685	25,206
		<u>36,479,758</u>	<u>31,265,608</u>

- 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 to comply with their requirements issued from time to time.
- 6.4 The special cash reserve currently carries no mark-up.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		284	284
Outside Pakistan			
On current accounts	7.1	331,442	579,271
On deposit accounts		1,347,359	-
		<u>1,679,085</u>	<u>579,555</u>

- 7.1 Included in Nostro accounts are balances, aggregating to Rs. 131.749 million (2010: Rs.126.448 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1, 8.3 & 8.4	1,361,754	11,392,277
Certificates of investment	8.2	70,000	96,667
		<u>1,431,754</u>	<u>11,488,944</u>
Provision against lendings to financial institutions	8.5	(70,000)	-
		<u>1,361,754</u>	<u>11,488,944</u>

- 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 rate of 11.90% (2010: 12.50 % and 13.25 %) per annum and will mature on January 03, 2012.
- 8.2 This represents classified certificates of investment (Markup for 2010: 13.26% per annum).

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	Rupees in '000	
8.3 Particulars of lending		
In local currency	1,361,754	11,488,944
In foreign currencies	-	-
	<u>1,361,754</u>	<u>11,488,944</u>

8.4 Securities held as collateral against lending to financial institutions

	December 31, 2011			December 31, 2010		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	1,361,754	-	1,361,754	11,392,277	-	11,392,277
	<u>1,361,754</u>	<u>-</u>	<u>1,361,754</u>	<u>11,392,277</u>	<u>-</u>	<u>11,392,277</u>

	December 31, 2011	December 31, 2010
	Rupees in '000	
8.5 Particulars of provision		
Opening balance	-	280,595
Charge for the year	70,000	-
Reversal	-	(280,595)
Net charge / (reversal)	70,000	(280,595)
Closing balance	<u>70,000</u>	<u>-</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

9. INVESTMENTS

	Note	December 31, 2011			December 31, 2010		
		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
Units of open-end mutual funds		-	-	-	850,000	-	850,000
		-	-	-	866,053	-	866,053
<i>Available-for-sale securities</i>							
Market treasury bills		92,151,063	29,859,590	122,010,653	57,547,818	2,298,869	59,846,687
Pakistan investment bonds		147,290	-	147,290	246,764	-	246,764
Ordinary shares of listed companies / certificates of mutual funds		10,727,056	-	10,727,056	5,564,180	-	5,564,180
Preference shares		149,355	-	149,355	282,688	-	282,688
Units of open end mutual funds		5,210,776	-	5,210,776	1,655,757	-	1,655,757
Ordinary shares of unlisted companies		1,643,673	-	1,643,673	245,193	-	245,193
Investment in related parties							
- Listed shares		-	-	-	1,948,264	-	1,948,264
- Unlisted shares		242,496	-	242,496	602,496	-	602,496
- Units of open end mutual funds		13,690,232	-	13,690,232	1,000,000	-	1,000,000
Sukuk bonds		3,598,872	-	3,598,872	4,783,539	-	4,783,539
Term finance certificates (TFCs)		3,250,449	-	3,250,449	29,872,458	-	29,872,458
		130,811,262	29,859,590	160,670,852	103,749,157	2,298,869	106,048,026
<i>Held-to-maturity securities</i>							
Pakistan investment bonds		27,574,628	-	27,574,628	7,493,147	-	7,493,147
Foreign currency bonds (US\$)		1,591,392	-	1,591,392	645,701	-	645,701
TFCs, Debentures, Bonds and PTCs		5,766,862	-	5,766,862	5,878,932	-	5,878,932
		34,932,882	-	34,932,882	14,017,780	-	14,017,780
<i>Subsidiary</i>							
ABL Asset Management Company Limited		500,000	-	500,000	500,000	-	500,000
Investment at cost		166,244,144	29,859,590	196,103,734	119,132,990	2,298,869	121,431,859
Provision for diminution in the value of investments	9.3	(2,703,761)	-	(2,703,761)	(2,681,810)	-	(2,681,810)
Investment (net of provisions)		163,540,383	29,859,590	193,399,973	116,451,180	2,298,869	118,750,049
Unrealized loss on revaluation of held-for-trading securities	9.13	-	-	-	(23,884)	-	(23,884)
Surplus / (deficit) on revaluation of available-for-sale securities	21.2	2,266,330	27,819	2,294,149	2,449,383	(2,139)	2,447,244
Total investments at market value		165,806,713	29,887,409	195,694,122	118,876,679	2,296,730	121,173,409

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
9.2. INVESTMENTS BY SEGMENTS:			
Federal Government Securities:			
- Market Treasury Bills	9.2.1 - 9.2.3	122,010,653	59,846,687
- Pakistan Investment Bonds	9.2.1	27,721,918	7,739,911
- Foreign Currency Bonds (US\$)	9.2.1 - 9.2.4	1,591,392	645,701
- Ijara Sukuk Bonds		-	100,000
Fully paid up ordinary shares of listed companies / certificates of mutual funds	9.4	10,727,056	7,528,496
Fully paid up ordinary shares of unlisted companies	9.5	1,886,169	847,689
Investment in units of open end mutual funds	9.6	18,901,008	3,505,757
Fully paid up Preference Shares	9.7	149,355	282,688
Term Finance Certificates (TFCs) , Debentures, Bonds and Participation Term Certificates:			
Term Finance Certificates	9.8		
- Listed		936,114	1,041,468
- Unlisted		4,544,014	31,099,144
Debentures	9.9	-	63,479
Sukuk Bonds	9.10	7,135,252	8,225,203
Participation Term Certificates	9.11	803	5,636
Subsidiary		500,000	500,000
Total investments at cost		196,103,734	121,431,859
Less: Provision for diminution in the value of investments	9.3	(2,703,761)	(2,681,810)
Investments (net of provisions)		193,399,973	118,750,049
Unrealized loss on revaluation of Held-for-trading securities	9.13	-	(23,884)
Surplus on revaluation of Available-for-sale securities	21.2	2,294,149	2,447,244
Total investments at market value		195,694,122	121,173,409

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January, 2012 To December, 2012	On maturity	At maturity
Foreign Currency Bonds (US\$)	March, 2016	On maturity	Half Yearly
Pakistan Investment Bonds	June, 2012 To August, 2016	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs. 29,519.79 million (2010: Rs.1,992.376 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. 339.80 million (2010: Rs 339.80 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, 2011

9.2.4 Investment in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2011	December 31, 2010	
						Rupees in '000		
US \$ Bonds								
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	31-Mar-12	6.5 Years	245,360	229,375	
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	31-Mar-12	5.9 Years	274,465	258,928	
Euro Dollar Bond (\$2,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	167,590	157,398	
Euro Dollar Bond (\$1,800,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	151,270	-	
Euro Dollar Bond (\$2,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	159,869	-	
Euro Dollar Bond (\$3,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	239,790	-	
Euro Dollar Bond (\$3,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	245,510	-	
Euro Dollar Bond (\$1,457,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	107,538	-	
						1,591,392	645,701	
						Note	December 31, 2011	December 31, 2010
						Rupees in '000		

9.3. Particulars of Provision

Opening balance		2,681,810	2,185,929
Charge for the year		344,752	1,359,432
Reversals		(115,749)	(70,028)
Net charge		229,003	1,289,404
Reversal as gain on disposal		(75,417)	(793,523)
Amounts written off		(131,635)	-
Closing balance	9.3.1	2,703,761	2,681,810

9.3.1 Particulars of provision in respect of type and segment

By type			
Available-for-sale securities			
Ordinary shares of listed companies / certificates of mutual funds		505,639	571,682
Ordinary shares of unlisted companies		7,050	27,832
Preference shares		149,355	149,355
Units of open end mutual fund		148,764	55,424
Sukuk Bonds		23,731	105,528
Term Finance Certificates		108,631	125,000
		943,170	1,034,821
Held-to-maturity securities			
TFCs, Debentures, Bonds and PTCs		1,760,591	1,646,989
		2,703,761	2,681,810
By Segment			
Fully Paid up Ordinary Shares:			
- Listed companies		505,639	571,682
- Unlisted companies		7,050	27,832
- Preference Shares		149,355	149,355
		662,044	748,869
Units of open end mutual fund		148,764	55,424
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Bonds		1,171,678	1,141,621
Term Finance Certificates		720,472	666,781
Debentures		-	63,479
Participation Term Certificates		803	5,636
		1,892,953	1,877,517
		2,703,761	2,681,810

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

9.4 Investments in Listed Shares / certificates of mutual funds

Name of Company / mutual fund	Cost per share/ certificates	2011		2010	
		No. of shares/ certificates	Total Cost	No. of shares/ certificates	Total Cost
		Rupees	Rupees '000	Rupees '000	Rupees '000
Available-for-Sale					
Attock Petroleum Limited	390.91	760,179	297,164	-	-
Bank Al Habib Limited	-	-	-	1,000,000	33,551
Dadabhoy Leasing Company Limited	-	-	-	47,300	-
Dadabhoy Modaraba	-	-	-	567,500	5,025
D.G.Khan Cement Limited	23.45	11,859,786	278,093	7,387,891	189,063
Engro Corporation Limited	-	-	-	3,594,372	613,592
Eye Television Network Limited	-	-	-	2,748,917	58,024
Fatima Fertilizer Company	18.54	50,000,000	927,047	-	-
Fauji Fertilizer Company	92.62	27,241,010	2,523,073	15,894,987	1,374,557
First Equity Modaraba	1.24	519,914	645	-	-
Habib Bank Limited	104.61	2,319,067	242,587	2,000,000	200,205
Hub Power Company Limited	34.79	53,372,029	1,856,665	39,009,500	1,226,828
Kaiser Arts & Craft Limited	-	-	-	766,500	-
Lucky Cement Limited.	82.09	10,015,000	822,101	-	-
Meezan Bank Limited	-	-	-	1,990,762	32,027
MCB Bank Limited	160.45	1,308,721	209,980	-	-
Mohib Export Limited.	-	-	-	21,275	-
Namco Balanced Fund	4.46	2,160,000	9,640	-	-
National Refinery Limited	307.61	784,960	241,464	1,773,220	338,125
Nishat (Chunian) Limited	16.06	15,964,185	256,353	8,000,000	192,909
Nishat Chunian Power Limited	10.00	30,000,000	300,000	36,734,693	367,347
Nishat Chunian Power Limited (underwriting)	14.40	6,700,000	96,480	-	-
Nishat Mills Limited	46.54	5,000,000	232,681	7,795,000	390,800
Nishat Power Limited	10.00	30,000,000	300,000	35,408,850	354,088
Otsuka Pakistan Limited	34.92	95,517	3,335	95,517	3,335
Pakistan International Containers Limited	9.99	57,734	577	-	-
Pakistan Oil field Limited.	295.41	5,170,307	1,527,373	5,200,000	1,301,823
Pakistan Petroleum Limited.	180.61	1,249,714	225,708	-	-
Pakistan State Oil	-	-	-	2,000,000	499,119
PICIC Growth Mutual Fund	13.51	26,765,844	361,635	14,186,600	200,451
PICIC Growth Fund	-	-	-	63,400	2,061
Pioneer Cement Limited	5.97	106,784	638	-	-
Redco Textile Mills Limited	-	-	-	300	3
S.G. Fibers Limited.	-	-	-	788,800	45,908
SAFA Textile Mills Limited	-	-	-	860,200	8,602
Safe Way Mutual Funds	8.63	1,601,045	13,817	-	-
UBL Capital Protected Fund	-	-	-	8,420,250	75,000
Held-for-Trading					
Japan Power Generation Limited	-	-	-	7,925,040	15,295
Pioneer Cement Limited	-	-	-	106,784	758
			10,727,056	7,528,496	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

9.5 Investment in Un-Listed Shares

Name of Company	Percentage of Holding	No. of shares	Break-up Value per shares	Paid up Value per share	Cost	Based on audited accounts as at	Name of Chief Executive/Managing Agent
Rupees '000							
Arabian Sea Country Club Limited - related party	6.45%	500,000	7.90	10	5,000	30-Jun-11	Mr. Arif Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	14.02	10	355,000	30-Jun-11	Mr. Yousaf H. Shirazi
First Women Bank Limited - related party	8.97%	6,996,000	15.97	10	21,200	30-Sep-11	Ms. Shafqat Sultana
Habib Allied International Bank - related party	9.50%	2,375,000	272.99	139	214,769	31-Dec-10	Mr. R. Zakir Mahmood
Khushhali Bank Limited.	11.73%	20,000,000	12.94	10	200,000	31-Dec-10	Mr. M. Ghaleb Nishtar
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	985,485	51.34	10	1,526	30-Jun-11	Mr. Muzaffar M Khan
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	(162,421)	1,000	1,000	31-Mar-10	Maj. Gen Sohail Shafkat
Security General Insurance Company Limited	18.22%	12,401,871	102.09	10	1,075,653	31-Dec-10	Ms. Nabiha Shah Nawaz
SME Bank Limited.	0.32%	774,351	8.33	10	5,250	31-Dec-10	Mr. R.A. Chughtai
SWIFT	8.99%	10	309,391	177,100	1,771	31-Dec-10	Mr. Lazaro Campos
Eastern Capital Limited	-	500,000	-	10	5,000	-	Under liquidation
Equity Participation Fund	-	1	-	100	-	-	Mr. Jamal Nasim
					1,886,169		

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2011	2010		2011	2010
	Rupees			Rupees in '000	
ABL Cash Fund - related party	925,520,133	14,844,724	10	9,340,232	150,000
ABL Government Securities Fund - related party	50,000,000	-	10	500,000	-
ABL Income Fund - related party	374,529,738	75,000,000	10	3,750,000	750,000
ABL Stock Fund - related party	10,000,000	10,000,000	10	100,000	100,000
AH Dow Jones Safe Pak Titans	400,000	400,000	50	20,000	20,000
Atlas Money Market Fund	99,502	99,502	500	50,000	50,000
AMZ Plus Income Fund	108,786	563,126	100	10,707	55,424
Crosby Phoenix Fund	192,381	435,545	100	20,000	44,296
HBL Money Market Fund	9,645,387	-	100	1,000,000	-
JS Aggressive Income Fund	1,015	-	100	-	-
KASB Liquid Fund	3,468,894	3,644,483	100	325,019	341,885
Lakson Money Market Fund	2,490,957	2,490,957	100	250,000	250,000
MCB Cash Optimizer Fund	14,908,432	-	100	1,500,000	-
Meezan Cash Fund	9,972,078	-	50	500,000	-
NAFA Cash Fund	82,680,350	93,969,726	10	785,050	894,152
UBL Liquidity Plus Fund	7,433,989	-	100	750,000	-
ABL Cash Fund - Held-for-Trading - related party	-	82,756,472	10	-	850,000
				18,901,008	3,505,757

9.7 Detail of Investment 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, 2011	Based on audited accounts as at	Name of Chief Executive/Managing Agent
				Rupees	Rupees in '000			
First Dawood Investment Bank Ltd	9.7.1	13.88%	9,935,500	10	99,355	99,355	30 June 11	Mr. Abdus Samad Khan
Trust Investment Bank Ltd	9.7.2	16.31%	5,000,000	10	50,000	50,000	30 June 11	Mr. Shahid Iqbal
					149,355			

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

9.7.2 This represents KIBOR plus 1% cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, after completion of three years from the date of issue.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

9.8 Detail of Investment in TFCs

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2011	2010		2011	2010
			Rupees	Rupees in '000	
Listed					
Standard Chartered Bank (Pakistan) Limited	10,000	10,000	5,000	34,960	47,420
Faysal Bank Limited	70,000	70,000	5,000	349,860	350,000
United Bank Limited-3rd Issue	10,000	10,000	5,000	49,900	49,920
United Bank Limited -4th Issue	37,000	37,000	5,000	184,741	184,815
Searle Pakistan Limited	-	10,000	5,000	-	6,248
PakArab Fertilizers Limited	84,080	84,080	5,000	311,096	395,176
Azgard Nine Limited	1,300	1,300	5,000	4,327	4,327
Orix Leasing Pakistan Limited	1,500	1,500	5,000	1,230	3,562
				936,114	1,041,468
Unlisted					
Askari Bank Limited (Chief Executive: Mr. Muhammad Rafiquddin Mehkari)	20,000	20,000	5,000	99,920	99,960
Faysal Bank Limited (Royal Bank of Scotland) (Chief Executive: Mr. Naved A. Khan)	7,000	7,000	5,000	17,465	26,201
NIB Bank Limited (Chief Executive: Mr. Badar Kazmi)	76,789	76,789	5,000	383,407	383,561
United Bank Limited-PPTFC (Chief Executive: Mr. Atif Bokhari)	122,558	122,558	5,000	611,932	612,177
Telecard Limited (Chief Executive: Mr. Fazal Hussain)	75,888	75,888	5,000	139,444	139,444
Escort Investment Bank Limited (Chief Executive: Ms. Shazia Bashir)	20,000	20,000	5,000	29,976	49,960
Financial Receivable Securitization Company Limited (Chief Executive: Mr. Teizon Kissat)	21,000	21,000	5,000	50,402	70,563
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizon Kissat)	23,000	23,000	100,000	1,150,000	1,916,667
Dewan Farooque Spinning Mills Limited (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	49,950	74,950
Javedan Cement Limited (Formerly Al-Abbas Holding (Pvt) Limited) (Chief Executive: Mr. Samad A. Habib)	5,750	5,750	100,000	499,702	503,125
Javedan Cement Limited (Formerly Ghani Holding (Pvt) Limited) (Chief Executive: Mr. Samad A. Habib)	5,750	5,750	100,000	499,702	503,125
Javedan Cement Limited (Chief Executive: Mr. Samad A. Habib)	2,500	2,500	100,000	217,262	250,000
Grays Leasing Limited (Chief Executive: Mr. Muhammad Tahir Butt)	-	18,000	5,000	-	20,000
Aruj Textile Mills Limited (Chief Executive: Jamal Tahir)	-	5	654,970	-	615
Blue Star Spinning Mills Limited (Chief Executive: Ch. Ijaz Safdar)	-	1	165,291	-	-
	-	1	270,681	-	-
	-	1	263,639	-	-
	-	1	251,937	-	-
	-	1	244,584	-	-
	-	1	233,192	-	-
	-	1	225,529	-	-
	-	1	214,966	-	-
	-	1	206,474	-	-
	-	1	195,704	-	-
	-	1	187,419	-	-
	-	1	176,954	-	-
	-	1	168,364	-	-
	-	1	158,215	-	-
	-	1	149,309	-	-
	-	1	139,574	-	-
	-	1	130,254	-	1,726

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2011	2010		2011	2010
				Rupees	Rupees in '000
Bentonite Limited	-	13	107,610		
(Chief Executive: Mr. Khalid Shakeel)	-	1	107,619		
	-	1	470,440		
	-	15	20,100		
	-	1	20,680	-	1,360
Shah Jewana Textile Mills Limited	-	13	40,010		
(Chief Executive: Mr. Mian Asad Ehsan)	-	1	40,069		
	-	11	12,090		
	-	1	120,127	-	118
Choudhry Wire Rope Industries	-	13	217,000		
(Chief Executive: Ch. Muhammad Akram)	-	1	228,902	-	621
Sadhuja Textile Mills Limited	-	1	137,946		
(Chief Executive: Mr. Ali Asghar)	-	3	278,924		
	-	2	274,376		
	-	1	2,790,892	-	916
Tanocraft Limited	-	15	59,500		
(Chief Executive: Mr. Ashfaq Hassain)	-	1	60,942		
	-	5	69,900		
	-	1	70,385	-	145
Khairpur Sugar Mills Limited	13	13	55,536		
(Chief Executive: Mr. Muhammad Mubeen Jumani)	1	1	55,538		
	5	5	337,000		
	1	1	337,077	670	887
Bachani Sugar Mills Limited	23	23	135,227		
(Chief Executive: Mr. Najmuddin Ansari)	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	12,667	12,667
Frontier Ceramics	15	15	117,000		
(Chief Executive: Mr. Omer Khalid)	1	1	118,846		
	13	13	224,000		
	1	1	217,221		
	13	13	113,000		
	1	1	113,960	955	1,466
Bank Al-Habib TFC 3	60,000	60,000	5,000	299,400	299,640
(Chief Executive: Mr. Abbas D. Habib)					
Bank Al-Habib TFC 4	90,000	-	5,000	449,910	-
(Chief Executive: Mr. Abbas D. Habib)					
National Transmission Distribution Company Limited (PPTFC)	-	2,348,200	5,000	-	11,741,000
(Chief Executive: Mr. Rasul Khan Mahsud)					
Power Holding (Pvt) Limited (Islamabad Electric Supply Corporation)	-	300	10,000,000	-	3,000,000
(Chief Executive: Mr. Fazeel Asif)					
Power Holding (Pvt) Limited (Lahore Electric Supply Corporation)	-	300	10,000,000	-	3,000,000
(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	5,000	-	6,357,000
(Chief Executive: Mr. Fazeel Asif)					
Total				4,544,014	31,099,144

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

9.9 Detail of Investment in Debentures

Name of company	Terms			Cost	
	Principal	Interest	Rate of Interest	2011	2010
Rupees in '000					
Public Sector					
Haripur Cold Storage	Overdue	Overdue	12.50%	-	500
Haripur Cold Storage	Overdue	Overdue	12.50%	-	459
Haripur Cold Storage	Overdue	Overdue	12.50%	-	56
Karachi Development Authority	Overdue	Overdue	12.00%	-	62,355
Private Sector					
EFFEF Industries	Overdue	Overdue	14.00%	-	109
				-	63,479

9.10 Detail of Investment in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2011	2010
Rupees in '000							
Sukuk Bonds							
Dawood Hercules Limited	6MK + 1.2%	18-Sep-07	18-Sep-12	18-Mar-12	Half Yearly	-	904,800
Security Leasing Corporation Limited	6 MK + 2%	06-Jan-07	31-Mar-14	20-Jan-12	Monthly	94,922	137,109
Century Paper & Board Mills Limited	Last 5 Days 6 Month						
	avg K + 1.35%	25-Sep-07	24-Sep-14	25-Mar-12	Half Yearly	690,000	920,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK + 2.4%	30-Jun-08	30-Jun-12	31-Mar-12	Quarterly	79,760	142,500
Liberty Power Tech. Limited	3 MK + 3%	31-Mar-09	31-Mar-19	31-Mar-12	Half Yearly	2,689,191	2,530,797
Al-Zamin Leasing Modaraba	6 MK + 1.9%	12-May-08	12-May-12	12-May-12	Half Yearly	151,802	154,375
Quetta Textile Mills Limited	6 MK + 1.5%	27-Sep-08	27-Sep-15	27-Mar-12	Half Yearly	45,000	48,333
Shahraj Fabrics Pvt Limited	6 MK + 2.10%	08-Mar-08	08-Mar-13	08-Mar-12	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	03-Dec-07	03-Dec-18	03-Mar-12	Quarterly	3,184,577	3,187,289
						7,135,252	8,225,203

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

Name of the Borrower	No. of Certificates		Value per Certificate	Cost	
	2011	2010		2011	2010
Rupees in '000					
Crystal Chemicals	-	1	59,000		
(Chief Executive: Mr. Maqsood A Shaikh)	-	13	62,000	-	1,559
MAS Dairies Limited.	-	1	50,000		
(Chief Executive: Mian Nisar Akhtar)	-	9	51,000	-	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	803	3,068
				803	5,636

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

9.12 Quality of Available for Sale Securities

Name of Security	2011		2010	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	122,010,653	Un Rated	59,846,686	Un Rated
Pakistan Investment Bonds	147,290	Un Rated	246,764	Un Rated
Government of Pakistan Ijara Sukuk	-	-	100,000	Un Rated
Listed TFCs				
Azgard Nine Limited	4,327	D	4,327	CCC (RW)
Faysal Bank Limited	349,860	AA-	350,000	AA-
Pak Arab Fertilizers Limited	311,096	AA	395,176	AA
Standard Chartered Bank (Pakistan) Limited (Union Bank)	34,960	AAA	47,420	AAA
United Bank Limited-3rd issue	49,900	AA	49,920	AA
United Bank Limited-4th issue	184,741	AA	184,815	AA
ORIX Leasing Pakistan Limited	1,230	AA+	3,562	AA+
Unlisted TFCs				
Askari Bank Limited	99,920	AA-	99,960	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	17,465	AA-	26,201	AA-
Escort Investment Bank Limited	29,976	BB	49,960	A
Financial Receivable Securitization Company Limited-A	30,361	A+	42,505	A+
Financial Receivable Securitization Company Limited-B	20,042	A+	28,058	A+
Searle Pakistan Limited	-	-	6,248	A-
National Transmission Distribution Company Limited (PPTFC)	-	-	11,741,000	**
Javedan Cement Limited	217,262	**	250,000	**
Grays Leasing	-	-	20,000	A-
Bank Al-Habib Limited TFC 3	299,400	AA	299,640	AA
Bank Al-Habib Limited TFC 4	449,910	AA	-	-
ORIX Leasing Pakistan Limited	1,150,000	AA+	1,916,667	AA+
Power Holding (Pvt) Limited	-	-	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	**
Shares Unlisted				
Arabian Sea Country Club Limited*	5,000	**	5,000	**
Attock Textile Mills Limited	-	-	506	**
Atlas Power Limited*	355,000	AA&A1+	355,000	**
Dawood Family Takaful Limited	-	-	35,000	A-
Eastern Capital Limited*	5,000	**	5,000	**
Equity Participation Fund*	-	**	-	**
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	**
Khushhali Bank Limited*	200,000	A&A-1	200,000	A-&A-2
National Woolen Mills	-	-	52	**
NIFT*	1,526	**	1,526	**
PASSCO*	1,000	**	1,000	**
Ruby Rice & Gen Mills	-	-	105	**
Security General Insurance Life	1,075,653	A+	-	-
SME Bank Limited*	5,250	BBB&A-3	5,250	BBB&A-3
SWIFT	1,771	**	1,771	**
Shares / Certificates Listed				
Attock Petroleum Limited	297,164	AA&A1+	-	-
Bank Al-Habib Limited	-	-	33,551	AA+ &A1+
Dadabhoy Modaraba	-	-	5,025	**
D.G. Khan Cement Limited	278,093	**	189,063	**
Engro Chemical Pakistan Limited	-	-	613,592	AA&A1+
Eye Television Network Limited	-	-	58,024	A&A1
Fatima Fertilizer Company Limited	927,047	A & A1	-	-
Fauji Fertilizer Company Limited*	998,879	**	998,879	**
Fauji Fertilizer Company Limited	1,524,194	**	375,677	**

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for the year ended December 31, 2011

Name of Security	2011		2010	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
First Equity Modaraba	645	**	-	-
Habib Bank Limited	242,587	AA+&A-1+	200,205	AA+&A1+
Hub Power Company Limited*	999,085	AA+&A1+	999,085	AA+&A1+
Hub Power Company Limited	857,580	AA+&A1+	227,743	AA+&A1+
Lucky Cement Limited	822,101	**	-	-
Meezan Bank Limited	-	-	32,027	AA-&A-1
MCB Bank Limited	209,980	AA+&A1+	-	-
Namco Balanced Fund	9,640	**	-	-
National Refinery Limited	241,464	AAA&A1+	338,125	AAA&A1+
Nishat (Chunian) Limited	256,353	**	192,909	A&A-2
Nishat Chunian Power Limited*	300,000	AA-&A1+	300,000	AA-&A1+
Nishat Chunian Power Limited	96,480	AA-&A1+	67,347	AA-&A1+
Nishat Mills Limited	232,681	AA- & A1+	390,800	A+&A1
Nishat Power Limited*	300,000	AA-&A1+	300,000	AA-&A1+
Nishat Power Limited	-	-	54,089	AA-&A1+
Otsuka Pakistan Limited	3,335	**	3,335	**
Pakistan International Containers Limited	577	A+ & A1	-	-
Pakistan Oilfield Limited	1,527,373	**	1,301,823	**
Pakistan Petroleum Limited	1,249,714	**	-	-
Pakistan State Oil Limited	-	-	499,119	AA+&A1+
PICIC Growth Mutual Fund	361,635	**	202,512	**
Pioneer Cement Limited	638	**	-	-
Redco Textile Mills Limited	-	-	3	**
S.G. Fibers Limited	-	-	45,908	**
SAFA Textile Mills Limited	-	-	8,602	**
Safe Way Mutual Funds	13,817	AM4+	-	-
UBL Capital Protected Fund	-	-	75,000	AA+(cpf)
Preference Shares				
Trust Investment Bank Limited	50,000	BBB & A3	50,000	BBB-&A3
First Dawood Investment Bank	99,355	D	99,355	D&D
Fazal Cloth Mills Limited	-	-	75,000	A-&A2
Masood Textile Limited	-	-	58,333	**
Investment in Mutual Funds				
ABL Cash Fund	9,340,232	AA+(f)	150,000	AA+(f)
ABL Government Securities Fund	500,000	A+(f)	-	-
ABL Income Fund	3,750,000	A+(f)	750,000	A+(f)
ABL Stock Fund	100,000	MFR 5-Star	100,000	MFR 5-Star
AH Dow Jones Safe Pak Titans	20,000	**	20,000	**
Atlas Money Market Fund	50,000	AA+(f)	50,000	AA+(f)
AMZ Plus Income Fund	10,707	**	55,424	BB(f)
Crosby Phoenix Fund	20,000	A(f)	44,296	A(f)
HBL Money Market Fund	1,000,000	AA+(f)	-	-
KASB Liquid Fund	325,018	BBB(f)	341,885	BBB+(f)
Lakson Money Market Fund	250,000	AA(f)	250,000	AA(f)
MCB Cash Optimizer Fund	1,500,000	AA+(f)	-	-
Meezan Cash Fund	500,000	AA(f)	-	-
NAFA Cash Fund	785,050	A(f)	894,151	A+(f)
UBL Liquidity Plus Fund	750,000	AA+(f)	-	-
Sukuk Bonds				
Security Leasing Corporation Limited	94,922	**	137,109	**
Century Paper & Board Mills Limited	690,000	A+	920,000	A+
Dawood Hercules Limited	-	-	904,800	**
K.S. Sulemanji Esmailji & Sons	79,760	**	142,500	**
Liberty Power Tech Limited	2,689,191	AA-	2,530,797	AA-
Quetta Textile Mills Limited	45,000	**	48,333	**

* Strategic Investments of the Bank

** Ratings are not available

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
9.13	Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		
	Ordinary shares of listed companies / units of mutual funds		
	Pioneer Cement Limited	-	(35)
	Japan Power Generation Limited	-	(1,902)
	ABL Cash Fund	-	(21,947)
		-	(23,884)

10. ADVANCES

	Loans, cash credits, running finances, etc. - in Pakistan	256,549,230	262,300,645
	Net investment in finance lease - in Pakistan	10.2	1,748,858
	Bills discounted and purchased (excluding treasury bills)		
	Payable in Pakistan	1,769,188	973,826
	Payable outside Pakistan	2,069,915	3,239,841
		3,839,103	4,213,667
	Advances - gross	262,137,191	267,775,683
	Provision for non-performing advances	10.4	(17,671,070)
	General provision for consumer financing	10.4	(32,647)
		(17,703,717)	(15,430,262)
	Advances - net of provision	244,433,474	252,345,421

10.1 Particulars of advances (Gross)

10.1.1	In local currency	258,292,731	264,509,070
	In foreign currencies	3,844,460	3,266,613
		262,137,191	267,775,683
10.1.2	Short term (for upto one year)	106,922,822	160,261,738
	Long term (for over one year)	155,214,369	107,513,945
		262,137,191	267,775,683

10.2 Net investment in finance lease

	December 31, 2011				December 31, 2010			
	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	404,737	722,438	511,106	1,638,281	274,677	531,796	383,700	1,190,173
Residual value	45,621	221,157	128,082	394,860	51,759	135,880	65,555	253,194
Minimum lease payments	450,358	943,595	639,188	2,033,141	326,436	667,676	449,255	1,443,367
Financial charges for future periods	(96,234)	(104,188)	(83,861)	(284,283)	(49,745)	(79,409)	(52,842)	(181,996)
Present value of minimum lease payments	354,124	839,407	555,327	1,748,858	276,691	588,267	396,413	1,261,371

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

10.3 Advances include Rs.20,452,465 million (2010: Rs. 18,688,166 million) which have been placed under non-performing status as detailed below:-

Category of Classification	December 31, 2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned	63,380	-	63,380	-	-	-	-	-	-
Substandard	1,780,543	-	1,780,543	444,292	-	444,292	444,292	-	444,292
Doubtful	2,711,866	-	2,711,866	1,331,198	-	1,331,198	1,331,198	-	1,331,198
Loss	15,896,676	-	15,896,676	15,895,580	-	15,895,580	15,895,580	-	15,895,580
	<u>20,452,465</u>	<u>-</u>	<u>20,452,465</u>	<u>17,671,070</u>	<u>-</u>	<u>17,671,070</u>	<u>17,671,070</u>	<u>-</u>	<u>17,671,070</u>

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
	<u>18,688,166</u>	<u>-</u>	<u>18,688,166</u>	<u>15,420,788</u>	<u>-</u>	<u>15,420,788</u>	<u>15,420,788</u>	<u>-</u>	<u>15,420,788</u>

10.4 Particulars of provision against non-performing advances

Note	December 31, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665
Charge for the year	4,354,209	23,173	4,377,382	4,566,131	2,064	4,568,195
Reversals	(1,667,361)	-	(1,667,361)	(1,493,619)	-	(1,493,619)
Charged to profit and loss account	2,686,848	23,173	2,710,021	3,072,512	2,064	3,074,576
Amounts written off	10.5.1	(436,566)	-	(186,979)	-	(186,979)
Closing balance	<u>17,671,070</u>	<u>32,647</u>	<u>17,703,717</u>	<u>15,420,788</u>	<u>9,474</u>	<u>15,430,262</u>
10.4.1 In local currency	17,671,070	32,647	17,703,717	15,420,788	9,474	15,430,262
In foreign currencies	-	-	-	-	-	-
	<u>17,671,070</u>	<u>32,647</u>	<u>17,703,717</u>	<u>15,420,788</u>	<u>9,474</u>	<u>15,430,262</u>

Note	December 31, 2011	December 31, 2010
Rupees in '000		

10.5 Particulars of write offs

10.5.1	Against provisions	436,566	186,979
	Directly charged to Profit and Loss account	-	-
		<u>436,566</u>	<u>186,979</u>
10.5.2	Write Offs of Rs. 500,000 and above	10.6	414,337
	Write Offs of Below Rs 500,000		22,229
			<u>436,566</u>
			<u>186,979</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

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, 2011 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, 2011	December 31, 2010
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		5,321,011	5,345,324
Loans granted during the year		840,856	976,105
Repayments		(969,728)	(1,000,418)
Balance at end of the year		<u>5,192,139</u>	<u>5,321,011</u>

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

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	4,511,356	3,279,994
Property and equipment	11.2	13,409,560	11,897,388
Intangible assets	11.3	166,095	182,360
		<u>18,087,011</u>	<u>15,359,742</u>

11.1 Capital work-in-progress

Civil works		3,297,410	2,572,875
Equipment		325,324	46,893
Advances to suppliers and contractors		888,622	660,226
		<u>4,511,356</u>	<u>3,279,994</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

11.2 Property and equipment

Description	Note	At January 1, 2011			Cost / Revaluation			Accumulated Depreciation			Net book value at December 31, 2011	Annual rate of depreciation %
		At January 1, 2011	Additions / (deletions)	Revaluation Surplus	Write-off	At December 31, 2011	At January 1, 2011	(depreciation on deletion)	Revaluation Surplus	Write-off		
Rupees in '000												
Land-Freehold	11.4	4,317,291	358,934	754,269	-	5,430,494	-	-	-	-	5,430,494	-
Land-Leasehold	11.4	1,683,382	1,292	73,303	-	1,757,977	-	-	-	-	1,757,977	-
Buildings-Freehold	11.4	1,742,072	99,461	-	-	1,841,533	165,379	82,679	(88,854)	-	1,59,204	1,682,329
Buildings-Leasehold	11.4	2,038,518	79,810	-	-	2,118,328	175,809	96,795	(12,234)	-	260,370	1,857,958
Building improvements (rented premises)		837,024	199,750	-	-	1,036,774	235,426	186,701	-	-	422,081	614,646
			(47)				(46)					
Furniture and fixtures		526,651	103,971	-	-	627,152	195,052	49,721	-	-	241,393	385,759
			(3,470)				(3,380)					
Electrical, office and computer equipments		3,038,487	704,870	-	-	3,727,066	1,598,545	536,517	-	-	2,120,912	1,606,154
			(16,291)				(14,150)					
Vehicles		244,661	34,834	-	-	270,243	160,487	39,471	-	-	196,000	74,243
			(9,252)				(3,958)					
Total		14,428,086	1,582,922	827,572	-	16,809,520	2,530,698	991,884	(101,088)	-	3,399,960	13,409,560
			(29,060)					(21,534)				

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

Description	Note	Cost/ Revaluation				Accumulated Depreciation				Annual rate of depreciation %		
		At January 1, 2010	Additions/ (Adjustment)/ (Deletions)	Revaluation Surplus	Write-off	At December 31, 2010	Charge for the year/ (depreciation on deletion)	Revaluation Surplus	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
Building improvements (rented premises)		460,971	376,264 (211)	-	-	837,024	140,237 (159)	-	-	235,426	601,598	20
Furniture and fixtures		396,368	154,466 (24,130)	-	(53)	526,651	39,406 (23,787)	-	(53)	195,052	331,599	10
Electrical, office and computer equipments		2,509,523	570,691 (41,611)	-	(116)	3,038,487	433,812 (40,456)	-	(111)	1,598,545	1,439,942	14.28 - 50
Vehicles		234,467	28,273 (18,079)	-	-	244,661	44,441 (15,109)	-	-	160,487	84,174	20
Total		12,397,190	2,121,088 (90,023)	-	(169)	14,428,086	817,518 (79,511)	-	(164)	2,530,698	11,897,388	
Rupees in '000												
11.3 Intangible assets												
Description	Cost		Accumulated Amortization		Net book value		Rate of					
	At January 1, 2011	Additions	At January 1, 2011	Amortization for the year	At December 31, 2011	at December 31, 2011	amortization %					
Computer software	290,355	22,319	107,995	38,584	146,579	166,095	14.28					
Rupees in '000												
Description	Cost		Accumulated Amortization		Net book value		Rate of					
	At January 1, 2010	Additions	At January 1, 2010	Amortization for the year	At December 31, 2010	at December 31, 2010	amortization %					
Computer software	230,517	59,838	74,976	33,019	107,995	182,360	14.28					

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

- 11.4 Bank arranged for valuation of Properties as at December 31, 2011 from three independent valuers (Akbari & Javed , Asif Associates and Harvester 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. 928.659 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2011	December 31, 2010
Rupees in '000		
- Land	3,869,965	3,509,739
- Building	1,202,201	1,202,404

For information regarding the location of the revalued properties, refer Annexure III

- 11.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount. Land and Buildings were revalued as at December 31, 2011 and are carried at market value.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
11.6			
Incremental depreciation charged during the year transferred to profit & loss account	21.1	44,932	47,297
11.7			
Restriction / discrepancy in the title of property having a net book value of		63,473	116,157
11.8			
Carrying amount of temporarily idle property and equipment		35,550	35,550
11.9			
The gross carrying amount of fully depreciated / amortized assets that are still in use:			
Furniture and fixtures		110,201	104,795
Electrical, office and computer equipments		875,141	592,849
Vehicles		138,207	21,265
Intangible assets - software		38,056	33,411
11.10			
The carrying amount of property and equipment that have retired from active use and are held for disposal		328,768	-

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

- 11.12 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, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
12. DEFERRED TAX ASSETS / LIABILITY ASSETS - NET			
Deferred debits arising in respect of :			
Compensated leave absences	12.2	88,879	153,605
Provision against:	12.2		
Investments		72,699	79,098
Other assets		212,384	275,847
Off balance sheet obligations		109,432	169,525
Provision against advances		1,283,998	1,025,795
Post retirement medical benefits	12.2	224,714	276,249
Workers welfare fund		195,249	86,455
		2,187,355	2,066,574
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(334,264)	(314,611)
Surplus on revaluation of investments		(203,813)	(403,875)
Accelerated tax depreciation / amortization		(880,938)	(845,185)
Excess of investment in finance lease over written down value of leased assets		(16,432)	(18,516)
		(1,435,447)	(1,582,187)
		751,908	484,387

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2010	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2010	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2011
(Rupees in '000)							
Deferred debits arising in respect of							
Compensated leave absences	216,646	(63,041)	-	153,605	(64,726)	-	88,879
Provision against:							
Investments	79,098	-	-	79,098	(6,399)	-	72,699
Other assets	305,418	(29,571)	-	275,847	(63,463)	-	212,384
Off balance sheet obligations	169,525	-	-	169,525	(60,093)	-	109,432
Advances	223,560	802,235	-	1,025,795	258,203	-	1,283,998
Post retirement medical benefits	327,168	(50,919)	-	276,249	(51,535)	-	224,714
Workers welfare fund	75,258	11,197	-	86,455	108,794	-	195,249
Loss on sale of listed shares	39,863	(39,863)	-	-	-	-	-
	1,436,536	630,038	-	2,066,574	120,781	-	2,187,355
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(331,165)	16,554	-	(314,611)	15,728	(35,381)	(334,264)
Surplus on revaluation of investments	(472,787)	-	68,912	(403,875)	-	200,062	(203,813)
Accelerated tax depreciation / amortization	(603,564)	(241,621)	-	(845,185)	(35,753)	-	(880,938)
Excess of investment in finance lease over written down value of leased assets	(30,891)	12,375	-	(18,516)	2,084	-	(16,432)
	(1,438,407)	(212,692)	68,912	(1,582,187)	(17,941)	164,681	(1,435,447)
	(1,871)	417,346	68,912	484,387	102,840	164,681	751,908

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

- 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, 2011	December 31, 2010
Rupees in '000			
13. OTHER ASSETS			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		10,950,120	11,294,176
- in foreign currencies		32,023	31,115
Advances, deposits, advance rent and other prepayments		1,322,089	1,105,867
Advance taxation (payments less provisions)		1,590,524	1,863,690
Stationery and stamps on hand		41,439	29,713
Prepaid exchange risk fee		53	66
Unrealized gain on forward foreign exchange contracts		162,279	-
Due from the employees' retirement benefit schemes	36.4	1,562,389	1,504,938
Excise duty		11	26
Receivable from SBP - customers encashments		9,222	487
Non banking assets acquired in satisfaction of claims	13.1	1,974,266	1,730,492
Suspense account		584,350	696,059
Others		81,654	40,612
		18,310,419	18,297,241
Less: Provision held against other assets	13.2	(1,098,592)	(1,062,781)
Other assets (net of provision)		17,211,827	17,234,460
13.1		1,820,550	1,747,410
13.2 Provision against Other Assets:			
Opening balance		1,062,781	816,191
Charge for the year		308,815	331,077
Reversals		(194,634)	-
Net charge		114,181	331,077
Written off / adjusted		(78,370)	(84,487)
Closing balance		1,098,592	1,062,781
14. CONTINGENT ASSETS			
There were no contingent assets of the Bank as at December 31, 2011 and December 31, 2010.			
15. BILLS PAYABLE			
In Pakistan		4,015,317	4,118,791

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
16. BORROWINGS			
In Pakistan		49,959,308	20,680,282
Outside Pakistan		33,892	94,168
		<u>49,993,200</u>	<u>20,774,450</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		48,043,881	20,518,433
In foreign currencies		1,949,319	256,017
		<u>49,993,200</u>	<u>20,774,450</u>
16.2 Details of borrowings (Secured / Unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	14,162,420	13,301,654
Long term financing facility - Export oriented projects	16.4	1,418,190	1,889,208
Long term financing facility	16.4	2,673,844	3,316,675
Modernization of SMEs	16.5	154,240	-
Financing Facility for Storage of Agriculture Produce (FFSA)	16.6	71,249	-
Revival of SMEs & Agricultural activities in flood affected areas	16.7	89,450	-
		<u>18,569,393</u>	<u>18,507,537</u>
Borrowing from financial institutions		-	20,000
Repurchase agreement borrowings	16.8	29,474,488	1,990,896
Unsecured			
Call borrowings	16.9	1,915,427	161,849
Overdrawn nostro accounts		33,892	94,168
		<u>1,949,319</u>	<u>256,017</u>
		<u>49,993,200</u>	<u>20,774,450</u>

16.3 The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 11.00% (2010: 10.0%) per annum. These borrowings are repayable within six months from the deal date.

16.4 This represents Long Term Financing availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 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 11.60% (2010: 5.0% to 8.6%) per annum.

16.5 This represents Long Term Financing Facility availed by the Bank for further extending the same to its customers for balancing, modernization and replacement (BMR) of existing units / projects, for a maximum period of 7 years. The loan carries mark-up at the rate ranging from 8% to 10% per annum.

16.6 This represents Long Term Financing facility availed by the Bank for extending the same to its customers for establishment, expansion and balancing, modernization & replacement (BMR) of Steel/Metal/Concrete Silos, Warehouses & Cold Storage facilities for storing agricultural produce, for a maximum period of 7 years. The loan carries mark-up at rates ranging from 8% to 10% per annum.

16.7 This represents Production / Working capital financing facility availed by the Bank for extending the same to Farmers and Small & Medium Enterprises (SMEs) in districts affected by recent flood as notified by National Disaster Management Authority. The loan carries mark-up at the rate of 8% per annum.

16.8 These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rates ranging from 11.7% to 11.95% (2010: 13.5%) per annum maturing on various dates, latest by January 30, 2012.

16.9 These represent unsecured borrowings in local and foreign currency from the local interbank market, carrying mark-up at rates ranging between 11.75% to 11.85% for local currency borrowing (2010: 10.75% to 12.40% per annum), and at rates ranging from 0.5% to 1% for foreign currency borrowing (2010: 0.8% to 1.3%) per annum maturing on various dates, latest by February 28, 2012.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	Rupees in '000	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	110,061,707	109,051,434
Savings deposits	106,783,680	93,636,169
Current accounts - Remunerative	57,667,849	57,006,516
- Non - remunerative	124,121,553	110,871,294
	398,634,789	370,565,413
Financial Institutions		
Remunerative deposits	560,816	522,556
Non - remunerative deposits	366,071	196,299
	399,561,676	371,284,268
17.1 Particulars of deposits		
In local currency	362,079,526	343,375,302
In foreign currencies	37,482,150	27,908,966
	399,561,676	371,284,268
18. SUB-ORDINATED LOANS		
Term Finance Certificates - I	2,495,000	2,496,000
Term Finance Certificates - II	2,997,600	2,998,800
	5,492,600	5,494,800

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)	2,495,000	2,997,600
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	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)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
19. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		4,824,619	3,727,598
Mark-up / Return / Interest payable in foreign currencies		597,610	417,918
Accrued expenses		1,102,538	720,467
Branch adjustment account		485,125	1,401,372
Unrealized loss on forward foreign exchange contracts		-	281,215
Provision for:			
- gratuity	36.4	131,413	94,917
- employees' medical benefits	36.4	1,771,930	1,632,793
- employees' compensated absences	36.4	962,292	872,706
Unclaimed dividends		57,502	49,162
Dividend payable		10,984	8,279
Provision against off-balance sheet obligations	19.1	515,009	370,764
Retention money payable		113,644	92,891
Security deposits against lease		397,171	254,009
Sundry deposits		914,860	1,203,461
Workers Welfare Fund payable		573,657	253,940
Others		837,988	902,868
		13,296,342	12,284,360
19.1 Provision against off-balance sheet obligations			
Opening balance		370,764	459,003
Charge for the year		182,304	33,054
Reversals		(38,059)	(121,293)
Net charge / (reversal)		144,245	(88,239)
Closing balance		515,009	370,764
The above provision has been made against letters of guarantee issued by the Bank.			
19.2 Particulars of other liabilities			
In local currency		12,698,732	11,718,230
In foreign currencies		597,610	566,130
		13,296,342	12,284,360

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
No. of shares			Rupees in '000	
1,500,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	15,000,000	10,000,000

20.2 Issued, subscribed and paid-up capital

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

December 31, 2011	December 31, 2010	Ordinary shares	December 31, 2011	December 31, 2010
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
435,982,273	357,772,190	Issued as bonus shares	4,359,823	3,577,722
842,762,367	764,552,284		8,427,624	7,645,523
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
8,400,000	8,400,000		84,000	84,000
860,310,917	782,100,834		8,603,110	7,821,009

Ibrahim Fibers Limited, related party of the Bank, holds 270,786,564 (31.4%) [December 31, 2010: 287,078,695 (36.71%)] ordinary shares of Rs.10 each, as at date of Statement of Financial Position.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			

21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:

- fixed assets	21.1	3,629,110	2,765,036
- securities	21.2	2,090,336	2,043,369
Surplus on revaluation of assets - net of tax		5,719,446	4,808,405

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation as at January 1, 2011		3,079,647	3,132,247
Surplus on revaluation during the year	11.2	928,659	-
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		(29,204)	(30,743)
Related deferred tax liability	12.1	(15,728)	(16,554)
	11.6	(44,932)	(47,297)
Surplus on revaluation as at December 31, 2011		3,963,374	3,079,647
Less: Related deferred tax liability on :			
Revaluation as at January 1, 2011		314,611	331,165
Deferred tax liability on surplus on revaluation of fixed assets		35,381	-
Incremental depreciation charged during the year transferred to profit and loss account	12.1	(15,728)	(16,554)
		334,264	314,611
		3,629,110	2,765,036

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
21.2	Surplus / (Deficit) on revaluation of Available-for-sale securities		
	Federal Government Securities		
	Market Treasury Bills	(67,646)	(120,712)
	Pakistan Investment Bonds	(13,023)	(23,870)
	Term Finance Certificates	(19,326)	-
	Shares / Certificates - Listed	2,429,655	2,528,671
	Open end mutual funds	(35,511)	63,155
		9.1	2,294,149
	Less : Related deferred tax (liability)	12.1	(203,813)
			<u>2,090,336</u>
			<u>2,043,369</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees in favour of:		
Banks and financial institutions	611,478	1,769,128

22.2 Transaction-related contingent liabilities

Guarantees in favour of:		
Government	14,010,962	9,512,438
Others	21,208,164	8,585,255
	<u>35,219,126</u>	<u>18,097,693</u>

22.3	Trade-related contingent liabilities	52,324,035	52,044,205
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22.4	Claims against the bank not acknowledged as debt	4,210,600	3,943,404
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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, 2011	December 31, 2010
Rupees in '000		
22.6	Commitments in respect of forward foreign exchange contracts	
	Purchase	49,580,813
	Sale	25,543,453
22.7	Commitments in respect of:	
	Civil works	1,496,831
	Acquisition of operating fixed assets	504,141
		<u>2,000,972</u>
22.8	Commitments in respect of lease financing	110,472
22.9	Commitments in respect of procurement of software	-
22.10	Commitments in respect Market Treasury Bills	3,926,578

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

22.11 Other Contingencies

22.11.1 The income tax assessments of the Bank have been finalized upto and including tax year 2011 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2011, income tax authorities made certain add backs with aggregate tax impact of Rs.10,718 million. As a result of appeals filed by the Bank before appellate authorities, the add backs with tax impact amounting to Rs.2,524 million and Rs.9,229 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs.5,940 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.10,718 million. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

22.11.2 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 Group 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 loose 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.

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 5.15.2. The risk management framework of derivative instruments is given in note 43.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances		32,634,596	31,348,386
On investments in:			
Available for sale securities		16,014,917	10,354,988
Held to maturity securities		1,283,302	1,292,088
Held for Trading		4,349	-
		17,302,568	11,647,076
On deposits with financial institutions		4,011	5,450
On securities purchased under resale agreements		1,796,144	1,858,505
On certificates of investment		6,929	31,467
On letters of placement		13,864	23,579
On call money lending		56,161	78,233
		<u>51,814,273</u>	<u>44,992,696</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		20,139,873	16,649,281
Long term borrowing		297,379	353,197
Securities sold under repurchase agreements		1,952,036	767,920
Call money borrowing		338,396	1,173,399
Brokerage and commission		156,236	159,998
Markup on sub-ordinated loans		814,737	761,979
Other short term borrowings		2,944,577	2,561,878
		<u>26,643,234</u>	<u>22,427,652</u>
26. FEE, COMMISSION AND BROKERAGE INCOME			
Core fees, commission and brokerage		2,554,045	2,250,747
Account maintenance charges		176,641	240,453
		<u>2,730,686</u>	<u>2,491,200</u>
27. GAIN / (LOSS) ON SALE OF SECURITIES			
Shares - listed		845,570	1,322,826
- unlisted		-	5,100
Open end mutual funds		(149,933)	88,145
Market treasury bills		130,660	417
Term finance certificates		(141)	44
		<u>826,156</u>	<u>1,416,532</u>
28. OTHER INCOME			
Gain on sale of operating fixed assets		2,568	11,977
Miscellaneous		66,127	86,549
Compensation of tax refund		-	152,618
		<u>68,695</u>	<u>251,144</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	29.3	6,861,704	5,979,990
Charge for defined benefit plan	36	470,155	472,290
Contribution to defined contribution plan - provident fund		217,061	191,008
Non-executive directors' fees, allowances and other expenses		4,225	1,725
Rent, taxes, insurance, electricity, etc.		1,519,574	1,322,361
Legal and professional charges		96,914	81,774
Communications		404,208	250,976
Repairs and maintenance		252,884	209,551
Stationery and printing		280,018	244,122
Advertisement and publicity		284,650	196,651
Auditors' remuneration	29.1	13,916	11,111
Depreciation / Amortization	11.2 & 11.3	1,030,468	850,537
Security service charges		552,343	463,925
Travelling, conveyance and fuel expenses		270,007	218,006
Entertainment		137,195	124,549
Computer expenses		423,458	270,538
Subscription		256,156	292,311
Donations	29.2	61,295	38,260
Others		29,645	21,902
		13,165,876	11,241,587

29.1 Auditors' remuneration

	December 31, 2011			December 31, 2010			
	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousuf Adil Saleem & Co.	Total
Rupees in '000							
Audit fee	2,925	2,925	5,850	2,730	2,730	-	5,460
Special certifications, half yearly reviews and miscellaneous services	3,158	3,400	6,558	1,622	1,470	430	3,522
Out-of-pocket expenses	771	737	1,508	1,025	200	904	2,129
	6,854	7,062	13,916	5,377	4,400	1,334	11,111

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

29.2 None of the directors, executives and their spouses had any interest in the donations disbursed during the year except Mr. Mohammad Naeem Mukhtar (Chairman of Board of Directors) who is also a member of Board of Governors of National Management Foundation which is the governing body of the Suleman Dawood School of Business. Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

	December 31, 2011	December 31, 2010
	Rupees in '000	
Memon Medical Institute	1,200	-
Khoja Society for People's Education	600	-
Karachi Center for Dispute Resolution	450	-
Imran Khan Foundation	100	-
Institute of Business Administration	20,000	10,000
Bakhtawar Amin Memorial Trust Hospital	1,000	2,000
Suleman Dawood School of Business	10,000	-
Patient Welfare Society Allied Hospital Faisalabad	596	-
GCU Endowment Fund Trust	1,000	-
Patients welfare association, DMC & Civil hospital Karachi	500	500
Patients welfare society Shaikh Zayed hospital Lahore	1,000	-
Marie Adelaide leprosy center	1,000	-
University of Karachi	300	-
Shaukat Khanum Memorial Cancer Hospital & Research Centre	2,000	1,000
Lahore Business Association	500	-
Tamir Welfare Organization	2,849	-
Society for education technology	500	-
Pink Ribbon Pakistan	500	-
Mayo Hospital Lahore	1,200	-
Allied fund for flood relief account	15,000	-
Pakistan Hindu Council	100	100
Say Trust	100	-
Sundus Foundation	800	-
Bait ul Sakoon Karachi	-	100
Chhipa Welfare Association Karachi	-	3,530
Chief Minister of Punjab Flood Relief Fund	-	5,000
Citizen Foundation Karachi	-	100
Donation for Flood affected persons, Punjab	-	10,000
Jazba Foundation Lahore	-	500
Lahore Businessmen Association for Rehabilitation of the Disabled	-	1,000
Liver Center Civil Hospital Karachi	-	500
M/s Book Group Karachi	-	2,500
M/s Tehzeeb Social Welfares Lahore	-	250
National Textile College Mananwala Faisalabad	-	180
Agha Khan Hospital and Medical College Foundation	-	1,000
	61,295	38,260

29.3 During the year, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. 183 (2010 : 195 employees) employees of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 265 million (2010 : Rs. 294 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2011	December 31, 2010
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	117,986	59,647
SBP prism service charges	3,194	-
Education cess	12,046	10,017
Provision against write off of fixed assets	116,920	5
Other assets written off	18,058	1,579
	268,204	71,248

31. WORKERS WELFARE FUND

Under the Worker's Welfare Ordinance (WWF), 1971, WWF is applicable @ 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, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
32. TAXATION			
Current - for the year		4,917,896	4,161,179
- for prior years		153,745	373,941
		5,071,641	4,535,120
Deferred		(102,840)	(417,346)
		4,968,801	4,117,774
32.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		15,108,482	12,343,106
Tax on income @ 35% (2010 : 35%)		5,287,969	4,320,087
Effect of permanent differences		49,405	20,876
Adjustments in respect of tax at reduced rates		(875,644)	(441,043)
Others		507,071	217,854
Tax charge for the year		4,968,801	4,117,774
33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation		10,139,681	8,225,332
Number of Shares			
Restated			
Weighted average number of ordinary shares outstanding during the year	33.1	860,310,917	860,310,917
Rupees			
Restated			
Earnings per share - basic and diluted	33.1	11.79	9.56

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 shares have been restated to include the effect of bonus shares issued by the Bank during the year.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	36,479,758	31,265,608
Balances with other banks	7	1,679,085	579,555
Overdrawn nostro accounts	16	(33,892)	(94,168)
		38,124,951	31,750,995
35. STAFF STRENGTH			
Numbers			
Permanent		9,496	8,947
Temporary / on contractual basis / trainee		276	136
Bank's own staff strength at the end of the year		9,772	9,083
Outsourced		3,257	3,505
Total staff strength		13,029	12,588

36. DEFINED BENEFIT PLANS

36.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme - funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	Number	
36.2 Number of Employees under the schemes		
The number of employees covered under the following defined benefit scheme / plans are:		
- Gratuity fund	9,772	9,083
- Pension fund	2,412	2,701
- Benevolent fund	213	235
- Employees' compensated absences	9,496	8,947
- Post retirement medical benefits	9,496	8,947

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2011 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2011	December 31, 2010
Discount rate	Yield on investments in Government Bonds	13.00%	13.00%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	13.00%	13.00%
Gratuity fund	Yield on investments in Government Bonds	13.00%	13.00%
Benevolent fund	Yield on investments in Government Bonds	13.00%	13.00%
Expected rate of salary increase	Rate of salary increase	11.00%	11.00%
Exposure inflation rate		3.00%	3.00%

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

	Note	December 31, 2011				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Present value of defined benefit obligations	36.6	4,239,314	1,193,848	19,561	1,656,505	962,292
Fair value of plan's / scheme's assets	36.7	(5,985,286)	(918,453)	(160,816)	-	-
Net actuarial gains / (losses) not recognized		224,746	(143,982)	58,928	115,425	-
		(1,521,226)	131,413	(82,327)	1,771,930	962,292
Benefit of the surplus not available to the Bank		-	-	41,164	-	-
Net (asset) / liability		(1,521,226)	131,413	(41,163)	1,771,930	962,292

	Note	December 31, 20110				
		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) / gains 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

36.4.1 The effect of increase of one percentage point and decrease of one percentage point in the medical trend rates on the present value of medical obligation as at December 31, 2011 would be Rs. 125.116 million (2010: Rs. 113.873 million) and Rs. (108.32) million (2010: Rs. (95.401) million) respectively.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2011

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

	Note	December 31, 2011				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		(1,474,259)	94,917	(30,679)	1,632,793	872,705
(Reversal) / charge for the year	36.9	(46,967)	183,090	(10,484)	265,446	267,115
Benefits paid		-	(146,594)	-	(126,309)	(177,528)
Closing balance		(1,521,226)	131,413	(41,163)	1,771,930	962,292

	Note	December 31, 2010				
		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

36.6 Reconciliation of present value of defined benefit obligations

	Note	December 31, 2011				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
Rupees in '000						
Opening balance		4,237,829	941,933	22,819	1,752,683	872,705
Current service cost		-	173,408	-	63,963	77,550
Interest cost		518,408	115,255	2,755	196,898	113,452
Benefits paid		(500,153)	(110,708)	(4,747)	(126,309)	(177,528)
VRS loss		106,000	2,000	-	8,000	34,000
Actuarial (gains) / losses		(122,770)	71,960	(1,266)	(238,730)	42,113
Closing balance		4,239,314	1,193,848	19,561	1,656,505	962,292

	Note	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

36.7 Reconciliation of fair value of plan assets

	December 31, 2011				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	5,368,825	849,433	143,814	-	-
Expected return on plan assets	665,437	112,759	18,696	-	-
Bank's contribution	-	146,594	-	-	-
Benefits paid	(500,153)	(110,708)	(4,747)	-	-
Actuarial gains / (losses)	451,177	(79,625)	3,053	-	-
Closing balance	5,985,286	918,453	160,816	-	-

	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	-	-	-
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	-	-

36.8 Composition of the value of plan assets

	December 31, 2011				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	4,578,616	618,646	118,478	-	-
Listed shares *	1,195,928	246,684	30,090	-	-
Bank balances *	210,742	53,123	12,248	-	-
	5,985,286	918,453	160,816	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	748,603	246,684	11,221	-	-
Bank balances with ABL	210,742	53,123	12,248	-	-
	959,345	299,807	23,469	-	-

	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 funds	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	640,103	202,055	-	-	-
Bank balances with ABL	1,519,799	471,258	115,392	-	-
	2,159,902	673,313	115,392	-	-

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for the year ended December 31, 2011

36.9 Charge for defined benefit plan

	December 31, 2011				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	173,408	-	63,963	77,550
Interest cost	518,408	115,255	2,755	196,897	113,452
Expected return on plan assets	(665,437)	(112,759)	(18,696)	-	-
Actuarial (gains) / losses recognised	(5,938)	5,186	(5,028)	(3,414)	42,113
Contributions - employee	-	-	-	-	-
VRS Loss	106,000	2,000	-	8,000	34,000
Benefit of the surplus not available to the Bank	-	-	10,485	-	-
	<u>(46,967)</u>	<u>183,090</u>	<u>(10,484)</u>	<u>265,446</u>	<u>267,115</u>

	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 recognised	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	-	-
	<u>12,670</u>	<u>157,076</u>	<u>(7,729)</u>	<u>292,455</u>	<u>214,819</u>

36.9.1 The effect of increase of one percentage point and 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's post-employment medical costs would be Rs. 21.481 million (2010: Rs. 7.402 million) and Rs. 21.534 million (2010: Rs. 6.201 million) respectively.

	December 31,	December 31,
	2011	2010
	Rupees in '000	
36.10 Actual return on plan assets		
- Pension fund	1,116,614	894,276
- Gratuity fund	33,133	219,144
- Benevolent fund	21,749	18,465

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for the year ended December 31, 2011

36.11 Five year data of defined benefit plan and experience adjustments

	Pension Fund				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	4,239,314	4,237,829	4,040,811	3,400,000	3,461,993
Fair value of plan assets	(5,985,286)	(5,368,825)	(5,138,070)	(4,319,903)	(5,738,722)
Surplus	(1,745,972)	(1,130,996)	(1,097,259)	(919,903)	(2,276,729)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	122,770	(191,900)	(491,912)	(117,235)	(219,179)
Actuarial gains / (losses) on assets	451,177	211,328	540,483	(1,264,567)	449,195
	Gratuity Fund				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	1,193,848	941,933	766,547	557,547	574,685
Fair value of plan assets	(918,453)	(849,433)	(593,567)	(304,031)	(475,357)
Deficit	275,395	92,500	172,980	253,516	99,328
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(71,960)	(41,223)	(60,758)	60,479	(22,810)
Actuarial gains / (losses) on assets	(79,625)	125,349	131,570	(216,667)	(28,678)
	Benevolent Fund				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	19,561	22,819	60,968	474,679	557,296
Fair value of plan assets	(160,816)	(143,814)	(143,594)	(617,643)	(692,158)
Surplus	(141,255)	(120,995)	(82,626)	(142,964)	(134,862)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	1,266	25,350	6,697	94,790	1,424
Actuarial gains / (losses) on assets	3,053	(202)	40,916	(153,801)	(6,400)
	Post retirement medical				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	1,656,505	1,752,683	1,681,204	1,521,833	1,624,176
Fair value of plan assets	-	-	-	-	-
Deficit	1,656,505	1,752,683	1,681,204	1,521,833	1,624,176
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	238,730	68,829	40,340	153,494	(62,511)

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	Leave Encashment				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	962,292	872,705	838,005	832,215	875,178
Fair value of plan assets	-	-	-	-	-
Deficit	962,292	872,705	838,005	832,215	875,178
Experience adjustments on plan obligations-					
Actuarial gains / (losses) 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 financial 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, 2012 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	(226,976)	199,530	(13,234)	278,569	240,541

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 9,093 (2010: 8,525) as on December 31, 2011. During the year, employees made a contribution of Rs. 217.061 million (2010: Rs. 191.00 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President/Chief Executive		Directors		Executives	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		Rupees in '000					
Fees	38.1	-	-	4,225	1,725	-	-
Managerial remuneration		24,365	26,045	-	-	1,009,769	762,600
Charge for defined benefit plans		1,614	1,613	-	-	241,024	200,575
Contribution to defined contribution plan		-	1,344	-	-	85,952	63,525
Rent and house maintenance		10,973	11,724	-	-	454,048	339,458
Utilities		2,443	2,790	-	-	100,977	75,661
Medical		360	135	-	-	127,219	93,536
Bonus		17,099	50,456	-	-	412,242	232,092
Conveyance and others		285	424	-	-	157,743	123,745
		57,139	94,531	4,225	1,725	2,588,974	1,891,192
Number of persons		1	1	3	4	1,099	844

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. Each director was paid Rs. 50,000 during the year for each meeting attended.

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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 5.4.

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.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the year ended December 31, 2011						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
	Rupees in '000						
Total income	400,890	2,197,570	33,139,197	49,517,619	720,216	(27,211,406)	58,764,086
Total expenses	(210,455)	(3,051,358)	(27,196,204)	(44,964,051)	(413,743)	27,211,406	(48,624,405)
Net income / (loss)	190,435	(853,788)	5,942,993	4,553,568	306,477	-	10,139,681
Segment assets (gross)	218,401	559,815	109,238,971	426,931,605	326,217	-	537,275,009
Segment non performing loans	-	-	6,860,243	13,592,222	-	-	20,452,465
Segment provision required	-	-	5,526,915	12,176,802	-	-	17,703,717
Segment liabilities	196,172	30,641,723	386,210,738	50,982,299	4,328,203	-	472,359,135
Segment return on net assets (ROA) (%)*	86.37%	-13.18%	5.80%	1.21%	113.45%	-	-
Segment cost of funds (%)*	0.00%	22.34%	9.51%	9.40%	0.00%	-	-

	For the year ended 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 / (loss)	199,442	20,375	4,034,253	3,765,190	206,072	-	8,225,332
Segment assets (gross)	222,575	12,393,503	106,907,077	349,369,145	214,079	-	469,106,379
Segment non performing loans	-	-	6,237,635	12,450,531	-	-	18,688,166
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) (%)*	57.83%	0.10%	4.21%	1.18%	88.72%	-	-
Segment cost of funds (%)*	0.00%	13.01%	6.04%	9.88%	0.00%	-	-

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

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41. RELATED PARTY 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.

Nature of related party transactions	December 31, 2011					December 31, 2010				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
	Rupees in '000									
Loans										
Loans at the beginning of the year	61,581	-	-	200,035	16,061,896	22,461	-	-	237,298	14,318,863
Loans given during the year	23,757	-	-	37,765	464,087	85,655	-	-	38,960	2,173,199
Loans repaid/ adjustment during the year	(35,369)	-	-	(34,795)	(16,525,983)	(46,535)	-	-	(76,223)	(430,166)
Loans at the end of the year	49,969	-	-	203,005	-	61,581	-	-	200,035	16,061,896
Deposits										
Deposits at the beginning of the year	9,821	93,965	3,241	16,128	3,042,357	9,661	9,400	2,382	10,782	4,810,081
Deposits received during the year	4,147,530	13,513,467	697,925	191,103	14,937,123	2,973,552	9,298,676	449,916	179,754	4,517,454
Deposits repaid during the year	(4,140,081)	(13,558,447)	(695,456)	(193,675)	(17,749,050)	(2,973,392)	(9,214,111)	(449,057)	(174,408)	(6,285,178)
Deposits at the end of the year	17,270	48,985	5,710	13,556	230,430	9,821	93,965	3,241	16,128	3,042,357
Nostro balances	-	131,749	-	-	-	-	126,448	-	-	-
Borrowings	-	1,204,313	-	-	-	-	161,850	-	-	-
Investments in shares/ open end mutual funds	-	240,969	500,000	-	13,623,621	-	240,969	500,000	-	3,304,790
Non funded Exposure	-	-	-	-	-	-	-	-	-	4,111,021
Other receivables	-	-	3,656	-	-	-	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	1,430,976	-	-	-	-	1,452,077
	Rupees in '000									
Mark-up earned	2,234	-	-	12,556	256,504	481	-	-	11,863	2,432,979
Income on placements	-	4	-	-	-	-	6	-	-	-
Income on lendings	-	111	-	-	-	-	155	-	-	-
Dividend income	-	-	-	-	1,204,410	-	-	-	-	292,892
Sales Commission	-	-	50,090	-	11,102	-	-	10,879	-	29,857
Mark-up expense on deposits	559	29	615	82	220,873	443	-	520	364	408,256
Interest expense on borrowings	-	2,578	-	-	-	-	600	-	-	-
Directors' meeting fee	4,225	-	-	-	-	1,725	-	-	-	-
Remuneration	-	-	-	224,880	-	-	-	-	190,577	-
NIFT charges	-	-	-	-	81,337	-	-	-	-	66,040
Bank charges levied	-	-	18	-	-	-	23	8	-	33
Rent Expense	-	5,856	-	-	-	-	4,880	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	342,699	-	-	-	-	472,290

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.

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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 Structure

Bank's regulatory capital is analyzed into two tiers:

Tier 1 capital, which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary companies engaged in banking and financial activities 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% of Tier 1 capital).

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 approval for TFC I and TFC II was 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. TFC I is not redeemable before maturity without prior approval of the SBP, where as TFC II can be redeemed after the 11th redemption date of the entire TFC issue.

The salient features of the issue are as follow:

	Term Finance Certificate-I	Term Finance Certificate-II
Outstanding Amount- (Rupees in thousand)	2,495,000	2,997,600
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.

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

	December 31, 2011	December 31, 2010
	Rupees in '000	
Tier I Capital		
Shareholders' equity / Assigned Capital	8,603,110	7,821,009
Share premium	201,856	983,957
Reserves	8,560,889	6,532,953
Unappropriated profits (Net of Losses)	20,254,503	15,828,533
Total Tier I Capital	37,620,358	31,166,452
Less: Book value of intangibles	(853,004)	(182,360)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(1,698,881)	(70,250)
Reciprocal investment	-	(8,482)
Other deductions (represents 50% of investment in subsidiary)	(250,000)	(250,000)
	(2,801,885)	(511,092)
Eligible Tier I Capital	34,818,473	30,655,360
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	3,293,365	4,496,400
General Provisions subject to 1.25% of Total Risk Weighted Assets	32,647	9,474
Revaluation Reserve (upto 45%)	2,815,885	2,487,100
Total Tier II Capital	6,141,897	6,992,974
Less: Investment in a subsidiary company (50%)	(250,000)	(250,000)
Eligible Tier II Capital	5,891,897	6,742,974
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	40,710,370	37,398,334

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. 8 billion free of losses by the end of financial year 2011. 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. 8.603 billion and 13.43% of its risk weighted exposure as at December 31, 2011.

The Bank has complied with all externally imposed capital requirements as at year end.

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42.4 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
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	162,461	66,166	1,624,605	661,656
(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	102,129	53,265	1,021,286	532,647
(h) Claims on Banks	261,064	272,908	2,610,638	2,729,075
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	58,114	45,367	581,144	453,672
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	12,546	87,567	125,455	875,665
(k) Claims on Corporates (excluding equity exposures)	13,597,323	12,948,032	135,973,229	129,480,323
(l) Claims categorized as retail portfolio	2,169,546	2,247,752	21,695,458	22,477,519
(m) Claims fully secured by residential property	177,307	177,253	1,773,069	1,772,533
(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.	73,146	3,651	731,459	36,510
1.2 Where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	271,692	324,304	2,716,919	3,243,038
1.3 Where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	55	-	548	-
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 there against 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.	672,601	584,574	6,726,015	5,845,742
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	281,868	134,229	2,818,678	1,342,285
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	1,723,400	1,517,738	17,234,007	15,177,383
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	538,184	452,937	5,381,846	4,529,377
	20,101,436	18,915,743	201,014,356	189,157,425

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	Capital Requirements		Risk Weighted Assets	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Rupees in '000				
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	2,959,326	1,942,157	29,593,260	19,421,569
Trade Related contingencies/Other Commitments with original maturity of one year or less	302,599	379,656	3,025,998	3,796,561
	3,261,925	2,321,813	32,619,258	23,218,130
Off- Balance Sheet - Market related Exposures	56,159	17,112	561,588	171,120
Total Credit Risk (A)	23,419,520	21,254,668	234,195,202	212,546,675
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	1,720,938	1,362,909	17,209,378	13,629,093
	1,720,938	1,362,909	17,209,378	13,629,093
Capital Requirement for portfolios subject to Internal Models				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	38,017	96,687	380,175	966,868
	38,017	96,687	380,175	966,868
Total Market Risk (B)	1,758,955	1,459,596	17,589,553	14,595,961
Operational Risk				
Basic Indicator Approach- Total of operational risk (C)	5,129,784	4,300,912	51,297,831	43,009,127
TOTAL of A + B + C	30,308,259	27,015,176	303,082,586	270,151,763
			December 31, 2011	December 31, 2010
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note 42.2)	(a)		40,710,370	37,398,334
Total Risk Weighted Assets (Note 42.4)	(b)		303,082,586	270,151,763
Capital Adequacy Ratio	(a) / (b)		13.43%	13.84%

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.
Market Risk	The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).
Liquidity Risk	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

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Operational Risk Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.

Reputational Risk The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

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 Procedures 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.

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.

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Country Risk

The Bank has in place a Country Risk Management Framework 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 uses 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, Institutional, SME and Consumer borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The rating models are being automated through the Bank's Loan Origination System, 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 (SAMG), which is responsible for management of non performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2011, the specific provisioning rate was 86.40% 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 2011, the Bank's focus remained on pruning and consolidation of advances portfolio, while concomitantly channelizing the available liquidity towards risk free assets i.e. Treasury Bills and PIBs. In line with this strategy, the advances show an overall reduction by 2%, which has resulted in a healthy Advances to Deposit Ratio and Capital Adequacy Ratio.

Efficient diversification has been a key consideration for maintaining healthy advances portfolio. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advance's portfolio is significantly diversified. Agriculture, Textile, Cement, 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, 2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, and Hunting	553,982	0.21	20,011,083	5.01	15,000	0.01
Basic metals (iron, steel)	2,501,762	0.95	902,119	0.23	1,901,312	1.10
Beverages	1,210,675	0.46	24,449	0.01	144,068	0.08
Cement/clay & ceramics	12,673,857	4.83	317,957	0.08	1,122,037	0.65
Chemical & pharmaceutical	18,921,536	7.22	235,227	0.06	1,063,618	0.61
Construction	4,252,768	1.62	19,180,108	4.80	3,004,858	1.73
Education	79,645	0.03	4,785,119	1.20	4,005	0.00
Financial	4,001,199	1.53	1,064,499	0.27	82,892,351	47.77
Finishing of Textile	7,500,764	2.86	2,042,681	0.51	1,917,565	1.11
Fishing	12,699	0.00	-	-	-	-
Footware & leather garments	1,091,214	0.42	297,075	0.07	181,296	0.10
Furniture & sports goods	1,103,477	0.42	753,967	0.19	122,405	0.07
Grains & related	16,860,069	6.43	4,335,870	1.09	82,341	0.05
Health & social welfare	290,639	0.11	1,723,000	0.43	707,227	0.41
Hotel, restaurant & clubs	224,024	0.09	1,263,467	0.32	61	0.00
Machinery & equipment	3,661,686	1.40	942,800	0.24	787,404	0.45
Manufacture of made up & ready made garments	2,179,456	0.83	580,011	0.15	122,227	0.07
Manufacture of transport equipment	648,843	0.25	110,326	0.03	224,131	0.13
Paper & paper boards	4,759,182	1.82	10,225	0.00	395,059	0.23
Petroleum products	1,840,113	0.70	3,554,830	0.89	18,549,867	10.69
Power, gas, water & sanitary	49,103,160	18.73	2,249,871	0.56	7,546,761	4.35
Printing, publishing & allied	167,216	0.06	34,752	0.01	15,135	0.01
Real estate, renting, and business activities	3,348,060	1.28	33,846,560	8.47	321,618	0.19
Rubber & plastic	728,947	0.28	625,937	0.16	233,886	0.13
Spinning	25,641,953	9.78	7,891,056	1.97	560,869	0.32
Sugar	3,281,416	1.25	1,620,900	0.41	31,218	0.02
Tobacco	-	-	26,340	0.01	-	-
Transport, storage & communication	4,583,373	1.75	1,436,699	0.36	1,563,720	0.90
Weaving	5,282,725	2.02	4,439,228	1.11	724,213	0.42
Wholesale & retail trade	12,438,556	4.75	37,653,252	9.42	1,826,228	1.05
Individuals	7,018,697	2.68	135,255,891	33.85	1,104,261	0.64
Others	66,175,498	25.24	112,346,377	28.12	46,362,786	26.72
	262,137,191	100.00	399,561,676	100.00	173,527,527	100.00

43.1.1.2 Segments by sector

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	48,949,342	18.67	47,484,153	11.88	42,298,659	24.38
Private	213,187,849	81.33	352,077,523	88.12	131,228,868	75.62
	262,137,191	100.00	399,561,676	100.00	173,527,527	100.00

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

	December 31, 2011		December 31, 2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Agriculture, Forestry, and Hunting	191,594	117,701	151,668	111,761
Food & Beverages	742,356	677,453	855,203	711,950
Spinning	3,124,538	2,306,832	3,170,992	2,085,969
Weaving	9,040	9,040	9,040	9,040
Finishing of Textile	1,936,749	2,050,251	1,909,925	1,513,757
Footware & leather garments	55,964	55,964	64,976	64,976
Paper & paper boards	2,559	2,559	2,559	2,559
Printing, publishing & allied	31,677	31,677	36,787	35,335
Petroleum products	6,062	4,939	5,037	5,037
Chemical & pharmaceutical	373,525	353,898	127,902	110,402
Rubber & plastic	2,680	2,403	2,135	2,135
Cement/clay & ceramics	119,625	31,156	119,625	29,906
Basic metals (iron, steel)	866,035	816,727	775,333	734,740
Machinery & equipment	1,292,141	1,283,410	1,274,679	1,274,679
Power, gas, water & sanitary	839,515	839,515	842,846	842,846
Manufacture of transport equipment	83,410	75,118	72,354	72,354
Financial	343,808	233,925	281,313	132,370
Health & social welfare	-	-	-	-
Real estate, renting, and business activities	1,745,401	1,659,885	1,733,911	1,349,097
Transport, storage & communication	361,199	350,232	361,458	359,815
Hotel, restaurant & clubs	63,319	59,532	61,408	61,408
Construction	625,067	590,694	887,907	763,419
Furniture & sports goods	215,210	112,077	450	450
Wholesale & retail trade	2,206,086	1,988,895	2,353,764	1,971,045
Individuals	36,966	36,966	48,303	48,303
Others	5,177,939	3,980,221	3,538,591	3,127,435
	<u>20,452,465</u>	<u>17,671,070</u>	<u>18,688,166</u>	<u>15,420,788</u>

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

	December 31, 2011		December 31, 2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Rupees in '000				
Public/Government	144,565	72,283	-	-
Private	20,307,900	17,598,787	18,688,166	15,420,788
	<u>20,452,465</u>	<u>17,671,070</u>	<u>18,688,166</u>	<u>15,420,788</u>

43.1.1.5 Geographical Segment Analysis

	December 31, 2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Rupees in '000				
Pakistan	<u>15,108,482</u>	<u>515,698,939</u>	<u>43,339,804</u>	<u>173,527,527</u>

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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 weights. 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 ratings. Unsolicited ratings may only be used in cases where a solicited ratings 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	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC	CCC	7
				CC	CC	
				C	C	
					D	

Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+ A-1	A-1+ A-1	A-1+ A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Types of exposures and ECAI's used

December 31, 2011

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

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Credit exposures subject to Standardized Approach

Exposures	December 31, 2011				December 31, 2010		
	Rating Category	Rupees in '000					
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	54,882,506	-	54,882,506	36,193,388	-	36,193,388
	2	20,519,079	-	20,519,079	18,916,685	-	18,916,685
	3, 4	609,742	-	609,742	1,069,354	-	1,069,354
	5, 6	3,460,473	-	3,460,473	908,325	-	908,325
Claims on banks with original maturity of 3 months or less	-	31,576,266	30,563,891	1,012,375	13,493,628	9,113,821	4,379,807
Retail	-	35,432,286	2,718,177	32,714,109	37,361,108	2,803,830	34,557,278
Public sector entities	1	6,596,571	-	6,596,571	2,025,120	-	2,025,120
Others	-	269,708,902	-	269,708,902	178,418,520	-	178,418,520
Unrated	-	173,364,548	27,840,637	145,523,911	193,605,375	63,962,118	129,643,257

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 and other reputable financial institutions 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.

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Composition of equity investments

	Held for Trading	Available for Sale	Investment in Subsidiary
	Rupees in '000		
Equity Investments - Publicly Traded	-	12,651,072	-
Equity Investments - Others	-	1,879,118	500,000
Total Value	-	14,530,190	500,000

The cumulative realized gain arose of Rs. 695.637 million (2010: 1,416.071 million) from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 2,294.149 million (2010: 2,447.244 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).

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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, 2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	499,365,414	432,368,422	(24,037,360)	42,959,632
United States Dollar	15,513,687	35,071,053	19,882,654	325,288
Great Britain Pound	278,730	2,497,583	2,238,347	19,494
Japanese Yen	14,241	627	(11,689)	1,925
Euro	512,190	2,417,154	1,933,335	28,371
Other Currencies	14,677	4,296	(5,287)	5,094
	16,333,525	39,990,713	24,037,360	380,172
	515,698,939	472,359,135	-	43,339,804

	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)	35,015,848
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	-	35,974,857

43.2.3 Equity Position Risk

The Board, based on the recommendations of ALCO, approves exposure limits applicable to investments in Trading and Banking Book. Equity securities are perpetual assets and are classified under either Held-for-Trading Portfolio or Available-for-Sale Portfolio.

Concentration Risk

ALCO is responsible for making investment decisions 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.

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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, 2011										Not exposed to Yield/ Interest Risk
		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)										
		On-balance sheet financial instruments										
		Assets										
0.00%	36,479,758	5,336,771	-	-	-	-	-	-	-	-	-	31,142,987
	1,679,085	-	-	-	-	-	-	-	-	-	-	1,679,085
11.90%	1,361,754	1,361,754	-	-	-	-	-	-	-	-	-	-
12.69%	195,694,122	5,275,729	22,231,493	30,623,145	74,946,026	6,581,314	2,293,499	21,842,601	-	-	-	31,900,315
12.73%	244,433,474	45,290,221	149,804,032	31,644,685	3,356,478	2,257,920	955,199	2,355,192	2,481,426	-	-	4,285,103
	12,635,410	-	-	-	-	-	-	-	-	-	-	12,635,410
	492,283,603	57,264,475	172,035,525	61,787,830	78,304,504	8,839,234	3,248,698	24,197,793	2,481,426	2,481,218	-	81,642,900
		Liabilities										
	4,015,317	-	-	-	-	-	-	-	-	-	-	4,015,317
9.90%	49,993,200	33,783,850	5,024,781	7,384,824	292,290	584,576	584,576	2,338,303	-	-	-	-
5.81%	399,561,676	60,828,209	41,747,838	31,357,226	132,923,626	4,643,369	948,625	1,205,348	526,447	332,549	-	125,048,439
14.42%	5,492,600	-	2,495,000	2,997,600	-	-	-	-	-	-	-	-
	11,325,079	-	-	-	-	-	-	-	-	-	-	11,325,079
	470,387,872	94,612,059	49,267,619	41,739,650	133,215,916	5,227,945	1,533,201	3,543,651	526,447	332,549	-	140,388,835
	21,895,731	(37,347,584)	122,767,906	20,048,180	(54,914,412)	3,611,289	1,715,497	20,654,142	1,954,979	2,148,669	-	(58,745,935)
		Off-balance sheet financial instruments										
		Commitments in respect of forward exchange contracts - purchase										
	49,580,813	17,456,577	20,422,754	11,686,910	14,571	-	-	-	-	-	-	-
	(25,543,453)	9,696,506	11,705,161	4,141,786	-	-	-	-	-	-	-	-
	24,037,360	7,760,071	8,717,593	7,545,124	14,571	-	-	-	-	-	-	-
	45,933,091	(29,587,513)	131,485,499	27,593,304	(54,896,841)	3,611,289	1,715,497	20,654,142	1,954,979	2,148,669	-	-
	45,933,091	(29,587,513)	101,897,986	129,491,290	74,594,449	78,205,738	79,921,235	100,575,377	102,530,356	104,679,025	-	-

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Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective Yield/ Interest rate	December 31, 2010										Not exposed to Yield/ Interest Risk	
		Total	Exposed to Yield / Interest risk										
			Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)													
On-balance sheet financial instruments													
Assets													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.0%	4,205,490	-	-	-	-	-	-	-	-	-	-	27,060,118
Balances with other banks		-	-	-	-	-	-	-	-	-	-	-	579,555
Lendings to financial institutions	12.22%	11,395,278	6,000	9,000	18,000	36,000	24,666	2,779,620	2,310,175	124,409	-	-	12,639,784
Investments - net	12.53%	31,795,536	35,205,775	30,848,057	4,594,856	875,197	2,265,446	1,146,442	7,034,414	5,308,658	-	-	3,267,297
Advances - net	14.66%	29,756,353	93,298,321	8,959,605	101,308,885	2,265,446	-	-	-	-	-	-	11,969,473
Other assets - net		77,152,657	128,510,096	39,816,662	105,921,741	3,176,643	3,950,728	9,344,589	5,433,067	-	-	-	55,516,227
Liabilities		428,822,410	4,118,791	20,774,450	371,284,268	5,494,800	9,760,324	41,432,633	17,389,777	23,100,518	(7,371,457)	15,729,061	33,444,606
Bills payable		-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	9.15%	-	4,429,756	6,939,554	371,849	743,697	743,697	1,487,395	1,487,395	1,487,395	-	-	4,118,791
Deposits and other accounts	5.23%	100,048,780	31,668,457	21,421,896	99,354,335	1,905,394	775,526	3,548,589	1,184,770	505,227	-	-	110,871,294
Sub-ordinated loans	13.81%	-	2,998,800	2,496,000	-	-	-	-	-	-	-	-	-
Other liabilities		-	-	-	-	-	-	-	-	-	-	-	9,760,324
On-balance sheet gap		41,432,633	104,478,536	30,857,450	99,726,184	2,649,091	1,519,223	4,308,605	2,672,165	505,227	(505,227)	(505,227)	124,750,409
Off-balance sheet financial instruments		17,389,777	(27,325,679)	89,271,732	6,195,557	327,552	2,431,505	2,760,902	87,883,275	87,883,275	87,378,048	87,378,048	(69,234,182)
Commitments in respect of forward exchange contracts - purchase		-	-	-	-	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-	23,100,518
Total yield / interest risk sensitivity gap		33,444,606	(27,323,116)	89,271,905	6,204,772	603,260	2,444,017	4,372,618	3,349,970	(505,227)	(505,227)	(505,227)	15,729,061
Cumulative yield / interest risk sensitivity gap		33,444,606	(27,323,116)	70,908,639	77,113,411	77,116,671	80,160,668	84,533,306	87,883,275	87,378,048	87,378,048	87,378,048	87,378,048
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, 2011	December 31, 2010	Reconciliation to total liabilities								December 31, 2011	December 31, 2010
(Rupees in '000)													
Reconciliation to total assets		515,698,939	449,931,526	Balance as per statement of financial position								472,359,195	413,956,669
Less: Non financial assets		18,087,011	15,359,742	Less: Non financial liabilities								-	-
Operating fixed assets		751,908	484,387	Deferred tax liability								1,971,263	2,524,036
Other assets		4,576,417	5,264,987	Other liabilities								1,971,263	2,524,036
Total financial assets		492,283,603	428,822,410	Total financial liabilities								470,387,872	411,432,633

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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.

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

	December 31, 2011									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	36,479,758	26,081,461	723,187	21,840	3,217,756	-	3,217,757	3,217,757	-	-
Balances with other banks	1,679,085	1,478,380	31,066	6,277	-	54,454	54,454	54,454	-	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-
Investments - net	195,694,122	2,883,955	17,311,551	30,093,338	104,627,821	3,216,722	3,985,029	25,246,169	8,329,537	-
Advances - net	244,433,474	52,528,119	19,963,493	22,618,665	8,271,807	31,601,862	31,153,556	35,286,262	39,278,399	3,731,311
Operating fixed assets	18,087,011	143,304	290,609	435,913	871,826	911,343	474,466	446,133	691,889	13,819,528
Deferred tax assets	751,908	(8,958)	(54,287)	(42,502)	131,150	758,338	415,727	(5,519)	(442,041)	-
Other assets - net	17,211,827	9,187,024	2,579,214	2,106,018	230,560	(549,296)	-	40,570	2,055,405	1,562,332
	515,698,939	93,657,039	40,844,833	55,239,549	114,133,164	39,211,179	39,300,989	64,285,826	49,913,189	19,113,171
Liabilities										
Bills payable	4,015,317	2,349,529	159,500	-	-	502,096	502,096	502,096	-	-
Borrowings	49,993,200	33,783,851	5,024,781	7,384,823	292,288	584,576	584,576	2,338,305	-	-
Deposits and other accounts	399,561,676	91,501,514	43,743,309	31,357,226	20,750,344	72,827,684	69,132,940	69,389,663	526,447	332,549
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	5,492,600	-	600	500	1,100	1,248,200	1,248,200	3,600	2,990,400	-
Other liabilities	13,296,342	3,691,716	5,638,240	345,732	679,813	355,025	419,171	674,775	1,491,870	-
	472,359,135	131,326,610	54,566,430	39,088,281	21,723,545	75,517,581	71,886,983	72,908,439	5,008,717	332,549
Net assets / (liabilities)	43,339,804	(37,669,571)	(13,721,597)	16,151,268	92,409,619	(36,306,402)	(32,585,994)	(8,622,613)	44,904,472	18,780,622
Share capital										
Share capital	8,603,110									
Reserves	8,762,745									
Unappropriated profit	20,254,503									
	37,620,358									
Surplus on revaluation of assets - net of tax										
Surplus on revaluation of assets - net of tax	5,719,446									
	43,339,804									

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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)										
Assets										
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	252,345,421	42,231,406	79,435,698	27,607,957	8,346,052	12,775,645	13,565,183	17,938,205	40,827,421	9,617,853
Operating fixed assets	15,359,742	121,584	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	17,234,460	8,649,341	2,083,782	2,038,782	1,560,139	871,416	113,392	304,446	78,367	1,534,796
	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
Liabilities										
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 loans	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	417,848	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
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									

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.

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, 2011									
		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	36,479,758	26,081,460	723,187	21,840	-	3,217,757	3,217,757	3,217,757	3,217,757	-	-
Balances with other banks	1,679,085	1,478,380	31,067	6,276	-	54,454	54,454	54,454	54,454	-	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-	-
Investments - net	195,694,122	2,883,954	17,311,551	30,093,339	104,627,821	3,216,722	3,985,029	25,246,169	8,329,537	-	-
Advances - net	244,433,474	52,528,117	19,963,493	22,618,667	8,271,807	31,601,862	31,153,556	35,286,262	39,278,399	-	-
Operating fixed assets	18,087,011	145,304	290,609	435,913	871,826	911,343	474,466	446,133	691,889	-	-
Deferred tax assets	751,908	(8,958)	(54,287)	(42,502)	131,150	758,338	415,727	(5,519)	(442,041)	-	-
Other assets - net	17,211,827	9,187,024	2,579,214	2,106,018	230,560	(549,296)	-	40,570	2,055,405	-	-
	515,699,939	93,657,035	40,844,834	55,239,551	114,133,164	39,211,180	39,300,989	64,285,826	49,913,189	-	-
Liabilities											
Bills payable	4,015,317	4,015,317	-	-	-	-	-	-	-	-	-
Borrowings	49,993,200	33,783,851	5,024,781	7,384,823	292,288	584,576	584,576	2,338,305	-	-	-
Deposits and other accounts	399,561,676	50,822,431	74,477,614	66,298,661	56,555,543	22,612,255	18,917,511	25,163,863	48,443,477	36,270,321	-
Sub-ordinated loans	5,492,600	-	600	500	1,100	1,248,200	1,248,200	3,600	2,990,400	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,296,342	3,691,716	5,638,240	345,732	679,813	355,025	419,171	674,775	1,491,870	-	-
	472,359,135	92,313,315	85,141,235	74,029,716	57,528,744	24,800,056	21,169,458	28,180,543	52,925,747	36,270,321	-
Net assets	43,339,804	1,343,720	(44,296,401)	(18,790,165)	56,604,420	14,411,124	18,131,531	36,105,283	(3,012,558)	(17,157,150)	-
Share capital	8,603,110										
Reserves	8,762,745										
Unappropriated profit	20,254,503										
	37,620,358										
Surplus on revaluation of assets - net of tax	5,719,446										
	43,339,804										

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, 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)										
Assets										
Cash and balances with treasury banks	31,265,608	-	-	-	-	-	-	-	-	-
Balances with other banks	579,555	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	11,488,944	11,395,278	6,000	18,000	36,000	24,666	-	-	-	-
Investments - net	12,173,409	30,400,822	7,226,738	13,347,366	13,525,088	14,365,267	8,740,975	8,837,092	-	-
Advances - net	252,345,421	42,242,367	79,458,132	27,641,135	7,657,483	13,678,575	18,242,651	40,905,788	9,617,853	-
Operating fixed assets	15,359,742	121,584	243,167	364,751	729,502	403,045	550,199	670,320	11,550,111	-
Deferred tax assets	484,387	(4,493)	(61,229)	(36,213)	53,513	727,061	(5,023)	(351,614)	(243,386)	-
Other assets - net	17,234,460	8,649,341	2,083,782	2,038,782	1,560,139	113,392	304,446	78,367	1,534,796	-
	449,931,526	124,650,062	88,956,590	54,747,516	23,366,003	29,312,006	27,833,248	50,139,953	22,459,374	-
Liabilities										
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	1,487,395	1,487,395	-	-
Deposits and other accounts	371,284,268	57,927,122	66,772,552	53,426,003	57,222,656	16,777,580	24,884,660	43,856,913	32,509,335	-
Sub-ordinated loans	5,494,800	600	500	1,100	2,200	1,249,400	2,992,800	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	12,284,360	4,383,934	3,963,998	226,572	417,848	645,738	795,948	1,398,914	-	-
	413,956,669	70,860,203	75,308,157	60,593,229	58,014,553	19,416,415	30,160,803	46,743,222	32,509,335	-
Net assets	35,974,857	53,789,859	13,648,433	(5,845,713)	(34,648,550)	9,895,591	(2,327,555)	3,396,731	(10,049,961)	-
Share capital										
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, 2011

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 REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 14, 2012 has proposed cash dividend respect of 2011 of Rs. 2.5 per share (2010: cash dividend Rs. 2.00 per share). In addition, the directors have also announced a bonus issue of 10% (2010: 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, 2011 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2012.

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.

45.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification or re-arrangement has been made except re-classification of balance amounting to Rs.754.088 million from advances to other assets.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 14, 2012 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

ANNEXURE I

As referred to in notes 10.6 to the unconsolidated financial statements

S. No.	Name and address of the Borrower	Name of Directors		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
								5	6				
1	2	3		4	5	6	7	8	9	10	11	12	
1	MB & SS SONS CO. DEFENCE ROAD, SIALKOT	Anjum Siddique Spall Sohail Siddique Spall Rohail Siddique Spall Mushraff Siddique Spall Shamaila Naheed Umar Waqas	300-88-03826 300-87-038263 300-88-038262 300-93-310708 300-74-515668*	Muhammed Siddique Spall Muhammed Siddique Spall Muhammed Siddique Spall Muhammed Siddique Spall Muhammed Ashraf Aftab	110.405	28.767	51.679	190.851	35.005	-	80.446	115.451	
2	ITTEFAQ TEXTILE MILLS LTD. 186-H, Model Town Lhr	Mian M Yousaf Aziz Mian Haroon Yousuf Khalid siraj Mian Ali Yousuf	N/A	Mian YOUSAF AZIZ MIAN ABDUL AZIZ	27.886	77.577	0.392	105.855	27.886	-	77.969	105.855	
3	NOORI CORPORATION R-4/4B, 2-A, VIBREE STREET, RAMPART ROAD, KARACHI	Muhammed Ashraf	501-44-090854	Fazal Karim	91.319	-	32.452	123.771	56.799	-	32.452	89.251	
4	HURA (PVT) LTD. 41-Civic Centre, Barkat Market, New Garden, Lahore	Mr. Irfan Ullah Niazi Mr. Abbas Ahmed Mr. Muhammad Ramzan Mr. Hafeez Ullah Khan Niazi Mr. Inamullah Khan Niazi	239-89-009081 35202-5373273-3 35202-2913967-9	Zafarullah Khan Niazi Sheikh Mukhtar Ahmed Haji Ch. Karam Din	31.903	49.296	0.165	81.364	31.903	-	49.461	81.364	
5	KAMOKA TEXTILE PVT.LTD. Niamat Colony near Lyall pur chemicals, Jar-ranwala Road Faisalabad	MR. Zaiar-ul-Hassan Mr. Shoail Ashraf	33100-1783969-9 244-76-691563	Muhammed Inayat Muhammed Ashraf	30.677	37.243	-	67.920	30.677	-	37.243	67.920	
6	TABASSUM INDUSTRIES 1/8, FIRDOUS COLONY, NAZIMABAD, KARACHI.	IRSHAD AHMED TABASSUM MR. MASOOD AHMED MRS. TASNEM BEGUM MR. ASIF UR REHMAN MR. ARSHAD ALI AYUBI MR. IMRAN AHMED KHAN	N/A	Mohammad Bashir	19.970	32.403	1.732	54.105	19.970	-	34.135	54.105	
7	SALMAN CHEMICALS PVT.LTD. Suite No. 3, 3rd Floor Central Plaza New Garden Town Lhr	Muhammed Imran Mubarak Haji M. Ishaque Ghulam Hussain Saidar Ali	N/A	Muhammed Mubarak	15.625	33.216	1.008	49.849	15.625	-	34.224	49.849	
8	PARAMOUNT TRADE INTERNATIONAL A-22 Paradise Bungalow Abul Hassan Islahani Road Gulshan E Iqbal karachi.	Mohammad Farooq	510-54-038635	Mohammad Shafi	14.677	17.798	0.193	32.668	13.969	-	17.991	31.960	
9	Strongwill Wire Industries (Pvt.) Ltd.	Mr. Muhammad	42201-0625616-3	Ali Mohammed	99.937	27.745	-	127.682	-	-	27.745	27.745	
10	FARM SHIELD PVT. LTD. 55-B, Ahmed Block New Garden Town Lhr	Mr. Hassan Jamal Mr. Mushtaq Ali Shahid	N/A	N/A	27.051	-	-	27.051	27.051	-	-	27.051	
11	SHOEB CORPORATION 714, A.B. Arcade Fatima Jinnah Colony New M.A Jimmah Road karachi	Mohammad Naeem	502-90-451154	Zakaria Ibrahim	8.231	16.050	0.007	24.288	8.231	-	16.057	24.288	
12	GENERAL RICE TRADING, SUITE NO.H-209, CHAPPAI BEACH ARCADE-III, CLIFTON KARACHI.	MR MIAN ABDUL REHMAN OPPAL, SYED ZILEY ALI SHAH NAQVI.	42301-2334151-9 520-60-065943 270-60-552221	Mian Jamaluddin Opal Syed Ghaznifar Ali Shah Naqvi	12.500	10.225	1.411	24.136	12.500	-	11.636	24.136	
13	TARIQ ICE FACTORY PVT.LTD. LY - 31, 16/7-A Usmanabad off: Nishtar Road Karachi.	Haji Ali Nawaz Mrs. Kishwer Sultan Haji Sohrab Khan	N/A 42201-0252631-6 N/A	Haji Sohrab Khan	8.085	9.202	0.120	17.407	8.085	-	9.322	17.407	
14	SANWAL COTTON GINNERS Mouza jaggo Wala, Tehsil & Distt: Lodhran	Mehmood Hussain Mian Muhammad Altaf	36301-8856663-3 327-89-168402	Rafique Ahmed Khan Mian Tej Muhammad	9.763	7.161	0.185	17.109	9.763	-	7.346	17.109	

ANNEXURE I

As referred to in notes 10.6 to the unconsolidated financial statements

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE FROM JANUARY 01, 2011 TO DECEMBER 31, 2011

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				Interest / Mark-up Written-off	Other Financial Relief Provided	Amount in Million	
		Name of Directors	NIC Nos.		Principal	Interest / Mark-up	Other	Total			Principal Written-off	Total
1		3		4	5	6	7	8	9	10	11	12
15	EJAZ BROS COTTON GINNERS 29/B, Ghalla Mandi Sadiqabad Distt Rahim Yar Khan	1-Rana Tariq Mehmood, 2. Ch Abdul Ghafoor 3. Muhammad Hayat, 4- Khalid Javid	31304-1090266-92366-9 2360-29-043368 360-30-005274 31304-6927231-9	Ch. Abdul Ghafoor Ch. Barkat Ali, Ali Muhammad Muhammad Javed	8,400	6,250	0,142	14,792	8,400	-	6,392	14,792
16	KARIM & SONS C-14, Block 7, FB. Area, Karachi	Karim Butt	N/A	Hashmat	7,566	7,103	0,199	14,878	7,576	-	7,302	14,878
17	EXPERT AGRICARE 104-N, Model Town Extension Lhr"	Mr. Hassan Jamal Mr. Mushtaq Ali Shahid	274-51-052153 267-46-192654	Khurshed Hassan Ch. Faiz Muhammad	1,850	12,334	0,364	14,548	1,850	-	12,698	14,548
18	HAFEEZ EHSAN STEEL F-168 Central Avenue Site Karachi	Sadeqat Hafeez Goreja Renan Hafeez Goreja Abbas Akhter Ilyas Akhter	33100-9434589-1 511-77-506568 211-89-073760 211-63-073763	S. Abdul hafeez Goreja Liaquat Hafeez Goreja Sheikh Muhammad Yahya Sheikh Muhammad Yahya	6,667	6,443	0,239	13,349	6,667	-	6,682	13,349
19	INSECTA PAKISTAN B-8, 8th Floor, Dadabhoj Centre, Shahrah e Faisal, Karachi	S.Tauqeer Hayder S.Ahtesha Hayder S.Tanveer Hayder	510-90-334273 232-50-434392 42201-2951436-7	S. Altaf Hussain	7,500	5,672	0,344	13,516	7,500	-	6,016	13,516
20	USMETTA PAKISTAN PVT LTD 1-ADAM ARCADE SHAHEED-E-MILLAT ROAD,KARACHI	Tahir A Siddiqui Humaira Tahir Haji Muhammad Ali Ashar Bin Muhammad Wan Azhar ali	42101-2844217-3 42101-2760106-2	Ahtesham Mazhar Siddiqui	7,036	5,993	0,408	13,437	7,036	-	6,401	13,437
21	YASIN ORIENTAL CARPETS 17-R-20 Habibullah Road, Lahore	Muhammad Yasin	275-88-057652	TAJ DIN	5,700	3,254	0,142	9,096	5,700	-	3,396	9,096
22	DELTA INTERNATIONAL R/O 764 N, SAMANABAD, LAHORE	DR. NAQEEB KHALID	277-89-237928	KHALID LATIF	5,099	2,590	0,163	7,852	5,099	-	2,753	7,852
23	LEATHER MANUFACTURER B-12, Lower Ground Floor, Panorama Centre-2, Saddar, Karachi	Shaukat Ali	42201-2446366-3	Qasim Ali	4,215	3,575	0,142	7,932	3,715	-	3,717	7,432
24	NAEEM ASSOCIATES 127 - G1, MA JOHAR TOWN, LAHORE	TAHIR NAEEM	300-78-542336	M. Ramzan Naeem	2,024	3,129	0,335	5,488	2,024	-	3,464	5,488
25	MEDIGLASS 233-B, PCSIR, Phase-II, Lahore.	Raja Tahir Mehmood, Babar Sohail, Neelam Javid, Ishaq Khan, Nisra Khan, Khalid Mehmood, Zahid Shaifque Khan	277-88-372527 333-89-111609 270-88-440167 212-59-150741 270-88-159742 277-86-372526 270-87-058205	Ghulam Muhammad Ch. Abdul Rafique Sher Dad Khan Khan Amanullah Khan Ghulam Muhammad Capt. R. Shaifque Ahmed Khan	4,613	0,643	0,103	5,359	4,613	-	0,746	5,359
26	LIKE SPORTS Nizam Street Kotli Behram Khadam Ali Road, Sialkot.	M Asif Mr. Reza Mehmood Mr. Talib Hussain Mrs. Nasreen Ashraf Ms. Amtul Qaisera	301-57-041246 301-58-113608 301-86-041248 N/A 34603-7164570-0	N/A Talib Hussain w/o Talib Hussain w/o Arshed Mehmood	1,493	3,328	0,084	4,905	1,493	-	3,412	4,905
27	HUSSAINI RICE MILL Abdul Karim Village Golo Ginvas PO & Taluka Nasirabad Distt: Larkana	Abdul Karim	43203-0126699-3	Ali Hassan	4,663	0,282	1,924	6,869	2,163	-	2,206	4,369

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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		
														3	5
28	MEHMOOD ASSOCIATES B-19,BLOCK-BGULSHAN E IQBAL, KARACHI KARACHI	Mehmood Ahmed	513-89-090330	Mehmood Ahmed	1.925	2.025	0.121	4.071	1.925	-	2.146	4.071			
29	TAHIR TRADERS Safina Building, Mohammed Bin Qasim Road, Opp. C.T.O. Compound, I.I. Chundrigar Road, Karachi	1) Mirza Amjad 2) Azizullah Baig 3) Shahmazz Mirza	N/A	"Azizullah Baig Inayatullah Baig"	1.232	2.004	0.126	3.362	1.232	-	2.130	3.362			
30	METCON 2, Sumera Apartment, Main University Road, Gulshan e Iqbal, Karachi	Muhammed Akhter Siddiqui	N/A	N/A	0.725	1.610	0.060	2.395	0.725	-	1.670	2.395			
31	AMIAD TRADERS 6--Meccood Road, Lahore	Riaz Ahmed	267-48-226924	Mir Feroz Din	0.450	1.764	0.035	2.249	0.450	-	1.799	2.249			
32	GRACE COMMODITIES 428, 4th Floor, Mashriq Centre, Karachi	Anwar ul Haq	42201-3513660-9	Inam ul Haq	0.921	1.085	-	2.006	0.921	-	1.085	2.006			
33	Q.SIGN ENGINEERING SERVICE Surt No.410, Almas Heights, Block-2, Nursery PECHS, Karachi	Najam us Saqib Malik Iftikhar Ahmed Salim Ahmed	501-52-529878 520-60-608070 501-44-335891	S. Muhammad Saeed Mirza Abdul Sattar	0.931	0.866	0.110	1.907	0.931	-	0.976	1.907			
34	HAJI ABDUL KARIM PICE MILLS Flat No.C-7, Dolmin Heights, Shaheed-e-Millat Road, Karachi	Abdul Karim	42201-3431119-5	Muhammad Alam Khan	-	-	1.129	2.314	0.460	-	1.129	1.589			
35	KHAN TRADE INTERNATIONAL H. NO. 11, STREET NO. 10, MAIN BAZAR, MIUSTA- FABAD, LAHORE	IMTIAZ FAROOQ KHAN	269-90-102856	M. Shan Raza	0.387	0.991	0.021	1.399	0.387	-	1.012	1.399			
36	PRIMEX J-11, Al-Azam Square, F.B. Area, Karachi	Habib Ahmed	42201-3050483-1	Muhammad Taqi	2.413	-	0.978	3.391	0.363	-	0.978	1.341			
37	Asif Aziz Memnon (Ex-Staff) House No.35, G.O.R. Colony, Hyderabad	EX-STAFF	41304-5471620-5	Abdul Aziz Memnon	1.088	0.321	0.394	1.803	0.500	-	0.715	1.215			
38	WORLD WIDE MERCHANTS 10-A, Babar Centre outside Akbari Gate, Circular Road, Lahore	Faisal Malik	35202-8959213-9	Malik M. Ashraf	0.372	-	0.710	1.082	0.372	-	0.710	1.082			
39	INTISAR AHMED Mohallah Tohian Street no. 1, garjakh, District Gujranwala	Intisar Ahmed Khokhar	37405-3813725-9	Ghulam Muhammad Khokhar	0.404	0.631	-	1.035	0.404	-	0.631	1.035			
40	SYED QASIM AKHTAR 3/579, Shah Faisal Colony, Karachi	QASEEM AKHTAR	42101-4785836-3	Syed Tajuddin	0.545	0.474	0.066	1.085	0.545	-	0.540	1.085			
41	SYED YASIR AHMED R-606, Sector 7-D/3, North Karachi, Karachi	SYED YASIR AHMED	42101-1536003-7	Syed Tajuddin	0.553	0.462	0.066	1.081	0.526	-	0.528	1.054			
42	IMTIAZ ALI R-606, Sector No.7/D-3, North Karachi	Imtiaz Ali	42101-5963804-9	Haji Bundoon Khan	0.486	0.489	0.001	0.976	0.486	-	0.490	0.976			
43	MOHD ZULFIQAR ISMAIL B-447 Sector 11/A, North Karachi	Zulfiqar Ismail	42101-5357226-5	M. Ismail Siddiqui	0.491	0.472	-	0.963	0.491	-	0.472	0.963			
44	MUHAMMAD SHAKIR House No.1457 Sector 10/C Rabbani Colony Orangi Town, Karachi, Karachi	Muhammad Shakir	42101-4652428-9	Sher Muhammad	0.496	0.458	-	0.954	0.496	-	0.458	0.954			

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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.		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	12
45	SOHAIL AHMED A-9, United Apartment, Block-M, North Nazimabad, Karachi	Sohail Ahmed	502-93-172413	Syed Ahmed Sheikh Siddiqui	0.491	0.451	-	0.942	0.491	-	0.451	0.942
46	MUHAMMAD AMIR North Karachi	Muhammad Amir	42401-1854571-5	Shabbir Muhammad	0.482	0.447	-	0.929	0.482	-	0.447	0.929
47	BAGH-E-RASOOL POULTRY COMPLEX North Nazimabad, Karachi	Taseer Ahmed	42101-1744199-7	Tufail Ahmed	0.401	0.522	-	0.923	0.401	-	0.522	0.923
48	SHAMSHAD ANWAR Orangi Town, Karachi	Shamshad Anwar	504-94-316424	Noor ul Huda	0.450	0.465	-	0.915	0.450	-	0.465	0.915
49	IFTIKHAR HUSSAIN Orangi Town, Karachi	Iftikhar Hussain	484-88-030219	Chaudhery Khan	0.434	0.476	-	0.910	0.434	-	0.476	0.910
50	NADEEM HABIB Orangi Town, Karachi	Nadeem Habib	42401-1939260-5	S.M. Habib	0.435	0.467	-	0.902	0.435	-	0.467	0.902
51	ZAFAR IQBAL Saeedabad, Karachi	Zafar Iqbal	42401-2022634-7	Muhammad Ismail	0.450	0.450	-	0.900	0.450	-	0.450	0.900
52	RAZA SHAH Orangi Town, Karachi	Raza Shah	42401-2319706-7	Abdul Hamid Mian	0.440	0.459	-	0.899	0.440	-	0.459	0.899
53	GHULAM JAFFAR Khair Pur Mirs	Ghulam Jaffar Phulpoto	45204-7218027-9	Allah Bux	0.485	0.404	-	0.889	0.485	-	0.404	0.889
54	S.M.RAZI-UR-REHMAN Orangi Town, Karachi	Syed Muhammad Razi ur Rehman	504-02-285801	Syed Muhammad Razi ur Rehman	0.436	0.444	-	0.880	0.436	-	0.444	0.880
55	SHAKEEL AHMED Orangi Town, Karachi, Karachi	Shakeel Ahmed	N/A	N/A	0.424	0.455	-	0.879	0.424	-	0.455	0.879
56	MNADEEM CHISHTI North Karachi	M. Nadeem Chishti	42101-3097230-7	Ghulam Rasool Chishti	0.451	0.425	-	0.876	0.451	-	0.425	0.876
57	ROSHAN BANO North Nazimabad, Karachi	Roshan Bano	42101-1463384-2	Behroz Khan	0.475	0.397	-	0.872	0.475	-	0.397	0.872
58	NAWAZ KHAN Orangi Town, Karachi	Nawaz Khan	13504-9450253-3	Haseeb Khan	0.430	0.436	-	0.866	0.430	-	0.436	0.866
59	MUHAMMAD FAROOQ Orangi Town, Karachi	Muhammad Farooq	42101-1256381-5	Zarwar Khan	0.416	0.443	-	0.859	0.416	-	0.443	0.859
60	RABIA SALEEM Shahi Bazar, Larkana	Rabia Khatoon	45504-7385069-2	Syed Saleem Jawed	0.445	0.403	-	0.848	0.445	-	0.403	0.848
61	MUHAMMAD ALI Bufferzone, Karachi	Muhammad Ali	42101-3915622-3	Ahmed Ali	0.431	0.412	-	0.843	0.431	-	0.412	0.843
62	HAJI MUKHTAR Liaquatabad, Karachi	Haji Mukhtar	42101-1574157-7	Haji Bundoo Khan	0.427	0.416	0.001	0.844	0.427	-	0.417	0.844
63	MUDDASIR AHMED Orangi Town, Karachi	Mudassir Ahmed Shahid	501-77-551023	Shahid Ahmed	0.415	0.427	-	0.842	0.415	-	0.427	0.842
64	MUHAMMAD ASIF SIRAJ Buffer Zone North Karachi	Muhammad Asif Siraj	519-92-469996	Muhammad Siraj	0.426	0.413	-	0.839	0.426	-	0.413	0.839

ANNEXURE I

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STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE FROM (JANUARY 01, 2011 TO DECEMBER 31, 2011)

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.		Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11
1		3		4	5	6	7	8	9	10	11	12
65	MRS.AYESHA Orangi Town, Karachi	Ayesha	504-64-287122	Mohammad Ibrahim	0.415	0.421	-	0.836	0.415	-	0.421	0.836
66	NADEEM AKHTAR Orangi Town, Karachi	Nadeem Akhtar	504-91-402999	Mohammad Siddique	0.415	0.419	-	0.834	0.415	-	0.419	0.834
67	ADIL AHMED A-9, United Apartment, Block-M, North Nazimabad, Karachi	Adeel Ahmad	42101-1904178-5	Saeed Ahmad Sheikh Siddiqui	0.490	0.340	-	0.830	0.490	-	0.340	0.830
68	NOUREEN AHAD Orangi Town, Karachi	Naureen Ahad	504-56-216892	AbdulAhad	0.404	0.422	-	0.826	0.404	-	0.422	0.826
69	PIRZADA IMRAN KHAN B-218, Block 11, F.B. Area, Karachi	Pirzada Imran Khan	501-89-596768	Pirzada Muhammed Rafi	0.491	0.330	-	0.821	0.491	-	0.330	0.821
70	SARDAR WAHID BUX Larkana	Sardar Wahid Bux Bhutto	421-85-175102	Sardar Pir Bux Khan Bhutto	0.450	0.369	-	0.819	0.450	-	0.369	0.819
70	UZMA EJAZ B-71, KDA Officers Housing Society, Karachi	Uzma Ejaz	42201-3297433-6	Syed Ajiaz Ali Naveed	0.486	0.332	-	0.818	0.486	-	0.332	0.818
72	M.NOOR-UJ-HUDA Orangi Town, Karachi	Mohammad Noor Ul Huda	42401-5484434-1	AbdulRazaq	0.400	0.417	-	0.817	0.400	-	0.417	0.817
73	HAJI IZHAR Liaquatnabad	Haji Izhari	42101-4666526-1	Haji Muhammad Ishaq Khan	0.485	0.331	-	0.816	0.485	-	0.331	0.816
74	ADNAN IZHER Liaquatnabad	Adnan Izher	42101-5445743-3	Haji Muhammad Izhar	0.485	0.331	-	0.816	0.485	-	0.331	0.816
75	AQEELA REHMAN Orangi Town, Karachi	Aqila Rehman	518-54-326546	Muhammad Sultan-ur-Rehman	0.414	0.398	0.002	0.814	0.414	-	0.400	0.814
76	MUHAMMAD ASHFAQ ALAM Tariq Road	Muhammad Ashfaq Alam	521-67-008089	Muhammad Tufail	0.483	0.325	-	0.808	0.483	-	0.325	0.808
77	MUHAMMAD ALI ABRU PLOT NO.5-1PANJU DEROLARKANA LARKANA	Ex- Staff	43205-0965338-5	Jan Muhammad Khan	0.449	0.357	-	0.806	0.449	-	0.357	0.806
78	ABDUL RAUF BULLO KOT BULLAVILLAGE PANO AKILSUUKUR HYDERABAD	Muhammad Ali Abro	43205-0965338-5	Jan Muhammad Khan	0.407	0.395	-	0.802	0.407	-	0.395	0.802
79	MOHAMMAD ALI KHAN Gulbahar	Mohammad Ali Khan	502-63-478798	Abdul Aziz Khan	0.475	0.327	-	0.802	0.475	-	0.327	0.802
80	ZAIN AUTOS Nawab Shah	Sajid Hussain	431-93-039769	Akhtar Mian	0.490	0.311	-	0.801	0.490	-	0.311	0.801
81	AKHTAR ALI Bufferzone, Karachi	Akhtar Ali	501-77-783845	Syed Ahmed Ali	0.413	0.386	-	0.799	0.413	-	0.386	0.799
82	FAISAL AHMED KHAN Darakshan	Faisal Ahmed Khan	519-90-398991	Shahid Ahmed Khan	0.471	0.322	-	0.793	0.471	-	0.322	0.793
83	SUHAIL CHARLES Saddar, Karachi	Suhail Charles Joseph	513-70-024047	A.D. Joseph	0.471	0.322	-	0.793	0.471	-	0.322	0.793
84	UMER HUSSAIN Orangi Town, Karachi, Karachi	Umer Hussain	42401-6847865-7	Umar Dear	0.390	0.396	-	0.786	0.390	-	0.396	0.786

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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				Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
		Name of Directors	NIC Nos.		Principal	Interest / Mark-up	Other	Total				
1	2	3		4	5	6	7	8	9	10	11	12
85	MUNAWWAR SAEED Orangi Town, Karachi, Karachi	Munawwar Saeed	42101-7619740-5	Nimroz Khan	0.389	0.393	-	0.782	0.389	-	0.393	0.782
86	ABDUL REHMAN KAHSRA 108/360DANEWALVEHARI, MULTAN	Abdul Rehman	324-65-035076	Ch. Abdul Hameed	0.485	0.304	-	0.789	0.478	-	0.304	0.782
87	NASIR BASHIR PLOT NO-131 SADAT COLONYMIRPURKHAS HYDERABAD	Ex- Staff	42101-1966891-3	Bashir Ahmed	0.460	0.319	-	0.779	0.460	-	0.319	0.779
88	MUHAMMAD SAEED KHAN Orangi Town, Karachi, Karachi	Muhammad Saeed Khan	42401-9584993-7	Allah Rahim Khan	0.380	0.390	-	0.770	0.380	-	0.390	0.770
89	MISS ROOHI KHAN PECHS	Roohi Khan	519-57-019306	Muhammad Nazeer Khan	0.461	0.308	-	0.769	0.461	-	0.308	0.769
90	TAHIR KHAN North Karachi, Karachi	Tahir Khan	N/A	Nabi Gul	0.377	0.386	-	0.763	0.377	-	0.386	0.763
91	ABDUL REHMAN Orangi Town, Karachi	Abdul Rehman	504-59-165835	Gohar Aman	0.370	0.387	-	0.757	0.370	-	0.387	0.757
92	MOIN UL HAQ Bufferzone, Karachi	Moin ul Haq	42101-2847891-1	Ain ul Haque	0.388	0.366	-	0.754	0.388	-	0.366	0.754
93	RIAZ MAQSOOD MALIK (Ex-Staff) House/Khasra No.382/2, Khewat 220, Muslim Colony, Shadara, Lahore	Riaz Maqsood Malik	35202-8722809-9	Late Atta Muhammad	0.592	0.377	0.299	1.268	0.052	-	0.676	0.728
94	SALEEM AKHTAR V-8-1, Country Club Apt., Phase V, Defence, Karachi	Saleem Akhtar	42301-7114370-7	Faheem uddin Khan	0.426	0.296	-	0.722	0.426	-	0.296	0.722
95	FARIDA IKRAM Orangi Town, Karachi Karachi	Farida Ikram	42101-993892-0	Ikram ul Haq	0.346	0.371	-	0.717	0.346	-	0.371	0.717
96	AGHA IMTIAZ HUSSAIN Documents not Available Except check list write- off proposal under process	Ex- Staff	410-55-090572	N/A	0.396	0.321	-	0.717	0.396	-	0.321	0.717
97	MUHAMMAD IFTIKHAR Orangi Town, Karachi	Muhammad Iftikhar	504-61-314321	Mohammad Shamshad	0.358	0.359	-	0.717	0.358	-	0.359	0.717
98	ZAHOOR ELAHI QURESHI (EX STAFF KHSRA NO -274FAQIR MUHAMMAD ROADQUETTA DISTT. QUETTA	Ex- Staff	602-52-028922	Hejji Noor Hussain	0.378	0.337	-	0.715	0.378	-	0.337	0.715
99	S.M. JAVED IQBAL Orangi Town, Karachi	Syed Muhammad Jawaid	42401-8243107-5	Syed Abdul Hamid	0.347	0.366	-	0.713	0.347	-	0.366	0.713
100	MUHAMMAD ATIF Orangi Town, Karachi	Muhammad Atif	504-79-560768	Mohammad Dawood	0.349	0.358	-	0.707	0.349	-	0.358	0.707
101	MUNEERAHMED Orangi Town, Karachi	Muneer Ahmad	42101-3321500-1	Ghulam Qadir	0.342	0.364	-	0.706	0.342	-	0.364	0.706
102	MUHAMMAD ASAD KHAN Orangi Town, Karachi	Mohammad Asad Khan	42401-8830784-7	Noa Sherwan	0.348	0.352	-	0.700	0.348	-	0.352	0.700

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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				Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
		Name of Directors	NIC Nos.		Principal	Interest / Mark-up	Other	Total				
		3	4		5	6	7	8				
103	SYED AZEEM ZAFAR House No.41/11, Near Model Day Care School, Model Colony, Karachi	Syed Azeem Zafar	42501-7087248-7	Syed Zafar Ahmed	1.134	0.277	0.183	1.594	0.234	-	0.460	0.694
104	MOHAMMAD YAQOOB House No.506, Sector 9-E, Orangi Town, Karachi, Karachi	Muhammed Yaqoob	509-91-164186	MUHAMMED ZAFAR	0.347	0.345	-	0.692	0.347	-	0.345	0.692
105	MISBAH UDDIN 1-BNEW QUEENS ROAD,LALAZAR, KARACHI	Misbah Uddin	42301-6421788-7	ZAHINUDDIN ANSARI	0.408	0.280	-	0.688	0.408	-	0.280	0.688
106	JABIR MIANDAD Lyari, Karachi	Jabir Miandad	508-93-239157	Mohammed Ismail	0.353	0.331	-	0.684	0.353	-	0.331	0.684
107	MUHAMMAD AYUB GABOL Gulshan-e-Iqbal Karachi	Muhammad Aub Gabol	42501-2233462-3	Haji Darya Khan	0.408	0.274	-	0.682	0.408	-	0.274	0.682
108	AL-SAYYED DAIRY FARM & CO. Daffu, Tensli & District Kasur	Syed Mubeen Hussain Shah	270-90-002743	Major Muhammad Hanif	0.300	0.379	0.001	0.680	0.300	-	0.380	0.680
109	M.AYAZ ABBASI C/O of Majorajia Hotel motor agency cart road Murree	Muhammad Ayaz Abbasi	37404-0312493-5	Muhammad Ajalb	0.185	0.485	-	0.670	0.185	-	0.485	0.670
110	IRFAN UL HAQ# 744, Sector # 3 Orangi Town, Karachi	Irfan Ul haq	42000-6005280-1	Zar Dar Khan	0.300	0.366	-	0.666	0.300	-	0.366	0.666
111	GHULAM MUSTAFA Khair Pur Mirs	Ghulam Mustafa	439-92-008974	Ghulam Jaffar Shaikh	0.331	0.333	-	0.664	0.331	-	0.333	0.664
112	SHAFIQ UR REHMAN Itehad Town Karachi	Shafiq ur Rehman	42000-5851236-3	Suleman Shah	0.326	0.337	-	0.663	0.326	-	0.337	0.663
113	MOHAMMAD SIDDIQUE & CO. VILLAGE JAM ARABPO UBARO TALUKADHARKI DISTT GHOTKI.	Muhammad Siddiq	45102-5209911-1	Karim Bux Malik	0.400	0.260	-	0.660	0.400	-	0.260	0.660
114	ANIS UR REHMAN Hyderabad	Anis Ur Rehman Siddiqui	449-56-063127	Khalil Rehman	0.280	0.374	-	0.654	0.280	-	0.374	0.654
115	MUHAMMAD NIAZUL-HAQUE Orangi Town, Karachi	Muhammad Niazul Haq	42101-8886426-9	Muhammad Imtiaz Ul haq	0.320	0.325	-	0.645	0.320	-	0.325	0.645
116	MUHAMMAD SARWAR Orangi Town, Karachi	Muhammad Sarwar	42401-2074058-9	Murad	0.307	0.334	-	0.641	0.307	-	0.334	0.641
117	AKHTAR PARVEZ KHAN Village Kharian Tens. & Distt. Muzaffarabad A. K.	Akhter Pervaiz Khan	710-91-093193	Muhammad Shafi	0.400	0.217	0.024	0.641	0.400	-	0.241	0.641
118	MEHMOOD Nisiter Road, Karachi	Mehmood	42201-3179414-5	MOHINUDDIN	0.301	0.335	-	0.636	0.301	-	0.335	0.636
119	NOOR MUHAMMAD Nawabshah	Noor Muhammad	43203-7291092-7	Khadim Hussain	0.295	0.337	-	0.632	0.295	-	0.337	0.632
120	SHAH NAWAZ Qazi Ahmed	Shah Nawaz	45401-0602007-3	Haji Muhammad Ismail	0.383	0.240	-	0.623	0.383	-	0.240	0.623
121	TAHIR IQBAL B-165, B-18, Gulshan e Iqbal, Karachi	Tahir Iqbal	502-91-201847	Muhammad Aslam	0.300	0.320	-	0.620	0.300	-	0.320	0.620

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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.		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	12	
122	AMEER DAD KHAN Orangi Town, Karachi	Ameer Dad	506-89-230936	Zardar Khan	0.264	0.354	-	0.618	0.264	-	0.354	0.618
123	MUZAFFAR FILLING STATION Larkana	Muzaffar Ali Magasi	426-75-094793	Qurban Ali Magasi	0.400	0.217	-	0.617	0.400	-	0.217	0.617
124	NAEEM KHAN Orangi Town, Karachi	Naeem Khan	42401-7431600-9	Amir Khan	0.301	0.308	-	0.609	0.301	-	0.308	0.609
125	MIRZA ASLAM BAIG R-638/1, Plot No. ST-55, Sector 11-A, North Karachi	Mirza Aslam Baig	42101-7157355-7	MIRZA NASEER BAIG	0.296	0.311	-	0.608	0.296	-	0.311	0.608
126	KAMRAN IQBAL Liaquatabad, Karachi	Kamran Iqbal	42101-1856953-9	Muhammad Iqbal	0.330	0.276	-	0.606	0.330	-	0.276	0.606
127	MUHAMMAD ISHAQ SHAHZAD F.B. Area, Karachi	Muhammad Ishaq Shah	501-57-476359	S.M. Usman	0.327	0.273	-	0.600	0.327	-	0.273	0.600
128	MUHAMMAD RASHID Nawabshah	Muhammad Rashid	431-93-415411	Muhammad Aslam	0.329	0.268	-	0.597	0.329	-	0.268	0.597
129	MUSHTAQ HASSAN Orangi Town, Karachi	Mushtaq Hassan	504-76-487312	Umso Hassan	0.296	0.297	-	0.593	0.296	-	0.297	0.593
130	ABDUL WARIS KHAN Qasba Township, Karachi	Abdul Waris Khan	513-58-750455	Habib Khan	0.286	0.305	-	0.591	0.286	-	0.305	0.591
131	ZAKIR AFZAL 6/277A, Liaquatabad, Karachi	Zakir Afzal	42101-1905674-7	Aftzal Hussain	0.300	0.285	-	0.585	0.300	-	0.285	0.585
132	SYED ISHTIAQ AHMED Orangi Town, Karachi,	Syed Ishaq Ahmed	13503-6581709-3	Aziz Khan	0.274	0.303	-	0.577	0.274	-	0.303	0.577
133	IKRAMUL HAQ Orangi Town, Karachi	Ikram Ul Haq	42101-8351381-5	Shams Ul Haq	0.276	0.300	-	0.576	0.276	-	0.300	0.576
134	SUKKUR POULTRY TRADERS sukkur	Zakir Hussain	45504-4831165-3	Khatiq Dad Sarno	0.266	0.310	-	0.576	0.266	-	0.310	0.576
135	GHULAM RAZA PANHWAR VILLAGE HUSSAINABADKHAIRPURHUSSAINABAD DISTT KHAIRPUR MIRS	Ghulam Raza Panhwar	45205-6260927-1	Quaimuddin	0.354	0.221	-	0.575	0.354	-	0.221	0.575
136	ATIQUUR REHMAN Bufferzone, Karachi	Atiq Ur Rahman	501-39-276126	Mehfooz ur Rehman	0.301	0.274	-	0.575	0.301	-	0.274	0.575
137	MUHAMMAD SHAFIQ Shaheed e Millat Road, Karachi	Muhammad Shafiq	42201-0502386-9	Ahmad	0.357	0.216	-	0.573	0.357	-	0.216	0.573
138	QAISER MUNIR DHA, Karachi	Qaiser Munir	42301-1085956-1	Munir Ahmed	0.359	0.211	-	0.570	0.359	-	0.211	0.570
139	SUPER SHAHAN SHAH ELECTRIC CO. mirpur mathelo	Basant Ram	45104-1203884-5	Lok Ram	0.227	0.337	-	0.564	0.227	-	0.337	0.564
140	WASIM UD DIN Liaquatabad	WasimUddin	501-86-087751	Zia Ud Din Ahmed	0.265	0.288	-	0.553	0.265	-	0.288	0.553

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		Name of Directors	NIC Nos.		Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total 9+10+11	
		3	4		5	6	7	8	9	10	11	12	
141	JAWAID AKHTAR Orangi Town, Karachi	Jawaid Akhter	42201-0564055-3	GHUFRANULLAH	0.267	0.283	-	0.550	0.267	-	-	0.283	0.550
142	MAS DAIRIES M.A.C.H.S. Karachi	Mian Nisar Akhter	517-57-257200	Mian Mohammad Akhtar	0.402	0.069	0.069	0.540	0.402	-	-	0.138	0.540
143	PIR WALI MOHD JAN SARHANDI Tando Muhammad Khan	Pr Wali Jan Sarhindi	N/A	Pir Ghulam Jan Sarhindi	0.200	0.340	-	0.540	0.200	-	-	0.340	0.540
144	NAEEM AFSAR Baldia Town	Naeem Afsan Khan	42301-8930588-3	Bahim Afsan Khan	0.266	0.268	-	0.534	0.266	-	-	0.268	0.534
145	GHULAM MUHAMMAD KHASRA 108-5-1/2MOZIA KHAMB KHURDMA- NDIBAHWADIN BAHAWAL NAG	Ghulam Muhammad	227-88-157098	Jehan Khan	0.296	0.237	-	0.533	0.296	-	-	0.237	0.533
146	GIAN CHAND Mir Pur Mathelo	Gian Chand	414-93-132660	Gurdas Mal	0.280	0.251	-	0.531	0.280	-	-	0.251	0.531
147	SYED GUL MUHAMMAD SHAH Hyderabad	Syed Gul Muhammad Shah	41306-2732333-9	Syed Mureed Shah	0.367	0.161	-	0.528	0.367	-	-	0.161	0.528
148	SULEMAN L-475 SECTOR 8-F Korangi Town, KarachiSHIP KARACHI	Ex-Staff	509-59-219053	Ali Muhammad	0.221	0.306	-	0.527	0.221	-	-	0.306	0.527
149	QAZI ALI ZAMAN Orangi Town, Karachi	Qazi Ali Haider Zaman	42401-1691242-9	Qazi Shamdan	0.254	0.272	-	0.526	0.254	-	-	0.272	0.526
150	QAZI MUJEEB REHMAN 537MATIARIHYDERABAD HYDERABAD	Qazi Mujeeb Ur Rahman	453-61-000480	ABDUL REHMAN QAZI	0.288	0.236	-	0.524	0.288	-	-	0.236	0.524
151	MUHAMMAD JAMIL MORO	Muhammad Jamil	488-61-040928	Imaduddin	0.288	0.227	-	0.515	0.288	-	-	0.227	0.515
152	ABDUL NASIR Shah Faisal Colony, Karachi	Abdul Nasir	42201-5549995-5	Muhammad Azam	0.320	0.193	-	0.513	0.320	-	-	0.193	0.513
153	MOHAMMAD NAZIR KHAN Orangi Town, Karachi	Muhammad Nazir Khan	506-58-280603	Muhammad Faqir Khan	0.250	0.262	-	0.512	0.250	-	-	0.262	0.512
154	MUHAMMAD SOHRAB Orangi Town, Karachi,	Muhammad Sohrab	504-69-403557	Muhammad Habib Khan	0.252	0.259	-	0.511	0.252	-	-	0.259	0.511
155	SHAHMIR ALI House No B-100, Phase-I, Steel Town, Gulshan- e-Hadeed, Karachi	Ex-Staff	42501-1451472-7	MUKTHAR ALI SHAIKH	0.522	0.238	0.047	0.807	0.273	-	-	0.285	0.558
156	HIDAYATULLAH BHUTTO 1079 DADU HYDERABAD	Hidayat Ullah	41504-0405650-5	RASOOL BAKASH	0.313	0.194	-	0.507	0.313	-	-	0.194	0.507
157	SYED MUHAMMED RAZA SHAH Khwat No. 217, Khasra 853/1/1/3, shahpur, Sargodha	Syed Muhammad Raza	38403-9975471-5	Syed Zakir Hussain Shah	0.300	0.208	-	0.508	0.299	-	-	0.208	0.507
158	LIAQUAT ALI BHUTTO Plot No. 523, Situated at Banguldero, Taluka Ratodero, Larkana.	Liaquat Ali Bhutto	43205-4739701-3	UMEED ALI BHUTTO	0.284	0.221	-	0.505	0.284	-	-	0.221	0.505
159	IRSHAD HAIDER KAZMI B-1 S/9-1330SHEIKHUPURA TEH. NANKANA DIST. SHEIKHUPURA	Syed Irshad Haider Kazmi	293-52-003263	Syed Iqbal Ahmed	0.236	0.264	-	0.500	0.236	-	-	0.264	0.500

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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.		Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided
1	2	3	4	5	6	7	8	9	10	11	12
160	Afroze Textile Industries Ltd. LA - 7/1-7, Block 22 F.B. Industrial Area Karachi.	Mr. Feroze Alam Lari Mrs. Aileen Fatima Mrs. Naheed Feroze Mr. Afroze Alam Lari	42101-9101384-5 42101-6286928-2 42101-0137634-8 42101-7756818-5	Mr. Mehboob Alam Lari Mr. Afroze Alam Lari Mr. Mehboob Alam Lari	1354,080	26,380	0,000	1,380,460	0,000	26,380	26,380
161	Security Leasing Corporation Ltd. 5th Floor Lakson Square Building No. 3 Sarwar Shaheed Road Karachi	Mr. Mohammed Rasheed Khan Mr. Mohammed Khalid Ali Mr. S M Nadeem Shafiqullah Mr. Ahmed Ali Khan Mr. Subho Sadiq Hamid Mr. Shafiq Ur Rehman Mr. Abdul Ghafoor Mr. Naeem Ahmed Shafi	42301-1911829-5 42301-1737110-9 42301-5228446-5 42301-0970999-7 35202-5624983-5 42301-7123619-9 42301-8405234-5	Mr. Mohammed Abbas Ali Mr. S M Shafiqullah Mr. Mohammed Hafeez Khan Chaudhry Abdul Hamid Mr. Mohammad Rafiq Qureshi Chaudhry Mohammed Ibrahim Haliz Nooruddin Ahmed	137,109	3,550	0,000	140,659	0,000	3,550	3,550
162	Invest Capital Investment Bank Limited. B-801-802, 8th Floor, Lakson Square Building No. 3, Sarwar Shaheed Road, Karachi-74200, Pakistan	Mr. Ahmad Kamran Mr. Bashheer A. Chowdhry Mr. Shaukat Ali Mr. Muhammad Qasim Mr. Muhammad Asif Miss Ayesha Zahid Miss Fiza Zahid	42301-0812902-9 42301-1067986-1 35201-1232407-1 33100-2850959-5 33100-2340706-1 33102-4936337-4 33102-3004264-8	Mr. Zakir Ali Mr. Karam Iahi Chaudhry Muhammad Sharif Chaudhry Muhammad Sharif Mr. Muhammad Yousuf Mr. Muhammad Zahid Mr. Muhammad Zahid	286,076	12,147	0,000	298,223	0,000	12,147	12,147
				2,410,257	501,417	98,376	3,010,050	414,337	-	599,793	1,014,130

ANNEXURE-II

AS REFERRED TO IN NOTES 11.11 & 11.12 TO THE FINANCIAL STATEMENTS

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
Electrical, office and computer equipment						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Generator	960	277	683	683	As Per Bank Policy	Mr. M.A. Manzoor
Generator	2,549	2,236	313	765	As Per Bank Policy	Machinery Management
Total	3,509	2,513	996	1,448		
Vehicles						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	2,746	1,135	1,611	1,611	As Per Bank Policy	Mr. M.A. Manzoor
Motor Vehicle	6,450	2,804	3,646	3,646	As Per Bank Policy	Mr. M.A. Manzoor
Total	9,196	3,939	5,257	5,257		
31 December, 2011	12,705	6,452	6,253	6,705		
Furniture & Fixture Employees						
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	25	15	10	10	As Per Bank Policy	Mr. Shahid Sarwar
	14	14	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	7	7	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	10	10	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	8	6	2	2	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	10	8	2	2	As Per Bank Policy	Mr. Ziaullah Chaudhry
	3	3	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	3	3	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	3	3	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	7	7	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	7	7	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	7	7	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
Total	194	180	14	14		

ANNEXURE II

As referred to in notes 11.11 & 11.12 to the financial statements

DETAIL OF DISPOSAL OF FIXED ASSETS

Particulars	Rupees in '000					Particulars of purchaser
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	
Electrical equipments						
Employees						
	24	24	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	5	5	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	25	25	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	5	5	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	26	26	-	-	As Per Bank Policy	Mr. Nadir Ali
	4	4	-	-	As Per Bank Policy	Mr. Nadir Ali
	120	16	104	104	As Per Bank Policy	Mr. M.A. Manzoor
	24	24	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	33	33	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	4	1	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	4	4	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	30	30	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	5	5	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	17	17	-	2	As Per Bank Policy	Mr. Shahid Hussain
	17	17	-	2	As Per Bank Policy	Mr. .Khurram Khan
	17	17	-	2	As Per Bank Policy	Mr. Tariq Javed Ghumman
	17	17	-	2	As Per Bank Policy	Mr. Ijaz Bashir Bhatti
	20	20	-	2	As Per Bank Policy	Mr. Syed Mohammad Ali Bukhari
	20	20	-	2	As Per Bank Policy	Mr. Syed Hassan Rizvi
	16	9	7	14	As Per Bank Policy	Mr. Imtiaz Hussain Mughal
	17	17	-	2	As Per Bank Policy	Mr. Muhammad Tehsin
	20	20	-	2	As Per Bank Policy	Mr. Muhammad Tariq
	20	20	-	2	As Per Bank Policy	Mr. Asad Farooq
	20	20	-	2	As Per Bank Policy	Mr. Muhammad Touseef Asim
	20	20	-	2	As Per Bank Policy	Mr. Arshad Khan
	20	20	-	2	As Per Bank Policy	Mr. Afzal Saleem
	20	20	-	2	As Per Bank Policy	Mr. Khalid Mahmood Tarar
	17	17	-	2	As Per Bank Policy	Mr. Afzal H Bokhari
	20	16	4	4	As Per Bank Policy	EFU Life Insurance
	18	3	15	16	Insurance	EFU Life Insurance
	18	3	15	16	Insurance	EFU Life Insurance
Total	644	498	146	182		
Other Disposals	15,517	14,404	1,113	3,139	As Per Bank Policy	Miscellaneous
31 December, 2011	29,060	21,534	7,526	10,094		

ANNEXURE-III

LOCATION OF REVALUED PROPERTIES AS ON DECEMBER 31, 2011

Date of Purchase	Revaluation Date	Particulars	City Location
15/08/66	December 31, 2011	CAVALARY ROAD, NOWSHERA	NOWSHERA
30/12/66	December 31, 2011	BUNGLOW NO.44-D, PECHS, KARACHI	KARACHI
30/12/66	December 31, 2011	PLOT NO.72/S, BLOCK 6 PECHS, KARACHI	KARACHI
23/12/70	December 31, 2011	GOLE CLOTH BZAR, FAISALABAD.	FAISALABAD
01/10/73	December 31, 2011	30-NAPIER ROAD, LAHORE.	LAHORE
13/10/73	December 31, 2011	BUNDER ROAD LARKANA	LARKANA
17/07/75	December 31, 2011	BLDG AT MEREWETHER TOWER,GK-7, KARACHI	KARACHI
20/07/75	December 31, 2011	BLUE AREA BLDG, ISLAMABAD	ISLAMABAD
20/07/75	December 31, 2011	TRUNK BAZAR, RAWALPINDI	RAWALPINDI
29/07/75	December 31, 2011	PLOT # 631 , MIRPUR A.K	AZAD KASHMIR
29/07/75	December 31, 2011	MUNICIPAL NO. 97, BLOCK NO.1, SARGODHA.	SARGODHA
04/03/79	December 31, 2011	SATELLITE TOWN, QUETTA	QUETTA
20/03/79	December 31, 2011	DADABHOY CENTRE,SHAHRAH-E-FAISAL, KARACHI	KARACHI
09/08/80	December 31, 2011	SHOP NO.5,7,8,10,11,12 KDA, SCHEME NO.24, GULSHAN IQBAL KARACHI UNIVERSITY ROAD	KARACHI
29/04/82	December 31, 2011	SIRKI ROAD, QUETTA	QUETTA
24/10/84	December 31, 2011	UPPER CHATTER, MUZAFFARABAD, A.K.	AZAD KASHMIR
01/01/85	December 31, 2011	TAJ COMPLEX, M.A.JINNAH ROAD, KARACHI	KARACHI
22/04/85	December 31, 2011	ANARKALI LAHORE. SHOP NO. 30 & 31	LAHORE
05/06/85	December 31, 2011	AMBER TOWER, KARACHI SHAHRAH-E-FAISAL	KARACHI
08/10/86	December 31, 2011	BUFFER ZONE, KDA FLATS, SHADMAN TOWN, KARACHI	KARACHI
08/11/86	December 31, 2011	"SHOWROOM ON GROUND FLOOR, AMBER PALACE,SMCHS, KARACHI "	KARACHI
25/01/87	December 31, 2011	PLOT NO.7-E, MAIN BOULVARD, GULBERG, LAHORE.	LAHORE
17/12/87	December 31, 2011	4-SHOPS AT BOATING BASIN, KARACHI	KARACHI
09/10/88	December 31, 2011	ZAIBUNISA STREET, KARACHI	KARACHI
07/05/90	December 31, 2011	OPEN PLOT AT SMALL INDUSTRIAL AREA SITE, SAHIWAL.	SAHIWAL
24/02/92	December 31, 2011	PREMISES NO. 200& 300, TRADE TOWER, ABDULLAH HAROON ROAD, KARACHI	KARACHI
24/02/92	December 31, 2011	SHOWROOM NOS.9 & 10 TRADE TOWER, UPPER GRPOUND FLOOR, ABDULLAH HAROON ROAD, KARACHI (BRANCH)	KARACHI
31/05/92	December 31, 2011	B/O QILA GUJAR SINGH LAHORE.	LAHORE
16/08/92	December 31, 2011	8-KASHMIR EGERTON ROAD LAHORE.	LAHORE
09/09/92	December 31, 2011	SHAHDMAN COLONY BR. LAHORE. SHOP NO. 13 & 14	LAHORE
11/08/93	December 31, 2011	8-KASHMIR EGERTON ROAD LAHORE.	LAHORE
08/11/93	December 31, 2011	HAILY, BLOCK-G NORTH NAZIMBAD, BRANCH KARACHI	KARACHI
20/04/94	December 31, 2011	NEW SADIQ BAZAR RAHIMYAR KHAN	RAHIMYAR KHAN
08/05/94	December 31, 2011	GRAIN MARKET VEhari	VEHARI
15/08/94	December 31, 2011	ADAM ARCADE BRANCH, BHABHURABAD, KARACHI	KARACHI
17/08/94	December 31, 2011	OPEN PLOT NO: 37/19 PHASE VII HYATABAD PESHAWER	PESHAWAR
29/08/94	December 31, 2011	SAMANABAD BRANCH LAHORE.	LAHORE
27/12/94	December 31, 2011	BRANDERTH ROAD BRANCH LAHORE.	LAHORE
17/05/95	December 31, 2011	BLDG AT 199-UPPER MALL LAHORE	LAHORE
31/07/96	December 31, 2011	CIVIC CENTRE, HYDERABAD	HYDERABAD
15/09/96	December 31, 2011	SITARA TOWER, FAISALABAD.	FAISALABAD
19/09/96	December 31, 2011	AHMEDPUR EAST BRANCH.	BAHAWALPUR
23/09/96	December 31, 2011	BANK SQUARE, MODEL TOWN, LAHORE.	LAHORE
30/10/96	December 31, 2011	BATH ISLAND CLIFTON BRANCH KARACHI (BROADWAY CLIFTON)	KARACHI
27/11/96	December 31, 2011	KHAYABAN-E-JAMI BRANCH (JAMI ARCADE)	KARACHI
29/12/96	December 31, 2011	KHALID BIN WALEED ROAD BRANCH	KARACHI
05/06/97	December 31, 2011	KASHMIR ROAD, RAWALPINDI	RAWALPINDI
28/06/97	December 31, 2011	JINNAH COLONY FAISALABAD.	FAISALABAD
14/11/97	December 31, 2011	PLOT NO.16-B/1, PHASE V, HAYATABAD PESHAWER (BUILDING)	PESHAWAR
11/12/97	December 31, 2011	ASGHAR MALL CHOWK RAWALPNDI	RAWALPINDI
29/12/97	December 31, 2011	SHOP NO. A1 TO A4, BLOCK-A, SITE NO. ST.21/1,14-B, SCHEME NORTH KARACHI, BUFFER ZONE KARACHI	SHEIKHUPURA
20/03/98	December 31, 2011	NURSERY (PECHS) KARACHI	KARACHI
29/06/98	December 31, 2011	MASJID-E-TOOBA KARACHI (DHA)	KARACHI
11/08/98	December 31, 2011	BLOCK K NORTH NAZIMABAD KARACHI (SB-4)	KARACHI
19/08/98	December 31, 2011	CLOTH MARKET KARACHI (M.A.JINNAH ROAD)	KARACHI
31/08/98	December 31, 2011	BLDG ON PLOT NO. SR -7 ALTAH HUSSAIN ROAD NEW CHALLI	KARACHI
15/09/98	December 31, 2011	BABA-E-URDU ROAD, KARACHI	KARACHI
30/09/98	December 31, 2011	KHYABAN-E-BADAR, D.H.A. KARACHI	KARACHI
14/12/98	December 31, 2011	REGENCY ARCADE, FAISALABAD.	FAISALABAD

ANNEXURE-III

LOCATION OF REVALUED PROPERTIES AS ON DECEMBER 31, 2011

Date of Purchase	Revaluation Date	Particulars	City Location
18/12/98	December 31, 2011	199-A, UPPER MALL, LAHORE	LAHORE
23/06/99	December 31, 2011	PLOT NO.B-7 FRUIT & VEGETABLE COMPLEX HAZAR GANJI QUETTA	QUETTA
08/07/99	December 31, 2011	CITIZEN COLONY, HYDERABAD 157/E	HYDERABAD
12/07/99	December 31, 2011	SAIMA TRADE TOWER, I.I. CHUNDRIGAR ROAD, KARACHI	KARACHI
02/08/99	December 31, 2011	BUNGLOW NO 8-A QUAID-E-AZAM ROAD MULTAN CANTT.	MULTAN
05/08/99	December 31, 2011	BUNGLOW NO. 33/4 BLOCK 7&8 BANGLORE TOWN, KARACHI	KARACHI
09/08/99	December 31, 2011	LAKSON SQUARE, 3RD FLOOR, SARWAR SHAHEED ROAD, KARACHI	KARACHI
25/08/99	December 31, 2011	SHOP NO. G-5, G-6 AND G-47 KEHKASHAN (JADE GARDEN CLIFTON) KARACHI	KARACHI
10/09/99	December 31, 2011	L.D.A. WASA BRANCH LAHORE	LAHORE
20/12/99	December 31, 2011	BANK SQUARE, GUJRANWALA.	GUJRANWALA
26/05/00	December 31, 2011	P.I.B. COLONY BRANCH SHOP NO. 10-11,47 & 48, KARACHI	KARACHI
10/06/00	December 31, 2011	S.I.T.E. BRANCH, B-12,KARACHI	KARACHI
27/08/03	December 31, 2011	STOCK EXCHANGE BRANCH KARACHI	KARACHI
09/03/05	December 31, 2011	PLOT NO. 12 FT/4 FARERE TOWN, BATH ISLAND CLIFTON KARACHI	KARACHI
27/06/05	December 31, 2011	KOTWALI ROAD, FAISALABAD (REGIONAL OFFICE).	FAISALABAD
29/06/05	December 31, 2011	SUSAN ROAD / MADINA TOWN, FAISALABAD.	FAISALABAD
30/06/05	December 31, 2011	MONTGOMERY BAZAR, FAISALABAD.	FAISALABAD
19/08/05	December 31, 2011	GARHHA CHINIOT, DISTT. JHANG.	CHINIOT
30/09/05	December 31, 2011	SHOWROOM NO. S-05, GROUND FLOOR, PLOT NO. 13, CLIFTON BROADWAY, KARACHI. (BROADWAY CLIFTON BRANCH) AREA: 2,500 SFT.	KARACHI
22/10/05	December 31, 2011	JAIL ROAD, FAISALABAD.	FAISALABAD
22/10/05	December 31, 2011	SATYANA ROAD, FAISALABAD.	FAISALABAD
21/12/05	December 31, 2011	BANK HOUSE, NO. 131, KHAYABAN E KHALID,PHASE-VIII, DHA, KARACHI	KARACHI
21/12/05	December 31, 2011	NEW CHALI-BRANCH, KARACHI	KARACHI
31/12/05	December 31, 2011	PEOPLES COLONY "D" GROUND, FAISALABAD.	FAISALABAD
07/03/06	December 31, 2011	ABDALI ROAD MULTAN.	MULTAN
19/05/06	December 31, 2011	F-10 ISLAMABAD	ISLAMABAD
22/05/06	December 31, 2011	NEW SABZI MANDI SUPPER HIGHWAY KARACHI	KARACHI
26/05/06	December 31, 2011	PHASE IV D.H.A LAHORE	LAHORE
30/05/06	December 31, 2011	INDUSTRIAL AREA, BADAMI BAGH	LAHORE
30/05/06	December 31, 2011	LOHARI GATE, CIRCULAR ROAD, LAHORE	LAHORE
30/06/06	December 31, 2011	CLIMAXABAD , G T ROAD GUJRANWALA.	GUJRANWALA
30/06/06	December 31, 2011	"SHOP NR. F-6, ZAM ZAMA BOULEVARD, PHASE-V, KARACHI"	KARACHI
30/06/06	December 31, 2011	PLOT PHASE V-C, DHA, LAHORE	LAHORE
30/06/06	December 31, 2011	WAHDAT COLONY PLAZA, LAHORE	LAHORE
19/08/06	December 31, 2011	PROPERTY AT 200-B, UPPER MALL, LAHORE	LAHORE
21/08/06	December 31, 2011	OPEN PLOT NO:G-4, MAIN BOULEVARD, PHASE-I, DHA, LAHORE	LAHORE
05/09/06	December 31, 2011	GHULAM MUHAMMAD ABAD, FAISALABAD	FAISALABAD
06/09/06	December 31, 2011	PLOT NO: 24, BLOCK -B, GULBERG-II, LAHORE	LAHORE
09/09/06	December 31, 2011	F-11 ISLAMABAD	ISLAMABAD
19/09/06	December 31, 2011	GARDEN TOWN, LAHORE	LAHORE
30/10/06	December 31, 2011	G - 11 MARKAZ ISLAMABAD	ISLAMABAD
08/11/06	December 31, 2011	44/F AZIZ SHAHEED ROAD MULTAN	MULTAN
11/11/06	December 31, 2011	F-8 ISLAMABAD	ISLAMABAD
29/11/06	December 31, 2011	KARIMABAD BRANCH KARACHI	KARACHI
15/12/06	December 31, 2011	SUPER MARKET (F-6) ISLAMABAD	ISLAMABAD
30/12/06	December 31, 2011	ALLAMA IQBAL TOWN, LAHORE	LAHORE
30/12/06	December 31, 2011	FAISAL TOWN. LAHORE	LAHORE
24/03/07	December 31, 2011	SHAHRAH E NOOR MUHAMMAD HYDERABAD	HYDERABAD
19/05/07	December 31, 2011	BAGBANPURA LAHORE.	LAHORE
19/05/07	December 31, 2011	CHOWK RASHEEDABAD MULTAN	MULTAN
22/06/07	December 31, 2011	HYDER ROAD TOWNSHIP LAHORE	LAHORE
27/06/07	December 31, 2011	MANDI FAIZABAD JARANWALA ROAD	JARANWALA
30/06/07	December 31, 2011	SHAHEEN CENTRE , CLIFTON, SCHON CIRCLE	KARACHI
30/06/07	December 31, 2011	JOHAR TOWN LAHORE M BLOCK	LAHORE
17/07/07	December 31, 2011	DHA PHASE VI - C, LAHORE	LAHORE
20/07/07	December 31, 2011	QANDHARI BAZAR, QUETTA	QUETTA
04/09/07	December 31, 2011	GREEN TOWN LAHORE	LAHORE
15/09/07	December 31, 2011	BOHRI BAZZAR SADDAR HYDERABAD	HYDERABAD
19/12/07	December 31, 2011	KHAYABAN-E-ITTEHAD, DHA, KARACHI	KARACHI
27/12/07	December 31, 2011	PLOT # Z-21, PHASE III DHA LAHORE	LAHORE

ANNEXURE-III

LOCATION OF REVALUED PROPERTIES AS ON DECEMBER 31, 2011

Date of Purchase	Revaluation Date	Particulars	City Location
07/01/08	December 31, 2011	DEFENCE BRANCH SUNSET BOULEVARD, PHASE-II, KARACHI	KARACHI
31/03/08	December 31, 2011	SHOP NO. 1-2-3-4, RAFI STAR, PLOT NO. 245, SURVEY NO. 164, DEH SAFURAN, MAIN SHAHRAH-E-FAISAL, (NEW) (STARGATE BRANCH) KARACHI.	KARACHI
31/03/08	December 31, 2011	COWK BCG, MULTAN	MULTAN
30/04/08	December 31, 2011	RASHID MNHAS ROAD, KARACHI (NEW)	KARACHI
30/04/08	December 31, 2011	CHOWK LAKPUT ROAD, RAMNA PIPE & GENERAL MILLS(PVT) LTD PLOT # 13013 13014 INDUSTRIAL EAST KOT LPET	LAHORE
31/05/08	December 31, 2011	KHAYABAN-E-TANZEEM, KARACHI	KARACHI
31/05/08	December 31, 2011	SALEH MOHAMMAD STREE BRANCH KARACHI	KARACHI
31/05/08	December 31, 2011	MASJID ROAD NAWABSHAH	NAWABSHAH
31/08/08	December 31, 2011	AMIN TOWN, FAISALABAD	FAISALABAD
31/08/08	December 31, 2011	BINNORI TOWN KARACHI	KARACHI
31/08/08	December 31, 2011	REGENCY APPARTMENT BRANCH	KARACHI
31/08/08	December 31, 2011	MURREE ROAD SATELLITE TOWN RAWALPINDI (CHANDNI CHOWK RAWALPINDI)	RAWALPINDI
25/09/08	December 31, 2011	MAIN MARKET CHAKLALA-III, RAWALPINDI	CHAKLALA
10/11/08	December 31, 2011	CHOWK SHAH ABBAS	MULTAN
25/11/08	December 31, 2011	DUBAI CHOWK BAHAWALPUR.	BAHAWALPUR
26/11/08	December 31, 2011	DHA PHASE-II, ISLAMABAD	ISLAMABAD
29/11/08	December 31, 2011	I-9, ISLAMABAD	ISLAMABAD
15/12/08	December 31, 2011	GULSHAN-E-MAYMAR, KARACHI.	KARACHI
29/12/08	December 31, 2011	SAFOORA GOTH, KARACHI(NEW BUILDING)	KARACHI
29/12/08	December 31, 2011	BEADON ROAD, LAHORE	LAHORE
01/01/09	December 31, 2011	SINDHI MUSLIM CO-OP. H.SOCIETY BR. KARACHI	KARACHI
01/01/09	December 31, 2011	STARGATE BRANCH (SHOP NO. S-002, S-003) (OLD)	KARACHI
01/01/09	December 31, 2011	PECO ROAD BADAMI BAGH	LAHORE
01/01/09	December 31, 2011	PLOT # 52, DHA PHASE 6- C, SECTOR L- LAHORE	LAHORE
01/01/09	December 31, 2011	OPEN PLOT # 14 AT PHASE VII, HAYATABAD PESHAWER	PESHAWER
28/02/09	December 31, 2011	SHERSHAH BRANCH KARACHI SITE	KARACHI
22/05/09	December 31, 2011	PLOT NO: 161-C/II, KHAYABAN-E-SHAHEEN, PHASE-VIII, DHA,	KARACHI
29/06/09	December 31, 2011	MUHAMMAD BIN QASIM PARK BRANCH, SUKKUR	SUKKUR
17/07/09	December 31, 2011	PLOT NO: 1, BUNGLOW NO:110, AZIZ SHAHEED ROAD, SIALKOT CANTT	SIALKOT
01/08/09	December 31, 2011	HOUSING SCHEME NO:1, COMMERCIAL GDA, GAWADAR	GAWADAR
08/08/09	December 31, 2011	MAIN TUFAIL ROAD BRANCH, LAHORE CANTT.	LAHORE
10/08/09	December 31, 2011	DHA PHASE-1 BRANCH, ISLAMABAD	ISLAMABAD
16/10/09	December 31, 2011	MODEL TOWN, D.G.KHAN	D.G.KHAN
16/12/09	December 31, 2011	MAIN BRANCH, SHALIMAR LINK ROAD	LAHORE
26/12/09	December 31, 2011	OPEN PLOT NO:110-D, EME SECTOR DHA, LAHORE	LAHORE
31/12/09	December 31, 2011	JHANG ROAD, MUZAFFARGARH	MULTAN
31/12/09	December 31, 2011	HOSPITAL ROAD BRANCH, NAROWAL	NAROWAL
27/08/10	December 31, 2011	PORT QASIM, KARACHI	KARACHI
09/09/10	December 31, 2011	AISHA MANZIL KARACHI	KARACHI
24/12/10	December 31, 2011	OFFICE # 912 & 913 ISLAMABAD STOCK EXCHANGE TOWER ISLAMABAD	ISLAMABAD
01/02/11	December 31, 2011	G 8 ISLAMABAD	ISLAMABAD
01/04/11	December 31, 2011	PLOT # 37, AT KHEWAT # 15704, 16658 SQUARE #43, KHASRA # 3/2,8 14/1, MOUZA JAMALPUR CHAK # 220-RB TEHSIL-CITY-JHANG ROAD FAISALABAD	FAISALABAD
01/04/11	December 31, 2011	PLOT #41, KHASRA#1041, KHEWAT#73, KHATOONI#344, MOUZA RAKH KHAMBA, AIRLINE HOUSING SOCIETY KHAYABAN-E-JINNAH LAHORE	LAHORE
27/06/11	December 31, 2011	PLOT NO. 326/3, PREEDY HOUSE, SHEET NO. A.M (ARTILLARY MAIDAN QUARTERS), PREEDY STREET SADDAR, KARACHI	KARACHI
28/06/11	December 31, 2011	OPEN PLOT BEARING KHASRA NO. 1040/901-900, KHEWAT NO. 346, KHATOONI NO. 595, SITUATED AT MEHAL SAAD ULLAH PUR, PASRUR KALASWALA ROAD	SIALKOT
05/08/11	December 31, 2011	PLOT # 3 & 4, EXECUTIVE BUSINESS CENTER, F.E.C.H.S, MAIN DOUBLE ROAD, E-11/2, ISLAMABAD	ISLAMABAD
06/08/11	December 31, 2011	KHASRA NO. 6989/2571, 6991/2571, 6993/2571, MOUZA SHEIKHUL BANDI, ABBOTABAD	ABBOTABAD
07/09/11	December 31, 2011	OPEN COMMERCIAL PLOT, KHASRA# 196, 197, 796/1674, 198, 75/160, KHEWAT# 98 & 101, KHATOONI#172 & 177, SABZPEER TEHSIL DISTT SIALKOT	SIALKOT
14/11/11	December 31, 2011	SADRA BADRA DASKA ROAD SIALKOT	SIALKOT
15/12/11	December 31, 2011	SHAHI ROAD RAHIM YAR KHAN	RAHIM YAR KHAN
28/12/11	December 31, 2011	G.T ROAD , HADBUST MOUZA ADOWAL TEHSIL & DISTT GUJRAT	GUJRAT

Consolidated Financial Statements

Allied Bank Limited

for the year ended December 31, 2011

Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2011

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 2011	2010
Profit After tax	10,256	8,284
Un-appropriated profit brought forward	15,853	12,165
Transfer from surplus on revaluation of fixed assets (net of tax)	30	36
	15,883	12,201
Profit available for appropriation	26,139	20,485
Appropriation		
Interim cash dividend for the year ended		
December 31, 2011 at Rs. 2.5 per share		
(2010: Year ended December 31, 2010		
at Rs. 2 per share)	(2,151)	(1,564)
Final cash dividend for the year ended		
December 31, 2010 at Rs. 2 per share		
(2010: Year ended December 31, 2009		
at Rs. 2 per share)	(1,564)	(1,422)
Bonus shares for the year		
December 31, 2010 @ 10% (2009: Year ended		
December 31, 2009 @ 10%) *	-	-
Transfer to Statutory Reserves	(2,028)	(1,645)
	(5743)	(4,631)
Accumulated profits carried forward	20,396	15,854
Earning per share (EPS) (Rs.) (Basic & diluted)	11.92	9.63

* Appropriation out of Share Premium Account

Pattern of Shareholding

The pattern of shareholding as at December 31, 2011 is included in the Annual Report.

For and on behalf of the Board,

Khalid A. Sherwani
Chief Executive Officer

Dated: February 14, 2012
Place: 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 31 December 2011 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 31 December 2011 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.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement partner:
Naseem Akbar

Date: February 14, 2012
Place: Lahore

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement partner:
Kamran I. Yousafi

Consolidated Statement of Financial Position

as at December 31, 2011

December 31, 2011	December 31, 2010	Note	December 31, 2011	December 31, 2010
US \$ in '000			Rupees in '000	
Assets				
405,575	347,606	6	36,479,765	31,265,658
18,668	6,445	7	1,679,121	579,700
15,140	127,732	8	1,361,754	11,488,944
2,176,754	1,347,021	9	195,789,638	121,158,730
2,717,638	2,813,950	10	244,439,837	253,102,710
201,178	170,893	11	18,095,123	15,371,118
8,349	5,372	12	750,972	483,152
192,254	183,626	13	17,292,402	16,516,396
5,735,556	5,002,645		515,888,612	449,966,408
Liabilities				
44,642	45,792	15	4,015,317	4,118,791
555,815	230,967	16	49,993,200	20,774,450
4,442,244	4,127,834	17	399,560,790	371,280,948
61,066	61,090	18	5,492,600	5,494,800
-	-		-	-
-	-	12	-	-
148,393	136,835	19	13,347,347	12,307,789
5,252,160	4,602,518		472,409,254	413,976,778
483,396	400,127		43,479,358	35,989,630
Represented By				
95,648	86,953	20	8,603,110	7,821,009
97,423	83,572		8,762,745	7,516,910
226,756	176,254		20,395,717	15,853,255
419,827	346,779		37,761,572	31,191,174
63,569	53,348	21	5,717,786	4,798,456
483,396	400,127		43,479,358	35,989,630
Contingencies and commitments				
		22		

The annexed notes 1 to 46 and annexures I to III 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, 2011

December 31, 2011	December 31, 2010		Note	December 31, 2011	December 31, 2010
US \$ in '000				Rupees in '000	
576,224	500,426	Mark-up / return / interest earned	24	51,828,897	45,011,184
296,803	249,767	Mark-up / return / interest expensed	25	26,696,185	22,465,506
279,421	250,659	Net Mark-up / Interest income		25,132,712	22,545,678
30,130	34,183	Provision against non-performing loans and advances	10.4	2,710,021	3,074,576
2,546	14,335	Provision for diminution in the value of investments - net	9.3	229,003	1,289,404
778	(3,120)	Provision / (reversal) against lendings to financial institutions	8.5	70,000	(280,595)
-	-	Bad debts written off directly	10.5	-	-
33,454	45,398			3,009,024	4,083,385
245,967	205,261	Net Mark-up / Interest income after provisions		22,123,688	18,462,293
Non Mark-Up / Interest Income					
33,301	29,421	Fee, commission and brokerage income	26	2,995,322	2,646,260
29,809	12,433	Dividend income		2,681,218	1,118,270
7,149	4,653	Income from dealing in foreign currencies		643,058	418,524
9,665	15,961	Gain / (loss) on sale of securities	27	869,361	1,435,594
		Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	9.13	6,030	(2,668)
67	(30)	Other income	28	68,807	251,328
765	2,794	Total non-markup / interest income		7,263,796	5,867,308
80,756	65,232			29,387,484	24,329,601
326,723	270,493				
Non Mark-Up / Interest Expenses					
147,746	126,122	Administrative expenses	29	13,289,101	11,344,090
1,269	3,681	Provision against other assets - net	13.2	114,181	331,077
1,604	(981)	Provision / (reversal) against off-balance sheet obligations - net	19.1	144,245	(88,239)
3,490	2,848	Workers welfare fund	31	313,888	256,146
2,982	792	Other charges	30	268,204	71,248
157,091	132,462	Total non-markup / interest expenses		14,129,619	11,914,322
-	-	Extra-ordinary / unusual items		-	-
169,632	138,031	Profit Before Taxation		15,257,865	12,415,279
Taxation					
			32		
55,019	46,424	Current		4,948,719	4,175,600
1,736	4,152	Prior years		156,112	373,475
(1,147)	(4,643)	Deferred		(103,139)	(417,613)
55,608	45,933			5,001,692	4,131,462
114,024	92,098	Profit After Taxation		10,256,173	8,283,817
176,254	135,245	Unappropriated profit brought forward		15,853,255	12,164,662
325	401	Transfer from surplus on revaluation of fixed assets - net of tax		29,204	36,046
176,579	135,646			15,882,459	12,200,708
290,603	227,744	Profit Available For Appropriation		26,138,632	20,484,525
0.130	0.110	Earnings per share - Basic and Diluted (in Rupees)	33	11.92	9.63

The annexed notes 1 to 46 and annexures I to III 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, 2011

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
US \$ in '000			Rupees in '000	
114,024	92,098	Profit after taxation for the year	10,256,173	8,283,817
-	-	Other comprehensive income	-	-
<u>114,024</u>	<u>92,098</u>	Total comprehensive income for the year	<u>10,256,173</u>	<u>8,283,817</u>

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 respectively and Companies Ordinance, 1984.

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Consolidated Statement of Cash Flow

for the year ended December 31, 2011

December 31, 2011	December 31, 2010	Note	December 31, 2011	December 31, 2010
US \$ in '000			Rupees in '000	
Cash Flows From Operating Activities				
169,632	138,031		15,257,865	12,415,279
(29,809)	(12,433)		(2,681,218)	(1,118,270)
139,823	125,598		12,576,647	11,297,009
Adjustments for non-cash items:				
11,508	9,504	Depreciation / amortization	1,035,096	854,869
30,130	34,183	Provision against non-performing loans, advances and general provision - net	2,710,021	3,074,576
2,546	14,335	Provision for diminution in the value of investments - net	229,003	1,289,404
778	(3,120)	Provision / (reversal) against lendings to financial institutions	70,000	(280,595)
(67)	30	Unrealized (gain) / loss on revaluation of held-for-trading securities	(6,030)	2,668
1,604	(981)	Provision / (reversals) against off balance sheet obligations - net	144,245	(88,239)
1,269	3,681	Provision against other assets - net	114,181	331,077
1,300	-	Operating fixed assets written off	116,920	5
(29)	(133)	Gain on sale of fixed assets	(2,576)	(11,986)
49,039	57,499		4,410,860	5,171,779
188,862	183,097		16,987,507	16,468,788
Decrease / (increase) in operating assets				
111,816	188,053	Lendings to financial institutions	10,057,190	16,914,583
8,853	(10,286)	Net realizations / (investments) in 'held-for-trading' securities	796,286	(925,216)
66,183	(208,957)	Advances - net	5,952,852	(18,794,764)
(4,985)	(17,236)	Other assets (excluding advance taxation) - net	(448,408)	(1,550,279)
181,867	(48,426)		16,357,920	(4,355,676)
Increase / (decrease) in operating liabilities				
(1,150)	10,633	Bills payable	(103,474)	956,362
325,519	(208,759)	Borrowings from financial institutions	29,279,026	(18,776,934)
314,410	471,488	Deposits and other accounts	28,279,842	42,408,359
9,831	14,698	Other liabilities	884,268	1,322,041
648,610	288,060		58,339,662	25,909,828
1,019,339	422,731		91,685,089	38,022,940
(53,667)	(19,323)	Income tax paid - net	(4,827,151)	(1,737,981)
965,672	403,408	Net cash flows from operating activities	86,857,938	36,284,959
Cash Flows From Investing Activities				
(610,144)	(302,075)	Net investments in 'available-for-sale' securities	(54,879,871)	(27,170,354)
(232,530)	11,353	Net investments in 'held-to-maturity' securities	(20,915,102)	1,021,179
21,810	11,078	Dividend income received	1,961,759	996,420
(32,852)	(41,994)	Investments in operating fixed assets	(2,954,916)	(3,777,158)
113	253	Proceeds from sale of fixed assets	10,131	22,738
(853,603)	(321,385)	Net cash used in investing activities	(76,777,999)	(28,907,175)
Cash Flows From Financing Activities				
(24)	(24)	Repayment of sub-ordinated loan	(2,200)	(2,200)
(41,180)	(33,124)	Dividends paid	(3,703,935)	(2,979,352)
(41,204)	(33,148)	Net cash used in financing activities	(3,706,135)	(2,981,552)
70,865	48,875	Increase in cash and cash equivalents during the year	6,373,804	4,396,232
352,717	303,251	Cash and cash equivalents at beginning of the year	31,725,385	27,276,120
287	877	Effect of exchange rate changes on opening cash and cash equivalents	25,805	78,838
423,869	353,003	Cash and cash equivalents at end of the year	38,124,994	31,751,190

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

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Consolidated Statement of Changes in Equity

for the year ended December 31, 2011

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
Rupees in '000									
Balance as at January 01, 2010	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,164,662	25,857,515
Changes in equity during the year ended Dec 31, 2010									
Total comprehensive income for the year ended									
December 31, 2010	-	-	-	-	-	-	-	8,283,817	8,283,817
Transactions with owners recognized directly in equity									
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	15,853,255	31,191,174
Changes in equity during the year ended December 31, 2011									
Total comprehensive income for the year ended									
December 31, 2011	-	-	-	-	-	-	-	10,256,173	10,256,173
Transactions with owners recognized directly in equity									
Transfer to reserve for issue of bonus shares									
for the year ended December 31, 2010 @ 10%	-	(782,101)	-	782,101	-	-	-	-	-
Issue of bonus shares	782,101	-	-	(782,101)	-	-	-	-	-
Final cash dividend for the year ended December									
31, 2010 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,564,202)	(1,564,202)
Interim cash dividend for the year ended December									
31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
	782,101	(782,101)	-	-	-	-	-	(3,714,979)	(3,714,979)
Transferred from surplus on revaluation of fixed assets									
to un-appropriated profit - net of tax	-	-	-	-	-	-	-	29,204	29,204
Transfer to statutory reserve	-	-	2,027,936	-	-	-	-	(2,027,936)	-
Balance as at December 31, 2011	8,603,110	201,856	8,153,030	-	67,995	333,864	6,000	20,395,717	37,761,572

* 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 III 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, 2011

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

Holding Company

Allied Bank Limited ("the Bank"), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 837 (2010: 806) 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 registered office of the Bank is situated at 8-Kashmir / Egerton road, Lahore.

Subsidiary Company

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 AM2-.

ABL Asset Management company 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 Income Fund	Launched on July 31, 2010
-	ABL-Government securities Fund	Launched on November 30, 2011

2. (a) BASIS OF PRESENTATION

- These consolidated financial statements consist of holding company and its subsidiary company, for the year ended December 31, 2011.
- In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- These consolidated financial statements have been presented in Pakistan Rupees (PKR), which is the Group's functional and presentation currency. The amounts are rounded to nearest thousand.
- The US Dollar amounts reported in the consolidated statement of financial position, consolidated profit and loss account and consolidated statement of cash flow are stated as additional information, solely for the convenience of the users of financial statements. For the purpose of translation to US Dollar, the rate of Rs 89.9457 per US Dollar has been used, as it was the prevalent rate as on date of statement of financial position.

(b) BASIS OF CONSOLIDATION

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the Bank is eliminated against the shareholders' equity in the consolidated financial statements.

Material intra-group balances and transactions have been eliminated.

(c) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain assets and liabilities are stated at revalued amounts / fair values as stated in:

- Investments (Note 5.3)
- Operating fixed assets (Note 5.5)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 (SECP) dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.

3.3 New and amended standards and interpretations become effective

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

- IAS 24 - Related Party Disclosures (Revised)
- IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

IFRS 3 – Business Combinations

- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
- Measurement of non-controlling interests (NCI)
- Un-replaced and voluntarily replaced share-based payment awards

IAS 1 – Presentation of Financial Statements

- Clarification of statement of changes in equity

IAS 27 – Consolidated and Separate Financial Statements

- Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements

IAS 34 – Interim Financial Reporting

- Significant events and transactions

IFRIC 13 – Customer Loyalty Programmes

- Fair value of award credits

Adoption of the above standards, amendments and interpretations did not materially affect the accounting policies of the Group. Certain amendments introduced in IAS 32, IFRS 7 and IFRIC 19 do not have any impact on accounting policies as the applicability of such standard and interpretations have been deferred by SBP as disclosed in note 3.2.

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 of the entity beginning on or after January 01, 2012. These standards are either not relevant to the Group's operations or are not expected to have a significant impact on the Group's financial statements except to the extent of effect of amendments in IAS 19 "Employee Benefits", when they will become effective.

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised along with their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after July 01, 2011.

Notes to the Consolidated Financial Statements

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Further, amendment has been introduced to enhance the disclosures regarding off setting of financial assets to enable the user to understand and evaluate the effect of off-setting on the financial statements. The amendment becomes effective for annual periods beginning on or after January 01, 2013.

However, the amendment will not have any impact on financial position as the applicability of such standard and interpretation have been deferred by SBP as mentioned in note 3.2.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment does not address which items are presented in OCI or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 01, 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Group.

IAS 19 – Employee Benefits – (Amendment)

IAS 19 Employee Benefits (amended 2011) – (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

IAS 28 – Investments in Associates and Joint Ventures

IAS 28 Investments in Associates and Joint Ventures (2011) – (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Group.

IAS 32 – Offsetting Financial Assets and Financial Liabilities (Amendments)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP / SBP for the purpose of applicability in Pakistan.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 "Financial Instruments: Classification and Measurement" as issued reflects the first phase of the IASB's work on the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 "Financial Instruments: Recognition and Measurement". The standard is effective for annual periods beginning on or after January 01, 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 "Consolidated Financial Statements" replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 "Consolidation-Special Purpose Entities".

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after January 01, 2013.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

IFRS 11 Joint Arrangements

IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-Controlled Entities - Non-Monetary Contributions by Ventures".

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will not impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after January 01, 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 "Disclosure of Involvement with Other Entities" includes all disclosures that were previously in IAS 27 "Consolidated and Separate Financial Statements" related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 "Interests in Joint Ventures" and IAS 28 "Investments in Associates". These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 01, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 "Fair Value Measurement" establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not mandate when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact of this standard on its financial position and performance. This standard becomes effective for annual periods beginning on or after January 01, 2013.

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 Group'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 Group's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Classification of investments

- In classifying investments as "held-for-trading" the Group has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as "held-to-maturity" the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as held-for-trading or held-to-maturity are classified as available-for-sale.

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

The Group reviews its loan portfolio and debt securities classified as investments to assess amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirements of the Prudential Regulations are considered. For portfolio provision on consumer advances, the Group 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 Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

iv) Income taxes

In making the estimates for income taxes currently payable by the Group, the management looks at the current income tax laws and the decisions of appellate authorities. In determination of deferred taxes, estimates of the Group's future taxable profits are taken into account.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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 statement of financial position date and the rates contracted.

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

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

vii) **Defined 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 of the Group are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2010 and of the bank for the year ended December 31, 2011 except as stated in note 3.3. Significant accounting policies are enumerated as follows:

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial institutions

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

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

Securities sold subject to a re-purchase agreement are retained in the consolidated 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 consolidated 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 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.

5.3 Investments

5.3.1

The Group 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.

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.

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(b) **Held-to-maturity**

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

(c) **Available-for-sale**

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

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

Unquoted equity securities are valued at the lower of cost and break-up value. 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 Group 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.

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

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

5.5 **Operating fixed assets and depreciation**

Tangible assets

Property and equipment owned by the Group, other than land which is not depreciated, are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Land is carried at revalued amount.

Depreciation is calculated using the straight line method, except buildings which are depreciated using the reducing balance method, to write down the cost / carrying value 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 reporting 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.

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

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

Intangible assets

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

Capital work-in-progress

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

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

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

"The Group 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".

5.7 Staff retirement and other benefits

5.7.1 The Bank (Holding Company)

5.7.1.1 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.

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Until December 31, 2008, the Bank operated a contributory benevolent fund, which was discontinued 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, excess 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.

5.7.1.2 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 reporting date, based on actuarial valuation using Projected Unit Credit Method.

5.7.2 The subsidiary - defined contribution plan

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.

5.8 Assets acquired in satisfaction of claims

The Group 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.

5.9 Deposits

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

5.10 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.

5.11 Impairment

At each reporting date, the Group 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.

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 Group 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.

5.12 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Group to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

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

5.13 Dividend distribution and appropriations

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

5.14 Foreign currencies

a) Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the reporting date. Foreign bills purchased are valued at spot rate and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) 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 reporting date.

5.15 Financial instruments

5.15.1 Financial assets and liabilities

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

5.15.2 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.

5.16 Off setting

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

5.17 Revenue recognition

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

a) Advances and investments

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

Interest or mark-up recoverable on classified loans 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.

5.18 **Segment reporting**

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, whereas a geographical segment is one engaged in providing certain products or services within a particular economic environment. The Group comprises of the following main business segments:

5.18.1 **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 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 services of funds management and investment related activities.

5.18.2 **Geographical segments**

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

5.19 **Earnings per share**

The Group 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 Group by the weighted average number of ordinary shares outstanding during the period.

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	Note	December 31, 2011	December 31, 2010
Rupees in '000			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		6,160,188	4,604,357
Foreign currencies		373,486	352,944
		6,533,674	4,957,301
Remittances in transit		608,439	658,678
With State Bank of Pakistan (SBP) in			
Local currency current accounts	6.1	15,036,087	14,193,354
Foreign currency current account	6.2	2,040	2,639
		15,038,127	14,195,993
Foreign currency deposit accounts			
- Non remunerative	6.3	1,778,924	1,401,830
- Remunerative	6.3 & 6.4	5,336,771	4,205,490
		7,115,695	5,607,320
With National Bank of Pakistan in			
Local currency current accounts		7,138,145	5,821,160
National Prize Bonds		45,685	25,206
		36,479,765	31,265,658

- 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 to comply with their requirements issued from time to time.
- 6.4 The special cash reserve currently carries no mark-up.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		320	284
On deposit accounts		-	145
Outside Pakistan			
On current accounts	7.1	331,442	579,271
On deposit accounts		1,347,359	-
		1,679,121	579,700

- 7.1 Included in Nostro accounts are balances, aggregating to Rs. 131.749 million (2010: Rs.126.448 million), representing balances held with a related party outside Pakistan.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Repurchase agreement lendings (Reverse Repo)	8.1, 8.3 & 8.4	1,361,754	11,392,277
Certificates of investment	8.2	70,000	96,667
		1,431,754	11,488,944
Provision against lendings to financial institutions	8.5	(70,000)	-
		1,361,754	11,488,944

- 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 rate of 11.90% (2010: 12.50 % and 13.25 %) per annum and will mature on January 03, 2012.
- 8.2 This represents classified certificates of investment (Markup for 2010: 13.26% per annum).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

		December 31, 2011	December 31, 2010
		Rupees in '000	
8.3	Particulars of lending		
	In local currency	1,361,754	11,488,944
	In foreign currencies	-	-
		<u>1,361,754</u>	<u>11,488,944</u>

8.4 Securities held as collateral against lending to Financial Institutions

	December 31, 2011			December 31, 2010		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
Market Treasury Bills	1,361,754	-	1,361,754	11,392,277	-	11,392,277
	<u>1,361,754</u>	<u>-</u>	<u>1,361,754</u>	<u>11,392,277</u>	<u>-</u>	<u>11,392,277</u>

		December 31, 2011	December 31, 2010
		Rupees in '000	
8.5	Particulars of provision		
	Opening balance	-	280,595
	Charge for the year	70,000	-
	Reversal	-	(280,595)
	Net charge / (reversal)	70,000	(280,595)
	Closing balance	<u>70,000</u>	<u>-</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

9. INVESTMENTS

	Note	December 31, 2011			December 31, 2010		
		Held by Group	Given as collateral	Total	Held by Group	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
Units of open-end mutual funds - related party		446,148	-	446,148	1,229,049	-	1,229,049
		446,148	-	446,148	1,245,102	-	1,245,102
<i>Available-for-sale securities</i>							
Market treasury bills		92,151,063	29,859,590	122,010,653	57,547,817	2,298,869	59,846,686
Pakistan investment bonds		147,290	-	147,290	246,764	-	246,764
Ordinary shares of listed companies / certificates of mutual funds		10,727,056	-	10,727,056	5,564,180	-	5,564,180
Preference shares		149,355	-	149,355	282,688	-	282,688
Units of open end mutual funds		5,210,776	-	5,210,776	1,655,757	-	1,655,757
Ordinary shares of unlisted companies		1,643,673	-	1,643,673	245,193	-	245,193
Investment in related parties							
- Listed shares		-	-	-	1,948,264	-	1,948,264
- Unlisted shares		242,496	-	242,496	602,496	-	602,496
- Units of open end mutual funds		13,690,232	-	13,690,232	1,000,000	-	1,000,000
Sukuk bonds		3,598,872	-	3,598,872	4,783,539	-	4,783,539
Term finance certificates (TFCs)		3,395,447	-	3,395,447	29,967,464	-	29,967,464
		130,956,260	29,859,590	160,815,850	103,844,162	2,298,869	106,143,031
<i>Held-to-maturity securities</i>							
Pakistan investment bonds		27,574,628	-	27,574,628	7,493,147	-	7,493,147
Foreign currency bonds (US\$)		1,591,392	-	1,591,392	645,701	-	645,701
TFCs, Debentures, Bonds and PTCs		5,766,862	-	5,766,862	5,878,932	-	5,878,932
		34,932,882	29,859,590	34,932,882	14,017,780	2,298,869	14,017,780
<i>Investment at cost</i>							
		166,335,290	29,859,590	196,194,880	119,107,044	2,298,869	121,405,913
<i>Provision for diminution in the value of investments</i>							
	9.3	(2,703,761)	-	(2,703,761)	(2,681,810)	-	(2,681,810)
Investment (net of provisions)		163,631,529	29,859,590	193,491,119	116,425,234	2,298,869	118,724,103
<i>Unrealized gain/(loss) on revaluation of held-for-trading securities</i>							
	9.13	6,030	-	6,030	(2,668)	-	(2,668)
<i>Surplus / (deficit) on revaluation of available-for-sale securities</i>							
	21.2	2,264,670	27,819	2,292,489	2,439,434	(2,139)	2,437,295
Total investments at market value		165,902,229	29,887,409	195,789,638	118,862,000	2,296,730	121,158,730

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
9.2. INVESTMENTS BY SEGMENTS:			
Federal Government Securities:			
- Market Treasury Bills	9.2.1 - 9.2.3	122,010,653	59,846,687
- Pakistan Investment Bonds	9.2.1	27,721,918	7,739,911
- Foreign Currency Bonds (US\$)	9.2.1 - 9.2.4	1,591,392	645,701
- Ijara Sukuk Bonds		-	100,000
Fully paid up ordinary shares of listed companies / certificates of mutual funds	9.4	10,727,056	7,528,496
Fully paid up ordinary shares of unlisted companies	9.5	1,886,169	847,689
Investment in units of open end mutual funds	9.6	19,347,156	3,884,806
Fully paid up Preference Shares	9.7	149,355	282,688
Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates:			
Term Finance Certificates	9.8		
- Listed		1,031,112	1,136,474
- Unlisted		4,594,014	31,099,144
Debentures	9.9	-	63,479
Sukuk Bonds	9.10	7,135,252	8,225,203
Participation Term Certificates	9.11	803	5,636
Total investments at cost		196,194,880	121,405,913
Less: Provision for diminution in the value of investments	9.3	(2,703,761)	(2,681,810)
Investments (net of provisions)		193,491,119	118,724,103
Unrealized loss on revaluation of Held-for-trading securities	9.13	6,030	(2,668)
Surplus on revaluation of Available-for-sale securities	21.2	2,292,489	2,437,295
Total investments at market value		195,789,638	121,158,730

9.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January, 2012 To December, 2012	On maturity	At maturity
Foreign Currency Bonds (US\$)	March, 2016	On maturity	Half Yearly
Pakistan Investment Bonds	June, 2012 To August, 2016	On maturity	Half Yearly

9.2.2 Included herein are Market Treasury Bills having a book value of Rs. 29,519.79 million (2010: Rs.1,992.376 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. 339.80 million (2010: Rs 339.80 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, 2011

9.2.4 Investment in Foreign Currency Bonds

Name of Bond	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due	Redemption Period	December 31, 2011	December 31, 2010	
						Rupees in '000		
US \$ Bonds								
Euro Dollar Bond (\$3,000,000)	7.125%	01-Oct-09	31-Mar-16	31-Mar-12	6.5 Years	245,360	229,375	
Euro Dollar Bond (\$3,200,000)	7.125%	24-May-10	31-Mar-16	31-Mar-12	5.9 Years	274,465	258,928	
Euro Dollar Bond (\$2,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	167,590	157,398	
Euro Dollar Bond (\$1,800,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	151,270	-	
Euro Dollar Bond (\$2,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	159,869	-	
Euro Dollar Bond (\$3,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	239,790	-	
Euro Dollar Bond (\$3,000,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	245,510	-	
Euro Dollar Bond (\$1,457,000)	7.125%	30-Mar-06	31-Mar-16	31-Mar-12	10 Years	107,538	-	
						<u>1,591,392</u>	<u>645,701</u>	
						Note	December 31, 2011	December 31, 2010
						Rupees in '000		

9.3. Particulars of Provision

Opening balance		2,681,810	2,185,929
Charge for the year		344,752	1,359,432
Reversals		(115,749)	(70,028)
Net charge		229,003	1,289,404
Reversal as gain on disposal		(75,417)	(793,523)
Amounts written off		(131,635)	-
Closing balance	9.3.1	<u>2,703,761</u>	<u>2,681,810</u>

9.3.1 Particulars of provision in respect of type and segment

By type			
Available-for-sale securities			
Ordinary shares of listed companies / certificates of mutual fund		505,639	571,682
Ordinary shares of unlisted companies		7,050	27,832
Preference shares		149,355	149,355
Units of open end mutual fund		148,764	55,424
Sukuk Bonds		23,731	105,528
Term Finance Certificates		108,631	125,000
		<u>943,170</u>	<u>1,034,821</u>
Held-to-maturity securities			
TFCs, Debentures, Bonds and PTCs		1,760,591	1,646,989
		<u>2,703,761</u>	<u>2,681,810</u>
By Segment			
Fully Paid up Ordinary Shares:			
- Listed companies		505,639	571,682
- Unlisted companies		7,050	27,832
- Preference Shares		149,355	149,355
		<u>662,044</u>	<u>748,869</u>
Units of open end mutual fund		148,764	55,424
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Bonds		1,171,678	1,141,621
Term Finance Certificates		720,472	666,781
Debentures		-	63,479
Participation Term Certificates		803	5,636
		<u>1,892,953</u>	<u>1,877,517</u>
		<u>2,703,761</u>	<u>2,681,810</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

9.4 Investments in Listed Shares / certificates of mutual funds

Name of Company / mutual fund	Cost per share / certificates Rupees	2011		2010	
		No. of shares / certificates	Total Cost Rupees '000	No. of shares / certificates	Total Cost Rupees '000
Available-for-Sale					
Attock Petroleum Limited	390.91	760,179	297,164	-	-
Bank Al Habib Limited	-	-	-	1,000,000	33,551
Dadabhoy Leasing Company Limited	-	-	-	47,300	-
Dadabhoy Modaraba	-	-	-	567,500	5,025
D.G.Khan Cement Limited	23.45	11,859,786	278,093	7,387,891	189,063
Engro Corporation Limited	-	-	-	3,594,372	613,592
Eye Television Network Limited	-	-	-	2,748,917	58,024
Fatima Fertilizer Company	18.54	50,000,000	927,047	-	-
Fauji Fertilizer Company	92.62	27,241,010	2,523,073	15,894,987	1,374,557
First Equity Modaraba	1.24	519,914	645	-	-
Habib Bank Limited	104.61	2,319,067	242,587	2,000,000	200,205
Hub Power Company Limited	34.79	53,372,029	1,856,665	39,009,500	1,226,828
Kaiser Arts & Craft Limited	-	-	-	766,500	-
Lucky Cement Limited.	82.09	10,015,000	822,101	-	-
Meezan Bank Limited	-	-	-	1,990,762	32,027
MCB Bank Limited	160.45	1,308,721	209,980	-	-
Mohib Export Limited.	-	-	-	21,275	-
Namco Balanced Fund	4.46	2,160,000	9,640	-	-
National Refinery Limited	307.61	784,960	241,464	1,773,220	338,125
Nishat (Chunian) Limited	16.06	15,964,185	256,353	8,000,000	192,909
Nishat Chunian Power Limited	10.00	30,000,000	300,000	36,734,693	367,347
Nishat Chunian Power Limited (underwriting)	14.40	6,700,000	96,480	-	-
Nishat Mills Limited	46.54	5,000,000	232,681	7,795,000	390,800
Nishat Power Limited	10.00	30,000,000	300,000	35,408,850	354,088
Otsuka Pakistan Limited	34.92	95,517	3,335	95,517	3,335
Pakistan International Containers Limited	9.99	57,734	577	-	-
Pakistan Oil field Limited.	295.41	5,170,307	1,527,373	5,200,000	1,301,823
Pakistan Petroleum Limited.	180.61	1,249,714	225,708	-	-
Pakistan State Oil	-	-	-	2,000,000	499,119
PICIC Growth Mutual Fund	13.51	26,765,844	361,635	14,186,600	200,451
PICIC Growth Fund	-	-	-	63,400	2,061
Pioneer Cement Limited	5.97	106,784	638	-	-
Redco Textile Mills Limited	-	-	-	300	3
S.G. Fibers Limited.	-	-	-	788,800	45,908
SAFA Textile Mills Limited	-	-	-	860,200	8,602
Safe Way Mutual Funds	8.63	1,601,045	13,817	-	-
UBL Capital Protected Fund	-	-	-	8,420,250	75,000
Held-for-Trading					
Japan Power Generation Limited	-	-	-	7,925,040	15,295
Pioneer Cement Limited	-	-	-	106,784	758
			10,727,056	7,528,496	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

9.5 Investment in Un-Listed Shares

Name of Company	Percentage of Holding	No. of shares	Break-up Value per shares	Paid up Value per share	Cost	Based on audited accounts as at	Name of Chief Executive/Managing Agent
Rupees '000							
Arabian Sea Country Club Limited - related party	6.45%	500,000	7.90	10	5,000	30-Jun-11	Mr. Arif Khan Abbasi
Atlas Power Limited	7.49%	35,500,000	14.02	10	355,000	30-Jun-11	Mr. Yousaf H. Shirazi
First Women Bank Limited - related party	8.97%	6,996,000	15.97	10	21,200	30-Sep-11	Ms. Shafqat Sultana
Habib Allied International Bank - related party	9.50%	2,375,000	272.99	139	214,769	31-Dec-10	Mr. R. Zakir Mahmood
Khushhali Bank Limited.	11.73%	20,000,000	12.94	10	200,000	31-Dec-10	Mr. M. Ghalib Nishtar
National Institutional Facilitation Technologies (Pvt) Limited (NIFT) - related party	9.07%	985,485	51.34	10	1,526	30-Jun-11	Mr. Muzaffar M khan
Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	3.33%	1,000	(162,421)	1,000	1,000	31-Mar-10	Maj. Gen Sohail Shafkat
Security General Insurance Company Limited	18.22%	12,401,871	102.09	10	1,075,653	31-Dec-10	Ms. Nabiha Shahnawaz
SME Bank Limited.	0.32%	774,351	8.33	10	5,250	31-Dec-10	Mr. R.A. Chughtai
SWIFT	8.99%	10	309,391	177,100	1,771	31-Dec-10	Mr. Lazaro Campos
Eastern Capital Limited	-	500,000	-	10	5,000	-	Under liquidation
Equity Participation Fund	-	1	-	100	-	-	Mr. Jamal Nasim
					1,886,169		

9.6 Detail of Investment in Open Ended Mutual Funds

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2011	2010		2011	2010
	Rupees			Rupees in '000	
ABL Cash Fund - related party	929,819,908	107,542,280	10	9,381,246	1,097,687
ABL Government Securites Fund - related party	77,518,682	-	10	775,000	-
ABL Income Fund - related party	379,529,737	81,671,638	10	3,798,213	811,204
ABL Stock Fund - related party	12,533,357	13,361,352	10	124,395	134,861
ABL Islamic Cash Fund - related party	5,820,385	19,229,597	10	57,526	185,297
AH Dow Jones Safe Pak Titans	400,000	400,000	50	20,000	20,000
Atlas Money Market Fund	99,502	99,502	500	50,000	50,000
AMZ Plus Income Fund	108,786	563,126	100	10,707	55,424
Crosby Phoenix Fund	192,381	435,545	100	20,000	44,296
HBL Money Market Fund	9,645,387	-	100	1,000,000	-
JS Aggressive Income Fund	1,015	-	100	-	-
KASB Liquid Fund	3,468,894	3,644,483	100	325,019	341,885
Lakson Money Market Fund	2,490,957	249,097	100	250,000	250,000
MCB Cash Optimizer Fund	14,908,432	-	100	1,500,000	-
Meezan Cash Fund	9,972,078	-	50	500,000	-
NAFA Cash Fund	82,680,350	93,969,726	10	785,050	894,152
UBL Liquidity Plus Fund	7,433,989	-	100	750,000	-
				19,347,156	3,884,806

9.7 Detail of Investment 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, 2011	Based on audited accounts as at	Name of Chief Executive/Managing Agent
				Rupees	Rupees in '000			
First Dawood Investment Bank Ltd	9.7.1	13.88%	9,935,500	10	99,355	99,355	30 June 11	Mr. Abdus Samad Khan
Trust Investment Bank Ltd	9.7.2	16.31%	5,000,000	10	50,000	50,000	30 June 11	Mr. Shahid Iqbal
					149,355			

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

9.7.2 This represents KIBOR plus 1% cumulative preference shares with call option available to the issuer and Conversion Option available to the Bank, after completion of three years from the date of issue.

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9.8 Detail of Investment in TFCs

Name of Company	No. of Units		Paid-up value per Certificate	Total Cost	
	2011	2010		2011	2010
			Rupees	Rupees in '000	
Listed					
Standard Chartered Bank (Pakistan) Limited	10,000	10,000	5,000	34,960	47,420
Engro Fertilizers Limited	4,000	4,000	5,000	19,998	20,006
Pakistan Mobile Communication Limited	15,000	15,000	5,000	75,000	75,000
Faysal Bank Limited	70,000	70,000	5,000	349,860	350,000
United Bank Limited-3rd Issue	10,000	10,000	5,000	49,900	49,920
United Bank Limited -4th Issue	37,000	37,000	5,000	184,741	184,815
Searle Pakistan Limited	-	10,000	5,000	-	6,248
PakArab Fertilizers Limited	84,080	84,080	5,000	311,096	395,176
Azgard Nine Limited	1,300	1,300	5,000	4,327	4,327
Orix Leasing Pakistan Limited	1,500	1,500	5,000	1,230	3,562
				1,031,112	1,136,474
Unlisted					
Askari Bank Limited (Chief Executive: Mr. Muhammad Rafiquddin Mehkari)	30,000	20,000	5,000	149,920	99,960
Faysal Bank Limited (Royal Bank of Scotland) (Chief Executive: Mr. Naved A. Khan)	7,000	7,000	5,000	17,465	26,201
NIB Bank Limited (Chief Executive: Mr. Badar Kazmi)	76,789	76,789	5,000	383,407	383,561
United Bank Limited-PPTFC (Chief Executive: Mr. Atif Bokhari)	122,558	122,558	5,000	611,932	612,177
Telecard Limited (Chief Executive: Mr. Fazal Hussain)	75,888	75,888	5,000	139,444	139,444
Escort Investment Bank Limited (Chief Executive: Ms. Shazia Bashir)	20,000	20,000	5,000	29,976	49,960
Financial Receivable Securitization Company Limited (Chief Executive: Mr. Teizon Kissat)	21,000	21,000	5,000	50,402	70,563
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizon Kissat)	23,000	23,000	100,000	1,150,000	1,916,667
Dewan Farooque Spinning Mills Limited (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	49,950	74,950
Javedan Cement Limited (Formerly Al-Abbas Holding (Pvt) Limited) (Chief Executive: Mr. Samad A. Habib)	5,750	5,750	100,000	499,702	503,125
Javedan Cement Limited (Formerly Ghani Holding (Pvt) Limited) (Chief Executive: Mr. Samad A. Habib)	5,750	5,750	100,000	499,702	503,125
Javedan Cement Limited (Chief Executive: Mr. Samad A. Habib)	2,500	2,500	100,000	217,262	250,000
Grays Leasing Limited (Chief Executive: Mr. Muhammad Tahir Butt)	-	18,000	5,000	-	20,000
Aruj Textile Mills Limited (Chief Executive: Jamal Tahir)	-	5	654,970	-	615
Blue Star Spinning Mills Limited (Chief Executive: Ch. Ijaz Safdar)	-	1	165,291	-	-
	-	1	270,681	-	-
	-	1	263,639	-	-
	-	1	251,937	-	-
	-	1	244,584	-	-
	-	1	233,192	-	-
	-	1	225,529	-	-
	-	1	214,966	-	-
	-	1	206,474	-	-
	-	1	195,704	-	-
	-	1	187,419	-	-
	-	1	176,954	-	-
	-	1	168,364	-	-
	-	1	158,215	-	-
	-	1	149,309	-	-
	-	1	139,574	-	-
	-	1	130,254	-	1,726

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

Name of Company	No. of Units		Paid-up value per Certificate Rupees	Total Cost Rupees in '000	
	2011	2010		2011	2010
Bentonite Limited (Chief Executive: Mr. Khalid Shakeel)	-	13	107,610		
	-	1	107,619		
	-	1	470,440		
	-	15	20,100		
	-	1	20,680	-	1,360
Shah Jewana Textile Mills Limited (Chief Executive: Mr. Mian Asad Ehsan)	-	13	40,010		
	-	1	40,069		
	-	11	12,090		
	-	1	120,127	-	118
Choudhry Wire Rope Industries (Chief Executive: Ch. Muhammad Akram)	-	13	217,000		
	-	1	228,902	-	621
Sadhuja Textile Mills Limited (Chief Executive: Mr. Ali Asghar)	-	1	137,946		
	-	3	278,924		
	-	2	274,376		
	-	1	2,790,892	-	916
Tanocraft Limited (Chief Executive: Mr. Ashfaq Hassain)	-	15	59,500		
	-	1	60,942		
	-	5	69,900		
	-	1	70,385	-	145
Khairpur Sugar Mills Limited (Chief Executive: Mr. Muhammad Mubeen Jumani)	13	13	55,536		
	1	1	55,538		
	5	5	337,000		
	1	1	337,077	670	887
Bachani Sugar Mills Limited (Chief Executive: Mr. Najmuddin Ansari)	23	23	135,227		
	1	1	135,236		
	14	14	1,526,874		
	13	13	655,656		
	1	1	655,657	12,667	12,667
Frontier Ceramics (Chief Executive: Mr. Omer Khalid)	15	15	117,000		
	1	1	118,846		
	13	13	224,000		
	1	1	217,221		
	13	13	113,000		
	1	1	113,960	955	1,466
Bank Al-Habib TFC 3 (Chief Executive: Mr. Abbas D. Habib)	60,000	60,000	5,000	299,400	299,640
Bank Al-Habib TFC 4 (Chief Executive: Mr. Abbas D. Habib)	90,000	-	5,000	449,910	-
National Transmission Distribution Company Limited (PPTFC) (Chief Executive: Mr. Rasul Khan Mahsud)	-	2,348,200	5,000	-	11,741,000
Power Holding (Pvt) Limited (Islamabad Electric Supply Corporation) (Chief Executive: Mr. Fazeel Asif)	-	300	10,000,000	-	3,000,000
Power Holding (Pvt) Limited (Lahore Electric Supply Corporation) (Chief Executive: Mr. Fazeel Asif)	-	300	10,000,000	-	3,000,000
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	5,000	-	6,357,000
				4,594,014	31,099,144

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

9.9 Detail of Investment in Debentures

Name of company	Terms			Cost	
	Principal	Interest	Rate of Interest	2011	2010
Rupees in '000					
Public Sector					
Haripur Cold Storage	Overdue	Overdue	12.50%	-	500
Haripur Cold Storage	Overdue	Overdue	12.50%	-	459
Haripur Cold Storage	Overdue	Overdue	12.50%	-	56
Karachi Development Authority	Overdue	Overdue	12.00%	-	62,355
Private Sector					
EFFF Industries	Overdue	Overdue	14.00%	-	109
				-	63,479

9.10 Detail of Investment in Bonds

Name of Bond / Sukuk	Coupon Rate	Date of Issue	Date of Maturity	Coupon Due Date	Coupon Frequency	Cost	
						2011	2010
Rupees in '000							
Sukuk Bonds							
Dawood Hercules Limited	6MK + 1.2%	18-Sep-07	18-Sep-12	18-Mar-12	Half Yearly	-	904,800
Security Leasing Corporation Limited	6 MK + 2%	06-Jan-07	31-Mar-14	20-Jan-12	Monthly	94,922	137,109
Century Paper & Board Mills Limited	Last 5 Days 6 Month avg K + 1.35%	25-Sep-07	24-Sep-14	25-Mar-12	Half Yearly	690,000	920,000
K.S. Sulemanji Esmailji & Sons Limited	3 MK + 2.4%	30-Jun-08	30-Jun-12	31-Mar-12	Quarterly	79,760	142,500
Liberty Power Tech. Limited	3 MK + 3%	31-Mar-09	31-Mar-19	31-Mar-12	Half Yearly	2,689,191	2,530,797
Al-Zamin Leasing Modaraba	6 MK + 1.9%	12-May-08	12-May-12	12-May-12	Half Yearly	151,802	154,375
Quetta Textile Mills Limited	6 MK + 1.5%	27-Sep-08	27-Sep-15	27-Mar-12	Half Yearly	45,000	48,333
Shahraj Fabrics Pvt Limited	6 MK + 2.10%	08-Mar-08	08-Mar-13	08-Mar-12	Half Yearly	200,000	200,000
Maple Leaf Cement Factory Limited	3 MK + 1.0%	03-Dec-07	03-Dec-18	03-Mar-12	Quarterly	3,184,577	3,187,289
						7,135,252	8,225,203

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

Name of the Borrower	No. of Certificates		Value per Certificate	Cost	
	2011	2010		2011	2010
Rupees in '000					
Crystal Chemicals (Chief Executive: Mr. Maqsood A Shaikh)	-	1	59,000	-	1,559
MAS Dairies Limited. (Chief Executive: Mian Nisar Akhtar)	-	1	50,000	-	1,009
Pangrio Sugar Mills Limited (Chief Executive: Mr. Sajid Hussain Naqvi)	15	15	236,000		
	1	1	240,000		
	1	1	168,000		
	13	13	169,000	803	3,068
				803	5,636

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

9.12 Quality of Available for Sale Securities

Name of Security	2011		2010	
	Market value / Book Value	Rating	Market value / Book Value	Rating
	Rupees '000		Rupees '000	
Government Securities				
Market Treasury Bills	122,010,653	Un Rated	59,846,686	Un Rated
Pakistan Investment Bonds	147,290	Un Rated	246,764	Un Rated
Government of Pakistan Ijara Sukuk	-	-	100,000	Un Rated
Listed TFCs				
Azgard Nine Limited	4,327	D	4,327	A
Faysal Bank Limited	349,860	AA-	350,000	AA-
Pak Arab Fertilizers Limited	311,096	AA	395,176	AA
Standard Chartered Bank (Pakistan) Limited (Union Bank)	34,960	AAA	47,420	AAA
United Bank Limited-3rd issue	49,900	AA	49,920	AA
United Bank Limited-4th issue	184,741	AA	184,815	AA
ORIX Leasing Pakistan Limited	1,230	AA+	3,562	AA+
Pakistan Mobile Communication Limited	75,000	**	65,476	**
Engro Fertilizers Limited	20,000	**	19,580	**
Unlisted TFCs				
Askari Bank Limited	149,920	AA-	99,960	AA-
Faysal Bank Limited (Royal Bank Of Scotland)	17,465	AA-	26,201	AA-
Escort Investment Bank Limited	29,976	BB	49,960	A
Financial Receivable Securitization Company Limited-A	30,361	A+	42,505	A+
Financial Receivable Securitization Company Limited-B	20,042	A+	28,058	A+
Searle Pakistan Limited	-	-	6,248	A-
National Transmission Distribution Company Limited (PPTFC)	-	-	11,741,000	**
Javedan Cement Limited	217,262	**	250,000	**
Grays Leasing	-	-	20,000	A-
Bank Al-Habib Limited TFC 3	299,400	AA	299,640	AA
Bank Al-Habib Limited TFC 4	449,910	AA	-	-
ORIX Leasing Pakistan Limited	1,150,000	AA+	1,916,667	AA+
Power Holding (Pvt) Limited	-	-	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	**
Shares Unlisted				
Arabian Sea Country Club Limited*	5,000	**	50,000	**
Attock Textile Mills Limited	-	-	506	**
Atlas Power Limited*	355,000	AA&A1+	355,000	**
Dawood Family Takaful Limited	-	-	35,000	A-
Eastern Capital Limited*	5,000	**	5,000	**
Equity Participation Fund*	-	**	-	**
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	**
Khushhali Bank Limited*	200,000	A&A-1	200,000	A-&A-2
National Woolen Mills	-	-	52	**
NIFT*	1,526	**	1,526	**
PASSCO*	1,000	**	1,000	**
Ruby Rice & Gen Mills	-	-	105	**
Security General Insurance Life	1,075,653	A+	-	-
SME Bank Limited*	5,250	BBB&A-3	5,250	BBB&A-3
SWIFT	1,771	**	1,771	**
Shares / Certificates Listed				
Attock Petroleum Limited	297,164	AA&A1+	-	-
Bank Al-Habib Limited	-	-	33,551	AA+ &A1+
Dadabhoy Modaraba	-	-	5,025	**
D.G. Khan Cement Limited	278,093	**	189,063	**
Engro Chemical Pakistan Limited	-	-	613,592	AA&A1+
Eye Television Network Limited	-	-	58,024	A&A1
Fatima Fertilizer Company Limited	927,047	A & A1	-	-
Fauji Fertilizer Company Limited*	998,879	**	998,879	**

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

Name of Security	2011		2010	
	Market value/Book Value	Rating	Market value/Book Value	Rating
	Rupees '000		Rupees '000	
Fauji Fertilizer Company Limited	1,524,194	**	375,677	**
First Equity Modaraba	645	**	-	-
Habib Bank Limited	242,587	AA+&A-1+	200,205	AA+&A1+
Hub Power Company Limited*	999,085	AA+&A1+	999,085	AA+&A1+
Hub Power Company Limited	857,580	AA+&A1+	227,743	AA+&A1+
Lucky Cement Limited	822,101	**	-	-
Meezan Bank Limited	-	-	32,027	AA-&A-1
MCB Bank Limited	209,980	AA+&A1+	-	-
Namco Balanced Fund	9,640	**	-	-
National Refinery Limited	241,464	AAA&A1+	338,125	AAA&A1+
Nishat (Chunian) Limited	256,353	**	192,909	A&A-2
Nishat Chunian Power Limited*	300,000	AA-&A1+	300,000	AA-&A1+
Nishat Chunian Power Limited	96,480	AA-&A1+	67,347	AA-&A1+
Nishat Mills Limited	232,681	AA- & A1+	390,800	A+&A1
Nishat Power Limited*	300,000	AA-&A1+	300,000	AA-&A1+
Nishat Power Limited	-	-	54,089	AA-&A1+
Otsuka Pakistan Limited	3,335	**	3,335	**
Pakistan International Containers Limited	577	A+ & A1	-	-
Pakistan Oilfield Limited	1,527,373	**	1,301,823	**
Pakistan Petroleum Limited	1,249,714	**	-	-
Pakistan State Oil Limited	-	-	499,119	AA+&A1+
PICIC Growth Mutual Fund	361,635	**	202,512	**
Pioneer Cement Limited	638	**	-	-
Redco Textile Mills Limited	-	-	3	**
S.G. Fibers Limited	-	-	45,908	**
SAFA Textile Mills Limited	-	-	8,602	**
Safe Way Mutual Funds	13,817	AM4+	-	-
UBL Capital Protected Fund	-	-	75,000	AA+(cpf)
Preference Shares				
Trust Investment Bank Limited	50,000	BBB & A3	50,000	BBB-&A3
First Dawood Investment Bank	99,355	D	99,355	D&D
Fazal Cloth Mills Limited	-	-	75,000	A-&A2
Masood Textile Limited	-	-	58,333	**
Investment in Mutual Funds				
ABL Cash Fund	9,340,232	AA+(f)	249,469	AA+(f)
ABL Government Securities Fund	500,000	A+(f)	-	-
ABL Income Fund	3,750,000	A+(f)	816,780	A+(f)
ABL Stock Fund	100,000	MFR 5-Star	141,560	MFR 5-Star
ABL Islamic Cash Fund	-	-	192,456	Un Rated
AH Dow Jones Safe Pak Titans	20,000	**	20,000	**
Atlas Money Market Fund	50,000	AA+(f)	50,000	AA+(f)
AMZ Plus Income Fund	10,707	**	55,424	BB(f)
Crosby Phoenix Fund	20,000	A(f)	44,296	A(f)
HBL Money Market Fund	1,000,000	AA+(f)	-	-
KASB Liquid Fund	325,018	BBB(f)	341,885	BBB+(f)
Lakson Money Market Fund	250,000	AA(f)	250,000	AA(f)
MCB Cash Optimizer Fund	1,500,000	AA+(f)	-	-
Meezan Cash Fund	500,000	AA(f)	-	-
NAFA Cash Fund	785,050	A(f)	894,151	A+(f)
UBL Liquidity Plus Fund	750,000	AA+(f)	-	-
Sukuk Bonds				
Security Leasing Corporation Limited	94,922	**	137,109	**
Century Paper & Board Mills Limited	690,000	A+	920,000	A+
Dawood Hercules Limited	-	-	904,800	**
K.S. Sulemanji Esmailji & Sons	79,760	**	142,500	**
Liberty Power Tech Limited	2,689,191	AA-	2,530,797	AA-
Quetta Textile Mills Limited	45,000	**	48,333	**

* Strategic Investments of the Bank
 ** Ratings are not available

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
9.13	Unrealized gain / (loss) on revaluation of investments classified as held-for-trading Ordinary shares of listed companies / units of mutual funds		
	Pioneer Cement Limited	-	(35)
	Japan Power Generation Limited	-	(1,902)
	Japan Power Generation Limited	-	(14,790)
	ABL Cash Fund	2,090	-
	ABL Income Fund	1,879	5,576
	ABL Stock Fund	183	6,700
	ABL Islamic Income Fund (ABL Islamic Cash Fund)	903	1,783
	ABL Government Securities Fund	975	-
		<u>6,030</u>	<u>(2,668)</u>

10. ADVANCES

	Loans, cash credits, running finances, etc. - in Pakistan		256,555,593	263,057,934
	Net investment in finance lease - in Pakistan	10.2	1,748,858	1,261,371
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		1,769,188	973,826
	Payable outside Pakistan		2,069,915	3,239,841
			<u>3,839,103</u>	<u>4,213,667</u>
	Advances - gross		<u>262,143,554</u>	<u>268,532,972</u>
	Provision for non-performing advances	10.4	(17,671,070)	(15,420,788)
	General provision for consumer financing	10.4	(32,647)	(9,474)
			<u>(17,703,717)</u>	<u>(15,430,262)</u>
	Advances - net of provision		<u>244,439,837</u>	<u>253,102,710</u>

10.1 Particulars of advances (Gross)

10.1.1	In local currency		258,299,094	265,266,359
	In foreign currencies		3,844,460	3,266,613
			<u>262,143,554</u>	<u>268,532,972</u>
10.1.2	Short term (for upto one year)		106,923,713	160,254,440
	Long term (for over one year)		155,219,841	108,278,532
			<u>262,143,554</u>	<u>268,532,972</u>

10.2 Net investment in finance lease

	December 31, 2011				December 31, 2010			
	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	404,737	722,438	511,106	1,638,281	274,677	531,796	383,700	1,190,173
Residual value	45,621	221,157	128,082	394,860	51,759	135,880	65,555	253,194
Minimum lease payments	450,358	943,595	639,188	2,033,141	326,436	667,676	449,255	1,443,367
Financial charges for future periods	(96,234)	(104,188)	(83,861)	(284,283)	(49,745)	(79,409)	(52,842)	(181,996)
Present value of minimum lease payments	<u>354,124</u>	<u>839,407</u>	<u>555,327</u>	<u>1,748,858</u>	<u>276,691</u>	<u>588,267</u>	<u>396,413</u>	<u>1,261,371</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

10.3 Advances include Rs. 20,452.465 million (2010: Rs. 18,688.166 million) which have been placed under non-performing status as detailed below:-

Category of Classification	December 31, 2011								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets Especially									
Mentioned	63,380	-	63,380	-	-	-	-	-	-
Substandard	1,780,543	-	1,780,543	444,292	-	444,292	444,292	-	444,292
Doubtful	2,711,866	-	2,711,866	1,331,198	-	1,331,198	1,331,198	-	1,331,198
Loss	15,896,676	-	15,896,676	15,895,580	-	15,895,580	15,895,580	-	15,895,580
	<u>20,452,465</u>	<u>-</u>	<u>20,452,465</u>	<u>17,671,070</u>	<u>-</u>	<u>17,671,070</u>	<u>17,671,070</u>	<u>-</u>	<u>17,671,070</u>

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
	<u>18,688,166</u>	<u>-</u>	<u>18,688,166</u>	<u>15,420,788</u>	<u>-</u>	<u>15,420,788</u>	<u>15,420,788</u>	<u>-</u>	<u>15,420,788</u>

10.4 Particulars of provision against non-performing advances

Note	December 31, 2011			December 31, 2010		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	15,420,788	9,474	15,430,262	12,535,255	7,410	12,542,665
Charge for the year	4,354,209	23,173	4,377,382	4,566,131	2,064	4,568,195
Reversals	(1,667,361)	-	(1,667,361)	(1,493,619)	-	(1,493,619)
Charged to profit and loss account	2,686,848	23,173	2,710,021	3,072,512	2,064	3,074,576
Amounts written off	10.5.1	(436,566)	-	(186,979)	-	(186,979)
Closing balance	<u>17,671,070</u>	<u>32,647</u>	<u>17,703,717</u>	<u>15,420,788</u>	<u>9,474</u>	<u>15,430,262</u>
10.4.1 In local currency	17,671,070	32,647	17,703,717	15,420,788	9,474	15,430,262
In foreign currencies	-	-	-	-	-	-
	<u>17,671,070</u>	<u>32,647</u>	<u>17,703,717</u>	<u>15,420,788</u>	<u>9,474</u>	<u>15,430,262</u>

Note	December 31, 2011	December 31, 2010
Rupees in '000		

10.5 Particulars of write offs

10.5.1	Against provisions		436,566	186,979
	Directly charged to Profit and Loss account		-	-
			<u>436,566</u>	<u>186,979</u>
10.5.2	Write Offs of Rs. 500,000 and above	10.6	414,337	113,208
	Write Offs of Below Rs 500,000		22,229	73,771
			<u>436,566</u>	<u>186,979</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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, 2011 is given in Annexure "I" of the unconsolidated financial statements of Allied Bank Limited. However, these write offs do not affect the Group's right to recover debts from these customers.

	Note	December 31, 2011	December 31, 2010
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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		5,333,962	5,358,275
Loans granted during the year		840,856	976,105
Repayments		(969,728)	(1,000,418)
Balance at end of the year		<u>5,205,090</u>	<u>5,333,962</u>

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

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	4,511,386	3,280,013
Property and equipment	11.2	13,416,635	11,906,454
Intangible assets	11.3	167,102	184,651
		<u>18,095,123</u>	<u>15,371,118</u>

11.1 Capital work-in-progress

Civil works		3,297,410	2,572,875
Equipment		325,324	46,893
Advances to suppliers and contractors (including intangible assets)		888,652	660,245
		<u>4,511,386</u>	<u>3,280,013</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

11.2 Property and equipment

Description	Note	Cost / Revaluation				Accumulated Depreciation				Annual rate of depreciation %		
		At January 1, 2011	Additions / (deletions)	Revaluation Surplus	Write-off	At December 31, 2011	At January 1, 2011	(depreciation on deletion)	Revaluation Surplus		Write-off	
Rupees in '000												
Land-Freehold	11.4	4,317,291	358,934	754,269	-	5,430,494	-	-	-	-	5,430,494	-
Land-Leasehold	11.4	1,683,382	1,292	73,303	-	1,757,977	-	-	-	-	1,757,977	-
Buildings-Freehold	11.4	1,742,072	99,461	-	-	1,841,533	165,379	82,679	(88,854)	-	159,204	1,682,329
Buildings-Leasehold	11.4	2,038,518	79,810	-	-	2,118,328	175,809	96,795	(12,234)	-	260,370	1,857,958
Building improvements (rented premises)		837,024	199,750	-	-	1,036,774	235,426	186,701	-	-	422,081	614,646
			(47)				(46)					
Furniture and fixtures		529,019	104,053	-	-	629,602	195,785	49,965	-	-	242,370	387,232
			(3,470)					(3,380)				
Electrical, office and computer equipments		3,050,236	705,776	-	-	3,739,701	1,603,539	539,030	-	-	2,128,410	1,611,291
			(16,311)					(14,159)				10 - 50
Vehicles		245,666	34,834	-	-	271,208	160,816	39,664	-	-	196,500	74,708
			(9,292)					(3,980)				20
Total		14,443,208	1,583,910	827,572	-	16,825,570	2,536,754	994,834	(101,088)	-	3,408,935	13,416,635
			(29,120)					(21,565)				

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

Description	Note	Cost / Revaluation				Accumulated Depreciation				Net book value at December 31, 2010	Annual rate of depreciation %
		At January 1, 2010	At January 1, 2010	At December 31, 2010	At January 1, 2010	At January 1, 2010	At December 31, 2010	At December 31, 2010	At December 31, 2010		
Rupees in '000											
Land-Freehold	11.4	4,329,181	1,257 (7,155) (5,992)	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	-	165,379	1,576,693	5
Buildings-Leasehold	11.4	1,748,797	289,721	2,038,518	-	85,569	90,240	-	175,809	1,862,709	5
Building improvements (rented premises)		460,971	376,264 (211)	837,024	-	95,348	140,237	-	235,426	601,598	20
Furniture and fixtures		398,736	154,466 (24,130)	529,019	(53)	179,781	39,844	-	(53)	333,234	10
Electrical, office and computer equipments		2,519,739	572,506 (41,893)	3,050,236	(116)	1,208,326	433,820	-	(111)	1,603,539	10 - 50
Vehicles		235,472	28,273 (18,079)	245,666	-	131,484	44,441	-	-	84,850	20
Total		12,410,779	2,122,903 (90,305)	14,443,208	(169)	1,796,505	819,964	-	(164)	2,536,754	11,906,454
11.3 Intangible assets											
Description	Cost			Accumulated Amortization			Rate of amortization %				
	At January 1, 2011	At December 31, 2011	At January 1, 2011	At January 1, 2011	At December 31, 2011	At December 31, 2011					
(Rupees in '000)											
Computer software	296,762	22,713	319,475	112,111	40,262	152,373	14.28				
Description	At January 1, 2010	At December 31, 2010	At January 1, 2010	At January 1, 2010	At December 31, 2010	At December 31, 2010	Rate of amortization %				
Computer software	235,648	61,114	296,762	77,208	34,903	112,111	14.28				

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

- 11.4 Bank arranged for valuation of Properties as at December 31, 2011 from three independent valuers (Akbari & Javed, Asif Associates and Harvester 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. 928.659 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	December 31, 2011	December 31, 2010
Rupees in '000		
- Land	3,869,965	3,509,739
- Building	1,202,201	1,202,404

For information regarding the location of the revalued properties, refer Annexure III of the unconsolidated financial statements of Allied Bank Limited.

- 11.5 Fair value of property and equipment excluding land and buildings is not expected to be materially different from their carrying amount. Land and Buildings were revalued as at December 31, 2011 and are carried at market value.

	Note	December 31, 2011	December 31, 2010	
Rupees in '000				
11.6	Incremental depreciation charged during the year transferred to profit & loss account	21.1	44,932	47,297
11.7	Restriction / discrepancy in the title of property having a net book value of		63,473	116,157
11.8	Carrying amount of temporarily idle property and equipment		35,550	35,550
11.9	The gross carrying amount of fully depreciated / amortized assets that are still in use:			
	Furniture and fixtures		110,201	104,795
	Electrical, office and computer equipments		875,141	592,849
	Vehicles		138,207	21,265
	Intangible assets - software		38,056	33,411
11.10	The carrying amount of property and equipment that have retired from active use and are held for disposal		328,768	-

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

- 11.12 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, 2011

		December 31, 2011	December 31, 2010
Rupees in '000			
12. DEFERRED TAX ASSET / (LIABILITY) - NET			
Deferred debits arising in respect of:			
Compensated leave absences	12.2	88,879	153,605
Provision against:	12.2		
Investments		72,699	79,098
Other assets		212,384	275,847
Off balance sheet obligations		109,432	169,525
Provision against advances		1,283,998	1,025,795
Post retirement medical benefits	12.2	224,714	276,249
Workers welfare fund		195,249	86,455
		<u>2,187,355</u>	<u>2,066,574</u>
Deferred credits arising due to:			
Surplus on revaluation of fixed assets	21.1	(334,264)	(314,611)
Surplus on revaluation of investments		(203,813)	(403,875)
Accelerated tax depreciation / amortization		(881,874)	(846,420)
Excess of investment in finance lease over written down value of leased assets		(16,432)	(18,516)
		<u>(1,436,383)</u>	<u>(1,583,422)</u>
		<u>750,972</u>	<u>483,152</u>

12.1 Reconciliation of deferred tax

	Balance as at January 01, 2010	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2010	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2011
(Rupees in '000)							
Deferred debits arising in respect of							
Compensated leave absences	216,646	(63,041)	-	153,605	(64,726)	-	88,879
Provision against:							
Investments	79,098	-	-	79,098	(6,399)	-	72,699
Other assets	305,418	(29,571)	-	275,847	(63,463)	-	212,384
Off balance sheet obligations	169,525	-	-	169,525	(60,093)	-	109,432
Advances	223,560	802,235	-	1,025,795	258,203	-	1,283,998
Post retirement medical benefits	327,168	(50,919)	-	276,249	(51,535)	-	224,714
Workers welfare fund	75,258	11,197	-	86,455	108,794	-	195,249
Loss on sale of listed shares	39,863	(39,863)	-	-	-	-	-
	<u>1,436,536</u>	<u>630,038</u>	<u>-</u>	<u>2,066,574</u>	<u>120,781</u>	<u>-</u>	<u>2,187,355</u>
Deferred credits arising due to:							
Surplus on revaluation of fixed assets	(331,165)	16,554	-	(314,611)	15,728	(35,381)	(334,264)
Surplus on revaluation of investments	(472,787)	-	68,912	(403,875)	-	200,062	(203,813)
Accelerated tax depreciation / amortization	(605,066)	(241,354)	-	(846,420)	(35,454)	-	(881,874)
Excess of investment in finance lease over written down value of leased assets	(30,891)	12,375	-	(18,516)	2,084	-	(16,432)
	<u>(1,439,909)</u>	<u>(212,425)</u>	<u>68,912</u>	<u>(1,583,422)</u>	<u>(17,642)</u>	<u>164,681</u>	<u>(1,436,383)</u>
	<u>(3,373)</u>	<u>417,613</u>	<u>68,912</u>	<u>483,152</u>	<u>103,139</u>	<u>164,681</u>	<u>750,972</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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, 2011	December 31, 2010
Rupees in '000			
13. OTHER ASSETS			
Income / mark-up accrued on advances, investments and lending to financial institutions:			
- in local currency		10,952,336	10,542,327
- in foreign currencies		32,023	31,115
Advances, deposits, advance rent and other prepayments		1,406,687	1,137,721
Advance taxation (payments less provisions)		1,587,941	1,865,621
Stationery and stamps on hand		41,439	29,713
Prepaid exchange risk fee		53	66
Unrealized gain on forward foreign exchange contracts		162,279	-
Due from the employees' retirement benefit schemes	36.4	1,562,389	1,504,938
Excise duty		11	26
Receivable from SBP - customers encashments		9,222	487
Non banking assets acquired in satisfaction of claims	13.1	1,974,266	1,730,492
Suspense account		584,350	696,059
Others		78,055	40,612
		<u>18,390,994</u>	<u>17,579,177</u>
Less: Provision held against other assets	13.2	(1,098,592)	(1,062,781)
Other assets (net of provision)		<u>17,292,402</u>	<u>16,516,396</u>
13.1		<u>1,820,550</u>	<u>1,747,410</u>
13.2 Provision against Other Assets:			
Opening balance		1,062,781	816,191
Charge for the year		308,815	331,077
Reversals		(194,634)	-
Net charge		114,181	331,077
Written off / adjusted		(78,370)	(84,487)
Closing balance		<u>1,098,592</u>	<u>1,062,781</u>
14. CONTINGENT ASSETS			
There were no contingent assets of the Group as at December 31, 2011 and December 31, 2010.			
15. BILLS PAYABLE			
In Pakistan		<u>4,015,317</u>	<u>4,118,791</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
16. BORROWINGS			
In Pakistan		49,959,308	20,680,282
Outside Pakistan		33,892	94,168
		<u>49,993,200</u>	<u>20,774,450</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		48,043,881	20,518,433
In foreign currencies		1,949,319	256,017
		<u>49,993,200</u>	<u>20,774,450</u>
16.2 Details of borrowings (Secured / Unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme	16.3	14,162,420	13,301,654
Long term financing facility - Export oriented projects	16.4	1,418,190	1,889,208
Long term financing facility	16.4	2,673,844	3,316,675
Modernization of SMEs	16.5	154,240	-
Financing Facility for Storage of Agriculture Produce (FFSA)	16.6	71,249	-
Revival of SMEs & Agricultural activities in flood affected areas	16.7	89,450	-
		<u>18,569,393</u>	<u>18,507,537</u>
Borrowing from financial institutions		-	20,000
Repurchase agreement borrowings	16.8	29,474,488	1,990,896
Unsecured			
Call borrowings	16.9	1,915,427	161,849
Overdrawn nostro accounts		33,892	94,168
		<u>1,949,319</u>	<u>256,017</u>
		<u>49,993,200</u>	<u>20,774,450</u>

16.3 The Bank has entered into various agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 11.00% (2010: 10.0%) per annum. These borrowings are repayable within six months from the deal date.

16.4 This represents Long Term Financing availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 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 11.60% (2010: 5.0% to 8.6%) per annum.

16.5 This represents Long Term Financing Facility availed by the Bank for further extending the same to its customers for balancing, modernization and replacement (BMR) of existing units / projects, for a maximum period of 7 years. The loan carries mark-up at the rate ranging from 8% to 10% per annum.

16.6 This represents Long Term Financing facility availed by the Bank for extending the same to its customers for establishment, expansion and balancing, modernization & replacement (BMR) of Steel/Metal/Concrete Silos, Warehouses & Cold Storage facilities for storing agricultural produce, for a maximum period of 7 years. The loan carries mark-up at rates ranging from 8% to 10% per annum.

16.7 This represents Production / Working capital financing facility availed by the Bank for extending the same to Farmers and Small & Medium Enterprises (SMEs) in districts affected by recent flood as notified by National Disaster Management Authority. The loan carries mark-up at the rate of 8% per annum.

16.8 These represent funds borrowed from the local interbank market against government securities, carrying mark-up at the rates ranging from 11.7% to 11.95% (2010: 13.5%) per annum maturing on various dates, latest by January 30, 2012.

16.9 These represent unsecured borrowings in local and foreign currency from the local interbank market, carrying mark-up at rates ranging between 11.75% to 11.85% for local currency borrowing (2010: 10.75% to 12.40% per annum), and at rates ranging from 0.5% to 1% for foreign currency borrowing (2010: 0.8% to 1.3%) per annum maturing on various dates, latest by February 28, 2012.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	Rupees in '000	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	110,061,707	109,051,434
Savings deposits	106,782,794	93,632,849
Current accounts - Remunerative	57,667,849	57,006,516
- Non - remunerative	124,121,553	110,871,294
	<u>398,633,903</u>	<u>370,562,093</u>
Financial Institutions		
Remunerative deposits	560,816	522,556
Non - remunerative deposits	366,071	196,299
	<u>399,560,790</u>	<u>371,280,948</u>
17.1 Particulars of deposits		
In local currency	362,078,640	343,371,982
In foreign currencies	37,482,150	27,908,966
	<u>399,560,790</u>	<u>371,280,948</u>
18. SUB-ORDINATED LOANS		
Term Finance Certificates - I	2,495,000	2,496,000
Term Finance Certificates - II	2,997,600	2,998,800
	<u>5,492,600</u>	<u>5,494,800</u>

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

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount - (Rupees in thousand)	2,495,000	2,997,600
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	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)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
19. OTHER LIABILITIES			
Mark-up/Return/Interest payable in local currency		4,824,619	3,727,598
Mark-up/Return/Interest payable in foreign currency		597,610	417,918
Accrued expenses		1,122,934	733,214
Branch adjustment account		485,125	1,401,372
Unrealized loss on forward foreign exchange contracts		-	281,215
Provision for:			
- gratuity	36.4	131,413	94,917
- employees' medical benefits	36.4	1,771,930	1,632,793
- employees' compensated absences		963,190	872,706
Unclaimed dividends		57,502	49,162
Dividend payable		10,984	8,279
Provision against off-balance sheet obligations	19.1	515,009	370,764
Retention money payable		113,644	92,891
Security deposits against lease		397,171	254,009
Sundry deposits		914,860	1,203,467
Workers Welfare Fund payable		576,706	255,413
Others		864,650	912,071
		13,347,347	12,307,789
19.1 Provision against off-balance sheet obligations			
Opening balance		370,764	459,003
Charge for the year		182,304	33,054
Reversals		(38,059)	(121,293)
Net charge / (reversal)		144,245	(88,239)
Closing balance		515,009	370,764
The above provision has been made against letters of guarantee issued by the Bank.			
19.2 Particulars of other liabilities			
In local currency		12,749,737	11,741,659
In foreign currencies		597,610	566,130
		13,347,347	12,307,789

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

20. SHARE CAPITAL

20.1 Authorized capital

December 31, 2011	December 31, 2010		December 31, 2011	December 31, 2010
No. of shares			Rupees in '000	
1,500,000,000	1,000,000,000	Ordinary shares of Rs.10/- each	15,000,000	10,000,000

20.2 Issued, subscribed and paid-up capital

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

December 31, 2011	December 31, 2010	Ordinary shares	December 31, 2011	December 31, 2010
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
435,982,273	357,772,190	Issued as bonus shares	4,359,823	3,577,722
842,762,367	764,552,284		8,427,624	7,645,523
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
8,400,000	8,400,000		84,000	84,000
860,310,917	782,100,834		8,603,110	7,821,009

Ibrahim Fibers Limited, related party of the Bank, holds 270,786,564 (31.4%) [December 31, 2010: 287,078,695 (36.71%)] ordinary shares of Rs.10 each, as at date of Statement of Financial Position.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			

21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus arising on revaluation of:

- fixed assets	21.1	3,629,110	2,765,036
- securities	21.2	2,088,676	2,033,420
Surplus on revaluation of assets - net of tax		5,717,786	4,798,456

21.1 Surplus on revaluation of fixed assets

Surplus on revaluation as at January 1, 2011		3,079,647	3,132,247
Surplus on revaluation during the year		928,659	-
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		(29,204)	(30,743)
Related deferred tax liability	12.1	(15,728)	(16,554)
	11.6	(44,932)	(47,297)
Surplus on revaluation as at December 31, 2011		3,963,374	3,079,647
Less: Related deferred tax liability on:			
Revaluation as at January 1, 2011		314,611	331,165
Deferred tax liability on surplus on revaluation of fixed assets		35,381	-
Incremental depreciation charged during the year transferred to profit and loss account	12.1	(15,728)	(16,554)
		334,264	314,611
		3,629,110	2,765,036

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
21.2	Surplus / (Deficit) on revaluation of Available-for-sale securities		
	Federal Government Securities		
	Market Treasury Bills	(67,646)	(120,712)
	Pakistan Investment Bonds	(13,023)	(23,870)
	Term Finance Certificates	(20,986)	(9,949)
	Shares / Certificates - Listed	2,429,655	2,528,671
	Open end mutual funds	(35,511)	63,155
		9.1	2,292,489
	Less : Related deferred tax (liability)	12.1	(203,813)
			<u>2,088,676</u>
			<u>2,033,420</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

Guarantees in favour of:			
Banks and financial institutions		611,478	1,769,128

22.2 Transaction-related contingent liabilities

Guarantees in favour of:			
Government		14,010,962	9,512,438
Others		21,208,164	8,585,255
		35,219,126	18,097,693

22.3	Trade-related contingent liabilities	52,324,035	52,044,205
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22.4	Claims against the bank not acknowledged as debt	4,210,600	3,943,404
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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, 2011	December 31, 2010
Rupees in '000		

22.6	Commitments in respect of forward foreign exchange contracts		
	Purchase	49,580,813	23,100,518
	Sale	25,543,453	7,371,457

22.7 Commitments in respect of:

Civil works	1,496,831	1,260,603
Acquisition of operating fixed assets	504,141	372,584
	2,000,972	1,633,187

22.8	Commitments in respect of lease financing	110,472	168,437
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22.9	Commitments in respect of procurement of software	-	258
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22.10	Commitments in respect Market Treasury Bills	3,926,578	-
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22.11	Other Commitments	900	731
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Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

22.12 Other Contingencies

22.12.1 The income tax assessments of the Bank have been finalized upto and including tax year 2011 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2011, income tax authorities made certain add backs with aggregate tax impact of Rs.10,718 million. As a result of appeals filed by the Bank before appellate authorities, the add backs with tax impact amounting to Rs.2,524 million and Rs.9,229 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs.5,940 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.10,718 million. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

22.12.2 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 Group 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 loose 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.

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 5.15.2. The risk management framework of derivative instruments is given in note 43.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	Rupees in '000	
24. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances	32,634,769	31,349,605
On investments in:		
Available for sale securities	16,029,300	10,354,988
Held to maturity securities	1,283,302	1,309,349
Held for Trading	4,349	-
	17,316,951	11,664,337
On deposits with financial institutions	4,079	5,458
On securities purchased under resale agreements	1,796,144	1,858,505
On certificates of investment	6,929	31,467
On letters of placement	13,864	23,579
On call money lending	56,161	78,233
	<u>51,828,897</u>	<u>45,011,184</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	20,139,258	16,648,769
Long term borrowing	297,379	353,197
Securities sold under repurchase agreements	1,952,036	767,920
Call money borrowing	338,396	1,173,399
Brokerage and commission	209,802	198,364
Markup on sub-ordinated loans	814,737	761,979
Other short term borrowings	2,944,577	2,561,878
	<u>26,696,185</u>	<u>22,465,506</u>
26. FEE, COMMISSION AND BROKERAGE INCOME		
Core fees, commission and brokerage	2,818,681	2,405,807
Account maintenance charges	176,641	240,453
	<u>2,995,322</u>	<u>2,646,260</u>
27. GAIN / (LOSS) ON SALE OF SECURITIES		
Shares - listed	845,570	1,322,826
- unlisted	-	5,100
Open end mutual funds	(107,390)	107,207
Market treasury bills	130,660	417
Term finance certificates	521	44
	<u>869,361</u>	<u>1,435,594</u>
28. OTHER INCOME		
Gain on sale of operating fixed assets	2,576	11,986
Miscellaneous	66,231	86,724
Compensation of tax refund	-	152,618
	<u>68,807</u>	<u>251,328</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.	29.3	6,942,294	6,044,326
Charge for defined benefit plan	36	471,055	472,290
Contribution to defined contribution plan - provident fund		219,933	193,248
Non-executive directors' fees, allowances and other expenses		4,525	2,125
Rent, taxes, insurance, electricity, etc.		1,530,143	1,332,749
Legal and professional charges		98,350	83,017
Communications		407,529	253,631
Repairs and maintenance		255,768	210,468
Stationery and printing		281,388	245,561
Advertisement and publicity		291,057	204,105
Auditors' remuneration	29.1	14,309	11,430
Depreciation / Amortization	11.2 & 11.3	1,035,096	854,869
Security service charges		552,343	463,925
Travelling, conveyance and fuel expenses		274,850	221,432
Entertainment		138,253	126,298
Computer expenses		423,458	270,538
Subscription		257,810	293,913
Donations	29.2	61,295	38,260
Others		29,645	21,905
		13,289,101	11,344,090

29.1 Auditors' remuneration

	December 31, 2011			December 31, 2010			
	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	KPMG Taseer Hadi & Co.	Ernst & Young Ford Rhodes Sidat Hyder	M. Yousuf Adil Saleem & Co.	Total
Rupees in '000							
Audit fee	2,925	2,925	5,850	2,730	2,730	-	5,460
Special certifications, half yearly reviews and miscellaneous services	3,158	3,400	6,558	1,622	1,470	430	3,522
Out-of-pocket expenses	771	737	1,508	1,025	200	904	2,129
Subsidiary							
Audit fee	-	325	325	-	300	-	300
Other certification	-	35	35	-	10	-	10
Out-of-pocket expenses	-	33	33	-	9	-	9
	6,854	7,455	14,309	5,377	4,719	1,334	11,430

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

- 29.2 None of the directors, executives and their spouses had any interest in the donations disbursed during the year except Mr. Mohammad Naeem Mukhtar (Chairman of Board of Directors) who is also a member of Board of Governors of National Management Foundation which is the governing body of the Suleman Dawood School of Business. Donations paid in excess of Rs. 100,000 to a single party during the year are as follows:

	December 31, 2011	December 31, 2010
	Rupees in '000	
Memon Medical Institute	1,200	-
Khoja Society for People's Education	600	-
Karachi Center for Dispute Resolution	450	-
Imran Khan Foundation	100	-
Institute of Business Administration	20,000	10,000
Bakhtawar Amin Memorial Trust Hospital	1,000	2,000
Suleman Dawood School of Business	10,000	-
Patient Welfare Society Allied Hospital Faisalabad	596	-
GCU Endowment Fund Trust	1,000	-
Patients welfare association, DMC & Civil hospital Karachi	500	500
Patients welfare society Shaikh Zayed hospital Lahore	1,000	-
Marie Adelaide leprosy center	1,000	-
University of Karachi	300	-
Shaukat Khanum Memorial Cancer Hospital & Research Centre	2,000	1,000
Lahore Business Association	500	-
Tamir Welfare Organization	2,849	-
Society for education technology	500	-
Pink Ribbon Pakistan	500	-
Mayo Hospital Lahore	1,200	-
Allied fund for flood relief account	15,000	-
Pakistan Hindu Council	100	100
Say Trust	100	-
Sundus Foundation	800	-
Bait ul Sakoon Karachi	-	100
Chhipa Welfare Association Karachi	-	3,530
Chief Minister of Punjab Flood Relief Fund	-	5,000
Citizen Foundation Karachi	-	100
Donation for Flood affected persons, Punjab	-	10,000
Jazba Foundation Lahore	-	500
Lahore Businessmen Association for Rehabilitation of the Disabled	-	1,000
Liver Center Civil Hospital Karachi	-	500
M/s Book Group Karachi	-	2,500
M/s Tehzeeb Social Welfares Lahore	-	250
National Textile College Mananwala Faisalabad	-	180
Agha Khan Hospital and Medical College Foundation	-	1,000
	<u>61,295</u>	<u>38,260</u>

- 29.3 During the year, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. 183 (2010 : 195 employees) employees of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 265 million (2010 : Rs. 294 million) to cover additional retirement benefits in respect of such employees.

	December 31, 2011	December 31, 2010
	Rupees in '000	
30. OTHER CHARGES		
Penalties imposed by SBP	117,986	59,647
SBP prism service charges	3,194	-
Education cess	12,046	10,017
Provision against write off of fixed assets	116,920	5
Other assets written off	18,058	1,579
	<u>268,204</u>	<u>71,248</u>

31. WORKERS WELFARE FUND

Under the Worker's Welfare Ordinance (WWF), 1971, WWF is applicable @ 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, 2011

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
32. TAXATION			
Current - for the year		4,948,719	4,175,600
- for prior years		156,112	373,475
		<u>5,104,831</u>	<u>4,549,075</u>
Deferred		(103,139)	(417,613)
		<u>5,001,692</u>	<u>4,131,462</u>
32.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		15,257,865	12,415,279
Tax on income @ 35% (2010 : 35%)		5,340,253	4,345,348
Effect of permanent differences		49,405	10,510
Adjustments in respect of tax at reduced rates		(892,672)	(442,250)
Others		504,706	217,854
Tax charge for the year		<u>5,001,692</u>	<u>4,131,462</u>
33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation		<u>10,256,173</u>	<u>8,283,817</u>
		Number of Shares	
			Restated
Weighted average number of ordinary shares outstanding during the year	33.1	<u>860,310,917</u>	<u>860,310,917</u>
		Rupees	
			Restated
Earnings per share - basic and diluted	33.1	<u>11.92</u>	<u>9.63</u>

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 shares have been restated to include the effect of bonus shares issued by the Bank during the year.

	Note	December 31, 2011	December 31, 2010
Rupees in '000			
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	36,479,765	31,265,658
Balances with other banks	7	1,679,121	579,700
Overdrawn nostro accounts	16	(33,892)	(94,168)
		<u>38,124,994</u>	<u>31,751,190</u>
35. STAFF STRENGTH			
		Numbers	
Permanent		9,496	8,986
Temporary / on contractual basis / trainee		276	142
Bank's own staff strength at the end of the year		<u>9,772</u>	<u>9,128</u>
Outsourced		3,257	3,505
Total staff strength		<u>13,029</u>	<u>12,633</u>

36. DEFINED BENEFIT PLANS

36.1 General description

The Bank operates a funded gratuity scheme for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from July 1, 2002. For those employees who did not opt for the new scheme, the Bank continues to operate a funded pension scheme.

The Bank also operates a contributory benevolent fund (defined benefit scheme - funded) and provides post retirement medical benefits (unfunded scheme) to eligible retired employees.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

	December 31, 2011	December 31, 2010
	Number	
36.2 Number of Employees under the schemes		
The number of employees covered under the following defined benefit scheme/plans are:		
- Gratuity fund	9,772	9,083
- Pension fund	2,412	2,701
- Benevolent fund	213	235
- Employees' compensated absences	9,496	8,947
- Post retirement medical benefits	9,496	8,947

36.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2011 based on the Projected Unit Credit Method, using the following significant assumptions:

	Sources of estimation	December 31, 2011	December 31, 2010
Discount rate	Yield on investments in Government Bonds	13.00%	13.00%
Expected rate of return on plan assets:			
Pension fund	Yield on investments in Government Bonds	13.00%	13.00%
Gratuity fund	Yield on investments in Government Bonds	13.00%	13.00%
Benevolent fund	Yield on investments in Government Bonds	13.00%	13.00%
Expected rate of salary increase	Rate of salary increase	11.00%	11.00%
Exposure inflation rate		3.00%	3.00%

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

	Note	December 31, 2011				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Present value of defined benefit obligations	36.6	4,239,314	1,193,848	19,561	1,656,505	962,292
Fair value of plan's/scheme's assets	36.7	(5,985,286)	(918,453)	(160,816)	-	-
Net actuarial gains / (losses) not recognized		224,746	(143,982)	58,928	115,425	-
		(1,521,226)	131,413	(82,327)	1,771,930	962,292
Benefit of the surplus not available to the Bank		-	-	41,164	-	-
Net (asset) / liability		(1,521,226)	131,413	(41,163)	1,771,930	962,292

	Note	December 31, 2010				
		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) / gains 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

36.4.1 The effect of increase of one percentage point and decrease of one percentage point in the medical trend rates on the present value of medical obligation as at December 31, 2011 would be Rs. 125.116 million (2010: Rs. 113.873 million) and Rs. (108.32) million (2010: Rs. (95.401) million) respectively.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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

	Note	December 31, 2011				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		(1,474,259)	94,917	(30,679)	1,632,793	872,705
(Reversal) / charge for the year	36.9	(46,967)	183,090	(10,484)	265,446	267,115
Benefits paid		-	(146,594)	-	(126,309)	(177,528)
Closing balance		<u>(1,521,226)</u>	<u>131,413</u>	<u>(41,163)</u>	<u>1,771,930</u>	<u>962,292</u>

	Note	December 31, 2010				
		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		<u>(1,474,259)</u>	<u>94,917</u>	<u>(30,679)</u>	<u>1,632,793</u>	<u>872,705</u>

36.6 Reconciliation of present value of defined benefit obligations

		December 31, 2011				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
		Rupees in '000				
Opening balance		4,237,829	941,933	22,819	1,752,683	872,705
Current service cost		-	173,408	-	63,963	77,550
Interest cost		518,408	115,255	2,755	196,898	113,452
Benefits paid		(500,153)	(110,708)	(4,747)	(126,309)	(177,528)
VRS loss		106,000	2,000	-	8,000	34,000
Actuarial (gains) / losses		(122,770)	71,960	(1,266)	(238,730)	42,113
Closing balance		<u>4,239,314</u>	<u>1,193,848</u>	<u>19,561</u>	<u>1,656,505</u>	<u>962,292</u>

		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		<u>4,237,829</u>	<u>941,933</u>	<u>22,819</u>	<u>1,752,683</u>	<u>872,705</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

36.7 Reconciliation of fair value of plan assets

	December 31, 2011				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Opening balance	5,368,825	849,433	143,814	-	-
Expected return on plan assets	665,437	112,759	18,696	-	-
Bank's contribution	-	146,594	-	-	-
Benefits paid	(500,153)	(110,708)	(4,747)	-	-
Actuarial gains / (losses)	451,177	(79,625)	3,053	-	-
Closing balance	<u>5,985,286</u>	<u>918,453</u>	<u>160,816</u>	-	-

	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	-	-	-
Benefits paid	(663,521)	(116,278)	(18,245)	-	-
Actuarial gains / (losses)	211,328	125,349	(202)	-	-
Closing balance	<u>5,368,825</u>	<u>849,433</u>	<u>143,814</u>	-	-

36.8 Composition of fair value of plan assets

	December 31, 2011				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Government securities	4,578,616	618,646	118,478	-	-
Listed shares *	1,195,928	246,684	30,090	-	-
Bank balances *	210,742	53,123	12,248	-	-
	<u>5,985,286</u>	<u>918,453</u>	<u>160,816</u>	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	748,603	246,684	11,221	-	-
Bank balances with ABL	210,742	53,123	12,248	-	-
	<u>959,345</u>	<u>299,807</u>	<u>23,469</u>	-	-

	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 funds	722,968	-	-	-	-
Listed shares *	1,629,057	378,175	28,422	-	-
Bank balances *	1,519,799	471,258	115,392	-	-
	<u>5,368,825</u>	<u>849,433</u>	<u>143,814</u>	-	-
* Fair value of Bank's financial instruments included in plan assets					
Shares of ABL	640,103	202,055	-	-	-
Bank balances with ABL	1,519,799	471,258	115,392	-	-
	<u>2,159,902</u>	<u>673,313</u>	<u>115,392</u>	-	-

Notes to the Consolidated Financial Statements

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36.9 Charge for defined benefit plan

	December 31, 2011				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Leave Encashment
	Rupees in '000				
Current service cost	-	173,408	-	63,963	77,550
Interest cost	518,408	115,255	2,755	196,898	113,452
Expected return on plan assets	(665,437)	(112,759)	(18,696)	-	-
Actuarial (gains) / losses recognised	(5,938)	5,186	(5,028)	(3,414)	42,113
Contributions - employee	-	-	-	-	-
VRS Loss	106,000	2,000	-	8,000	34,000
Benefit of the surplus not available to the Bank	-	-	10,485	-	-
	<u>(46,967)</u>	<u>183,090</u>	<u>(10,484)</u>	<u>265,447</u>	<u>267,115</u>

	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 recognised	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	-	-
	<u>12,670</u>	<u>157,076</u>	<u>(7,729)</u>	<u>292,455</u>	<u>214,819</u>

36.9.1 The effect of increase of one percentage point and 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's post-employment medical costs would be Rs. 21.481 million (2010: Rs. 7.402 million) and Rs. 21.534 million (2010: Rs. 6.201 million) respectively.

	December 31, 2011	December 31, 2010
	Rupees in '000	
36.10 Actual return on plan assets		
- Pension fund	1,116,614	894,226
- Gratuity fund	33,133	219,144
- Benevolent fund	21,749	18,465

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

36.11 Five year data of defined benefit plan and experience adjustments

	Pension Fund				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	4,239,314	4,237,829	4,040,811	3,400,000	3,461,993
Fair value of plan assets	(5,985,286)	(5,368,825)	(5,138,070)	(4,319,903)	(5,738,722)
Surplus	(1,745,972)	(1,130,996)	(1,097,259)	(919,903)	(2,276,729)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	122,770	(191,900)	(491,912)	(117,235)	(219,179)
Actuarial gains / (losses) on assets	451,177	211,328	540,483	(1,264,567)	449,195
	Gratuity Fund				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	1,193,848	941,933	766,547	557,547	574,685
Fair value of plan assets	(918,453)	(849,433)	(593,567)	(304,031)	(475,357)
Deficit	275,395	92,500	172,980	253,516	99,328
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	(71,960)	(41,223)	(60,758)	60,479	(22,810)
Actuarial gains / (losses) on assets	(79,625)	125,349	131,570	(216,667)	(28,678)
	Benevolent Fund				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	19,561	22,819	60,968	474,679	557,296
Fair value of plan assets	(160,816)	(143,814)	(143,594)	(617,643)	(692,158)
Surplus	(141,255)	(120,995)	(82,626)	(142,964)	(134,862)
Experience adjustments on plan obligations / assets					
Actuarial gains / (losses) on obligation	1,266	25,350	6,697	94,790	1,424
Actuarial gains / (losses) on assets	3,053	(202)	40,916	(153,801)	(6,400)
	Post retirement medical				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	1,656,505	1,752,683	1,681,204	1,521,833	1,624,176
Fair value of plan assets	-	-	-	-	-
Deficit	1,656,505	1,752,683	1,681,204	1,521,833	1,624,176
Experience adjustments on plan obligations					
Actuarial gains / (losses) on obligation	238,730	68,829	40,340	153,494	(62,511)

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	Leave Encashment				
	2011	2010	2009	2008	2007
	Rupees in '000				
Present value of defined benefit obligation	962,292	872,705	838,005	832,215	875,178
Fair value of plan assets	-	-	-	-	-
Deficit	962,292	872,705	838,005	832,215	875,178
Experience adjustments on plan obligations					
Actuarial gains / (losses) 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 financial 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, 2012 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	(226,976)	199,530	(13,234)	278,569	240,541

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 9,093 (2010: 8,525) as on December 31, 2011. During the year, employees made a contribution of Rs. 219,933 million (2010: Rs. 193,248 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES OF THE GROUP

	Note	President/Chief Executive		Directors		Executives	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		Rupees in '000					
Fees	38.1	-	-	4,225	1,725	300	400
Managerial remuneration		24,365	26,045	-	-	1,062,406	771,768
Charge for defined benefit plans		1,614	1,613	-	-	241,024	200,575
Contribution to defined contribution plan		-	1,344	-	-	88,123	64,048
Leave encashments		-	-	-	-	616	-
Rent and house maintenance		10,973	11,724	-	-	454,048	339,458
Utilities		2,443	2,790	-	-	100,977	75,661
Medical		360	135	-	-	127,219	93,536
Bonus		17,099	50,456	-	-	412,242	232,092
Conveyance and others		285	424	-	-	157,743	123,745
		57,139	94,531	4,225	1,725	2,644,698	1,901,283
Number of persons		1	1	3	4	1,114	845

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. Each director was paid Rs. 50,000 during the year for each meeting attended.

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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 5.4.

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.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the Year Ended December 31, 2011							
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
	Rupees in '000							
Total income	400,890	2,197,570	33,139,197	49,517,619	720,216	378,407	(27,261,206)	59,092,693
Total expenses	(210,455)	(3,051,358)	(27,196,204)	(44,964,051)	(413,743)	(261,919)	27,261,206	(48,836,524)
Net income / (loss)	190,435	(853,788)	5,942,993	4,553,568	306,477	116,488	-	10,256,173
Segment assets (gross)	218,401	559,815	108,738,971	426,927,011	326,217	694,267	-	537,464,682
Segment non performing loans	-	-	6,860,243	13,592,222	-	-	-	20,452,465
Segment provision required	-	-	5,526,915	12,176,802	-	-	-	17,703,717
Segment liabilities	196,172	30,641,723	386,210,738	50,981,414	4,328,203	51,004	-	472,409,254
Segment return on net assets (ROA) (%)*	86.37%	-13.18%	5.81%	1.21%	113.45%	18.88%	-	-
Segment cost of funds (%)*	0.00%	22.34%	9.51%	9.40%	0.00%	0.00%	-	-

	For the Year Ended 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 / (loss)	199,442	20,375	4,034,253	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	12,450,531	-	-	-	18,688,166
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) (%)*	57.83%	0.10%	4.21%	1.18%	88.72%	11.63%	-	-
Segment cost of funds (%)*	0.00%	13.01%	6.04%	9.88%	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.

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41. RELATED PARTY 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.

Nature of related party transactions	December 31, 2011				December 31, 2010			
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
Rupees in '000								
Loans								
Loans at the beginning of the year	61,581	-	211,703	16,061,896	22,461	-	248,967	14,318,863
Loans given during the year	23,757	-	37,765	464,087	85,655	-	38,959	2,173,199
Loans repaid during the year	(35,369)	-	(46,463)	(16,525,983)	(46,535)	-	(76,223)	(430,166)
Loans at the end of the year	49,969	-	203,005	-	61,581	-	211,703	16,061,896
Deposits								
Deposits at the beginning of the year	9,821	93,965	16,128	3,042,357	9,661	9,400	10,782	4,810,081
Deposits received during the year	4,147,530	13,513,467	191,103	14,937,123	2,973,552	9,298,676	179,754	4,517,454
Deposits repaid during the year	(4,140,081)	(13,558,447)	(193,675)	(17,749,050)	(2,973,392)	(9,214,111)	(174,408)	(6,285,178)
Deposits at the end of the year	17,270	48,985	13,556	230,430	9,821	93,965	16,128	3,042,357
Nostro balances	-	131,749	-	-	-	126,448	-	-
Borrowings	-	1,204,313	-	-	-	161,850	-	-
Investments in shares / mutual funds	-	240,969	-	14,075,798	-	240,969	-	3,304,790
Other Receivable	-	-	-	74,071	-	-	-	29,098
Other Payable	-	-	-	13,630	-	-	-	667
Rent Payable	-	-	-	731	-	-	-	664
Non funded exposure	-	-	-	-	-	-	-	4,111,021
Net receivable from :								
staff retirement benefit funds	-	-	-	1,430,976	-	-	-	1,452,077
Rupees in '000								
Mark-up earned	2,234	-	12,556	256,504	481	-	11,863	2,432,979
Income on placements	-	4	-	-	-	6	-	-
Income on lendings	-	111	-	-	-	155	-	-
Dividend income	-	-	-	1,204,410	-	-	-	292,892
Sales Commission	-	-	-	12,251	-	-	-	30,574
Management fee sharing expense	-	-	-	4,809	-	-	-	5,803
Management fee income	-	-	-	305,338	-	-	-	165,232
Mark-up expense on deposits	559	29	82	220,873	443	-	364	408,256
Interest expense on borrowings	-	2,578	-	-	-	600	-	-
Sindh Sales Tax on Management fee	-	-	-	31,421	-	-	-	-
Directors' meeting fee	4,225	-	-	-	1,725	-	-	-
Remuneration	-	-	243,361	-	-	-	200,145	-
NIFT charges	-	-	-	81,337	-	-	-	66,040
Rent expense	-	14,624	-	-	-	12,851	-	-
Bank charges levied	-	-	-	-	-	23	-	33
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	345,571	-	-	-	474,530

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 Consolidated financial statements.

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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 Structure

The Group's regulatory capital is analyzed into two tiers:

Tier I 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 II capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves) and subordinated debt (up to a maximum of 50% of Tier 1 capital).

The Bank has issued unsecured subordinated Term Finance Certificates, which contributes towards Tier II capital for minimum capital requirements (MCR) to support the Group's growth. The regulatory approval for TFC I and TFC II was 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. TFC I is not redeemable before maturity without prior approval of the SBP, where as TFC II can be redeemed after the 11th redemption date of the entire TFC issue.

The salient features of the issue are as follow:

	Term Finance Certificate-I	Term Finance Certificate-II
Outstanding Amount- (Rupees in thousand)	2,495,000	2,997,600
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 III Capital has also been prescribed by the SBP for managing market risk; however the Group does not have any Tier 3 capital.

The required capital is achieved by the Group through:

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

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for the year ended December 31, 2011

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

	December 31, 2011	December 31, 2010
	Rupees in '000	
Tier I Capital		
Shareholders' equity /Assigned Capital	8,603,110	7,821,009
Share premium	201,856	983,957
Reserves	8,560,889	6,532,953
Unappropriated profits (Net of Losses)	20,395,717	15,853,255
Total Tier I Capital	37,761,572	31,191,174
Less: Book value of intangibles	(854,041)	(184,670)
Shortfall in provisions required against classified assets irrespective of relaxation allowed	(1,698,881)	(70,250)
Reciprocal investment	-	(8,482)
	(2,552,922)	(263,402)
Eligible Tier I Capital	35,208,650	30,927,772
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	3,293,365	4,496,400
General Provisions subject to 1.25% of Total Risk Weighted Assets	32,647	9,473
Revaluation Reserve (upto 45%)	2,815,138	2,482,624
Total Tier II Capital	6,141,150	6,988,497
Eligible Tier II Capital	6,141,150	6,988,497
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	41,349,800	37,916,269

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. 8 billion free of losses by the end of financial year 2011. 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, 2011.

The paid up capital and CAR of the Group stands at Rs. 8.603 billion and 13.53% of its risk weighted exposure as at December 31, 2011.

The Bank has complied with all externally imposed capital requirements as at year end.

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42.4 Risk Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
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	162,461	66,166	1,624,605	661,656
(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	102,129	53,265	1,021,286	532,647
(h) Claims on Banks	261,066	272,915	2,610,657	2,729,147
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	58,114	45,367	581,144	453,672
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	12,545	87,567	125,455	875,665
(k) Claims on Corporates (excluding equity exposures)	13,602,452	12,951,802	136,024,521	129,518,020
(l) Claims categorized as retail portfolio	2,169,600	2,247,792	21,696,004	22,477,919
(m) Claims fully secured by residential property	177,504	177,253	1,775,042	1,772,533
(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.	73,146	3,651	731,459	36,510
1.2 Where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	271,692	324,304	2,716,919	3,243,038
1.3 Where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	55	-	548	-
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 the reagainst 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.	672,602	584,574	6,726,015	5,845,742
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	281,868	134,229	2,818,678	1,342,285
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	1,724,108	1,518,645	17,241,083	15,186,446
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	546,185	456,123	5,461,854	4,561,234
	20,115,527	18,923,651	201,155,270	189,236,514

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	Capital Requirements		Risk Weighted Assets	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	Rupees in '000			
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes/ Lending of securities or posting of securities as collateral	2,959,326	1,942,157	29,593,260	19,421,569
Trade Related contingencies/Other Commitments with original maturity of one year or less	302,600	379,656	3,025,998	3,796,561
	3,261,926	2,321,813	32,619,258	23,218,130
Off- Balance Sheet - Market related Exposures	56,159	17,112	561,588	171,120
Total Credit Risk (A)	23,433,612	21,262,576	234,336,116	212,625,764
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	-	-	-	-
Equity position risk etc.	1,811,373	1,442,962	18,113,732	14,429,622
	1,811,373	1,442,962	18,113,732	14,429,622
Capital Requirement for portfolios subject to Internal Models				
Interest rate risk	-	-	-	-
Foreign exchange risk etc.	38,017	96,687	380,172	966,869
	38,017	96,687	380,172	966,869
Total Market Risk (B)	1,849,390	1,539,649	18,493,904	15,396,491
Operational Risk				
Basic Indicator Approach-Total of operational risk (C)	5,172,713	4,341,938	51,727,126	43,419,377
TOTAL of A + B + C	30,455,715	27,144,163	304,557,146	271,441,632
			December 31, 2011	December 31, 2010
Capital Adequacy Ratio				
Total eligible regulatory capital held (Note 42.2)	(a)		41,349,800	37,916,269
Total Risk Weighted Assets (Note 42.4)	(b)		304,557,146	271,441,632
Capital Adequacy Ratio	(a) / (b)		13.58%	13.97%

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.
Market Risk	The risk of loss generated by adverse changes in the price of financial assets or contracts currently held by the Bank (this risk is also known as price risk).
Liquidity Risk	The risk that the Bank is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequences of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

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Operational Risk Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition excludes reputational risk.

Reputational Risk The risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted.

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 Procedures 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.

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.

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Country Risk

The Bank has in place a Country Risk Management Framework 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 uses 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, Institutional, SME and Consumer borrowers. These models are based on expert judgment, comprising of both quantitative and qualitative factors. The rating models are being automated through the Bank's Loan Origination System, 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 (SAMG), which is responsible for management of non performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal for collection of debt.

For the non-performing loan portfolio, the Bank makes a specific provision based on an assessment of the credit impairment of each loan. At the end of 2011, the specific provisioning rate was 86.87% 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 2011, the Bank's focus remained on pruning and consolidation of advances portfolio, while concomitantly channelizing the available liquidity towards risk free assets i.e. Treasury Bills and PIBs. In line with this strategy, the advances show an overall reduction by 2%, which has resulted in a healthy Advances to Deposit Ratio and Capital Adequacy Ratio.

Efficient diversification has been a key consideration for maintaining healthy advances portfolio. The diversification takes into account the volatility of various sectors by placing concentration limits on lending to these sectors thereby ensuring a diversified advances portfolio. Composition of the Bank's advance's portfolio is significantly diversified. Agriculture, Textile, Cement, 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, 2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, and Hunting	553,982	0.21	20,011,083	5.01	15,000	0.01
Basic metals (iron, steel)	2,501,762	0.95	902,119	0.23	1,901,312	1.10
Beverages	1,210,675	0.46	24,449	0.01	144,068	0.08
Cement/clay & ceramics	12,673,857	4.83	317,957	0.08	1,122,037	0.65
Chemical & pharmaceutical	18,921,536	7.22	235,227	0.06	1,063,618	0.61
Construction	4,252,768	1.62	19,180,108	4.80	3,004,858	1.73
Education	79,645	0.03	4,785,119	1.20	4,005	0.00
Financial	4,001,199	1.53	1,064,499	0.27	82,892,351	47.77
Finishing of Textile	7,500,764	2.86	2,042,681	0.51	1,917,565	1.11
Fishing	12,699	0.00	-	-	-	-
Footware & leather garments	1,091,214	0.42	297,075	0.07	181,296	0.10
Furniture & sports goods	1,103,477	0.42	753,967	0.19	122,405	0.07
Grains & related	16,860,069	6.43	4,335,870	1.09	82,341	0.05
Health & social welfare	290,639	0.11	1,723,000	0.43	707,227	0.41
Hotel, restaurant & clubs	224,024	0.09	1,263,467	0.32	61	0.00
Machinery & equipment	3,661,686	1.40	942,800	0.24	787,404	0.45
Manufacture of made up & ready made garments	2,179,456	0.83	580,011	0.15	122,227	0.07
Manufacture of transport equipment	648,843	0.25	110,326	0.03	224,131	0.13
Paper & paper boards	4,759,182	1.82	10,225	0.00	395,059	0.23
Petroleum products	1,840,113	0.70	3,554,830	0.89	18,549,867	10.69
Power, gas, water & sanitary	49,103,160	18.73	2,249,871	0.56	7,546,761	4.35
Printing, publishing & allied	167,216	0.06	34,752	0.01	15,135	0.01
Real estate, renting, and business activities	3,348,060	1.28	33,846,560	8.47	321,618	0.19
Rubber & plastic	728,947	0.28	625,937	0.16	233,886	0.13
Spinning	25,641,953	9.78	7,891,056	1.97	560,869	0.32
Sugar	3,281,416	1.25	1,620,900	0.41	31,218	0.02
Tobacco	-	-	26,340	0.01	-	-
Transport, storage & communication	4,583,373	1.75	1,436,699	0.36	1,563,720	0.90
Weaving	5,282,725	2.02	4,439,228	1.11	724,213	0.42
Wholesale & retail trade	12,438,556	4.74	37,653,252	9.42	1,826,228	1.05
Individuals	7,025,060	2.68	135,255,891	33.85	1,104,261	0.64
Others	66,175,498	25.24	112,345,491	28.12	46,363,686	26.72
	262,143,554	100.00	399,560,790	100.00	173,528,427	100.00

43.1.1.2 Segments by sector

	December 31, 2011					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	48,949,342	18.67	47,484,153	11.88	42,298,659	24.38
Private	213,194,212	81.33	352,076,637	88.12	131,229,768	75.62
	262,143,554	100.00	399,560,790	100.00	173,528,427	100.00

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

	December 31, 2011		December 31, 2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry, and Hunting	191,594	117,701	151,668	111,761
Food & Beverages	742,356	677,453	855,203	711,950
Spinning	3,124,538	2,306,832	3,170,992	2,085,969
Weaving	9,040	9,040	9,040	9,040
Finishing of Textile	1,936,749	2,050,251	1,909,925	1,513,757
Footwear & leather garments	55,964	55,964	64,976	64,976
Paper & paper boards	2,559	2,559	2,559	2,559
Printing, publishing & allied	31,677	31,677	36,787	35,335
Petroleum products	6,062	4,939	5,037	5,037
Chemical & pharmaceutical	373,525	353,898	127,902	110,402
Rubber & plastic	2,680	2,403	2,135	2,135
Cement/clay & ceramics	119,625	31,156	119,625	29,906
Basic metals (iron, steel)	866,035	816,727	775,333	734,740
Machinery & equipment	1,292,141	1,283,410	1,274,679	1,274,679
Power, gas, water & sanitary	839,515	839,515	842,846	842,846
Manufacture of transport equipment	83,410	75,118	72,354	72,354
Financial	343,808	233,925	281,313	132,370
Real estate, renting, and business activities	1,745,401	1,659,885	1,733,911	1,349,097
Transport, storage & communication	361,199	350,232	361,458	359,815
Hotel, restaurant & clubs	63,319	59,532	61,408	61,408
Construction	625,067	590,694	887,907	763,419
Furniture & sports goods	215,210	112,077	450	450
Wholesale & retail trade	2,206,086	1,988,895	2,353,764	1,971,045
Individuals	36,966	36,966	48,303	48,303
Others	5,177,939	3,980,221	3,538,591	3,127,435
	<u>20,452,465</u>	<u>17,671,070</u>	<u>18,688,166</u>	<u>15,420,788</u>

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

	December 31, 2011		December 31, 2010	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/Government	144,565	72,283	-	-
Private	20,307,900	17,598,787	18,688,166	15,420,788
	<u>20,452,465</u>	<u>17,671,070</u>	<u>18,688,166</u>	<u>15,420,788</u>

43.1.1.5 Geographical Segment Analysis

	December 31, 2011			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	Rupees in '000			
Pakistan	<u>15,257,865</u>	<u>515,888,612</u>	<u>43,479,358</u>	<u>173,528,427</u>

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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 weights. 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 ratings. Unsolicited ratings may only be used in cases where a solicited ratings 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, 2011

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

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Credit exposures subject to Standardized Approach

Exposures	Rating Category	December 31, 2011				December 31, 2010			
		Rupees in '000							
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount		
Corporate	1	54,954,120	-	54,954,120	36,213,222	-	36,213,222		
	2	20,593,018	-	20,593,018	18,984,146	-	18,984,146		
	3, 4	609,742	-	609,742	1,069,354	-	1,069,354		
	5, 6	3,460,473	-	3,460,473	908,325	-	908,325		
Claims on banks with original maturity of 3 months or less	-	31,576,266	30,563,891	1,012,375	13,493,628	9,113,821	4,379,807		
Retail		35,433,013	2,718,177	32,714,836	37,364,308	2,803,830	34,560,478		
Public sector entities	1	6,596,571	-	6,596,571	2,025,120	-	2,025,120		
Others	-	269,806,220	-	269,806,220	178,461,422	-	178,461,422		
Unrated	-	173,364,585	27,840,637	145,523,948	193,605,519	63,962,118	129,643,401		

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 and other reputable financial institutions 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 statement of financial position 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.

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Composition of equity investments

	Held for Trading	Available for Sale	Investment in Subsidiary
	Rupees in '000		
Equity Investments - Publicly Traded	-	12,651,072	-
Equity Investments - Others	-	1,879,118	-
Total Value	-	14,530,190	-

The cumulative realized gain arose of Rs. 738.180 million (2010: 1,435.594 million) from sale of equity securities / certificates of mutual funds and units of open end mutual funds; however unrealized gain of Rs. 2,292.489 million (2010: 2,437.295 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 trade-ability. 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).

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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, 2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	499,554,312	432,417,767	(24,037,360)	43,099,185
United States Dollar	15,514,498	35,071,835	19,882,654	325,317
Great Britain Pound	278,730	2,497,583	2,238,347	19,494
Japanese Yen	14,241	627	(11,689)	1,925
Euro	512,154	2,417,146	1,933,335	28,343
Other Currencies	14,677	4,296	(5,287)	5,094
	16,334,300	39,991,487	24,037,360	380,173
	515,888,612	472,409,254	-	43,479,358

	December 31, 2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistani Rupee	435,493,495	384,733,812	(15,729,062)	35,030,621
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
	449,966,408	413,976,778	-	35,989,630

43.2.3 Equity Position Risk

The Board, based on the recommendations of ALCO, approves exposure limits applicable to investments in Trading and Banking Book. Equity securities are perpetual assets and are classified under either Held-for-Trading Portfolio or Available-for-Sale Portfolio.

Concentration Risk

ALCO is responsible for making investment decisions 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.

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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	Exposed to Yield/ Interest risk										Not exposed to Yield/ Interest Risk	
		December 31, 2011											
		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	36,479,765	5,336,771	-	-	-	-	-	-	-	-	-	-	31,142,994
Balances with other banks	1,679,121	-	-	-	-	-	-	-	-	-	-	-	1,679,121
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-	-	-	-
Investments - net	195,789,638	5,275,730	22,231,493	30,766,483	74,946,026	6,581,314	2,293,499	21,842,601	-	-	-	-	31,852,492
Advances - net	244,439,837	45,290,309	149,804,166	31,164,889	3,358,944	2,258,479	955,291	2,355,664	2,482,767	-	-	-	4,285,103
Other assets - net	12,635,410	-	-	-	-	-	-	-	-	-	-	-	12,635,410
	492,385,525	57,264,564	172,035,659	61,931,372	78,304,970	8,839,793	3,248,790	24,198,265	2,482,767	2,484,225	-	-	81,595,120
Liabilities													
Bills payable	4,015,317	-	-	-	-	-	-	-	-	-	-	-	4,015,317
Borrowings	49,993,200	33,783,850	5,024,781	7,384,824	292,290	584,576	584,576	2,338,303	-	-	-	-	-
Deposits and other accounts	399,560,790	60,827,323	41,747,838	31,357,226	132,923,626	4,643,369	948,625	1,205,348	526,447	332,549	-	-	125,048,439
Sub-ordinated loan	5,402,600	-	2,495,000	2,997,600	-	-	-	-	-	-	-	-	-
Other liabilities	11,325,081	-	-	-	-	-	-	-	-	-	-	-	11,325,081
	470,386,988	94,611,173	49,267,619	41,739,650	133,215,916	5,227,945	1,533,201	3,543,651	526,447	332,549	-	-	140,388,837
On-balance sheet gap	21,998,537	(37,346,609)	122,768,040	20,191,722	(54,910,946)	3,611,848	1,715,589	20,654,614	1,956,320	2,151,676	-	-	(58,793,717)
Off-balance sheet financial instruments													
Commitments in respect of forward exchange contracts - purchase													
	49,580,813	17,456,577	20,422,754	11,686,910	14,571	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale													
	(25,543,453)	9,696,506	11,705,161	4,141,786	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	24,037,360	7,760,071	8,717,593	7,545,124	14,571	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	46,035,897	(29,586,538)	131,485,633	27,736,846	(54,896,375)	3,611,848	1,715,589	20,654,614	1,956,320	2,151,676	-	-	-
Cumulative yield / interest risk sensitivity gap	46,035,897	(29,586,538)	101,899,095	129,635,941	74,739,566	78,351,414	80,067,003	100,721,617	102,677,937	104,829,613	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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	
			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)														
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	0.0%	31,265,658	4,205,540	-	-	-	-	-	-	-	-	-	-	27,060,118
Balances with other banks		579,700	145	-	-	-	-	-	-	-	-	-	-	579,555
Lendings to financial institutions	12.22%	11,488,944	11,395,277	9,000	18,000	-	-	-	-	-	-	-	-	-
Investments - net	12.53%	121,158,730	31,795,537	30,933,115	4,594,856	875,197	2,779,620	24,667	2,310,175	(375,592)	-	-	-	12,639,783
Advances - net	14.66%	253,102,710	29,759,168	8,960,402	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	9,409,882	3,963,881	5,522,134	-	-	-	-	55,547,764
Liabilities														
Bills payable	0.00%	4,118,791	-	-	-	-	-	-	-	-	-	-	-	4,118,791
Borrowings	9.15%	20,774,450	4,429,756	6,939,554	371,849	743,697	1,487,395	743,697	1,487,395	1,487,395	-	-	-	-
Deposits and other accounts	5.23%	371,280,948	100,045,460	21,421,896	99,354,335	1,905,394	775,526	3,548,589	1,184,770	505,227	-	-	-	110,871,294
Sub-ordinated loan	13.81%	5,494,800	-	2,496,000	-	-	-	-	-	-	-	-	-	-
Other liabilities		9,571,536	-	-	-	-	-	-	-	-	-	-	-	9,571,536
		411,240,525	104,475,216	30,857,450	99,726,184	2,649,091	1,519,223	2,444,658	2,672,165	505,227	-	-	-	124,561,621
On-balance sheet gap		18,356,228	(27,319,549)	89,672,276	6,205,093	603,900	4,373,898	2,849,969	(505,227)	(505,227)	(505,227)	(505,227)	(505,227)	(69,013,857)
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	(27,319,549)	89,672,276	6,205,093	603,900	4,373,898	2,849,969	(505,227)	(505,227)	(505,227)	(505,227)	(505,227)	15,729,061
Total yield / interest risk sensitivity gap		34,085,289	(27,319,549)	71,397,794	77,602,887	78,206,787	80,651,445	85,025,343	87,875,312	87,875,312	87,875,312	87,875,312	87,875,312	87,370,085
Cumulative yield / interest risk sensitivity gap		34,085,289	(27,319,549)	71,397,794	77,602,887	78,206,787	80,651,445	85,025,343	87,875,312	87,875,312	87,875,312	87,875,312	87,875,312	87,370,085
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, 2011	December 31, 2010	December 31, 2010										
	Reconciliation to total assets			Reconciliation to total liabilities										
				(Rupees in '000)										
	Balance as per Statement of Financial Position	515,888,612	449,966,408	Balance as per Statement of Financial Position										413,976,778
	Less: Non financial assets			Less: Non financial liabilities										
	Operating fixed assets	18,095,123	15,371,118	Deferred tax liability										-
	Deferred tax asset	750,972	483,152	Other liabilities										2,736,253
	Other assets	4,656,992	4,515,385											
		23,503,087	20,369,655											
	Total financial assets	492,385,525	429,596,753	Total financial liabilities										411,240,525

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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.

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

	December 31, 2011									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	36,479,765	26,081,468	723,187	21,840	-	3,217,756	3,217,757	3,217,757	-	-
Balances with other banks	1,679,121	1,478,416	31,066	6,277	-	54,454	54,454	54,454	-	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-
Investments - net	195,789,638	2,883,955	17,311,551	30,116,726	104,603,387	3,263,498	3,994,922	25,261,062	8,354,537	-
Advances - net	244,439,837	52,528,206	19,963,627	22,618,869	8,272,273	31,602,421	31,153,648	35,286,734	39,279,740	3,734,319
Operating fixed assets	18,095,123	145,418	290,838	436,256	872,513	912,717	475,839	447,699	694,314	13,819,529
Deferred tax assets	750,972	(9,291)	(54,588)	(42,519)	131,118	758,303	415,677	(5,579)	(442,149)	-
Other assets - net	17,292,402	9,193,216	2,591,199	2,123,996	265,187	(546,622)	2,374	45,317	2,055,405	1,562,330
	515,888,612	93,663,142	40,856,880	55,281,445	114,144,478	39,262,327	39,314,671	64,307,444	49,941,847	19,116,178
Liabilities										
Bills payable	4,015,317	2,349,529	159,500	-	-	502,096	502,096	502,096	-	-
Borrowings	49,993,200	33,783,851	5,024,781	7,384,823	292,288	584,576	584,576	2,338,305	-	-
Deposits and other accounts	399,560,790	91,500,628	43,743,309	31,357,226	20,750,344	72,827,684	69,132,940	69,389,663	526,447	332,549
Sub-ordinated loans	5,492,600	-	600	500	1,100	1,248,200	1,248,200	3,600	2,990,400	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,347,347	3,696,488	5,646,645	358,340	705,029	355,025	419,171	674,775	1,491,874	-
	472,409,254	131,330,496	54,574,835	39,100,889	21,748,761	75,517,581	71,886,983	72,908,439	5,008,721	332,549
Net assets / (liabilities)	43,479,358	(37,667,354)	(13,717,955)	16,180,556	92,395,717	(36,255,054)	(32,572,312)	(8,600,995)	44,933,126	18,783,629
Share capital										
Share capital	8,603,110									
Reserves	8,762,745									
Unappropriated profit	20,395,717									
	37,761,572									
Surplus on revaluation of assets - net of tax										
Surplus on revaluation of assets	5,717,786									
- net of tax	43,479,358									

Notes to the Consolidated Financial Statements

for the year ended December 31, 2011

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)										
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	36,000	24,667	8,748,806	8,337,092	-	-	-
Investments - net	121,158,730	30,401,148	7,627,656	13,349,325	14,434,659	18,243,932	40,905,788	9,617,853	-	-
Advances - net	253,102,710	42,242,420	27,641,295	8,411,891	13,679,215	403,809	672,162	11,339,964	-	-
Operating fixed assets	15,371,118	121,986	2,43,972	731,917	403,809	551,582	(351,614)	1,534,796	-	-
Deferred tax assets	483,152	(4,699)	(61,640)	53,513	727,061	(5,023)	-	-	-	-
Other assets - net	16,516,396	8,641,382	2,067,352	745,624	29,269,410	27,539,297	49,563,428	22,249,227	-	-
	449,966,408	124,642,872	89,341,578	54,725,073	24,077,278	28,558,243	29,269,410	49,563,428	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	1,487,395	1,487,395	-	-
Deposits and other accounts	371,280,948	156,354,516	54,731,004	44,484,443	48,281,096	13,807,470	12,677,603	16,751,613	8,742,537	-
Sub-ordinated loans	5,494,800	-	600	500	1,100	2,200	1,248,200	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	1,398,914	-	-
	413,976,778	169,288,950	63,270,614	51,656,926	49,083,607	15,004,776	15,315,239	22,630,723	8,742,537	-
Net assets / (liabilities)	35,989,630	(44,646,078)	26,070,964	3,068,147	(26,006,329)	13,553,467	13,954,171	26,932,705	13,506,691	-
Share capital										
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									

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.

43.3.1.1

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, 2011											
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	(Rupees in '000)
Assets											
Cash and balances with treasury banks	36,479,765	26,081,468	723,187	21,840	-	3,217,756	3,217,757	3,217,757	-	-	-
Balances with other banks	1,679,121	1,478,416	31,066	6,277	-	54,454	54,454	-	-	-	-
Lendings to financial institutions	1,361,754	1,361,754	-	-	-	-	-	-	-	-	-
Investments - net	195,789,638	2,883,955	17,311,551	30,116,726	104,603,387	3,263,498	3,994,922	25,261,062	8,354,537	-	-
Advances - net	244,439,837	52,528,206	19,963,627	22,618,869	8,272,273	31,602,421	31,153,648	35,286,734	39,279,740	3,734,319	-
Operating fixed assets	18,095,123	145,418	290,838	436,256	872,513	912,717	475,839	447,699	694,314	13,819,529	-
Deferred tax assets	750,972	(9,291)	(54,588)	(42,519)	131,118	758,303	415,677	(5,579)	(442,149)	-	-
Other assets - net	17,292,402	9,193,216	2,591,199	2,123,996	265,187	(546,622)	2,374	45,317	2,055,405	1,562,330	-
	515,888,612	93,663,142	40,856,880	55,281,445	114,144,478	39,262,527	39,314,671	64,307,444	49,941,847	19,116,178	-
Liabilities											
Bills payable	4,015,317	2,349,529	159,500	-	-	502,096	502,096	502,096	-	-	-
Borrowings	49,993,200	33,783,851	5,024,781	7,384,823	292,288	584,576	584,576	2,338,305	-	-	-
Deposits and other accounts	399,560,790	50,821,545	74,477,614	66,298,661	56,555,543	22,612,255	18,917,511	25,163,863	48,443,477	36,270,321	-
Sub-ordinated loans	5,492,600	-	600	500	1,100	1,248,200	1,248,200	3,600	2,990,400	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,347,347	3,696,492	5,646,645	358,340	705,029	355,025	419,171	674,775	1,491,870	-	-
	472,409,254	90,651,417	85,309,140	74,042,324	57,553,960	25,302,152	21,671,554	28,682,639	52,925,747	36,270,321	-
Net assets	43,479,358	3,011,725	(44,452,260)	(18,760,879)	56,590,518	13,960,375	17,643,117	35,624,805	(2,983,900)	(17,154,143)	-
Share capital	8,603,110										
Reserves	8,762,745										
Unappropriated profit	20,395,717										
	37,761,572										
Surplus on revaluation of assets											
- net of tax	5,717,786										
	43,479,358										

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, 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)											
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	9,000	18,000	36,000	24,667	-	-	-	
Investments - net	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 - net	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	939,768	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 - 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	27,539,297	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 loans	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	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										

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for the year ended December 31, 2011

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 REPORTING DATE

The Board of Directors of the Bank in its meeting held on February 14, 2012 has proposed a cash dividend in respect of 2011 of Rs. 2.50 per share (2010: cash dividend Rs. 2.00 per share). In addition, the directors have also announced a bonus issue of 10% (2010: 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, 2011 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2012.

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.

45.2 Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison. However, no significant re-classification or re-arrangement has been made except re-classification of balance amounting to Rs.754.088 million from advances to other assets.

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 14, 2012 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 11.11 & 11.12 to the financial statements

DETAIL OF DISPOSAL OF FIXED ASSETS

Particulars	Rupees in '000					Particulars of purchaser
	Original cost/ revalued amount	Accumulated depreciation	Book value	Sale Proceeds	Mode of Disposal	
Electrical, office and computer equipment						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Generator	960	277	683	683	As Per Bank Policy	Mr. M.A. Manzoor
Generator	2,549	2,236	313	765	As Per Bank Policy	Machinery Management
Total	3,509	2,513	996	1,448		
Vehicles						
Items having book value of more than Rs.250,000 or cost of more than Rs.1,000,000						
Motor Vehicle	2,746	1,135	1,611	1,611	As Per Bank Policy	Mr. M.A. Manzoor
Motor Vehicle	6,450	2,804	3,646	3,646	As Per Bank Policy	Mr. M.A. Manzoor
Total	9,196	3,939	5,257	5,257		
31 December, 2011	12,705	6,452	6,253	6,705		
Furniture & Fixture						
Employees	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	25	15	10	10	As Per Bank Policy	Mr. Shahid Sarwar
	14	14	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	7	7	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	1	1	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Nadir Ali
	10	10	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	5	5	-	-	As Per Bank Policy	Mr. Nadir Ali
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	8	6	2	2	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	5	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	2	2	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	10	8	2	2	As Per Bank Policy	Mr. Ziaullah Chaudhry
	3	3	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	3	3	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	3	3	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	7	7	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	7	7	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	7	7	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
Total	194	180	14	14		

ANNEXURE II

As referred to in notes 11.11 & 11.12 to the financial statements

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
Electrical equipments						
Employees						
	24	24	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	5	5	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	25	25	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	5	5	-	-	As Per Bank Policy	Mr. Shahid Sarwar
	26	26	-	-	As Per Bank Policy	Mr. Nadir Ali
	4	4	-	-	As Per Bank Policy	Mr. Nadir Ali
	120	16	104	104	As Per Bank Policy	Mr. M.A. Manzoor
	24	24	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	33	33	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	5	4	1	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	4	4	-	-	As Per Bank Policy	Mr. Ziaullah Chaudhry
	30	30	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	5	5	-	-	As Per Bank Policy	Mr. Ghazanfar Iqbal
	17	17	-	2	As Per Bank Policy	Mr. Shahid Hussain
	17	17	-	2	As Per Bank Policy	Mr. .Khurram Khan
	17	17	-	2	As Per Bank Policy	Mr. Tariq Javed Ghumman
	17	17	-	2	As Per Bank Policy	Mr. Ijaz Bashir Bhatti
	20	20	-	2	As Per Bank Policy	Mr. Syed Mohammad Ali Bukhari
	20	20	-	2	As Per Bank Policy	Mr. Syed Hassan Rizvi
	16	9	7	14	As Per Bank Policy	Mr. Imtiaz Hussain Mughal
	17	17	-	2	As Per Bank Policy	Mr. Muhammad Tehsin
	20	20	-	2	As Per Bank Policy	Mr. Muhammad Tariq
	20	20	-	2	As Per Bank Policy	Mr. Asad Farooq
	20	20	-	2	As Per Bank Policy	Mr. Muhammad Touseef Asim
	20	20	-	2	As Per Bank Policy	Mr. Arshad Khan
	20	20	-	2	As Per Bank Policy	Mr. Afzal Saleem
	20	20	-	2	As Per Bank Policy	Mr. Khalid Mahmood Tarar
	17	17	-	2	As Per Bank Policy	Mr. Afzal H Bokhari
	20	16	4	4	As Per Bank Policy	EFU Life Insurance
	18	3	15	16	Insurance	EFU Life Insurance
	18	3	15	16	Insurance	EFU Life Insurance
Total	644	498	146	182		
Other Disposals	15,577	14,435	1,142	3,230	As Per Bank Policy	Miscellaneous
31 December, 2011	29,120	21,565	7,555	10,131		

Pattern of Shareholding

Allied Bank Limited

Information for annual financial statement as on December 31, 2011.

1 Issued, Subscribed and Paid-up Capital:

ORDINARY SHARES	As on December 31, 2011		As on December 31, 2010	
	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	435,982,273	4,359,822,730	357,772,190	3,577,721,900
Issued for consideration other than cash	17,548,550	175,485,500	17,548,550	175,485,500
TOTAL	860,310,917	8,603,109,170	782,100,834	7,821,008,340

2 Major shareholding

Holding more than 5% of the total paid-up capital.

Name of Shareholder	No. of shares held	Percentage Held
Mohammad Naeem Mukhtar	146,631,442	17.04
Muhammad Waseem Mukhtar	146,618,248	17.04
Sheikh Mukhtar Ahmad	127,251,559	14.79
Ibrahim Fibres Limited	270,786,564	31.48
State Bank of Pakistan	86,604,013	10.07

Pattern of Shareholding

Allied Bank Limited

No. of Shareholders	From	Shareholdings	To	Total Shares Held
6,539	1		100	239,028
9,350	101		500	2,179,673
1,508	501		1,000	1,134,677
1,734	1,001		5,000	3,726,992
356	5,001		10,000	2,472,375
124	10,001		15,000	1,492,590
77	15,001		20,000	1,323,327
44	20,001		25,000	998,302
27	25,001		30,000	743,233
17	30,001		35,000	551,329
13	35,001		40,000	480,445
11	40,001		45,000	462,410
10	45,001		50,000	489,230
5	50,001		55,000	258,783
3	55,001		60,000	179,191
5	60,001		65,000	315,305
2	65,001		70,000	132,066
3	70,001		75,000	215,347
3	75,001		80,000	236,472
4	85,001		90,000	350,102
1	95,001		100,000	100,000
3	105,001		110,000	323,740
1	110,001		115,000	113,102
2	120,001		125,000	242,595
1	125,001		130,000	128,978
1	130,001		135,000	131,819
2	145,001		150,000	295,576
1	155,001		160,000	155,672
1	180,001		185,000	182,466
1	210,001		215,000	212,700
1	220,001		225,000	221,500
1	230,001		235,000	234,921
1	240,001		245,000	241,422
2	245,001		250,000	497,593
1	255,001		260,000	259,917
1	260,001		265,000	260,442
1	265,001		270,000	267,520
1	360,001		365,000	364,445
1	395,001		400,000	400,000
1	445,001		450,000	446,235
1	485,001		490,000	489,243
1	500,001		505,000	502,122
1	510,001		515,000	514,340
1	520,001		525,000	523,888
1	535,001		540,000	535,050
1	590,001		595,000	590,611
1	620,001		625,000	622,578
1	665,001		670,000	666,716
1	775,001		780,000	777,966
2	1,020,001		1,025,000	2,047,988
1	1,570,001		1,575,000	1,573,951
1	1,855,001		1,860,000	1,859,300
1	3,915,001		3,920,000	3,915,303
1	6,310,001		6,315,000	6,314,278
1	7,385,001		7,390,000	7,386,612
1	10,870,001		10,875,000	10,870,982
1	12,020,001		12,025,000	12,024,895
1	19,010,001		19,015,000	19,012,730
1	75,730,001		75,735,000	75,733,031
1	127,250,001		127,255,000	127,251,559
1	146,615,001		146,620,000	146,618,248
1	146,630,001		146,635,000	146,631,442
1	270,785,001		270,790,000	270,786,564
19,884				860,310,917

Pattern of Shareholding

Allied Bank Limited

Categories of Shareholders		No. of Shares Held	Percentage	
Associated Companies, undertaking and related parties.				
Ibrahim Fibres Limited	Sponsors	1	270,786,564	31.48
Trustees of ABL Employees Superannuation Funds		1	19,012,730	2.21
		2	289,799,294	33.69
Directors, Chief Executive Officer, and their spouses and minor children				
Mohammad Naeem Mukhtar		1	146,631,442	17.04
Muhammad Waseem Mukhtar		1	146,618,248	17.04
Sheikh Mukhtar Ahmad		1	127,251,559	14.79
Abdul Aziz Khan		1	20,000	0.00
Jalees Ahmed		1	10,445	0.00
Mubashir A. Akhtar		1	6,050	0.00
Pervaiz Iqbal Butt		1	3,993	0.00
		7	420,541,737	48.88
Banks, DFIs, Financial Institutions, NBFIs.				
State Bank of Pakistan		2	86,604,013	10.07
Standard Chartered Bank (Pak) Limited		1	18,115	0.00
Escorts Investment Bank Limited		2	235,117	0.03
Summit Bank Limited		1	25,000	0.00
Pak-Oman Investment Company Limited		1	489,243	0.06
Sindh Bank Limited		1	622,578	0.07
Trust Leasing Corporation Limited		1	151	0.00
Askari Bank Limited		1	590,611	0.07
National Bank of Pakistan		5	4,195,423	0.49
The Bank of Punjab		1	250,000	0.03
MCB Bank Limited – Treasury		1	6,314,278	0.73
The Bank of Khyber		1	5,000	0.00
M/S. Al-Faysal Investment Bank		1	42	0.00
Bank Al Falah		1	89,226	0.01
		20	99,438,797	11.56
NIT and ICP				
National Bank of Pakistan, Trustee Dept.		1	1,859,300	0.22
IDBP (ICP Unit)		4	11,954	0.00
		5	1,871,254	0.22
Insurance Companies				
New Jubilee Insurance Company Limited		1	212,700	0.02
Adamjee Insurance Company Limited		1	1,573,951	0.18
State Life Insurance Corp. Of Pakistan		1	259,917	0.03
Atlas Insurance Limited		1	64,793	0.01
Asia Care Health & Life Insurance Company Limited		1	47,553	0.01
New Jubilee Life Insurance Company Limited		1	149,260	0.02
Century Insurance Company Limited		1	26,958	0.00
The Crescent Star Insurance Company Limited		1	807	0.00
M/S. Orient Insurance Company Limited		1	305	0.00
Gulf Insurance Company Limited		1	545	0.00
		10	2,336,789	0.27
Modarabas and Mutual Funds				
Trust Pakistan Human Development Fund		1	85,775	0.01
First Tawakal Modaraba		1	262	0.00
Fadlity Leasing Modaraba		1	463	0.00
Nafa Assets Allocation Fund		1	99	0.00
Pak Strategic Allocation Fund		1	523,888	0.06
NAFA Stock Fund		1	502,122	0.06
NAFA Multi Asset Fund		1	11,550	0.00
AKD Index Tracker Fund		1	53,531	0.01
First Alnoor Modaraba		1	16,522	0.00
MCB Dynamic Allocation Fund		1	52,423	0.01
Pakistan Stock Market Fund		1	1,022,988	0.12

Categories of Shareholders		No.of Shares Held	Percentage
Pakistan Capital Market Fund	1	241,422	0.03
Atlas Stock Market Fund	1	1,025,000	0.12
Askari Asset Allocation Fund	1	120,556	0.01
APF- Equity Sub Fund	1	35,500	0.00
Lakson Equity Fund	1	90,000	0.01
MCBFSL Ursf-Equity Sub Fund	1	28,708	0.00
MCB Dynamic Stock Fund	1	446,235	0.05
HBL Multi - Asset Fund	1	43,851	0.01
Pakistan Premier Fund Limited	1	777,966	0.09
First HBL - Stock Fund	1	35,743	0.00
HBL - Stock Fund	1	155,672	0.02
PICIC Stock Fund	1	35,000	0.00
First Capital Mutual Fund Ltd	1	49,500	0.01
M/S. Modaraba Al Mali	1	89	0.00
	25	5,354,865	0.62
Public Sector Companies and Corporations			
(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
Foreign Investors.			
The Bank of New York Mellon	1	1	
Emerging Markets Equity Managers PTF 1 O	1	30,506	0.00
Tundra Pakistan Fond	1	37,000	0.00
Public Employee Retirement Assc. Of New	1	36,575	0.00
Habib Bank AG Zurich, London	1	50,000	0.01
Habib Bank AG Zurich, Deira Dubai.	1	221,500	0.03
Habib Bank AG Zurich, Switzerland	1	12,100	0.00
Advance Series Trust - AST PARAMETRIC EM	1	267,520	0.03
BNP Paribas Arbitrage	1	70,143	0.01
Mohammad Tahir Butt	1	2,874	0.00
Shifa ur Rehman	1	1,000	0.00
Ashiq Ali Kanji	1	14,991	0.00
	12	744,210	0.09
General Public - Individuals	19,678	24,202,335	2.81
- Others	123	3,996,714	0.46
Federal Government of Pakistan	1	12,024,895	1.40
Security & Exchange Commission of Pakistan	1	27	0.00
	125	16,021,636	4.68
Total	19,884	860,310,917	100.00

All the trade in the shares carried out by directors, CFO, Secretary, their spouses and minor children is reported as under:

Name	Purchased
Mohammad Naeem Mukhtar	15,000,000
Muhammad Waseem Mukhtar	15,000,000
Sheikh Mukhtar Ahmad	15,000,000
Abdul Aziz Khan	3,060

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 27, 2012 at 11:00 am
Hotel Avari, Lahore.

Form of Proxy

66th Annual General Meeting

I / We _____

of _____

being a shareholder of the Allied Bank Limited do hereby appoint _____

of _____ also a shareholder of ABL, Folio No. _____

to be my/our proxy and to attend, act and vote for me/us on my/our behalf at the 66th Annual General Meeting of the Bank to be held on Tuesday, the March 27, 2012 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 _____ 2012.

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. 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

abl.com